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HERA MED LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2018

UNAUDITED

HERA MED LTD.

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Report on review of condensed interim financial information to the shareholders of Hera Med Ltd.

Introduction

We have reviewed the accompanying condensed interim balance sheet of Hera Med Ltd. (the "Company") as of June 30, 2018 and the related condensed interim statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not present fairly, in all material respects, the financial position of the Company as at June 30, 2018, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards (IFRSs).

We draw attention to Note 1(C) in the financial statements, which indicates that the Company incurred a net loss of \$599 thousands for the six months ended June 2018, and generated \$4 million of accumulated deficit since inception. As stated in the note, these events or conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management future plans to overcome this uncertainty are also described in the note. Our review opinion is not modified in respect of this matter.

Tel-Aviv, Israel
October 8, 2018

Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm

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HERA MED LTD.
STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	Note	June 30, 2018 Unaudited	December 31, 2017
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		1,492	46
Other accounts receivable		475	15
Inventory		58	64
Total current assets		<u>2,025</u>	<u>125</u>
NON-CURRENT ASSETS:			
Property and equipment, net		14	17
Intangible assets, net	4	1,266	1,125
Total non-current assets		<u>1,280</u>	<u>1,142</u>
TOTAL ASSETS		<u>3,305</u>	<u>1,267</u>

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

HERA MED LTD.
STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	Note	June 30, 2018 Unaudited	December 31, 2017
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade accounts payables		51	13
Other accounts payable		465	205
Convertible loan	5	1,592	-
Loan from related party		148	152
Total current liabilities		<u>2,256</u>	<u>370</u>
NON-CURRENT LIABILITIES:			
Loan from related party		147	151
Liability for royalties		485	541
Total non-current liabilities		<u>632</u>	<u>692</u>
EQUITY:			
Ordinary share capital	6	*	*
Series A preferred shares		*	*
Additional paid in capital		3,553	3,000
Capital reserve		859	601
Accumulated deficit		(3,995)	(3,396)
Total equity		<u>417</u>	<u>205</u>
		<u>3,305</u>	<u>1,267</u>
TOTAL LIABILITIES AND EQUITY			

* Less than 1 thousand.


David Groberman
Chief Executive Officer


Sivan Sadan
Chief Financial Officer

October 8, 2018
Date of approval of the
Financial statements

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

HERA MED LTD.
STATEMENTS OF COMPREHENSIVE INCOME
(US Dollar in thousands except loss per share)

	For the Six month period ended	
	June 30, 2018	June 30, 2017
	Unaudited	
Revenues	27	-
Cost of revenues	31	-
Gross loss	4	-
Research and development expenses	320	150
General and administrative expenses	188	139
Selling and marketing expenses	70	89
Operating loss	582	378
Finance expenses	17	85
Total comprehensive loss for the period	599	463
Basic and diluted loss per share in US dollar	<u>5.99</u>	<u>4.63</u>

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

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HERA MED LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(US Dollar in thousands)

For the six month period ended June 30, 2018:

	Ordinary share capital	Series A preferred shares	Additional paid in capital	Capital reserve	Accumulated deficit	Total
Balance at January 1, 2018	*	*	3,000	601	(3,396)	205
Changes during the period:						
Issuance of shares	-	*	553	-	-	553
Share based compensation	-	-	-	258	-	258
Total comprehensive loss	-	-	-	-	(599)	(599)
Balance at June 30, 2018	<u>*</u>	<u>*</u>	<u>3,553</u>	<u>859</u>	<u>(3,995)</u>	<u>417</u>

For the six month period ended June 30, 2017:

	Share capital	Series A preferred shares	Additional paid in capital	Capital reserve	Accumulated deficit	Total
Balance at January 1, 2017	*	*	3,000	485	(2,608)	877
Changes during the period:						
Share based compensation	-	-	-	58	-	58
Total comprehensive loss	-	-	-	-	(463)	(463)
Balance at June 30, 2017	<u>*</u>	<u>*</u>	<u>3,000</u>	<u>543</u>	<u>(3,071)</u>	<u>472</u>

* Less than 1 thousand dollars.

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

HERA MED LTD.
STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

	For the six month period ended	
	June 30, 2018	June 30, 2017
	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(599)	(463)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	97	5
Change in convertible loan	3	-
Share based compensation	258	58
Increase in liability for royalties	27	45
Increase in trade payables	38	33
Increase in other accounts payable	72	42
Decrease (increase) in inventory	6	(33)
Accrued interest and exchange rate loan from related party	(8)	3
Decrease (increase) in other accounts receivable	(4)	43
Net cash used in operating activities	(110)	(267)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	-	(2)
Capitalized development costs	(174)	(541)
Investment in restricted deposit	(2)	-
Net cash used in investing activities	(176)	(543)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of preferred A shares, net	492	-
Receipt of loan from related party	-	22
Receipt of convertible loan	1,240	-
Net cash provided by financing activities	1,732	22
Increase (decrease) in cash and cash equivalents	1,446	(788)
Cash and cash equivalents at beginning of the year	46	1,353
Cash and cash equivalents at the end of the period	1,492	565
APPENDIX - NON-CASH ACTIVITIES:		
Receipt of convertible loan against other accounts receivable	349	-
Issuance of shares upon acquisition intangible asset	61	-

