HERA MED LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

HERA MED LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

TABLE OF CONTENTS

BDO

Independent Auditors' Statements to Shareholders of

Hera Med Ltd.

Opinion

We have audited the accompanying financial statements of Hera Med Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of comprehensive loss, changes in shareholders' equity and cash flows for each of the two years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, its financial performance and its cash flows for each of the two years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audits of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audits matters

Key audits matters are those matters that, in our professional judgment, were of most significance in our audits of the financial statements of the current period. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalization of development costs as intangible asset and subsequent valuation	***How the matter was addressed in our audits***
Capitalized development costs amounted to 839 and 286 thousand U.S dollars as of December 31, 2017 and 2016, respectively. The related disclosures appears in Note 2 and 5 to the financial statements. Development costs mainly comprise of salary, materials and subcontractors costs. The Company capitalizes costs upon meeting the criteria as described in IAS 38. Capitalization criteria assessment under IAS 38 require significant judgment and measurement uncertainty at inception and throughout the life of the project. In accordance with IAS 36 'Impairment of Assets', the Company is required to carry out an annual impairment test of the intangible asset which is not amortized. Impairment of intangible asset is a key audit matter due to the high level of judgment required by our team members in assessing the inputs into the valuation models supporting management's assessment of impairment.	Our procedures in respect of this area included: • We assessed the eligibility of the development costs for capitalization as intangible asset under IAS 38. • We reviewed the methodology applied by the Company to identify the categories of intangible asset. • We reviewed the design of the controls identified by the management surrounding the intangible asset capitalization and subsequent measurement, tested such controls and performed substantive test of details on the capitalized development costs. • Our valuation team evaluated the assumptions and methodologies used by the Company to test the impairment of this intangible asset. • Our valuation team have validated that the cash flow forecasts used in the valuation are consistent with information approved by the Board. • Our valuation team have challenged the key assumptions such as the discount rates by comparing them to relevant market rates and verified that management had been consistent in its approach.
Share based compensation	***How the matter was addressed in our audits***
Share based compensation amounted to 116 and 177 thousand U.S dollars for the years ended December 31, 2017 and 2016, respectively. The related disclosure appears in Note 2 and 9 to the financial statements.	Our procedures in respect of this area included: • We held discussions with key management personnel to understand the share based compensation schemes. • We read relevant documents related to the issuance of the options.

The Company has a share based remuneration scheme for employees and consultants. The fair value of share options is estimated based on the Black, Scholes and Merton model valuation methodology which takes into account the terms and conditions upon which the options were granted. This calculation is a judgmental accounting area which requires assumptions utilized in the fair value calculations.	• Our valuation team evaluate the calculation of the fair value and the report prepared by company's independent valuation expert. • Our valuation team examined the reasonability of the assumptions and the methodology which were the basis of the calculation. • We verified the inputs data of the calculations by reference to, where appropriate, external data. • We examined the reputation and the objectivity of the independent valuation expert. • We considered the adequacy of the Company's disclosures in respect of the treatment of the options in the financial statements.

Other information

Management and directors are responsible for the other information. The other information comprises the information included in the registration statement, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and directors for the financial statements

The Management and directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management and the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the management and the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audits of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audits conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audits in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audits procedures responsive to those risks, and obtain audits evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audits procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audits evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audits evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audits findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance regarding with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We draw attention to Note 1(C) in the financial statements, which indicates that the Company incurred a net loss of $788 thousands for the year ended December 31, 2017, and generated $3.4 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

HERA MED LTD.

STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2017	December 31, 2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		46	1,353
Other accounts receivable	3	15	76
Inventory		64	-
Total current assets		125	1,429
NON-CURRENT ASSETS:			
Property, plant and equipment, net	4	17	22
Intangible asset	5	1,125	286
Total non-current assets		1,142	308
TOTAL ASSETS		1,267	1,737

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

HERA MED LTD.

STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2017	December 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade accounts payable		13	14
Other accounts payable	6	205	165
Loan from related party	7	152	216
Total current liabilities		370	395
NON-CURRENT LIABILITIES:			
Loan from related party	7	151	-
Liability for royalties	8	541	465
Total non-current liabilities		692	465
SHAREHOLDERS' EQUITY:	9		
Ordinary share capital		*	*
Series A preferred shares		*	*
Additional paid in capital		3,000	3,000
Capital reserve		601	485
Accumulated deficit		(3,396)	(2,608)
Total Shareholders' equity		205	877
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,267	1,737

* Less than 1 thousand dollar

David Groberman	Sivan Sadan	October 8, 2018
David Groberman Chief Executive Office	Sivan Sadan Chief Financial Officer	Date of approval of the Financial statements

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

HERA MED LTD.

