

APPENDIX 4E PRELIMINARY FINAL REPORT

1. DETAILS OF REPORTING PERIOD

Name of Entity	HeraMED Limited (“the Company”)
ABN	65 626 295 314
Reporting Period	31 December 2020
Previous Corresponding Period	31 December 2019
Presentation Currency	US Dollars

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended 31 Dec 2020 \$'000	12 months ended 31 Dec 2019 \$'000	Increase/ (decrease) %	Amount change \$'000
Revenues from ordinary activities	40	145	(72.41%)	105
Profit/(loss) from ordinary activities after tax attributable to members	(3,359)	(3,129)	7.35%	230
Net profit/(loss) for the year attributable to members	(3,359)	(3,129)	7.35%	230

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

Commentary on results:

Refer to section 14 below.

3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached consolidated financial statements.

4. STATEMENT OF FINANCIAL POSITION

Refer to attached consolidated financial statements.

5. STATEMENT OF CASH FLOWS

Refer to attached consolidated financial statements.

6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached consolidated financial statements.

7. DIVIDENDS/DISTRIBUTIONS

No dividends declared in current or prior year.

8. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

9. NET TANGIBLE ASSETS PER SHARE

	31 Dec 2020	31 Dec 2019
Net tangible asset backing per ordinary security	0.688 cents	1.193 cents

10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD**Control gained over entities**

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Name of associate or joint venture entity	N/A	
Reporting entity's percentage holding in this entity	N/A	
Contribution to net profit/(loss) (where material)	Current Period	Previous Period
Aggregate share of profits/(losses) of the above entity (where material)	Current Period	Previous Period

12. ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE COMPANY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Refer to attached consolidated financial statements.

13. FOREIGN ENTITIES

Refer to attached consolidated financial statements.

14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION

Refer to commentary on page 1 of the attached Preliminary Final Report

15. AUDIT

This report is based on accounts which are in the process of being audited. It is likely that the Auditor will issue an Independent Auditor's Report that will contain an 'Emphasis of Matter' paragraph drawing attention to a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern. The attached preliminary financial report has been prepared on a going concern basis. Please refer to note 1(a) Going Concern.

Authorised for release by the Board

David Groberman

David Groberman

Chief Executive Officer

26 February 2021



HERAMED LIMITED

ABN 65 626 295 314

PRELIMINARY FINAL REPORT

31 DECEMBER 2020

For personal use only

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

Review of operations

Unless otherwise stated, all figures in this report are in the Company's presentation currency, the US Dollar ("\$").

HeraMED Limited had a loss for the year ended 31 December 2020 of \$3,358,969 (2019: \$3,128,885). The net assets of the Group have decreased by \$389,703, from \$2,387,886 at 31 December 2019 to \$1,998,183 at 31 December 2020.

As at 31 December 2020, the Group's cash and cash equivalents decreased from \$2,045,612 at 31 December 2019 to \$1,903,949.

Significant changes in the state of affairs

There were no significant changes to the Company or the state of its affairs during the year except for the issuance of shares raising ~\$2.5M (net of issuance expenses).

Additional requirements for capital

The Group's future capital requirements depend on numerous factors. The Group may require further funding – the amount will depend on the Group's ability to generate income and the extent of development activities. Additional equity financing may dilute existing shareholders. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and/or scale back its development programmes as the case may be. There is no guarantee that the Group will be able to secure additional funding or be able to secure funding on terms acceptable to the Group.

Highlights during the year

During the year ended 31 December 2020, the Company had the following highlights:

- **The Company raised ~\$2.5M (net of issuance expenses) from sophisticated and professional investors and from Mayo Clinic, to pursue growth opportunities.**
- **Outstanding results achieved in the independent clinical trial at Joondalup Health Campus, Western Australia.**
- **Mayo Clinic's Institutional Review Board (IRB) approved the launch of a Clinical Study of the HeraBEAT™ device and the HeraCARE platform to review foetal and maternal heart rates.**
- **Initial partnerships in the US including eCare21 and Teleperinatal.**
- **With the recent cooperation with Sheba Medical Centre (Sheba) in Israel (ASX announcement of 8 February 2021), HeraMED is now collaborating with 2 of the top 10 hospitals in the world - Mayo Clinic and Sheba.**

During 2020, there were several changes to the Company's strategy: under the previous commercialisation strategy, HeraBEAT devices were purchased, however, under the new strategy, a SaaS - per-user-per-month subscription model is offered. Most recently, on 27 January 2021, HMD announced that Hapvida, one of Brazil's largest healthcare groups had extended its subscription for SaaS and cloud monitoring services for a further 24 months under the new recurring revenue subscription model.