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

HERA MED LTD.
NOTES TO FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 1 - GENERAL:

- A. Hera Med Ltd (the "Company") was incorporated in Israel in October 2011 and commenced its activities in January 2012. The Company is engaged in the development, marketing and selling of medical mobile solutions in the field of pregnancy monitoring. The Company's product combines innovative sensing technologies along with quality, safety and accuracy and was developed for the home user.
- B. In June 2018, the Company entered into a share swap agreement (the "Share Swap Agreement") with HeraMed Pty Ltd. (the "Australian company") and its shareholders. According to the agreement, immediately prior to listing on the ASX, the Australian company intend to acquire 100% of the Company and the shareholders of the Company will receive consideration shares in the Australian company.
- C. We draw the attention to the fact that the Company incurred a net loss of \$599 thousands for the six months ended June 2018 and generated \$4 million of accumulated deficit since inception. The Company is still in R&D stage and did not generate significant revenues up to date. The Company financed its activity up to date by receiving investments in consideration of share issuance and convertible loans. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management plans to overcome these uncertainties and material actions have already begun such as initiated plans to raise funds through an IPO on the ASX (See also note 1(B)).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed in the preparation of the financial information, on a consistent basis, are:

Basis of preparation

These condensed interim financial statements have been prepared in compliance with 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 2017 annual report.

These condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual report of the Company, except as follows:

HERA MED LTD.
NOTES TO FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenue recognition

The Company applies IFRS 15 ('The Standard') as of January 1, 2018. The standard supersedes other IFRS provisions relating to revenue recognition. The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

During the six month period ended June 30, 2018, the Company also applied the following new accounting standards:

New standards, interpretations and amendments effective from January 1, 2018

IFRS 9 Financial Instruments:

The Company applies IFRS 9, "Financial Instruments" ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39, "Financial Instruments: Recognition and Measurement". The adoption of IFRS 9 had no material impact on the Company's financial statements.

New IFRSs in the period prior to their adoption

IFRS 16 Leases:

Adoption of IFRS 16 will result in the Company recognizing right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Company does not recognize related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

Instead of recognizing an operating expense for its operating lease payments, the Company will instead recognize interest on its lease liabilities and amortization on its right-of-use assets.

The amendments are effective for reporting periods (interim and annual) beginning after January 1, 2019.

The Company is currently evaluating the impact of the IFRS 16 on its financial statements, but does not expect to have material impact.

HERA MED LTD.
NOTES TO FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The area requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's earnings and financial position is as follows:

Amortization of capitalized development costs and the useful life of property and equipment

Intangible assets and property and equipment are amortized or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the amounts charged to the statement of comprehensive income in specific periods.

NOTE 4 - INTANGIBLE ASSETS, NET:

	Purchase license (*)	Internally generated intangible asset	Total
Cost:			
As of January 1, 2018	-	1,125	1,125
Additions	61	174	235
As of June 30, 2018	<u>61</u>	<u>1,299</u>	<u>1,360</u>
Accumulated amortization:			
As of January 1, 2018	-	-	-
Amortization	-	94	94
As of June 30, 2018	<u>-</u>	<u>94</u>	<u>94</u>
Net book value as of June 30, 2018	<u>61</u>	<u>1,205</u>	<u>1,266</u>
Net book value as of December 31, 2017	<u>-</u>	<u>1,125</u>	<u>1,125</u>

(*) On April 30, 2018 the Company and Mayo Foundation for Medical Education and Research (hereafter "Mayo") entered into a license purchase agreement according to which the Company will issue a total of 4,590 Preferred A shares as consideration for license purchase and research and development collaboration with Mayo. Upon signing the agreement, the Company issued to Mayo 2,295 Preferred A shares and shall issue additional 765 Preferred A shares in 12 months and 1,530 Preferred A shares upon achievement of FDA clearance and commercial launch of the licensed product.

HERA MED LTD.
NOTES TO FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 5 - CONVERTIBLE LOAN:

In June 2018, the Company signed a convertible loan agreement (hereafter the “CLA”) with the Australian company in the amount of AUD 2,150 thousands (approximately 1,589). According to the CLA, the Australian company transferred AUD 1,678 thousands (approximately 1,240) to the Company and additional AUD 472 thousands (approximately 349) shall be retained by the Australian company to be used for coverage of ASX listing costs related to the Company. The amount shall bear 5% interest per annum. According to the CLA, the loan shall be converted into Company’s shares upon one of the following events:

- Upon IPO or merger event, the loan amount will be converted into a number of ordinary shares of the Company at their full value, at a price per share reflecting a pre-conversion Company valuation of 4,235, or the Company valuation used for consummation of an IPO or merger event (if lower), on a fully diluted basis prior to those events. At the same time as the conversion, all interest accrued on the loan will be repaid in cash.
- If, within 12 months from the date of the agreement, there is no IPO or merger event, the loan amount will automatically be converted into preferred shares of the Company at a price per share reflecting a Company value before conversion of 4,235.

