

**HearMeOut Ltd.**

**Financial Statements  
As of December 31, 2015**

**Financial Statements as of December 31, 2015**

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### **Auditors' Report to the Shareholders of HearMeOut Ltd.**

We have audited the accompanying statements of financial position of HearMeOut Ltd. (hereinafter "the Company") as of December 31, 2015 and 2014 and the related income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows, for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) - 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014 and its results of operations, changes in shareholder equity and cash flows, for each of the years ended on such dates, in accordance with International Financial Reporting Standards (IFRS).

Without qualifying our opinion, we draw attention to Note 1 of the financial statement. The Company has limited capital resources and a loss from operations, all of which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters include continued development and marketing as well as seeking additional financing arrangements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Somekh Chaikin*

Somekh Chaikin  
Certified Public Accountants (Isr.)

August 22, 2016

**Statements of Financial Position**

		December 31 2015	December 31 2014
	Note	US\$ thousands	US\$ thousands
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		8	82
Short-term deposits		8	8
Other receivable		3	6
Total current assets		19	96
<b>Non-current assets</b>			
Fixed Assets		1	1
<b>Total assets</b>		20	97
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Trade payables		7	14
Other payables		49	15
Total current liabilities		56	29
<b>Non-current liabilities</b>			
Convertible loans	9	322	-
<b>Total liabilities</b>		378	29
<b>Shareholders' equity</b>			
Ordinary shares	5	3	3
Preferred shares (Series A)		1	1
Share premium		496	496
Accumulated Deficit		(858)	(432)
Total shareholders' equity (deficit)		(358)	68
<b>Total liabilities and shareholders' equity</b>		20	97



Moran Chamsi  
Director



Yitzchak Livial  
Director

Date of approval of the financial statements: August 22, 2016

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

**Statements of Loss**

		For the year ended December 31 2015	For the year ended December 31 2014
	Note	US\$ thousands	US\$ thousands
Research and development expenses	4	(105)	(126)
General, administrative and marketing expenses	8	(261)	(298)
<b>Operating loss</b>		<b>(366)</b>	<b>(424)</b>
Financing expenses, net	9	(60)	(8)
<b>Loss for the period</b>		<b>(426)</b>	<b>(432)</b>
<b>Loss per share</b>			
Basic loss per share (in USD)*		0.24	0.24
Diluted loss per share (in USD)		0.24	0.24

\* Adjusted for issue of warrants after the balance sheet, see Note 5c.

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

**Statements of Changes in Equity**


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	<b>Ordinary Shares</b>	<b>Preferred A Shares</b>	<b>Premium</b>	<b>Deficit</b>	<b>Total</b>
	<u>US\$ thousands</u>	<u>US\$ thousands</u>	<u>US\$ thousands</u>	<u>US\$ thousands</u>	<u>US\$ thousands</u>
<b>Balance as of January 1, 2014</b>					
Issuance of ordinary shares	3	-	(3)	-	-
Issuance of series A preferred shares	-	1	499	-	500
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(432)</u>	<u>(432)</u>
<b>Balance as of December 31, 2014</b>	3	1	496	(432)	68
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(426)</u>	<u>(426)</u>
<b>Balance as of December 31, 2015</b>	<b>3</b>	<b>1</b>	<b>496</b>	<b>(858)</b>	<b>(358)</b>

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

**Statements of Cash flows**

	For the year ended December 31 2015 <u>US\$ thousands</u>	For the year ended December 31 2014 <u>US\$ thousands</u>
<b>Cash flows from operating activities</b>		
Loss for the period	(426)	(432)
Adjustments for:		
Interest, net	60	-
Change in trade and other receivables	3	(6)
Change in trade and other payables	27	29
<b>Net cash provided by operating activities</b>	<b>(336)</b>	<b>(409)</b>
<b>Cash flows from investment activities</b>		
Acquisition of fixed assets	-	(1)
Decrease (increase) in short-term deposit	-	(8)
<b>Net cash provided by investment activities</b>	<b>-</b>	<b>(9)</b>
<b>Cash flows from financing activities</b>		
Issue of Preferred A shares	-	500
Convertible loans	260	-
<b>Net cash provided by financing activities</b>	<b>260</b>	<b>500</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(76)</b>	<b>82</b>
Cash and cash equivalents at the beginning of the period	82	-
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>82</b>
<b>(a) Non-cash activities</b>		
Issue of Ordinary shares	-	3

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

**Notes to the Financial Statements**

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**Note 1 - General**

HearMeOut Ltd. (hereinafter – the "Company") is an Israeli resident company incorporated in Israel on January 2014. The Company has developed an application for sharing and listening to short audio posts.