Independent clinical trial at Joondalup Health Campus, Western Australia

On 8 October 2020, HMD announced outstanding clinical study results that confirmed the accuracy of the HeraBEAT device against a hospital-grade Cardiotocography CTG machine (Philips Avalon). The study, led by top-tier clinicians and researchers at Joondalup Health Campus, WA, validates the ability for HMD's technology to offer physicians the same level of data accuracy they are used to in the hospital, done by a patient from the comforts of their home. During the trial, the HeraBEAT device demonstrated hospital-grade accuracy for monitoring foetal heart rates, as well as excellent usability scores and user satisfaction – for use both by clinicians and pregnant women who have successfully used it without any support. At the same time, HMD announced that Joondalup Health Campus is expanding the study to explore additional applications for HeraBEAT. During December 2020, approval was granted for this expanded study to begin and as a result, recruitment is now underway. Further details will be provided at the relevant time.

Collaboration with Mayo Clinic

On 21 July 2020, HMD announced an extension of the collaboration with Mayo Clinic, with a new agreement for the development of its HeraCARE pregnancy management platform that includes an equity investment of USD100,000 to support the project as well as expert medical know-how and guidelines in the field of prenatal care, and a license to Mayo's library of educational content in the space.

On 16 December 2020, HMD announced that the Mayo Clinic's Institutional Review Board (IRB) had approved the launch of a Clinical Study of the HeraBEAT device and the HeraCARE platform to review foetal and maternal heart rates.

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

The clinical study is being conducted at Mayo Clinic in Rochester, Minnesota. The study is being led by Principal Investigator Yvonne S Butler Tobah M.D., head of Mayo's OB Nest program with co-investigators Regan Theiler M.D., Ph.D, Chair, Division of Obstetrics, Department of Obstetrics and Gynaecology and Abimbola Famuyide, MBBS, Chair of the Department of Obstetrics and Gynaecology.

The overall study will encompass an assessment of the solution's functionality, usability, and user acceptability, as well as an evaluation of the impact of the device on the expectant mothers' perception of foetal wellbeing, measured by standardised surveys. In addition to the clinical trial, HeraMED is also working with the Mayo Clinic to undertake a pilot of the complete HeraCARE solution. HMD will update the market when the pilot begins.

COVID-19

The onset of the coronavirus (COVID-19) has presented a unique opportunity to fast-track the adoption of digital health in maternity care. HeraMED is well-placed to deliver high-quality, prenatal, and postpartum care to improve the safety, efficiency, and cost of maternal healthcare. HeraMED continues to receive significant interest from prospects from around the world and is focused on progressing the growing pipeline of opportunities.

While offering unique opportunities for HeraMED, COVID-19 also presented some challenges for all companies globally and HeraMED is not different:

- The medical community was and still is under a lot of pressure and therefore HMD experienced certain delays in R&D projects such as Orion as well as in its ability to leverage the above to commercial success.
- The Company had to carefully and responsibly adjust its operational costs keeping a dynamic and flexible approach optimising its ability to navigate through the pandemic.
- HeraMED further implemented strict health and safety procedures internally and took all possible measures to mitigate the challenges of working from home.
- As with manufacturing companies globally, supply chain management remains a challenge. The Company delayed the move of its manufacturing processes to China and is currently manufacturing in Israel.

The impact of the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting period. The timing, extent of the impact and recovery from COVID-19 on our employees, customers, and suppliers is unknown at this stage. The full impact of COVID-19 outbreak continues to evolve as of the date of this report. As such, the Group is unable to estimate the effects of the COVID-19 outbreak on the Group's financial position, liquidity, and operations in the 2021 financial year.

Outlook for 2021

The focus at HeraMED is to continue to create value for our shareholders and to capitalise on our growing pipeline of potential partnerships across the US, Australia, EU, and Israel.

COVID has presented a unique opportunity to fast-track adoption of digital health in maternity care and the focus remains on progressing the growing pipeline and adding new potential partnerships.

