# HERAMED LIMITED

**ABN 65 626 295 314**

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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# CORPORATE DIRECTORY

**Directors**

| | |
|---|---|
| Dr Ronald Weinberger | Non-Executive Chairman |
| Mr David Groberman | Executive Director/Chief Executive Officer |
| Mr Tal Slonim | Executive Director/Chief Operating Officer |
| Mr David Hinton | Non-Executive Director |
| Mr Doron Birger | Non-Executive Director |

**Company Secretary**
Mr Jonathan Hart

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Telephone: +61 (2) 8379 2961

**Auditors (Australia)**
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

**Legal Advisers**
Pearl Cohen Zedek Latzer Baratz
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Tel Aviv, Israel 6701203

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**ASX Code**
HMD

# CHAIRMAN AND CEO REVIEW

To our fellow Shareholders,

Firstly, we would like to thank you for your ongoing support. During 2020, COVID-19 presented a unique opportunity to fast-track the adoption of digital health in maternity care globally.

The HeraBEAT™ device forms the backbone of HeraMED's comprehensive HeraCARE SaaS and IoT platform, a digital hybrid maternity care solution. 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 potential partnerships.

During 2020, we launched a comprehensive market strategy as follows:

1. Focus on establishing clinical credibility of the technology.
2. Healthcare providers to undertake paid pilots.
3. Enable broad adoption amongst healthcare providers.
4. Execute a 'Land and Expand' strategy across target markets.

The strategy is designed to focus on leveraging our existing relationships with healthcare institutions to target healthcare providers including hospitals and doctors and to work alongside these hospitals and doctors to clinically validate our care model, demonstrating that it supplements and enhances the existing care delivery system, in order to gain their buy-in.

### Highlights for the year ended 31 December 2020 and key subsequent events

- Raised ~A$4.05M (before transaction costs) (~$2.8M before transaction costs) 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.
- Signed initial partnerships in the US including with eCare21 and Teleperinatal.
- Brazil's largest healthcare provider Hapvida extended its HeraCARE cloud-based monitoring services subscription for a further 24 months, on the new recurring revenue per-user-per-month subscription model.
- Signed a cooperation with Sheba Medical Centre (Sheba) in Israel, resulting in HeraMED now collaborating with two of the top 10 hospitals in the world - Mayo Clinic and Sheba.
- A peer reviewed article was published in Obstetrics & Gynecology; the official publication of the American College of Obstetricians and Gynecologists.

### Independent clinical trial at Joondalup Health Campus (JHC)

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.

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## 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. 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.

## 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. We have already secured valuable clinical credibility from the JHC clinical trial results and the publication in Obstetrics and Gynecology. We are confident that we can build on this important work during 2021. Once we have clinical credibility then we are confident that there will be broad adoption amongst healthcare providers as we undertake a 'land and expand' strategy.

So far in 2021, we have already seen improved momentum across several important initiatives and an expansion in our target market from the previous traditional healthcare providers to now incorporating digital health platforms and medical software companies as new potential channel partners. These groups already have established relationships with multiple parties such as healthcare providers and insurers, so collaborations are expected to enable access to a much wider potential network while also enabling a shortcut to the sales cycles.

Supported by our latest capital 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.

Again, we would like to thank you, our shareholders for your ongoing support.

Sincerely,

Ron Weinberger

Dr Ron Weinberger
***Chairman***

David Groberman

Mr David Groberman
***Chief Executive Officer***

# DIRECTORS' REPORT

The Directors present their report, together with the financial statements of HeraMED Limited ("the Company" or "HeraMED") and its wholly-owned subsidiaries, Hera Med Ltd ("HeraMED Israel") and HeraMED US Inc. (HeraMED USA), altogether ("the Group") for the financial year ended 31 December 2020.

**Directors**

The names and particulars of the Directors of the Company during or since the end of the financial year are:

| Name | Status | Appointed |
|---|---|---|
| Dr Ronald Weinberger | Non-Executive Chairman | 21 Aug 2018 |
| Mr David Groberman | Executive Director/CEO | 25 Sept 2018 |
| Mr Tal Slonim | Executive Director/COO | 27 Sept 2018 |
| Mr David Hinton | Non-Executive Director | 21 Aug 2018 |
| Mr Doron Birger | Non-Executive Director | 5 Oct 2018 |

**Principal Activities**

The principal continuing activities of the Group during the year was the development and manufacture of foetal heart beat monitors and other pregnancy monitoring solutions.

