

ZOOMD TECHNOLOGIES LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2019

ZOOM TECHNOLOGIES LTD.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **AS OF SEPTEMBER 30, 2019**

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ZOOMD TECHNOLOGIES LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(USD in thousands except share data)

	September 30,	December 31,
	2019	2018
Assets		
Current assets		
Cash and cash equivalents	5,918	3,604
Trade receivables	4,436	3,354
Other receivables and prepaid expenses	950	592
	11,304	7,550
Non-current assets		
Pledged long term deposit	166	70
Fixed assets, net	95	75
Rights of use assets	1,908	-
Intangible assets	12,997	14,346
	15,166	14,491
Total assets	26,470	22,041
Equity and liabilities		
Current liabilities		
Trade payables	2,798	2,859
Other payables and accrued expenses	2,697	2,156
Warrants	-	762
Convertible loans	-	3,221
	5,495	8,998
Non-current liabilities		
OCS liability	562	479
Lease liabilities	1,382	-
Reserve for employee benefits	166	154
	2,110	633
Shareholders' equity		
Share capital and premium	39,044	27,898
Reserve from share-based payment transactions	4,737	4,170
Accumulated deficit	(24,916)	(19,658)
	18,865	12,410
Total equity and liabilities	26,470	22,041
<i>"Amit Bohensky"</i>	<i>"Ofar Eitan"</i>	<i>"Tsvika Adler"</i>
Amit Bohensky	Ofer Eitan	Tsvika Adler
Chairmen of the board	CEO	CFO

The financial statements were approved by the board of directors of the company on November 27, 2019.

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 except share data)

	Note	For the nine months ended September 30,		For the three months ended September 30,		Year ended December 31
		2019	2018	2019	2018	2018
Revenue		19,508	21,107	5,904	8,717	28,649
Cost of sales and services		13,780	14,214	4,002	5,635	19,125
Gross profit		<u>5,728</u>	<u>6,893</u>	<u>1,902</u>	<u>3,082</u>	<u>9,524</u>
Operating costs and expenses:						
Research and development expenses		3,510	2,544	1,282	961	3,847
Selling, administrative and general expenses		4,495	3,820	1,679	1,725	7,209
		<u>8,005</u>	<u>6,364</u>	<u>2,961</u>	<u>2,686</u>	<u>11,056</u>
Operating profit (Loss)		(2,277)	529	(1,059)	396	(1,532)
Listing expenses	1	(1,519)	-	(1,519)	-	-
Finance Income		-	161	-	127	157
Finance expense		(1,462)	(579)	(121)	(140)	(963)
Finance expense, net		<u>(1,462)</u>	<u>(418)</u>	<u>(121)</u>	<u>(13)</u>	<u>(806)</u>
Loss before taxes on Income		<u>(5,258)</u>	<u>111</u>	<u>(2,699)</u>	<u>383</u>	<u>(2,338)</u>
Net and Comprehensive Loss		<u>(5,258)</u>	<u>111</u>	<u>(2,699)</u>	<u>383</u>	<u>(2,338)</u>
Net loss per share:						
Basic and diluted		<u>0.06</u>	<u>-</u>	<u>0.03</u>	<u>-</u>	<u>0.29</u>
Shares used in calculation of net loss per share:						
Basic and diluted		<u>83,376,872</u>	<u>77,124,950</u>	<u>97,497,199</u>	<u>82,121,758</u>	<u>77,561,669</u>

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

ZOOMD TECHNOLOGIES LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(USD in thousands except share data)

	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	3	5,970,069	3,672	-	-	3,672
Exercise of warrants	3	1,927,053	1,485	-	-	1,485
Issuance of shares (net of issuance expenses)	3	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>

	Note	Number of shares	Share capital and premium	Reserve for share-based payment transactions and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2018		73,304,037	27,898	2,446	(17,320)	13,024
Profit for the period		-	-	-	111	111
Share-based compensation		-	-	535	-	535
Balance - September 30, 2018 (Unaudited)		<u>73,304,037</u>	<u>27,898</u>	<u>2,981</u>	<u>(17,209)</u>	<u>13,670</u>