So far in 2021, we have already seen improved momentum across several important initiatives – and an expansion to our target market from purely the traditional healthcare providers to now incorporating digital health platforms and medical software companies as new potential channel partners. These groups already have a substantial relationship with multiple parties such as healthcare providers, insurers and so forth, so joining forces will enable us to have access to a much wider potential network and shortcut the sales cycles.

Supported by our recently strengthened balance sheet with the latest raise, we will continue to focus on our well-defined commercialisation strategy, to further expand the pipeline of opportunities, underpinned by the fast-track adoption of telehealth globally.

David Groberman

David Groberman

Chief Executive Officer

26 February 2021

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Revenue		39,516	145,389
Cost of sales		(31,583)	(111,577)
Gross profit		7,933	33,812
Other income		14,655	-
Research and development expenses		(1,180,681)	(922,706)
General and administrative expenses		(962,817)	(936,033)
Selling and marketing expenses		(860,611)	(980,136)
Depreciation and amortisation expenses		(258,674)	(242,894)
Share-based payments	4	(196,162)	(181,350)
Other gains		74,272	69,271
Loss before finance expenses		(3,362,085)	(3,160,036)
Finance income		13,441	38,601
Finance expenses		(10,325)	(7,450)
Loss before income tax		(3,358,969)	(3,128,885)
Income tax expense		-	-
Loss for the year		(3,358,969)	(3,128,885)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		93,316	79,313
Total comprehensive loss for the year attributable to owners of the Company		(3,262,653)	(3,049,572)
Loss per share attributable to owners of the Company			
Basic/diluted loss per share	2	(0.027)	(0.035)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

For personal use only

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents		1,903,949	2,045,612
Other receivables		233,767	254,613
Inventory		69,274	58,091
TOTAL CURRENT ASSETS		2,206,990	2,358,316
NON-CURRENT ASSETS			
Plant and equipment		16,410	16,823
Right-of-use asset		5,586	72,616
Intangible assets		965,242	1,156,190
TOTAL NON-CURRENT ASSETS		987,238	1,245,629
TOTAL ASSETS		3,194,228	3,603,945
CURRENT LIABILITIES			
Trade and other payables		498,536	456,345
Lease liability		5,811	66,805
Liability for Israel Innovation Authority grants		11,562	16,165
TOTAL CURRENT LIABILITIES		515,909	539,315
NON-CURRENT LIABILITIES			
Borrowings		185,837	168,464
Lease liability		-	5,811
Liability for Israel Innovation Authority grants		494,299	502,469
TOTAL NON-CURRENT LIABILITIES		680,136	676,744
TOTAL LIABILITIES		1,196,045	1,216,059
NET ASSETS		1,998,183	2,387,886
SHAREHOLDERS' EQUITY			
Issued capital	3	13,375,173	10,738,713
Shares to be issued		-	52,722
Share-based payment reserve	4	2,432,257	2,140,045
Predecessor Accounting reserve		(133,879)	(133,879)
Foreign exchange reserve		(25,621)	(118,937)
Accumulated losses		(13,649,747)	(10,290,778)
SHAREHOLDERS' EQUITY		1,998,183	2,387,886

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Issued capital	Shares to be issued	Share-based payment reserve	Predecessor Accounting reserve	Foreign exchange reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2019	9,822,642	-	2,011,417	(133,879)	(198,250)	(7,161,893)	4,340,037
Loss for the year	-	-	-	-	-	(3,128,885)	(3,128,885)
Other comprehensive income	-	-	-	-	79,313	-	79,313
Total comprehensive loss for the year	-	-	-	-	79,313	(3,128,885)	(3,049,572)
<i>Transactions with owners in their capacity as owners:</i>							
Issue of shares	974,545	-	-	-	-	-	974,545
Shares issued to service providers	-	52,722	-	-	-	-	52,722
Capital raising costs	(58,474)	-	-	-	-	-	(58,474)
Share based payments	-	-	128,628	-	-	-	128,628
Balance at 31 December 2019	10,738,713	52,722	2,140,045	(133,879)	(118,937)	(10,290,778)	2,387,886
Balance at 1 January 2020	10,738,713	52,722	2,140,045	(133,879)	(118,937)	(10,290,778)	2,387,886
Loss for the year	-	-	-	-	-	(3,358,969)	(3,358,969)
Other comprehensive income	-	-	-	-	93,316	-	93,316
Total comprehensive loss for the year	-	-	-	-	93,316	(3,358,969)	(3,265,653)
<i>Transactions with owners in their capacity as owners:</i>							
Issue of shares (refer to note 3)	2,963,155	(52,722)	-	-	-	-	2,910,433
Capital raising costs (refer to note 3)	(326,695)	-	-	-	-	-	(326,695)
Share based payments (refer to note 4)	-	-	292,212	-	-	-	292,212
Balance at 31 December 2020	13,375,173	-	2,432,257	(133,879)	(25,621)	(13,649,747)	1,998,183