STATEMENTS OF COMPREHENSIVE LOSS

(US Dollar in thousands except loss per share)

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Operating expenses			
Research and development expenses	10	241	1,612
Sales and marketing expenses	11	126	46
General and administrative expenses	12	276	359
Operating loss		643	2,017
Financial expenses		145	104
Total comprehensive loss for the year		788	2,121
Basic and diluted loss per share in US dollar	16	7.88	21.21

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

HERA MED LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollar in thousands)

	Ordinary Share capital	Series A preferred shares	Additional paid in capital	Capital reserve	Accumulated deficit	Total
Balance at January 1, 2016	*	*	1,500	308	(487)	1,321
Changes during the year:						
Issuance of shares	-	*	1,500	-	-	1,500
Share based compensation	-	-	-	177	-	177
Total comprehensive loss	-	-	-	-	(2,121)	(2,121)
Balance at December 31, 2016	*	*	3,000	485	(2,608)	877
Changes during the year:						
Share based compensation	-	-	-	116	-	116
Total comprehensive loss	-	-	-	-	(788)	(788)
Balance at December 31, 2017	*	*	3,000	601	(3,396)	205

* Less than 1 thousand dollar

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

HERA MED LTD.

STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

	Year ended December 31, 2017	Year ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(788)	(2,121)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7	5
Decrease (increase) in other accounts receivable	61	(11)
Share based compensation	116	177
Increase in liability for royalties	106	465
Decrease in trade accounts payable	(1)	(2)
Increase in other accounts payable	10	51
Accrued interest loan from related party	6	5
Increase in inventory	(64)	-
Net cash used in operating activities	(547)	(1,431)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2)	(21)
Investment in restricted deposit	-	(4)
Capitalized development costs	(839)	(286)
Net cash used in investing activities	(841)	(311)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipt of loan from related party	81	62
Issuance of series A preferred shares	-	3,000
Net cash provided by financing activities	81	3,062
Increase (decrease) in cash and cash equivalents	(1,307)	1,320
Cash and cash equivalents at the beginning of the year	1,353	33
Cash and cash equivalents at the end of the year	46	1,353

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

NOTE 1 - GENERAL:

A. Hera Med Ltd. (hereinafter 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 intends 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 788 for the year ended December 31, 2017, and generated $3.4 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

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention. The Company has elected to present the statement of comprehensive loss using the function of expense method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Foreign currency

The financial statements are prepared in US Dollars which is the functional currency of the Company.

Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates". Accordingly, transactions and balances have been converted as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the statements of financial position date;
- Exchange gains and losses from the aforementioned conversion are recognized in the statement of comprehensive loss.
- Expense items – at exchange rates applicable as of the date of recognition of those items.
- Non-monetary items are converted at the rate of exchange at the date of the transaction.

Cash equivalents

Cash equivalents are considered by the Company to be highly-liquid investments, including, inter alia, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or

B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. A fair value measurement of a non-financial asset takes into account a

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Fair value measurement (cont.)

market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of financial instruments by fair value hierarchy

Assets and liabilities presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

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

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques that use inputs that are not based on observable market data).

Financial assets

The Company classifies its financial assets depending on the purpose for which the asset was acquired. The Company accounting policy is as follows:

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognized at fair value and subsequently measured at amortized cost less any provision for impairment.

Financial liabilities

The Company's financial liabilities are trade accounts payable, other accounts payable, related parties and other long-term liability, which are initially recognized at fair value net of direct transaction costs and subsequently measured at amortized cost using the effective interest rate method. After initial recognition, loans and receivables are measured using the effective interest method and less any impairment losses.

De-recognition of financial instruments:

Financial assets: A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

De-recognition of financial instruments (Cont.):

Financial assets (Cont.):

and has transferred substantially all the risks and rewards of the asset ,or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities: A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the creditor:

- discharges the liability by paying in cash, other financial assets; or
- is legally released from the liability.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset as follows. Financial assets carried at amortized cost:

There is objective evidence of impairment of loans and receivables if one or more events have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, which is limited to the amount of any previous impairment, is recorded in profit or loss.