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

ZOOMD TECHNOLOGIES LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(USD in thousands except share data)

	<u>Note</u>	<u>Number of shares</u>	<u>Share capital and premium</u>	<u>Reserve for share-based payment transactions and other reserves</u>	<u>Accumulated deficit</u>	<u>Total shareholders' equity</u>
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	3	1,927,053	1,485	-	-	1,485
Issuance of shares (net of issuance expenses)	3	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>

	<u>Note</u>	<u>Number of shares</u>	<u>Share capital and premium</u>	<u>Reserve for share-based payment transactions and other reserves</u>	<u>Accumulated deficit</u>	<u>Total shareholders' equity</u>
Balance - July 1, 2018		73,304,037	27,898	2,486	(17,592)	12,792
Profit for the period		-	-	-	383	383
Share-based compensation		-	-	495	-	495
Balance - September 30, 2018 (Unaudited)		<u>73,304,037</u>	<u>27,898</u>	<u>2,981</u>	<u>(17,209)</u>	<u>13,670</u>

	<u>Note</u>	<u>Number of shares</u>	<u>Share capital and premium</u>	<u>Reserve for share-based payment transactions and other reserves</u>	<u>Accumulated deficit</u>	<u>Total shareholders' equity</u>
Balance - January 1, 2018		73,304,037	27,898	2,446	(17,320)	13,024
Loss for the year		-	-	-	(2,338)	(2,338)
Exercise of options		454,060	-	-	-	-
Share-based compensation		-	-	1,724	-	1,724
Balance - December 31, 2018		<u>73,758,097</u>	<u>27,898</u>	<u>4,170</u>	<u>(19,658)</u>	<u>12,410</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 nine months ended September 30,		For the three months ended September 30,		Year ended December 31
	2019	2018	2019	2018	2018
Cash flows - operating activities					
Loss from operations	(5,258)	111	(2,699)	383	(2,338)
Adjustments to reconcile net profit to net cash from operating activities (Appendix A)	3,055	1,844	1,732	1,193	5,084
Net cash provided from (used in) operating activities	<u>(2,203)</u>	<u>1,955</u>	<u>(967)</u>	<u>1,576</u>	<u>2,746</u>
Cash flows - investing activities					
Increase in pledged long term deposits	(97)	-	(7)	-	(50)
Purchase of property, plant and equipment	(83)	(13)	(22)	(2)	(21)
Net cash used in investing activities	<u>(180)</u>	<u>(13)</u>	<u>(29)</u>	<u>(2)</u>	<u>(71)</u>
Cash flows - financing activities					
Lease liabilities	(152)	-	(114)	-	-
Decrease of short-term credit from banks	-	(825)	-	(453)	(839)
Receipt of convertible loans	-	1,255	-	150	1,255
Exercise of warrants	57	-	57	-	-
Issuance of shares	4,792	-	4,792	-	-
Net cash provided from (used in) financing activities	<u>4,697</u>	<u>430</u>	<u>4,735</u>	<u>(303)</u>	<u>416</u>
Increase in cash and cash equivalents	2,314	2,372	3,739	1,271	3,091
Cash and cash equivalents at the beginning of the period	<u>3,604</u>	<u>513</u>	<u>2,179</u>	<u>1,614</u>	<u>513</u>
Cash and cash equivalents at the end of the period	<u>5,918</u>	<u>2,885</u>	<u>5,918</u>	<u>2,885</u>	<u>3,604</u>