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		22,248	207,147
Government grants		5,267	-
Payments to suppliers and employees		(2,816,255)	(2,863,839)
Interest received		668	11,108
Net cash (used in) operating activities		(2,788,072)	(2,645,584)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(4,677)	(6,476)
Payments for capitalised development expenses		(53,762)	(200,749)
Net cash (used in) investing activities		(58,439)	(207,225)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from equity instruments of the Company	3	2,621,602	916,071
Repayment of lease liabilities		(105,339)	(81,281)
Other transaction costs		-	(92,215)
Net cash provided by financing activities		2,516,263	742,575
Net (decrease) in cash and cash equivalents		(330,248)	(2,110,234)
Cash and cash equivalents at the beginning of the financial year		2,045,612	4,033,829
Impact of movement in foreign exchange rates		188,585	122,017
Cash and cash equivalents at the end of the financial year		1,903,949	2,045,612

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

For personal use only

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial report

The preliminary final report has been prepared in accordance with the ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

a) Going concern

The preliminary final report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a loss for the year ended 31 December 2020 of \$3,358,969 (31 December 2019: \$3,128,885) and net cash outflows used in operating activities was \$2,788,072 (31 December 2019: \$2,645,584).

Whilst the Group is expected to be cash-flow negative in the foreseeable future as a result of continued expenditures, the ability of the Group to continue as a going concern is dependent on securing additional funding through equity to continue to fund its operational and technology development activities. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors believe that there are sufficient funds available to continue to meet the Group's working capital requirements as at the date of this report and that sufficient funds will be available to finance the operations of the Group for the following reasons:

- the Group has recently been successful in raising equity and is planning to raise further funds;
- on 4 February 2021, the Group raised A\$2,332,275 pursuant to a share placement at A\$0.09 per share;
- the level of expenditure can be managed; and
- the directors of HeraMED have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through the sale of the Group's products and services.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the preliminary report or raise additional capital through equity raisings and that the preliminary report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable.

The directors plan to continue the Group's operations on the basis outlined above and believe there will be sufficient funds for the Group to meet its obligations and liabilities for at least twelve months from the date of this report.

This report is based on accounts which are in the process of being audited. It is likely that the Auditor will issue an Independent Auditor's Report that will contain an 'Emphasis of Matter' paragraph drawing attention to a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The preliminary financial report has been prepared on a going concern basis.

b) Basis of Measurement and Reporting Conventions

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2020

c) Adoption of new and revised Australian Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the financial year.

New and revised Standards and amendments thereof and Interpretations effective for the financial year that are relevant to the Group include:

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

This Standard amends AASB 3 *Business Combinations*. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

The amendments include consequential amendments to affected Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB.

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

The amendments in AASB 2019-3 modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

This Standard makes amendments to AASB 1054 *Additional Australian Disclosures* by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose information specified in paragraphs 30 and 31 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* on the potential effect of an IFRS Standard that has not yet been issued by the AASB.

The adoption of these Amendments has had no significant impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

d) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates and Judgements

Share based payments

The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them, as well as an assessment of the probability of achieving non-market based vesting conditions.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 4.

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2020

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on the fair value less cost of disposal. The Company reviews intangible assets for impairment once a year or more frequently if events or changes in circumstances indicate that there is an impairment. An impairment loss is recognised if the recoverable amount of the cash-generating unit to which goodwill has been allocated is lower than the carrying value of the cash-generating unit.

The Directors make estimates and judgements in preparing the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events based and are based on current trends and economic data, obtained both externally and within the Group.

Development costs

Costs relating to the development of HeraBEAT are capitalised in accordance with AASB 138 *Intangible Assets*. Capitalised costs include all direct costs associated with the development of the asset. The development asset is amortised over a 6-year period from the capitalisation date which is determined by the useful life of the asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably and whether the costs, including payroll costs are directly attributable to relevant projects.