Property, plant and equipment

Property, plant and equipment are initially recognized at cost, including costs directly attributable to the acquisition of the property, plant and equipment and bringing it to the location and condition necessary for use. The cost of an item of property, plant and equipment is the amount equal to the cash price on the date of recognition. In periods subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation - the Company depreciates separately each part of the property, plant and equipment with a cost that is significant in relation to the total cost of the item. Depreciation expenses for each period are

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Property, plant and equipment (cont.)

recognized in profit or loss, unless they are included in the carrying amount of another asset. (see also "Impairment of non-financial assets").

Depreciation is computed by the straight line method, based on the estimated useful lives of the assets, as follows:

	Annual depreciation rate (%)	Main depreciation rate (%)
Computers and equipment	33	33
Furniture and office equipment	7-15	7

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Intangible assets

Intangible assets include internally generated capitalized development costs (see also "Research and development costs"). Intangible assets with a finite useful life are amortized over their useful life. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end and adjustments, where applicable, are made on a prospective basis. The carrying amount of these assets is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable (see also "Impairment of non-financial assets").

Capitalized development costs are not being amortized yet because the development has not been completed and the assets are yet to be in use. Subsequent expenditure on capitalized intangible assets is capitalized only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred. During the years 2017 and 2016 the Company capitalized development costs in the amounts of 839 and 286, respectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Impairment of non-financial assets

Non-financial assets are subject to impairment tests annually on December 31 or sooner whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest group of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

An impairment loss allocated to asset, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, is limited to the lower of the carrying amount of the asset that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and the assets recoverable amount. The reversal of impairment loss of an asset is recognized in profit or loss. Impairment charges are included in general and administrative expenses.

During the years ended December 31, 2017, and 2016, no impairment charges of non-financial assets were recognized.

Research and development costs

Expenditure on research activities is recognized in profit or loss as incurred. Expenditure on internally developed products is capitalized if it can be demonstrated that:

- the product is technically and commercially feasible.
- adequate resources are available to complete the development
- there is an intention to complete the product so that it will be available for use or sale.
- the Company is able to sell the product
- use or sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Development expenditure not satisfying the above criteria are recognized in the statement of comprehensive loss as incurred.

Earnings per share

Basic earnings or loss per share are calculated as net profit or loss, divided by the weighted average number of outstanding ordinary shares, during the period.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Liability on governmental grant received

The Company measured its liability on governmental grant received, each period, based on discounted cash flows derived from Group's future anticipated revenues.

The grants received are accounted as forgivable loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IAS 39. Accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in profit or loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Changes in the projected cash flows are discounted using the original effective interest and recorded in profit or loss in accordance with the provisions of IAS 39.

At the end of each reporting period, the Company evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recorded in profit or loss as an adjustment of research and development expenses. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate amount of the liability that reflects expected future royalty payments is recognized with a corresponding adjustment to research and development expenses.

Employee benefits

The Company contributes towards the state pension in accordance with local legislation where required. The only obligation of the Company is to make the required contributions. Costs related to such contributions are expensed in the period in which they are incurred.

The Company has several employee benefit plans as to Israeli employees:

1. Short-term employee benefits: Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.
2. Post-employment benefits: The Company's liability for severance pay is pursuant to Section 14 of the Severance Compensation Act, 1963 ("Section 14"), pursuant to which all the Company's employees are included under Section 14, and are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in the employee's name with insurance companies. Under Israeli employment law,

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Employee benefits (cont.)

payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. The fund is made available to the employee at the time the employer-employee relationship is terminated, regardless of cause of termination. The severance pay liabilities and deposits under Section 14 are not reflected in the statements of financial position as the severance pay risks have been irrevocably transferred to the severance funds.

Share based compensation

The Company measures the share based expense and the cost of equity-settled transaction with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes and Merton (BSM) model which takes into account the terms and conditions upon which the instruments were granted.

New accounting policies and disclosures

<u>Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative:</u>

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The company has provided the information in note 7.

New IFRSs in the period prior to their adoption

<u>IFRS 9 Financial Instruments:</u>

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortized cost and fair value.

Classification of debt assets will be driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in other comprehensive loss (without subsequent recycling to profit or loss).

(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New IFRSs in the period prior to their adoption (Cont.)

For financial liabilities that are designated for measured at fair value, entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive loss rather than profit or loss. The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward.

The new standard also introduces expanded disclosure requirements and changes in presentation. Further changes was made to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete.

The changes introduce:

A new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018.

IFRS 9 will not have a material impact on the financial statements.