**Dividends**

There were no dividends paid or recommended during the financial year ended 31 December 2020 (2019: nil).

**Operating and Financial Review**

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

HeraMED Limited incurred a loss for the year 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 net assets of $1,998,183 at 31 December 2020. As at 31 December 2020, the Group's cash and cash equivalents were $1,903,949 compared to $2,045,612 at 31 December 2019. Subsequent to 31 December 2020, the Company raised ~A$2.32M (before transaction costs) (~US$1.8M before transaction costs) via a share placement of A$0.09 per share to sophisticated and professional investors.

***Highlights during the year***

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

- Capital raising of ~A$4.05M (before transaction costs) (US$2.8M before transactions costs) from sophisticated and professional investors and from Mayo Clinic, to pursue growth opportunities.
- Outstanding results from the independent clinical trial at Joondalup Health Campus, Western Australia.
- Approval of the launch of a Clinical Study of the HeraBEAT device and the HeraCARE platform by Mayo Clinic's Institutional Review Board (IRB) to review foetal and maternal heart rates.
- Initial partnerships in the USA including eCare21 and Teleperinatal.
- Cooperation with Sheba Medical Centre (Sheba) in Israel - HMD is now collaborating with 2 of the top 10 hospitals in the world: Mayo Clinic and Sheba.

**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 $100,000 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.

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.

***Business strategies and prospects for future financial years***

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.

The Company continues to progress its business development initiatives and strategic planning for its US market entry. HeraMED Limited will increase its focus on expanding partnerships with top-tier medical organisations and progress agreements with insurance companies with the aim to drive solution uptake.

HeraMED Limited will aim at expediting the development and initiate discussions for piloting and clinical trials of HeraCARE, as well as ongoing development of its product suite and new technologies.

**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 $2.8M (before transaction costs). During August 2020, HeraMED US Inc. was established as a wholly owned subsidiary of HeraMED Limited, as part of the Group's strategy to enter the US market. HeraMED US Inc. is incorporated in the state of Delaware, USA.

**Subsequent Events**

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 $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$2.32M (before transaction costs) (~US$1.8M before transaction costs) 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 the 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.

On 16 March 2021, the Company announced that a peer reviewed article covering the Joondalup Health Campus' clinical study, has been published in Obstetrics & Gynecology, the official publication of the American College of Obstetricians and Gynecologists. Known as "The Green Journal", Obstetrics & Gynecology has been widely regarded as one of the most renowned scientific journals since first published in 1953, now reaching 40,000 subscribers globally.

There were no other material events after the reporting period other than the above.

**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.

## Information on Directors

| | |
|---|---|
| ***Ron Weinberger*** | Non-Executive Chairman |
| Qualifications | PhD (Medical Biochemistry), BSc (Hons) Molecular Pharmacology |
| Experience | Dr Weinberger is an experienced technology and business development executive, with a demonstrated history of building significant value at multiple levels in the medical device industry. Dr Weinberger is the former Executive Director and CEO of Nanosonics (ASX: NAN). During his time at Nanosonics, he co-developed their platform technology, launched their breakthrough product Trophon globally and created a North American sales team to work alongside GE Healthcare. He also developed the distribution strategy for Europe having partnered with Toshiba Medical Systems (now Canon Medical Systems) and Miele Professional. |
| Interest in Shares and Options at the date of this report | 486,000 Ordinary Shares, and 100,000 Unlisted Options expiring 5 Dec 2021 exercisable at $0.25 |
| Directorships held in other listed entities (last 3 years) | EMVision Medical Devices Ltd (ASX: EMV)<br>Cleanspace Ltd (ASX: CSX) |

