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WAY2VAT LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

(UNAUDITED)

WAY2VAT LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
AS OF JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
Review report on interim financial information	1
Condensed interim consolidated statements of financial position	2-3
Condensed interim consolidated statements of comprehensive income	4
Condensed interim consolidated statements of changes in deficit	5-6
Condensed interim consolidated statements of cash flows	7
Notes to the condensed interim consolidated financial statements	9-15



Review report on interim financial information to the shareholders of WAY2VAT LTD.

Introduction

We have reviewed the accompanying condensed interim consolidated statements of financial position of WAY2VAT Ltd. (the "Company") as of June 30, 2021 and the related condensed interim consolidated statements of comprehensive income, changes in shareholders' equity (deficit) 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 Accounting Standard IAS 34 "Interim Financial Reporting". 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 consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2021, and of its financial performance and its consolidated cash flows for the six month period then ended in accordance International Accounting Standard IAS 34.

Tel-Aviv, Israel
14 September 2021

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

תל אביב | ירושלים | חיפה | באר שבע | בני ברק | קרית שמונה | פתח תקווה | מודיעין עילית | נצרת | אילת
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WAY2VAT LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(USD in thousands)

	June 30, 2021	December 31, 2020
	Unaudited	
ASSETS		
Current Assets:		
Cash and cash equivalents	596	1,912
Trade receivable	1,517	984
Other accounts receivable	566	150
	2,679	3,046
Non-Current Assets:		
Property, plant and equipment, net	181	195
Right-of-use assets	278	316
	459	511
Total Assets	3,138	3,557

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

WAY2VAT LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(USD in thousands)

	<u>Note</u>	<u>June 30, 2021</u> <u>Unaudited</u>	<u>December 31, 2020</u>
LIABILITIES AND DEFICIT			
Current Liabilities:			
Credit line	4	771	333
Trade accounts payable		300	207
Convertible loans	3	9,700	3,110
Lease liabilities		115	129
Other accounts payable		989	1,014
		<u>11,875</u>	<u>4,793</u>
Non-Current Liabilities:			
Convertible loans	3	-	4,787
Lease liabilities		182	177
Liability for royalties payable		382	268
		<u>564</u>	<u>5,232</u>
Deficit:			
Share capital	5	8	8
Additional paid in capital		5,000	4,969
Share based payment reserve		2,229	1,058
Adjustments arising from translation to reporting currency		(255)	(510)
Accumulated deficit		<u>(16,283)</u>	<u>(11,993)</u>
Total Deficit		<u>(9,301)</u>	<u>(6,468)</u>
Total Liabilities And Deficit		<u>3,138</u>	<u>3,557</u>


Amos Simantov
CEO & Director


Aviv Barshaf
VP Finance

14 September 2021
Date of approval of financial
statements

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

WAY2VAT LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(USD in thousands)

	Six months period ended June 30,	
	2021	2020
	Unaudited	
Revenue	696	399
Cost of revenues	127	58
Gross profit	569	341
Research and development expenses	558	717
Selling and marketing expenses	817	620
General and administrative expenses	1,416	835
Operating loss	(2,222)	(1,831)
Finance income	-	490
Finance expenses	(2,066)	(46)
Loss for the period	(4,290)	(1,387)
Other comprehensive loss, net of tax:		
<i>Items that will or may be reclassified to profit or loss:</i>		
Exchange gains arising on translation to reporting currency	255	1
Total comprehensive loss for the period	(4,035)	(1,386)
Basic and diluted loss per share in USD	\$ 1.303	\$ 0.423

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

WAY2VAT LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT
(USD in thousands)

For the six months period ended June 30, 2021 (Unaudited):

	<u>Share capital</u>	<u>Additional paid in capital</u>	<u>Share based payment reserve</u>	<u>Adjustments arising from translation to reporting currency</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance at January 1, 2021	8	4,969	1,058	(510)	(11,993)	(6,468)
Changes during the period:						
Net loss	-	-	-	-	(4,290)	(4,290)
Other comprehensive income	-	-	-	255	-	255
Total comprehensive loss	-	-	-	(255)	(4,290)	(4,035)
Exercise of options to ordinary shares	*	31	(31)	-	-	*
Share based payment	-	-	1,202	-	-	1,202
Balance at June 30, 2021	<u>8</u>	<u>5,000</u>	<u>2,229</u>	<u>(255)</u>	<u>(16,283)</u>	<u>(9,301)</u>

* Less than 1 thousands USD

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

WAY2VAT LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT
(USD in thousands)