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
	2019	2018	2019	2018	2018
Cash flows from operating activities:					
A. Adjustments to reconcile net profit to net cash from operating activities					
Depreciation and amortization	1,588	1,374	574	435	1,844
Change in employee benefit liabilities, net	12	(12)	4	1	(51)
Cost of share-based payment	567	535	105	495	1,724
Listing expenses	1,519	-	1,519	-	-
Convertible loans and warrants revaluation	1,118	419	(1)	27	770
Finance expenses net	(41)	-	(25)	-	-
Changes in assets and liabilities:					
Increase in trade receivables and other receivables	(1,762)	(2,063)	(814)	(1,002)	(868)
Increase (decrease) in trade and other payables, and other current and non-current liabilities	(56)	1,519	280	1,209	1,568
Changes in OCS liabilities	83	72	63	28	97
	<u>3,028</u>	<u>1,844</u>	<u>1,705</u>	<u>1,193</u>	<u>5,084</u>
Interest payments	<u>27</u>	<u>-</u>	<u>27</u>	<u>-</u>	<u>-</u>
Total	<u>3,055</u>	<u>1,844</u>	<u>1,732</u>	<u>1,193</u>	<u>5,084</u>
B. Significant non-cash transactions:					
Conversion of convertible loans	<u>3,672</u>	<u>-</u>	<u>3,672</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements

ZOOMD TECHNOLOGIES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands except share data)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL

A. 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 million (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 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands except share data))

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL (Cont)

B. Reverse asset acquisition

These interim condensed consolidated financial statements include the completion of the reverse acquisition transaction. Zoomd, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of the Company in a capital transaction on September 3, 2019. The comparative figures that are presented in the consolidated financial statements are those of Zoomd with the exception that the presentation of share capital has been adjusted retroactively to that of the Company, the legal acquirer. The consolidated statement of loss and comprehensive loss includes the full results of Zoomd. As the acquirer for accounting purposes, Zoomd's net assets are included in the consolidated statements of financial position at their carrying amounts.

The consideration effectively transferred for the acquisition of Zoomd Technologies Ltd (formerly known as DataMiners Capital Corp) is as follows (amounts are USD in thousands):

<u>Category</u>	<u>Amount</u>
Fair value of 524,000 post-consolidated DataMiners Capital Corp shares ^(*)	396
Fair value of 1,475,000 post-consolidated DataMiners Capital Corp finder's fee shares	1,113
Total Value to DataMiners Capital Corp Shareholders	1,509
<u>Less: cash</u>	<u>(6)</u>
Add: accounts payable	16
Net assets (liabilities) acquired	10
 <u>Listing expenses</u>	 <u>1,519</u>

(*) Fair value was determined as the per share price in the fund raising completed concurrently of CDN\$1 (US\$0.75)

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, 2018 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.

ZOOMD TECHNOLOGIES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands except share data))

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Impact of the adoption of new IFRS standards:

Impact of the Adoption of IFRS 16: Leases:

IFRS 16, Leases (“IFRS 16”) was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Pursuant to the reliefs available by the standard the Company did not apply the provisions of the standard to leases whose term ends within 12 months from the date of first-time application. At the transition date, the company had a leases of vehicles with monthly lease 1\$ thousands as well as office rent that was end on March 2019, as such at the transition of the standard there were no significant effect on the company’s position and results of operations. During the second quarter of 2019, the company entered into a new rent agreement for a period of four years with a monthly lease payments of 34\$ thousands. The agreement was expanded in the third quarter by an additional monthly lease payment of \$13 in thousands that will end on the same period. During the six months ended September 30, the Company entered into a new vehicles lease agreements for a period of three years each, with a total monthly lease payment of 3.5\$ in thousands.

Set forth below are the principal effects on the Company’s statement of financial position as of September 30, 2019:

The leased asset	Right of use asset	Lease liability
	USD in thousands	
Leased premises	1,801	1,811
Vehicles	107	108

The discount rates used in the aforementioned calculations are based on the lessee’s incremental borrowing rate which varies according to the lease’s amount and average duration and the nature of the leased assets. The discount rate stands at 5.5%.