| | |
|---|---|
| ***David Groberman*** | Chief Executive Officer |
| Qualifications | BSc *cum laude* |
| Experience | Mr Groberman is a mechanical and bio-medical engineer with over 17 years of experience in developing multi-disciplinary medical technologies across a wide spectrum of the industry. He spent over 8 years as co-founder and Chief Technology Officer at Meytar R&D – one of the leading service provider firms in Israel. During his time with Meytar R&D, he gained extensive, hands-on knowledge and capabilities, leading some of the most challenging projects in the field of multi-disciplinary medical and high-tech devices, ranging from implants to invasive mechanical, electro-mechanical and opto-mechanical instruments, surgical apparatuses and applicators, monitoring, diagnosis and scanning equipment. |
| Interest in Shares and Options at the date of this report | 9,245,418 Ordinary Shares<br>3,187,500 Unlisted Options expiring 5 Dec 2021 exercisable at A$0.25<br>463,752 Unlisted Options expiring 5 Dec 2021 exercisable at A$0.00002 |
| Directorships held in other listed entities (last 3 years) | Nil |

| | |
|---|---|
| ***Tal Slonim*** | Executive Director/Chief Operations Officer |
| Qualifications | BSc *cum laude*, MBA |
| Experience | Mr Slonim is a qualified engineer and operations manager with over 22 years of experience. He is the co-founder and part-time CEO of Meytar R&D, one of Israel's top R&D services firm. Mr Slonim brings vast knowledge, hands-on capabilities and profound experience in system design of multi-disciplinary, integrated solutions as well as transition to mass manufacturing and production line erection and validation. |
| Interest in Shares and Options at the date of this report | 9,245,418 Ordinary Shares<br>3,187,500 Unlisted Options expiring 5 Dec 2021 exercisable at A$0.25<br>463,752 Unlisted Options expiring 5 Dec 2021 exercisable at A$0.00002 |

| | |
|---|---|
| Directorships held in other listed entities (last 3 years) | Nil |

| | |
|---|---|
| ***David Hinton*** | Non-Executive Director |
| Qualifications | B.Bus, FCA, GAICD, AGIA, ICSA |
| Experience | Mr Hinton has an extensive career in the information and technology sectors and is currently Chief Financial Officer and Company Secretary of Empired Limited, an ASX listed IT and software services provider and prior to that Amcom Telecommunications Ltd. He holds a Bachelor of Business Degree and is a Fellow of the Institute of Chartered Accountants, Graduate of the Australian Institute of Company Directors and an Associate of the Governance Institute of Australia. Mr Hinton is also a Director of Auspire - The Australia Day Council of Western Australia and a Board member of Royal Perth Yacht Club Inc. |
| Interest in Shares and Options | 358,333 Ordinary Shares |
| Directorships held in other listed entities (last 3 years) | Nil |

| | |
|---|---|
| ***Doron Birger*** | Non-Executive Director |
| Qualifications | BA(Econ), MA(Econ) |
| Experience | Mr Birger was a Chairman and director of Given Imaging (NASDAQ/TASE: GIVN), CEO of Elron electronic industries (Nasdaq/TASE: ELRN) and was a Chairman or board member, during different periods, in a variety of publicly traded companies (including Elbit Systems, Elbit Ltd, NetVision, Icecure, Medigus, HBL Hadasit, Insuline, MCS and Starling). During such period, he was involved in investments, merger and acquisitions, exits, public offerings on NASDAQ and TASE and private equity rounds totalling billions of dollars. Mr Birger currently serves as chairman and board member and consultant to a variety of technology companies, mainly in the medical device field, and conducts many voluntary and public activities. |
| Interest in Shares and Options | Nil |
| Directorships held in other listed entities (last 3 years) | Chairman of Medigus LTD – traded on NASDAQ and TASE<br>Director in Citrin Global - traded on NASDAQ (OTC)<br>Director in MCS MEDICAL COMPRESSION – traded on TASE<br>Director in Kadimastem – traded on TASE<br>Director in Icecure – traded on the TASE |

**Information on Company Secretary**

| | |
|---|---|
| ***Jonathan Hart*** | Company Secretary (appointed 2 March 2020) |
| Qualifications | LLB, BCom |
| Experience | Jonathan holds a Bachelor of Laws and Commerce and has provided corporate advisory services and held several board positions on various ASX listed companies over the years. His experience includes initial public offerings on ASX (AIM and JSE), reverse takeovers, due diligence investigations, general corporate and commercial drafting, public and private mergers and acquisitions, general corporate advice in relation to capital raisings, Corporations Act 2001 and ASX compliance. |