NOTE 3 - OTHER ACCOUNTS RECIVABLE:

	December 31, 2017	December 31, 2016
Prepaid expenses	6	-
Restricted deposit	5	4
Governmental institutions	4	37
Government grant receivables	-	35
Total	15	76

HERA MED LTD.

NOTES TO FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT, NET:

	Furniture and Office Equipment	Computers and equipment	Total
Cost :			
As of January 1, 2017	13	24	37
Additions	-	2	2
As of December 31, 2017	13	26	39
Accumulated depreciation :			
As of January 1, 2017	2	13	15
Depreciation	1	6	7
As of December 31, 2017	3	19	22
Net book value as of December 31, 2017	10	7	17

	Furniture and Office Equipment	Computers and equipment	Total
Cost :			
As of January 1, 2016	5	11	16
Additions	8	13	21
As of December 31, 2016	13	24	37
Accumulated depreciation :			
As of January 1, 2016	1	9	10
Depreciation	1	4	5
A As of t December 31, 2016	2	13	15
Net book value as of December 31, 2016	11	11	22

(US Dollar in thousands)

NOTE 5 - INTANGIBLE ASSET:

	Internally generated intangible asset
Cost:	
As of January 1, 2017	286
Additions	839
As of December 31, 2017	1,125
Accumulated amortization:	
As of January 1, 2017	-
Amortization	-
As of December 31, 2017	-
Net book value as of December 31, 2017	1,125

	Internally generated intangible asset
Cost:	
As of January 1, 2016	-
Additions	286
As of December 31, 2016	286
Accumulated amortization:	
As of January 1, 2016	-
Amortization	-
As of December 31, 2016	-
Net book value as of December 31, 2016	286

HERA MED LTD.

NOTES TO FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 6 - OTHER ACCOUNTS PAYABLE:

	December 31, 2017	December 31, 2016
Employees- salaries and related liabilities	114	154
Accrued expenses	53	11
Liability for royalties (see also Note 8 and 15)	30	*
Others	8	-
Total	205	165

* Less than 1 thousand dollar

NOTE 7 – LOAN FROM RELATED PARTY:

A. The Company received a loan from its related party. The loan bears interest at a minimum rate according to the Israeli tax ordinance (2.56% per annum as of 2017 and 2016). Half of the principal amount as well as the accrued interest shall be repaid upon the earliest of the following events; the second half shall be repaid upon the next of such event:

1. The Company will complete an equity round or a sale transaction of at least $3 Million,
2. Distribution of dividends,
3. After five years.

Due to the Company's anticipation to complete an equity round of at least $3 Million in the following year, half of the loan amount as of December 31, 2017, was classified as current liability. As of December 31, 2017, and 2016 the total loan amount from related parties is 303 and 216, respectively.

B. Reconciliation of the changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows:

	Loan from related party
As of January 1, 2017	216
Changes from financing cash flow:	
Receipt of loan from related party	81
Total changes from financing cash flows	297
Accrued interest of loan from related party	6
As of December 31, 2017	303

(US Dollar in thousands)

NOTE 8 - LIABILITY FOR ROYALTIES:

	2017	2016
As of January 1,	465	-
Changes during the year	106	465
As of December 31**,**	(*) 571	465

(*) Out of which, an amount of 30 is classified as other accounts payable, see also Notes 6 and 15.

NOTE 9 - SHAREHOLDERS' EQUITY:

Composed as follows as of December 31, 2017 and 2016:

	Number of shares as of December 31, 2017 and 2016	
	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

Ordinary shares

The ordinary shares in the Company confer upon their holders the right to receive notice of, participate in, and vote at all general meetings of the Company (including written shareholder resolutions), and the right to receive a pro rata portion of any distribution made to the Company’s shareholders, including dividends if and when declared, and of the proceeds of any liquidation of the Company.

The Company has undertaken to distribute to all its shareholders as dividends at least 50% of its proceeds available for distribution under applicable law, on an annual basis, commencing as of the beginning of 2018, unless the holders of a majority of all issued shares, including the holders of a majority of the Preferred A Shares, agree otherwise for a specific year.

Preferred A shares

The Preferred A Shares in the Company confer upon the holders thereof all the rights accruing to holders of ordinary shares. The Preferred A Shares also have veto rights over certain special resolutions in the Company, until consummation of an IPO or M&A, or until the Preferred A Shares constitute less than 12.5% of Company’s issued shares on an as converted basis. The Preferred A Shares will convert into Ordinary Shares (initially on a 1:1 basis subject to anti-dilution adjustments) (i) upon the election of the holders of specific shares, (ii) upon the closing of an IPO approved by the Board, or (iii) upon the election of holders of the majority of issued Preferred A Shares.