Principal effects on the Company’s statement of profit or loss for the period of nine and three months ending September 30 2019:

The leased asset	Decrease in lease expenses pursuant to IAS 17	Increase in depreciatio n expenses pursuant to IFRS 16	Total decrease (increase) in income from operating activities	Increase in finance expenses pursuant to IFRS 16	Total decrease (increase) in income for the period
Leased premises	149	163	14	27	41
Vehicles	30	14	(11)	2	(14)

ZOOMD TECHNOLOGIES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands except share data))

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Impact of the adoption of new IFRS standards: (Cont.)

Impact of the Adoption of IFRS 16: Leases: (Cont.)

Principal effects on the Company's statement of cash flow for the period of nine and three months ending September 30 2019:

<u>The leased asset</u>	<u>Increase in operating activities</u>	<u>Increase in investing activities</u>	<u>Decrease in financing activities</u>
Leased premises	123	-	(123)
Vehicles	29	-	(29)

NOTE 3 - SHARE CAPITAL AND OTHER EQUITY

A. Shares issued and outstanding:

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As of September 30, 2019, Zoomd has 93,230,209 common shares issued and outstanding and as of December 31, 2018, the Company had 73,758,137 (after giving effect to the share split discussed above) common shares issued and outstanding.

A reconciliation of shares outstanding as of September 30, 2019 is as follows:

	<u>Number of common shares</u>
Balance - January 1, 2019	73,758,097
Conversion of convertible loans (i)	5,970,069
Exercise of warrants (ii)	1,927,053
Total shares of Zoomd ^(*)	<u>81,655,219</u>

(*) after giving effect to the shareholder equity recapitalization

Shares issued in the qualifying transaction and fund raising:

	<u>Number of common shares</u>
DataMiners Shares issued and outstanding	524,000
Shares issued to the holders of Subscription Receipts (iii)	9,265,990
Resulting Issuer Shares issued as a finder's fee (iv)	1,475,000
Resulting Issuer Shares issued for a consultant (v)	310,000
Total issuance of shares according to the qualifying transaction:	<u>11,574,990</u>
Balance - September 30, 2019	<u>93,230,209</u>

ZOOMD TECHNOLOGIES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands except share data)

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

B. Transactions:

- i. In May 2019, the convertible loans, at the fair value of 3,674 in thousands, were fully converted into 5,970,069 ordinary shares of the Company with a conversion price of \$0.38 (following the share split).
- ii. During the third quarter, the warrants were exercised into 1,927,053 ordinary shares of the Company with a conversion price of \$ 0.26 (following the shares split).
- iii. Concurrently with the Qualifying Transaction, Zoomd raised CAD \$9,265,990 (USD\$7 million) pursuant to 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.
- iv. Represents a finder's fee payable to an arm's length third party in connection with the completion of the Transaction.
- v. Represents a share based fee for services rendered in connection with the completion of the Transaction.

- C.** Upon completion of the Transaction and as an integral part thereof, all the 81,655,219 issued shares to the former shareholders of Zoomd are being held by Altshuler Shaham Trusts Ltd., a designated trustee (the "Trustee") as required under the tax pre-ruling granted (the "Tax Ruling") by the Israeli Tax Authorities (the "ITA") to Zoomd and its shareholders. The purpose of this trust arrangement is to comply with the terms of the Tax Ruling which enables each shareholder to postpone the tax event as a result of the exchange of shares upon the completion of the Transaction to a later date, and therefore the shares are held in trust with the Trustee in order to ensure the future tax payments to the ITA. The voting rights of the shares held in trust will remain in the control of the shareholders, and the Trustee will disseminate the information from the Company to such shareholders.

In addition, all 81,655,219 common shares issued to the former shareholders of Zoomd Ltd. as part of the reverse takeover with Dataminers Capital Corp. completed on August 28, 2019 (the "RTO") are subject to a one year contractual lock-up beginning on August 28, 2019, being the date the reverse takeover was completed.