The Company future results of operations involve a number of risks and uncertainties. Factors that could affect the Company future operating results and cause actual results to vary materially from expectations include, but are not limited to, rapid technological change, uncertainty of market acceptance of products and services, competition from substitute products and larger companies, protection of proprietary technology, strategic relationships and dependence on key individuals.

The Company has a limited operating history, negative operating cash flows and incurred losses from operations since inception. The Company's ability to continue as a going concern depends on its ability to generate revenues and raise additional funds.

**Note 2 - Basis of Preparation****A. Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**B. Functional and presentation currency**

These financial statements are presented in US\$, which is the Company's functional currency, and have been rounded to the nearest thousand except when otherwise indicated. The US\$ is the currency that represents the principal economic environment in which the Company operates.

**C. Use of estimates and judgments**

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") requires management to make judgments, estimates and assumptions that affect the implementation of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Company estimated the date of an upcoming fundraising which meets the requirements of the convertible loan, as described in Note 9.

The Company used estimates for examining whether the Company should capitalized research and development costs or recognize in profit or loss as incurred, as described in Note 4.



**Notes to the Financial Statements**

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**Note 3 - Significant Accounting Policies**

The accounting policies set out below have been applied consistently for all periods presented in these financial statements, and have been applied consistently by the Company:

**A. Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**B. Financial instruments****Non-derivative financial liabilities**

Non-derivative financial liabilities include convertible loan, trade and other payables.

Initial recognition of financial liabilities

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contract creating the obligation.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Company, as specified in the agreement, expires or when the obligation is discharged or cancelled.

**Note 4 - Research and Development Expenses**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use or sell the asset.

As of December 31, 2015, the Company does not meet the conditions to capitalize any development expenditure, therefore, all expenditure was recognized in profit or loss as incurred.

## Notes to the Financial Statements

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### Note 5 - Capital and Reserves

- A. Upon inception, the Company issued 1,075,000 ordinary shares, NIS 0.01 par value each, to its founders.
- B. On January 21, 2014, the Company entered into a Share Purchase Agreement ("SPA") with an investor. According to the SPA, the Company issued to the Investors 500,000 Preferred A shares of NIS 0.01 par value each, at a price per share of \$1.00, in two portions:
  - (1) In January 2014, the Company issued 350,000 Preferred A shares for an aggregate amount of US\$350,000;
  - (2) In June 2014, the Company issued 150,000 Preferred A shares for an aggregate amount of US\$150,000.

Each share of Series A Preferred shall be convertible, without payment of additional consideration, by the holder at any time, into such number of fully paid and non-assessable Ordinary Shares as is determined by dividing the Original Series A Issue Price by the Conversion Price. The conversion price per share shall initially be equal to the Original Series A Issue Price; provided, however, that the Series A Conversion Price shall be subject to adjustment in accordance with any recapitalization event and pursuant to anti-dilution provisions.

Each share of Series A Preferred shall automatically be converted into fully paid non assessable Ordinary Shares upon the earlier of: (i) the closing of an underwritten public offering with gross proceeds to the Company of at least \$10,000,000 at a Company pre-money valuation of at least \$70,000,000; or (ii) the date set forth in a written consent of the majority of the outstanding Series A Preferred or by approval of a majority of the outstanding Series A Preferred at a duly convened class meeting of the Series A Preferred.