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**Information on Other Key Management Personnel**

| | |
|---|---|
| ***Sivan Sadan*** | Chief Financial Officer |
| Qualifications | BA (Economics and Management), MBA (Finance) from Tel Aviv University. |
| Experience | Mrs Sadan has over 23 years of experience in financial management, investment banking and venture capital. In January of 2006, Mrs Sadan founded Or Capital Ltd, a boutique financial advisory firm specialising in capital raising, M&A and general financial guidance. Mrs Sadan has previously held key positions as part of the management team at Tamir Fishman & Co., acting as Managing Director, Head of Corporate Finance, CO-CEO of Tamir Fishman Underwriting and partner at Tamir Fishman Ventures. Mrs Sadan served as an external director on the board of Poalim IBI, a leading underwriting company in Israel, held partially by Bank Hapoalim (one of the largest commercial banks in Israel). |
| Interest in Shares and options | 179,732 Ordinary Shares (including shares held by Or Capital Ltd)<br>307,196 Unlisted Options fully vested expiring 5 Dec 2021 exercisable at A$0.00002<br>200,000 unlisted options vested over 3 years starting 15 August 2019 expiring 15 August 2024 exercisable at A$0.165<br>574,000 unlisted options vested over 3 years starting 1 July 2018 expiring 15 August 2024 exercisable at $0.01. |
| Directorships held in other listed entities (last 3 years) | Nil |

**Meetings of Directors**

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director. During the financial year, 12 board meetings were held.

| | DIRECTORS' MEETINGS | |
|---|---|---|
| | **Held** | **Attended** |
| Ron Weinberger | 12 | 12 |
| David Groberman | 12 | 12 |
| Tal Slonim | 12 | 11 |
| David Hinton | 12 | 12 |
| Doron Birger | 12 | 12 |

**Options**

At the date of this report, the number of Options on issue are as follows:

| Expiry Date | Grant Date | Exercise Price | Number of Options |
|---|---|---|---|
| 5 December 2021 | 5 December 2018 | A$0.00002 | 3,671,159 |
| 5 December 2021 | 5 December 2018 | A$0.25 | 23,600,000 |
| 15 August 2024 (i) | 15 August 2019 | A$0.165 | 1,200,000 |
| 15 August 2024 (ii) | 15 August 2019 | A$0.165 | 25,000 |
| 15 August 2024 (iii) | 15 August 2019 | US$0.01 | 574,000 |
| 31 December 2021 (iv) | 22 August 2019 | A$0.25 | 2,000,000 |
| 19 February 2022 (v) | 19 February 2020 | A$0.25 | 2,250,000 |
| 14 August 2022 (vi) | 14 July 2020 | A$0.20 | 3,672,419 |
| 14 August 2022 (vii) | 14 July 2020 | A$0.15 | 5,500,000 |
| 21 July 2022 (viii) | 21 July 2020 | A$0.15 | 4,349,229 |

(i) Unlisted Class 1 Options: Unlisted Options subject to the terms of the Company's 2019 Employee Incentive Plan (Israeli Appendix) and vesting over three years on a quarterly basis (i.e., 8.33% a quarter) starting from 15 August 2019.

(ii) Unlisted Class 2 Options: Unlisted Options subject to the terms of the Company's 2019 Employee Incentive Plan (Israeli Appendix) and vesting subject to FDA approval being granted before 30 November 2019. The FDA was granted before 30 November 2019 and as such this milestone was achieved.

(iii) Unlisted Class 3 Options granted to the CFO: Unlisted Options subject to the terms of the Company's 2019 Employee Incentive Plan (Israeli Appendix) and issued pursuant to the CFO Agreement dated 1 July 2018 as disclosed in section 7.8 of the supplementary prospectus dated 23 November 2018 and vesting over three years on a quarterly basis (i.e., 8.33% a quarter) starting from 1 July 2018.

(iv) Unlisted Class 4 Options granted to third-party services providers for services rendered to the Company.

(v) Unlisted Options granted to lead manager and book runner and Corporate Advisors pursuant to a Placement in December 2019.

(vi) Unlisted Options granted to the lead broker as part of their compensation for the completion of a Placement and Share Purchase Plan in June 2020.

(vii) Performance Options issued to Freeman Road Pty Ltd pursuant to a cooperation agreement ("Agreement"). Under the terms of the Agreement, 2,000,000 options vested on the commencement of a clinical study or pilot, 2,250,000 vested on successful completion of the study and 1,000,000 will vest on execution of a commercial agreement.