For the six months period ended June 30, 2020 (Unaudited):

	<u>Share capital</u>	<u>Additional paid in capital</u>	<u>Share based payment reserve</u>	<u>Adjustments arising from translation to reporting currency</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance at January 1, 2020	8	4,930	617	(5)	(9,692)	(4,142)
Changes during the period:						
Net loss	-	-	-	-	(1,387)	(1,387)
Other comprehensive income	-	-	-	1	-	1
Total comprehensive loss	-	-	-	1	(1,387)	(1,386)
Exercise of options to ordinary shares	*	15	(14)		-	1
Share based payment	-	-	269	-	-	269
Balance at June 30, 2020	<u>8</u>	<u>4,945</u>	<u>872</u>	<u>(4)</u>	<u>(11,079)</u>	<u>(5,258)</u>

* Less than 1 thousands USD

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

WAY2VAT LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

	Six month period ended June 30,	
	2021	2020
	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the period	(4,290)	(1,387)
Adjustments to reconcile net loss to net cash used in by operating activities:		
Depreciation	135	132
Change in fair value of convertible loans	1,722	(496)
Financial expenses, net	306	53
Share based payment	1,202	269
Change in liability for royalties payable	23	(39)
Increase in trade receivable, net	(574)	(44)
Decrease (increase) in other accounts receivable	(428)	31
Increase in trade accounts payable	101	72
Increase (decrease) in other accounts payable	(68)	323
Cash from operations	(1,871)	(1,086)
Interest paid	(19)	(29)
Net cash used in operating activities	(1,890)	(1,115)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(12)	(36)
Net cash used in investing activities	(12)	(36)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of shares options	*	1
Credit line, net	449	208
Principal paid on lease liabilities	(77)	(72)
Receipt of IIA grant	176	44
Royalties paid to the IIA	(11)	-
Receipt of convertible loan	50	-
Net cash provided by financing activities	587	181
Net decrease in cash and cash equivalents	(1,315)	(970)
Cash and cash equivalents at the beginning of the period	1,912	2,510
Effects of exchange rate changes on cash and cash equivalents	(1)	(18)
Cash and cash equivalents at the end of the period	596	1,522

* Less than 1 thousands USD

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

WAY2VAT LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 1 - GENERAL:

Way 2 Vat Ltd. ("the Company") was incorporated on February 19, 2014, under the laws of Israel and commenced operations in January 1, 2015. The Company is developing application for automatic VAT reclaims for enterprises.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of preparation

These interim consolidated financial statements have been prepared in accordance 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 2020 annual report.

Significant accounting policies

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2020 annual financial statements, except for amendments to IFRS 16: COVID-19 Related Rent Concessions beyond 30 June 2021, which were adopted on 1 January 2021.

Details of the impact this amendment has had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In March 2021, the IASB amended IFRS 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted. The Group has early adopted this amendment for its annual reporting period beginning on 1 January 2021.

Use of estimates and judgements

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods, except those necessitated by the changing circumstances of the COVID-19 pandemic.

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2021 (the date on which the company's next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

WAY2VAT LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 3 - CONVERTIBLE LOAN:

- a. In July 2018, the Company signed several convertible loan agreements with both new and existing investors in an aggregate amount of \$1,275 (hereafter – the "2018 CLA"). The 2018 CLA bears annual interest of 4%. The 2018 CLA principal amount and accrued interest shall be payable within 24 months after its respective issuance (the "Maturity Date").

In February 2019, the Company's Board of Directors approved to increase the principal amount under the 2018 CLA to up to \$3.5 million. The additional amount was received fully during 2019. In April 2020, the Company signed an amendment to the 2018 CLA, under which the Maturity date has been extended by 12 months.

The accrued interest will not be convertible in any case. The Convertible Loans were designated at fair value through profit or loss.

- b. In August 2019, the Company signed several convertible loan agreements with new investors in an aggregate amount of \$3,650 (hereafter- the "2019 CLA"). The total amount received is \$3,413, net of commissions in the amount of \$237.

The 2019 CLA bears annual interest of 8%. The 2019 CLA principal amount shall be payable within 24 months after its respective issuance (the "Maturity Date").

The accrued interest will not be convertible or payable in any case, except for liquidation.

- c. In August 2020, the Company completed an additional convertible loan raise of \$1,705 from new and existing investors (hereafter – "the 2020 CLA"). During 2020, the Company received a total amount of \$1,590, net of commissions in the amount of \$65. The Company received an additional amount of \$50 during March 2021.