Fair value of long-term liabilities

The Company measured its liability on governmental grants received, each period, based on discounted cash flows derived from the Group's future anticipated revenues. The grant is repayable upon the Group commencing product commercialisation and generating revenue from the sale of the product, with repayments being based on 3%-4.5% of each dollar of revenue. As required by AASB 9 *Financial Instruments*, the liability has been recognised at fair value on initial recognition and subject to management's estimate of the discount rate and the timing and quantity of future revenues.

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 recognised, in whole or in part, will not be repaid (since the Company will not be required to pay royalties). If there is such reasonable assurance, the appropriate amount of the liability is derecognised and recorded in profit or loss as a revaluation 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 recognised with a corresponding adjustment to financial expenses or income.

Deferred Consideration Shares

Deferred consideration shares will convert into ordinary shares subject to the satisfaction of certain performance milestones within 36 months of quotation (further details are provided at note 3(d)). The probability of achieving non-market-based performance milestones is assessed at each reporting date.

NOTE 2: LOSS PER SHARE

	2020	2019
	\$	\$
Loss per share (EPS)		
a) Loss used in calculation of basic EPS and diluted EPS	(3,358,969)	(3,128,885)
b) Weighted average number of ordinary shares outstanding at year end used in calculation of basic and diluted loss per share	125,768,442	88,511,748

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2020

NOTE 3: ISSUED CAPITAL	2020	2019
	\$	\$
(a) Share Capital		
150,038,908 (31 December 2019: 103,212,917) fully paid ordinary shares	13,375,173	10,738,713

(b) Movement in Ordinary Capital

	No.	Total
		\$
Opening balance as at 1 January 2020	103,212,917	10,738,713
Issue of shares (i)	500,000	50,054
Issue of shares (ii)	164,760	11,517
Placement (iii)	25,804,659	1,596,027
Share Purchase Plan (iv)	2,588,879	163,234
Share Purchase Plan Shortfall (v)	14,077,787	907,851
Placement Shortfall (vi)	922,215	59,472
Issue of shares (vii)	1,581,538	100,000
Issue of shares (viii)	1,186,153	75,000
Costs of capital raising	-	(326,695)
Closing balance at 31 December 2019	150,038,908	13,375,173

(i) Issue of shares on 19 February 2020 to S3 Consortium Pty Ltd or its nominees at a deemed issue price of A\$0.15 per share for services rendered to the Company.

(ii) Issue of shares on 17 April 2020 to Spark Plus Pte Ltd at a deemed issue price of A\$0.11 per share for consultancy and investor relations services rendered to the Company.

(iii) Issue of shares on 15 June 2020 at an issue price of A\$0.09 per share pursuant to a Placement.

(iv) Issue of shares on 20 July 2020 at an issue price of A\$0.09 per share pursuant to a Share Purchase Plan.

(v) Issue of shares on 11 August 2020 at an issue price of A\$0.09 per share pursuant to a Share Purchase Plan Shortfall.

(vi) Issue of shares on 11 August 2020 at an issue price of A\$0.09 per share pursuant to a Placement Shortfall.

(vii) Issue of shares on 7 September 2020 at an issue price of A\$0.091 per share to Mayo Clinic pursuant to an Agreement in which Mayo Clinic invested \$100,000 in the Company.

(viii) Issue of shares on 7 September 2020 at a deemed issue price of A\$0.091 per share to Mayo Clinic as consideration for entering into the Agreement for the development of the HeraCARE pregnancy management platform.

(c) Capital Management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2020

(d) Deferred Consideration Shares

In addition to the number of shares disclosed above (note 3a), there are also 10,000,000 deferred consideration shares to be issued (8,500,000 to Vendors and 1,500,000 to Corporate Advisors) subject to the satisfaction of certain performance milestones within 36 months of the date of quotation ("Deferred Consideration Shares").

The performance milestones are as follows:

- The issue of 8,500,000 Deferred Consideration Shares to Vendors to be issued as follows:
 - 8,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX (Dec 2021).
- The issue of 1,500,000 Deferred Consideration Shares to Corporate Advisors to be issued as follows:
 - 1,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX (Dec 2021).