(viii) Performance Options issued to Mayo Clinic as part consideration for entering into a collaboration agreement and for Mayo Clinic providing expert medical know-how and guidelines and a license to Mayo Clinic's library of educational content. 1,186,153 options vest on the successful completion of the HeraCARE pilot and on acceptance of a proof of concept by the Mayo Clinic, 1,581,538 vest on FDA clearance of HeraBEAT Plus for home care and 1,581,538 vest on the commercial launch of the HeraCARE Platform and the HeraCARE Platform is generating its first revenues.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity. No options were exercised during the year (2019: nil).

**Fully paid ordinary shares**

Fully paid ordinary shares issued during the financial year 2020 are as follows:

| Issue Date | Price | Number of Shares |
|---|---|---|
| 19 February 2020 (i) | A$0.15 | 500,000 |
| 17 April 2020 (ii) | A$0.11 | 164,760 |
| 15 June 2020 (iii) | A$0.09 | 25,804,659 |
| 20 July 2020 (iv) | A$0.09 | 2,588,879 |
| 11 August 2020 (iv) | A$0.09 | 15,000,002 |
| 7 September 2020 (v) | A$0.091 | 1,581,538 |
| 7 September 2020 (vi) | A$0.091 | 1,186,153 |

(i) Shares issued to S3 Consortium Pty Limited or its nominee(s) at a deemed issue price of A$0.15 per share for services provided to the Company.

(ii) Shares issued to Spark Plus Pte Limited or its nominee(s) at a deemed issue price of A$0.11 per share for services provided to the Company.

(iii) Shares issued pursuant to a Placement.

(iv) Shares issued pursuant to a Placement.

(v) Shares issued to Mayo Clinic for a cash investment in the Company of $100,000 pursuant to a collaboration agreement.

(vi) Shares issued to Mayo Clinic for non-cash consideration pursuant to a collaboration agreement.

**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**Indemnification and insurance of directors and officers**

During the year, HeraMED Limited paid a premium to insure directors and officers of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Company has agreed, to the extent permitted by law, to indemnify each Director and Company Secretary of the Company against any and all reasonable liabilities incurred in respect of or arising out of any act in the course of their role as an officer of the Company.

**Environmental Regulations**

HeraMED products are in compliant with ROHS and WEEE EU directives:

- Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment (ROHS)
- Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE).

HeraMED's products and packaging are marked with the WEEE symbol. HeraMED's local distributors in Europe must register with a scheme company to ensure a take back process.

HeraMED's critical supplier agreements cover the above requirements.

**Likely Developments and Expected Results of Operations**

The Company's principal continuing activity is the development and manufacture of HeraBEAT, providing foetal heart beat monitoring, as well as the development of HeraCARE a software pregnancy platform for the creation and implementation of digital health solutions for maternity care management. The Company's future developments, prospects and business strategies are to continue to develop and commercialise these technologies and develop new technologies such as OrionAI.

Any likely developments are disclosed in the Chairman and CEO review as well as within the financial statements at Note 26.

**Indemnification of Auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit (WA) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from their report on the financial report. No payment has been made to indemnify BDO Audit (WA) Pty Ltd during or since the financial year.

**Non-audit services**

During the year, BDO Audit (WA) Pty Ltd, the Company's auditor provided non-audit services of $14,457 in relation to tax compliance.

Full details of their remuneration can be found within the financial statements at Note 7.

In the event that non-audit services are provided by BDO Audit (WA) Pty Ltd, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise the auditor independence requirements of the *Corporations Act 2001*. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

**Corporate Governance**

The directors support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. The Company's Corporate Governance Statement and its compliance with ASX guidelines can be found on the Company's website at *www.hera-med.com*. The policies and compliance as stated were in place for the whole year and are current as at the date of this report.

**Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 31 December 2020 has been received and can be found on page 19 of the financial report.

**Remuneration Report (Audited)**

This remuneration report, which forms part of the directors' report, for the year ended 31 December 2020 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth), as amended (Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
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**1. Introduction**

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and identified key management personnel. Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparable companies both locally and internationally and the objectives of the Group's compensation strategy.