NOTE 6 - EQUITY:

	Number of shares as of June 30, 2018	
	Authorized	Issued and outstanding
Ordinary shares par value of NIS 0.01 per share	9,625,000	100,000
Preferred A shares par value of NIS 0.01 per share	375,000	88,715
	Number of shares as of December 31, 2017	
	Authorized	Issued and outstanding
Ordinary shares par value of NIS 0.01 per share	9,625,000	100,000
Preferred A shares par value of NIS 0.01 per share	375,000	53,571

Share issuance

1. On May 31, 2018, the Company issued to Mayo 2,295 Preferred A shares (see also Note 4).
2. In 2018, the Company issued 27,264 Preferred A shares of NIS 0.01 par value for consideration of \$20 per share, to different investors. The net consideration received by the Company was 502. Due to the issuance of these shares, the anti-dilutive rights of a previous investor (who purchased shares at a higher price) were triggered; resulting in 5,585 additional Preferred A shares.

HERA MED LTD.
NOTES TO FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 6 - EQUITY (CONT.):

Share based compensation

On August 16, 2015 the Board of Directors approved a share option plan (the "Plan"). Under the Plan, the Company will grant options to its employees, directors, consultants and other service providers.

In June 30, 2018, the Company granted additional 16,172 fully vested options with \$0.003 exercise price per share. In the six months period ended June 30, 2018, the Company recorded share based compensation expenses at the amount of 258.

	Six months ended June 30, 2018	
	Number of options	Weighted average exercise price
Outstanding at beginning of period	25,219	\$ 0.003
Granted	16,172	\$ 0.003
Outstanding at end of period	41,391	\$ 0.003
Exercisable options	34,576	\$ 0.003

	Year ended December 31, 2017	
	Number of options	Weighted average exercise price
Outstanding at beginning of year	33,416	\$ 0.003
Granted	-	-
Exercised	-	-
Forfeited and cancelled	(8,197)	\$ 0.003
Outstanding at end of year	25,219	\$ 0.003
Exercisable options	20,550	\$ 0.003

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NOTES TO FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 7 - FAIR VALUE:

Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Input other than quoted prices included in Level 1 that are observable for the asset or liability, either, directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recognized fair value measurements

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

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Convertible loan as of June 30, 2018	-	-	(1,592)	(1,592)

HERA MED LTD.
NOTES TO FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 8 - SUBSEQUENT EVENTS:

In June 2018, the Company entered into a share swap agreement (the "Share Swap Agreement") with HeraMed Pty Ltd. (the "Australian company") and its shareholders. According to the agreement, immediately prior to listing on the ASX, the Australian company intends to acquire 100% of the Company and the shareholders of the Company will receive consideration shares in the Australian company.

Upon completion of certain milestones, the Company will issue:

- a. 3,450,000 shares to consultants as consideration for services, as follows:
 1. 975,000 shares upon the Company obtaining US Federal Drug Administration approval for the company's product to be used as a clinical medical device in the United States of America on or before the date that is 12 months from the Company being admitted to the official list;
 2. 975,000 shares upon the Company reaching cumulative consolidated revenue of AUD 7.5 million (approximately 5,586), which shall be verified by an independent auditor's report, within 24 months of being admitted to the official list; and
 3. 1,500,000 shares upon the Company reaching cumulative consolidated revenue of AUD 15 million (approximately 11,172), which shall be verified by an independent auditor's report, within 36 months of being admitted to the Official List. The shares have additional rights and conversion rights as fully described in the agreement.

In order to fulfill its contractual obligation and issue equity at a price below AU\$ 0.20, Company will need to receive either (i) ASX's approval or (ii) its shareholders' approval.

- b. Up to 19,550,000 shares to shareholders of the Company as partial consideration for the acquisition on a deferred basis and subject to the following:
 1. 5,525,000 shares will be issued upon the Company obtaining US Federal Drug Administration approval for the Company's product to be used as a clinical medical device in the United States of America on or before the date that is 12 months from the Company being admitted to the official list;
 2. 5,525,000 shares will be issued upon the Company reaching cumulative consolidated revenue of AUD 7.5 million (approximately 5,586), which shall be verified by an independent auditor's report, within 24 months of being admitted to the official list; and
 3. 8,500,000 shares will be issued upon the Company reaching cumulative consolidated revenue of AUD 15 million (approximately 11,172), which shall be verified by an independent auditor's report, within 36 months of being admitted to the official list.