The 2020 CLA principal amount shall be payable within 18 months after its respective issuance (the "Maturity Date"). The 2020 CLA bears annual interest of 6%.

WAY2VAT LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 3 - CONVERTIBLE LOAN (Cont.):

Fair value measurement

The fair value measurement of the convertible loan, was measured using a Monte Carlo simulation based on the Black-Scholes framework, is based on significant unobservable inputs and thus represent a level 3 measurement within the fair value hierarchy. The key inputs that were used in measuring the fair value of the convertible loan were:

	June 30, 2021	June 30, 2020
	Unaudited	
Risk free interest rate	0.66%	0.15%
Expected volatility	65%	63%
Expected dividend yield	0%	0%
Expected term	0.5	1.5

Convertible loans

	June 30, 2021	June 30, 2020
	Unaudited	
Convertible loans as of January 1,	(7,897)	(6,744)
Receipts of convertible loans	(50)	-
Adjustments arising from translating to reporting currency	(276)	(12)
Effects of exchange rate differences	245	12
Change in fair value of convertible loans- Financial income (expenses)	(1,722)	496
Convertible loans as of June 30	<u>(9,700)</u>	<u>(6,248)</u>

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
As of June 30, 2021				
Convertible loans	-	-	(9,700)	(9,700)
As of June 30, 2020				
Convertible loans	-	-	(6,248)	(6,248)

WAY2VAT LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(USD in thousands)****NOTE 4 – CREDIT LINE:**

In July 2020, the Company signed a renewal to credit line agreement with a bank in the amount of approximately \$560. The consideration relating to the Loan shall bear an annual interest of Prime+4.5%. The Company received the full amount in NIS during 2020 and 2021. In addition, the Company pledged all its assets to the bank, to ensure the repayment of the loan given to the Company by the bank.

In June 2021, the Company signed an addendum to the credit line agreement in the amount of approximately \$216. The consideration relating to the Loan shall bear an annual interest of Prime+4.5%. The Company received the full amount during June 2021.

See also note 7.

NOTE 5 - EQUITY:**Composed as follows as of June 30, 2021**

	Number of shares as of June 30, 2021	
	Unaudited	
	Authorized	Issued and outstanding
Ordinary shares par value of NIS 0.01 per share	7,866,844	1,159,217
Series A Preferred shares	884,538	884,538
Series A-1 Preferred shares	1,248,618	1,248,618

Composed as follows as of December 31, 2020

	Number of shares as of June 30, 2020	
	Unaudited	
	Authorized	Issued and outstanding
Ordinary shares par value of NIS 0.01 per share	7,866,844	1,133,997
Series A Preferred shares	884,538	884,538
Series A-1 Preferred shares	1,248,618	1,248,618

Issuance of ordinary shares:

During 2020, certain employees exercised 13,068 options into ordinary shares, where the exercise price ranged between the par value of \$0.003 and \$1.27.

During 2021, certain employees exercised 16,895 options into ordinary shares, for a total consideration of their par value.

WAY2VAT LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(USD in thousands)****NOTE 5 – EQUITY (Cont.):****Share based payment:**

During 2016, the Group established a share option plan (the "Plan"). Under the Plan, an amount of 1,637,952 options for ordinary shares have been granted to employees and service providers as of June 30, 2021. The options have an exercise price of \$0.003-\$2.803. The vesting period is up to 3 years, which begins on the grant date. Contractual life of the options under the Plan is 7 years. Part of the options were granted under section 102 to Israeli tax ordinance which enables the employee to pay 25% of capital gain tax upon exercise. Another part of the options were granted to service providers under section 3.i to Israeli tax ordinance

The Group measured goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measured their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The fair value of share options was estimated by using a simulation based Black Scholes and Merton simulation approach, which was aimed to model the value of the Company's assets over time.

The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

- The expected volatility of the existing business is 63%-65%.
- The dividend growth rate 0%,
- Expected term – 2 years

The valuation performed by an external valuator was based on management's assumptions.