Key management personnel covered in this report are as follows:

| Name | Status | Appointed |
|---|---|---|
| ***Directors*** | | |
| Ron Weinberger | Non-Executive Chairman | 21 August 2018 |
| David Groberman | Executive Director/CEO | 25 September 2018 |
| Tal Slonim | Executive Director/COO | 27 September 2018 |
| David Hinton | Non-Executive Director | 21 August 2018 |
| Doron Birger | Non-Executive Director | 5 October 2018 |
| ***Other key management personnel*** | | |
| Sivan Sadan | Chief Financial Officer | 1 July 2018 |

**2. Remuneration governance**

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all matters are considered by the full Board of Directors, in accordance with a Remuneration Committee Charter.

During the financial year, the Company did not engage any remuneration consultants.

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**3. Executive remuneration arrangements**

The key terms and conditions of the appointment of Mr David Groberman are as follows:

- A monthly salary of approximately $15,241 (49,000 NIS at an exchange rate of $1/3.215 NIS), car allowance ~$1,711 (5,500 NIS at an exchange rate of $1/3.215 NIS) and entitlement to social benefits of 29.83% of its salary (including severance payments (8.33%), pension payments (7.5%), advanced study fund (7.5%) and social security (6.5%)).
- The appointment may be terminated by either party providing 90 days' written notice and the appointment may be terminated immediately if Mr Groberman commits a serious breach or is prohibited by law from being or acting as a director.

The key terms and conditions of the appointment of Mr Tal Slonim are as follows:

- A monthly salary of approximately $10,575 (34,000 NIS at an exchange rate of $1/3.215 NIS) and entitlement to social benefits of 29.83% of its salary and include severance payments (8.33%), pension payments (7.5%), advanced study fund (7.5%) and social security (6.5%).

  In support of the Company and its financial situation, Mr Slonim voluntarily accepted a salary reduction, all according to Mr Slonim's explicit agreement. As of March 2020, the monthly salary of Mr Slonim is approximately $4,019 (12,920 NIS at an exchange rate of $1/3.215 NIS).
- The appointment may be terminated by either party providing 90 days' notice and the appointment may be terminated immediately if Mr Slonim commits a serious breach or is prohibited by law from being or acting as a director.

Termination Benefits: In the event Mr Groberman and Mr Slonim employment are terminated by the Company (other than in the event of a material breach) or is terminated by the Executive Director for good reason, the Executive Director shall be entitled to receive 12-months' gross salary to be paid over a twelve (12) month period, and any unvested incentive securities will automatically vest. However, the termination benefits are limited by and subject to Listing Rule 10.19, and the Company may seek Shareholder approval for the purposes of Listing Rule 10.19 at a future time.

Ms Sivan Sadan's services as CFO are provided through Or Capital Pty Ltd ("Or Capital") pursuant to a service agreement ("CFO Agreement"). Or Capital is paid a fee of approximately $11,726 (NIS 37,700 at an exchange rate of $1/3.215 NIS) per month (plus value added tax (VAT)). The CFO Agreement is subject to 90 days' written notice of termination by each party. The Company may immediately terminate the CFO Agreement for cause (as defined in the CFO Agreement).

**4. Non-executive director fee arrangements**

The Board policy is to remunerate non-executive directors at a level to comparable companies for time, commitment, and responsibilities. Non-executive directors may receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to non-executive directors.

The maximum aggregate amount of fees that can be paid to non-executive directors is presently limited to an aggregate of A$300,000 (approximately $231,170) per annum and any increase is subject to approval by shareholders. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, directors are encouraged to hold shares in the Company.

Total fees for non-executive directors for the financial year were $112,674 (2019: $133,287) and covered main Board activities only. Non-executive directors may receive additional remuneration for other services provided to the Group. In July 2020, Dr Weinberger was paid $18,951 (A$27,500) for services rendered during the capital raising in June 2020. All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

### 5. Details of Remuneration

The Key Management Personnel of HeraMED Limited includes the current and former directors of the Company and Key Management Personnel of HeraMED Limited during the year ended 31 December 2020.