(US Dollar in thousands)

NOTE 9 - SHAREHOLDERS' EQUITY (CONT.):

Preferred A shares (cont.)

In addition, in the event of any distribution or liquidation, all dividends, assets, or proceeds available for distribution will be distributed first to the holders of Preferred A Shares, on a pro rata basis among them, up to the aggregate purchase price originally paid for the Preferred A Shares (currently $ 3.637 Million in total), without any interest or linkage; following payment in full of such preference amount, any remaining distributable proceeds will be distributed among the holders of Ordinary Shares only, on a pro rata basis among them. Accordingly, the holders of Preferred A Shares may elect to convert into Ordinary Shares prior to a liquidation event in order to increase their proceeds, depending on the valuation used for such liquidation.

Share issuance

1. In December 2015, the Company issued 26,786 Preferred A shares to an investor at a price per share of approximately $56 in consideration for 1,500 which was received by the Company in February 2016.
2. In October 2016, the Company issued an additional 26,785 Preferred A shares at the same terms to the investor in consideration for 1,500.

Share based compensation

On August 16, 2015 the Company's Board of Directors approved a share option plan (the "Plan"). Under the plan, the Company will grant options to its employees and consultants. As of December 31, 2017 and 2016, the Company granted a total of 35,291 options. Each option has an exercise price of $0.003 for share. The vesting period is three years beginning on the grant date. The options will expire after ten years. In 2017 and 2016, the Company recorded share based compensation expenses in the amount of 116 and 177, respectively. A summary of the status of the Company's option plan granted to employees and consultants as of December 31, 2017 and 2016 and changes during the relevant periods ended on these dates are presented below:

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

(US Dollar in thousands)

NOTE 9 - SHAREHOLDERS' EQUITY (CONT.):

Share based compensation (cont.)

	Year ended December 31, 2016	
	Number of options	**Weighted average exercise price**
Outstanding at beginning of year	18,750	$ 0.003
Granted	16,541	$ 0.003
Forfeited and cancelled	(1,875)	$ 0.003
Outstanding at end of year	33,416	$ 0.003
Exercisable options	14,204	$ 0.003

NOTE 10 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2017	Year ended December 31, 2016
Payroll and related expenses	855	827
Materials and subcontractors	189	619
Governmental grants received and changes in liability, net	(2)	325
Other	38	127
less: capitalized development costs	(839)	(286)
Total	241	1,612

NOTE 11 - SALES AND MARKETING EXPENSES:

	Year ended December 31, 2017	Year ended December 31, 2016
Payroll and related expenses	92	43
Consultants	29	-
Other	5	3
Total	126	46

(US Dollar in thousands)

NOTE 12 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2017	Year ended December 31, 2016
Payroll and related expenses	123	170
Professional services	70	38
Others	83	151
Total	276	359

NOTE 13 - TAXES ON INCOME:

Taxes on income:

Israeli corporate tax rates are 24% in 2017 and 25% in 2016**.**

On January 5, 2016, the Israeli government published a law to amend the Income Tax Ordinance (No. 216) - 2016. According to the new law, there will be a decrease of corporation tax by 1.5% from 2016 onwards. Hence, there will be a decrease in the tax rate from 26.5% to 25%.

On December 2016, the Israeli government published the Economic Efficiency Law (2016) (legislative amendments to accomplish budget goals for the years 2017 and 2018) According to which, in 2017 the tax rate will decrease by 1% and starting 2018 by 2%; so that the tax rate will be 24% in 2017 and 23% in 2018 and onwards. All tax rates changes mentioned above did not have material impact on the Company.

Net operating losses carry forwards:

As of December 31, 2017, the Company has estimated carry forward tax losses of approximately 2,299 which may be carried forward and offset against taxable income for an indefinite period in the future. The Company did not recognize deferred tax assets relating to carry forward losses in the financial statements because their utilization in the foreseeable future is not probable.