The options to employees and service providers outstanding as of June 30, 2021 are comprised, as follows:

	Six months ended June 30, 2021	
	Number of options	Weighted average exercise price in USD
Outstanding at beginning of period	725,921	0.37
Granted	668,049	0.51
Exercised	(16,895)	0.003
Forfeited	(56,132)	1.50
	<u>1,320,943</u>	<u>0.51</u>
Outstanding at end of period		
	<u>378,109</u>	<u>0.78</u>

WAY2VAT LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 6 - RELATED PARTIES:

The following transactions arose with related parties:

Transaction - expenses	Six months period ended	
	June 30, 2021	June 30, 2020
	Unaudited	
Management Fee to CEO, shareholder and director	113	97
Short term salary expenses to VP finance, shareholder and director	51	50
Share based payment to CEO, shareholder and director	741	137
Share based payment to VP finance, shareholder and director	112	46
Share based payment to related company	286	4
Consulting fees to related company	11	10

Liabilities to related party

Position	Nature of transaction	June 30, 2021	December 31, 2020
		Unaudited	
CEO, shareholder and director	Management Fees	24	19
VP finance, shareholder and director	Short term salary expenses	20	7
Shareholders	Convertible loan	1,525	925

NOTE 7 - SUBSEQUENT EVENTS:

1. In August 2021, the Company signed additional credit line agreements with a bank in the amount of approximately \$350. The consideration relating to the Loan shall bear an annual interest of Prime+4.5%. The Company received the full amount during August 2021.
2. In July 2021, the Company signed an amendment to the 2019 CLA, under which the Maturity date has been extended from August 31, 2021 until September 30, 2021.
3. In November 2020, the Foreign Trade Administration ("FTA") of the Israeli Ministry of Economy approved the Company's participation in the "Shalav" Program, which provides financial assistance for promoting sales and marketing activities in the UK market. For its marketing efforts in the UK, the FTA has approved a budget of \$177, from which the Company will obtain a grant of 50% of the actual expenses related to the program, in an aggregate amount of \$89. During July 2021, the Company received an amount of \$83.

WAY2VAT LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 7 - SUBSEQUENT EVENTS (Cont.):

4. In August 2021, the Company's Board of Directors approved the completion of an IPO in the Australian Securities Exchange ("ASX"). As a result, the following transactions and events occurred:
- a. The Company issued a total of 34,180,204 bonus shares to all existing shareholders.
 - b. The issuance of 35,000,000 shares at an offer price per share of A\$0.20 each to raise A\$7 million (\$5,385) before estimated costs. Cash costs of are estimated to be \$487. Those costs which are directly attributable to the capital raising are offset against contributed equity, with the remaining costs expensed through profit or loss.
 - c. The conversion of the convertible loans mentioned in note 5, resulting in the issuance of 81,113,695 shares and the recognition of the associated finance charge of \$2,467.
 - d. The grant of 15,085,697 options as follows: (i) 12,956,288 were granted to existing shareholders, (ii) the option pool increased in the amount of 2,129,409 options.
 - e. The issue of 8,330,000 options to the IPO Advisor ('Advisor Options') which are exercisable at A\$0.30 each and will expire three years from the date of issue. The issue of the Advisor Options are deemed to be a cost of the capital raising and have therefore shall be offset against contributed equity. The Advisor Options have been valued at A\$466 (\$350).
 - f. The issue of 5,000,000 options, to the three new incoming non-executive Directors ('Director Options'), 2.5 million of the Director Options are exercisable at A\$0.30 each ('Tranche 1'), and 2.5 million of the Director Options are exercisable at A\$0.40 ('Tranche 2'). The Director Options will expire four years from the date of issue. The value of the Director Options is \$263, which will be expensed over the vesting period.
 - g. The issue of 14.5 million performance rights in three classes, Class 1 and Class 2 have non-market based vesting conditions and Class 3 has a market based vesting condition (collectively 'Performance Rights'). Currently there are no reasonable grounds on which to assess the likelihood of the non-market milestones for conversion of the Class 1 and Class 2 Performance Rights being met. If the non-market conditions are met, the maximum value of the Class 1 and Class 2 Performance Rights as at the pro forma date is \$1,440. The value of the Class 3 Performance Rights using a trinomial barrier option pricing model is \$131. This value will be expensed over the vesting period.

WAY2VAT LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 7 - SUBSEQUENT EVENTS (Cont.):

- h. The Company has adopted Corporate Governance rules, a new Articles of Association and Incentive Compensation Plan in accordance with the requirement of the AXS and the Israeli Companies Law.

In addition, the Company's Board of Directors has changed, by adding three new independent directors (David Buckingham, Robert Edgley and Ayelet Nachmias-Varbin) and ending the tenure for three active directors (Aviv Barshaf, Avraham Yaron and Andrey Yashunsky). The new independent directors serve as members of the Company's Audit Committee, in addition to the establishment of the Compensation Committee which include David Buckingham, Robert Edgley and Davia Asia.

- i. The Company adopted two new agreements with the Company's CEO and the Company's Chairman of the board, both agreements were approved by the Company's Board of Directors and shareholders and effective as of listing for trade on ASX.