In addition, in connection with the completion of the RTO, a total of 33,207,850 common shares (31,547,458 common shares remain subject to escrow as of November 18, 2019) and 3,731,000 stock options (3,544,450 stock options remain subject to escrow as of November 18, 2019) held by Principals of Zoomd Technologies Ltd. (as such term is defined by the Policies of the TSX Venture Exchange) were escrowed pursuant to a TSX Venture Exchange Tier 2 surplus escrow agreement and 84,000 common shares are subject to the capital pool company (CPC) escrow agreement. An additional 9,162,009 common shares (8,245,809 common shares remain subject to escrow as of November 18, 2019) and 4,534,310 stock options (4,081,041 stock options remain subject to escrow as of November 18, 2019) were escrowed pursuant to a TSX Venture Exchange Tier 2 value escrow agreement in connection with the seed share resale restriction rules of the TSX Venture Exchange.

ZOOMD TECHNOLOGIES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands except share data))

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

C. (Cont.)

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, 2019, and December 31, 2018 and January 1, 2018 and for options outstanding, and exercisable as of September 30, 2019, 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, 2018	1,499,761	-	6.39
Expired	-	-	
Cancelled	216,912	-	
Exercisable	454,059	-	
Granted	7,618,297	-	
Outstanding December 31, 2018	<u>8,447,087</u>	<u>-</u>	8.21
Expired	-	-	
Cancelled	-	-	
Exercisable	-	-	
Granted	-	-	
Outstanding September 30, 2019	<u>8,447,087</u>	<u>-</u>	7.46
Options exercisable	<u>6,267,217</u>		

The fair value at the date of grant of the options granted during the periods ended September 30, 2019, and December 31, 2018 and January 1, 2018 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 Company recognized total expense of \$567 and \$ 1,724 related to above equity settled share-based payment transactions for the period ended September 30, 2019 and December 31, 2018 respectively.

D. Warrants:

In connection with the Qualifying Transaction, the agents received 458,080 broker warrants (each, a “**Broker Warrant**”). Each Broker Warrant is exercisable to acquire one common share of the Company at CDN\$1.00 per share until August 20, 2021. In addition, certain finders received 265,000 finders’ options on identical terms as the Broker Warrants.

ZOOMD TECHNOLOGIES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands except share data))

NOTE 5 - FAIR VALUE

Fair value hierarchy:

The table below presents an analysis of the financial instruments measured at fair value, using a valuation method:

The different levels were defined as follows:

- (1) Level 1: Quoted prices (unadjusted) in an active market for identical instruments.
- (2) Level 2: Data observed directly or indirectly that are not included in Level 1 above.
- (3) Level 3: Data not based on observable market data.

	For the nine months ended		Year ended
	September 30		December 31
	2019	2018	2018
	Level 3		Level 3
Warrants (**)	-	411	762
Other financial liabilities - CLA (*)	-	3,221	3,221
	-	3,632	3,983

(*) On May 2019, the convertible loans, at fair value of 3,674 in thousands, were fully converted into 5,970,069 ordinary shares of the Company with a conversion price of \$0.38 (following the share split).

(**) During the third quarter, the warrants were exercised into 1,927,053 ordinary shares of the Company with a conversion price of \$ 0.26 (following the shares split)

The fair value of the CLA included in the level 3 categories above has been determined in accordance with generally accepted pricing models as of the final date of conversion in May 22, 2019. The most significant input is the fair value of the shares to which the CLA was convertible. The fair value of the shares was determined based on the financing round that takes place concurrent with the RTO ("RTO price"), adjusted to the uncertainties associated with the risk of the RTO being unsuccessful as well as lack of marketability discount considered as of the date of the conversion. The adjustments were affected by the time remaining to complete the RTO and the ability to secure investment in a level that would be sufficient to ensure at least the minimum required for a successful RTO.

The fair value of the warrants liability included in the level 3 categories above, has been determined in accordance with generally accepted pricing models based on a Black Scholes Merton formula, with the most significant inputs being share price, exercise price (2.56\$), volatility (47.27%-77.58%), risk free rate (1.2%-2.5%) and contractual term. The fair value of the shares was determined based on the RTO price.