In relation to the Deferred Consideration Shares to be issued to Corporate Advisors, no share-based payment expense has been recognised in the statement of profit or loss and other comprehensive income.

In relation to the Deferred Consideration Shares to be issued to Vendors no share-based payment expense has been recognised in the statement of profit or loss and other comprehensive income.

NOTE 4: SHARE BASED PAYMENTS

During the year ended 31 December 2020, the Company recorded the following share-based payments:

- The issue of 2,250,000 Options exercisable at A\$0.25 on or before 19 February 2022 to the lead manager and corporate advisors pursuant to a Placement in December 2019 ("Placement 1 Options"). The fair value of the options has been determined using Black-Scholes model as the fair value of the service provided could not be reliably determined.
- The issue of 3,672,419 Options exercisable at A\$0.20 on or before 14 August 2022 to Henslow Pty Ltd as part of the compensation due to Henslow Pty Ltd in their role as lead manager and corporate advisors for the completion of the offer in June 2020 ("Placement 2 Options"). The fair value of the options has been determined using Black-Scholes model as the fair value of the service provided could not be reliably determined.
- 5,500,000 Options exercisable at A\$0.15 on or before 14 August 2022 to Freeman Road Pty Ltd pursuant to a cooperation agreement to arrange and lead clinical studies in Australia and for promotional services ("Freeman Options"). The fair value of the options has been determined using Black-Scholes model as the fair value of the service provided could not be reliably determined.

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2020

Fair value

The Black-Scholes option pricing model was used to determine the fair value of the options issued during the year. The Black-Scholes inputs and valuations were as follows:

Options	Placement 1 Options	Placement 2 Options	Freeman Options
Number of options	2,250,000	3,672,419	5,500,000
Grant date	19 Feb 2020	14 Jul 2020	14 Jul 2020
Exercise price	A\$0.25	A\$0.20	A\$0.15
Expected volatility	69%	91%	90%
Implied option life (years)	2.0	2.0	2.0
Expected dividend yield	nil	nil	nil
Risk free rate	0.70%	0.26%	0.09%
Valuation per option A\$	0.0317	0.0236	0.0303
Exchange rate	1.4984	1.4354	1.4354
Valuation per option US\$	0.0216	0.0164	0.0211
Total valuation US\$ (i)	47,601	59,966	116,254

(i) Due to rounding, the total might not precisely reflect the absolute figures obtained on multiplying the number of options by the valuation per option.

Share based payment expense and expenses recognised in equity is comprised as follows:

	2020 \$	2019 \$
Issue of shares to Spark Plus Pte Ltd (refer to note 3(b))	11,517	-
5,500,000 Freeman Options	116,254	-
Deferred Consideration Shares issued to Corporate Advisors	-	69,335
Shares issued to third-party service providers	-	52,722
Option plans	68,391	59,293
Total expense recognised in profit or loss	196,162	181,350
Issue of 2,250,000 Placement 1 Options	47,601	-
Issue of 3,672,419 Placement 2 Options	59,966	-
Total expense recognised in equity	107,567	-

Note: Share-based payments recorded in the financial year 2020 in the share-based payment reserves as per the Statement of Changes in Equity is \$292,212. This consists of expenses recognised in profit and loss (per above) and expenses recognised in equity (per above) excluding the issuance of shares to Spark Plus Pte Ltd (to the value of \$11,517) which was credited to issued capital instead of reserves as Spark Plus Pte Ltd was paid via issue of shares.

HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2020

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2020

NOTE 5: EVENTS AFTER THE REPORTING PERIOD

On 27 January 2021, the Company announced that Hapvida, one of Brazil's largest healthcare groups had extended its subscription for HeraCARE SaaS and cloud monitoring services for a further 24 months. Hapvida elected to make an upfront payment of US\$45,000 for the 24-month extension and negotiations are continuing in relation to the purchase of additional HeraBEAT devices.

On 4 February 2021, the Company successfully raised A\$2,322,275 via a share placement of A\$0.09 per share to sophisticated and professional investors.

On 8 February 2021, the Company announced that Sheba Medical Centre, Israel's largest hospital has initiated a pilot to test both the HeraBEAT device and HeraCARE platform. The Sheba Medical Centre is renowned for its compassionate care and leading-edge medicine and was recently ranked 9th as the world's best hospital in 2020 by Newsweek.

For personal use only