The Company shall not declare or pay any dividends on Ordinary Shares until the holders of the Series A Preferred then issued and outstanding shall have first received, or simultaneously receive, dividends at the rate of eight percent (8%) per annum of the Original Series A Issue Price. Such dividends on the Series A Preferred shall not accrue on an annual basis, but shall only be payable as and when declared by the Board of Directors, or in the event of only liquidation, dissolution or winding-up of the Company.

- C. On July 10, 2016 (after the balance sheet date) the company approved the grant of warrants to shareholders' to purchase ordinary shares NIS 0.01 nominal value each of the Company at the exercise price of NIS 0.01. The total number of warrant shares s 175,000.  
The warrant was issued without consideration.

### Note 6 - Income Tax

#### Corporate tax rate

Presented hereunder are the tax rates relevant to the Company:

2014 – 26.5%

2015 – 26.5%

On January 5, 2016 the Knesset passed the Amendment 216 to the Income Tax Ordinance whereby, inter alia, the corporate tax rate will be reduced by 1.5% to a rate of 25% as from 2016  
Current taxes for the reported are calculated according to the tax rates above.

## Notes to the Financial Statements

### Note 7 - Related and Interested Parties

#### Compensation and benefits to key management personnel and interested parties

Compensation and benefits to key management personnel and interested parties (including consultants) that are employed by the Company:

		For the year ended December 31 2015	For the year ended December 31 2014
	Number of people	USD thousands	USD thousands
Employee benefits	4	219	255

### Note 8 - General, Administrative and Marketing Expenses

	For the year ended December 31 2015	For the year ended December 31 2014
	USD thousands	USD thousands
Wages and salaries	156	90
Rent and office maintenance	8	14
Professional services	14	35
Other administrative expenses	2	13
Marketing expenses	81	146
	<b>261</b>	<b>298</b>

### Note 9 – Convertible Loan and Investment Agreements

On January 27, 2015, the Company entered into a convertible loan agreement with an investor (the “lender”) amounted US\$260 thousand (the “Loan”), in two installments:

- (1) In January 2015, the Company received US\$250 thousand.
- (2) In October 2015, the Company received US\$10 thousand.

The loan amount and interest incurred shall bear interest at the rate of 8% per annum and shall be deemed to be part of the principal amount for conversion purposes.

The convertible loan does not have a maturity date and is not payable in cash.

The principal amount and interest incurred will automatically be converted into ordinary shares of the Company, upon the earlier to occur of: (i) consummation of an equity financing round by the Company in an amount of at least US\$500 thousand (a “qualified financing”); or (ii) consummation of an M&A transaction. Upon consummation of a qualified financing, the loan amount shall be automatically converted into shares at a price per share reflecting a twenty-five percent (25%) discount on the price per share payable by the investors in such qualified financing round.

**Notes to the Financial Statements**

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**Note 9 – Convertible Loan and Investment Agreements (cont'd)**

The Company is not exposed to liquidity risks because the principal and interest are not paid in cash.

The Company estimates that it will settle the liability through conversion to ordinary shares in the fourth quarter of 2016 accordingly.

According to the assumption and estimates used in the valuation at the initial recognition of financial instrument, the book value of the convertible loans compatible or close to their fair value.

The convertible loan is measured using the amortized cost method. The effective Interest Rate was calculated by discounting the value of estimated number of ordinary shares to be issued at date of capital raising or acquisition of the company (4th quarter of 2016) to the consideration received for the loan.

**Note 10 – Subsequent Events**

- A. The Company is contemplating an Initial Public Offering of its shares in the Australian Securities Exchange through share swap agreement.
- B. In July, 2016 an agreement was signed between the four founders and the Company whereby the founders waived a total amount of US\$47 thousand for their salary rights from January 1, 2015 and onward.
- C. On July 7, 2016 the Company entered into an additional convertible loan agreement with an investor (the “second lender”) amounted US\$575 thousand (the “second loan”). The convertible loan will be repaid in one of the three following options: (i) Through the issue of ordinary shares at a 33% discount in case that the Company will list through a company listed on the Australian Securities Exchange. (ii) Through the issue of ordinary shares at a 25% discount in case of initial public offering. (iii) If the parties shall not execute an additional agreement the discount will be reduced to 20%.