(US Dollar in thousands)

NOTE 14 - RELATED PARTIES:

The following transactions arose with related parties:

Transactions - expenses	Year ended December 31, 2017	Year ended December 31, 2016
Key management personnel – Short term employee benefits	168	286
Key management personnel – Post-employment benefits	27	42
Finance expenses	6	5

Liabilities to related party

Name	December 31, 2017	December 31, 2016
Loan from related party	303	216
Key management personnel	57	62

NOTE 15 - COMITMENTS AND CONTINGENT LIABILITIES:

A. The Company leases its offices and Laboratory under an operating lease agreement. The total future value of minimum lease payments is due as follows:

	December 31, 2017	December 31, 2016
Not later than one year	6	25
Later than one year and not later five years	-	-
	6	25

B. The Company received funding from the Israeli innovation Authority ("IIA", previously known as Officer of Chief Scientist - OCS) for its participation in research and development costs of the Company, based on budgets approved by the IIA, subject to the fulfillment of specified milestones. The Company is committed to pay royalties to the IIA on proceeds from sale of products in the research and development of which the IIA participates by way of grants. According to the funding's terms, royalties between 3% and 4.5% are payable on sales of developed products funded, up to 100% of the grant received by the Company, linked to US dollar and bears libor interest rate. In the case of failure of a financed project, the Company is not obligated to pay any such royalties to the IIA.

As of December 31, 2017, the Company received grants related to two different products which amounted to 205 and 810 respectively.

(US Dollar in thousands)

NOTE 15 - COMITMENTS AND CONTINGENT LIABILITIES (CONT):

B. As of December 31, 2017 and 2016, the Company recognized a liability to the IIA in the amount of 571 and 465, respectively due to the first successfully developed product. The Company recognized no liability regarding the second development which has not matured into a product.

As of December 31, 2017 and 2016, the discounted rate used by the Company for the liability was 20%. The expectations of the Company to pay back the grants are based on its estimation at the end of each year.

C. In 2016, the Company provided a bank guarantee for office rent in the amount of 4.

NOTE 16 - LOSS PER SHARE:

Loss per share have been calculated using the weighted average number of shares in issue during the relevant financial periods and loss for the periods as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Loss for the year attributed to shareholders	788	2,121
Weighted average number of Ordinary shares	100,000	100,000
Basic and diluted loss per share in US dollar	7.88	21.21

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures to these financial risks to limit any negative impact on the Company's financial performance and position.

The Company's financial instruments are its cash and other receivables, payables, other payables and loans from related party. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly credit risk, currency risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

(US Dollar in thousands)

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Company closely monitors the activities of its counterparties. The Company's main financial assets are cash and cash equivalents as well as other receivables and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Company holds cash with major financial institutions in Israel. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	46	1,353
Other accounts receivables	5	39
Total	51	1,392

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the New Israeli Shekel ("NIS"). The Company's policy is not to enter into any currency hedging transactions.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	As of December 31, 2017		
	Assets	**Liabilities**	**Total**
NIS	42	(513)	(471)

	As of December 31, 2016		
	Assets	**Liabilities**	**Total**
NIS	83	(395)	(312)

(US Dollar in thousands)

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Sensitivity analysis

A 10% strengthening of the United States Dollar against the following currencies would have increased equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2017	December 31, 2016
Linked to NIS	(47)	(31)

Liquidity risks

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Accordingly, the Company has a negative working capital.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

At December 31, 2017	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years
Trade payables	13	-	-	-
Other accounts payable	167	-	-	-
Liability for royalties	-	33	202	596
Loan from related party	-	152	151	-
Total	180	185	353	596

At December 31, 2016	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years
Trade payables	14	-	-	-
Other accounts payable	165	-	-	-
Liability for royalties	-	-	33	793
Loan from related party	-	216	-	-
Total	179	216	33	793

NOTE 18 - SUBSEQUENT EVENTS:

A. On May 31, 2018, the Company and Mayo Foundation for Medical Education and Research (“Mayo”) entered into a license purchase agreement. Mayo is a non profit corporation engaged in clinical practice, education and research in a unified multi-campus system. According to the agreement, 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 2,295 Preferred A shares upon achievement of certain milestones.

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 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:

   (i) 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.

NOTE 18 - SUBSEQUENT EVENTS (CONT.):

(ii) 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.

C. In June 2018, the Company signed a convertible bridge loan agreement (the "CLA") with the Australian company in the amount of AUD 2,150 thousands (approximately 1,589). According to the CLA, the Australian company shall transfer 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 the Company. The amount shall bear 5% interest per annum. According to the CLA, the loan shall be converted into the 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 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, an IPO or merger event will not occur, the loan amount will automatically be converted into Preferred A shares of the Company at a price per share reflecting a Company value before conversion of 4,235.