| 31 Dec 2020 | Short term salary, fees & commissions $ | Superannuation & social benefits (1) $ | Non-monetary benefits $ | Share-based payments (2) $ | Total $ | Performance based remuneration |
|---|---|---|---|---|---|---|
| ***Directors:*** | | | | | | |
| R. Weinberger (3) | 51,644 | 3,259 | - | - | **54,903** | - |
| D. Groberman | 175,392 | 36,519 | - | - | **211,911** | - |
| T. Slonim | 48,643 | 9,660 | - | - | **58,303** | - |
| D. Hinton | 29,805 | 239 | - | - | **30,044** | - |
| D. Birger | 27,727 | - | - | - | **27,727** | - |
| ***Other KMP:*** | | | | | | |
| S. Sadan | 127,219 | - | - | 48,435 | **175,654** | 27.57% |
| **Total** | **460,430** | **49,677** | **-** | **48,435** | **558,542** | **-** |

(1) Mr Groberman and Mr Tal Slonim are entitled to benefits which equate to 29.83% of the salary and include severance payments (8.33%), pension payments (7.5%), advanced study fund (7.5%) and social security (6.5%) and vacation accrued in 2020. In the case of Mr Hinton and Dr Ron Weinberger, statutory superannuation of 9.5%.
(2) Refer to Section 6 below for further information on share-based payments granted to key management during the year.
(3) In addition to the remuneration, during July 2020, Dr Weinberger was paid $18,951 (A$27,500) for services rendered during the capital raising in June 2020.

| 31 Dec 2019 | Short term salary, fees & commissions $ | Superannuation & social benefits (1) $ | Non-monetary benefits $ | Share-based payments (2) $ | Total $ | Performance based remuneration |
|---|---|---|---|---|---|---|
| ***Directors:*** | | | | | | |
| R. Weinberger | 63,266 | - | - | - | **63,266** | - |
| D. Groberman | 179,766 | 30,089 | - | - | **209,855** | - |
| T. Slonim | 105,847 | 5,844 | - | - | **111,691** | - |
| D. Hinton | 32,099 | 3,049 | - | - | **35,148** | - |
| D. Birger | 34,873 | - | - | - | **34,873** | - |
| ***Other KMP:*** | | | | | | |
| S. Sadan (2) | 124,911 | - | - | 67,832 | **192,743** | 35.2% |
| **Total** | **540,762** | **38,982** | **-** | **67,832** | **647,576** | **-** |

(1) Mr Groberman and Mr Tal Slonim are entitled to benefits which equate to 29.83% of the salary and include severance payments (8.33%), pension payments (7.5%), advanced study fund (7.5%) and social security (6.5%) and vacation accrued in 2019. In the case of Messrs Weinberger and Hinton, statutory superannuation of 9.5%.
(2) Refer to Section 6 below for further information on share-based payments granted to directors and key management during the year.

## 6. Additional disclosures relating to equity instruments

**KMP Shareholdings**

619,333 shares were issued to KMP during the 2020 financial year (2019: 2,562,064).

***Fully paid ordinary shares of HeraMED Limited***

| 31 Dec 2020 | Balance at start of the year | Shares issued during the year | Other changes during the year | Balance at end of the year |
|---|---|---|---|---|
| ***Directors:*** | | | | |
| R. Weinberger (i) | 200,000 | 286,000 | - | 486,000 |
| D. Groberman | 9,245,418 | - | - | 9,245,418 |
| T. Slonim | 9,245,418 | - | - | 9,245,418 |
| D. Hinton (ii) | 25,000 | 333,333 | - | 358,333 |
| D. Birger | - | - | - | - |
| S. Sadan (iii) | 179,732 | - | - | 179,732 |
| **Total** | **18,895,568** | **619,333** | **-** | **19,514,901** |

(i) On market purchase of fully paid ordinary shares on 3 August 2020.
(ii) Participation in the Share Purchase Plan in June 2020.
(iii) Including shares held by Or Capital (an entity associated with Ms Sivan Sadan).

**KMP Options Holdings**

***Options of HeraMED Limited***

| 31 Dec 2020 | Balance at the start of the year | Granted as remuner-ation | Exercised during the year | Options issued during the year | Other changes during the year | Balance at the end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|
| ***Directors:*** | | | | | | | | |
| R. Weinberger | 100,000 | - | - | - | - | 100,000 | 100,000 | - |
| D. Groberman | 3,651,252 | - | - | - | - | 3,651,252 | 3,651,252 | - |
| T. Slonim | 3,651,252 | - | - | - | - | 3,651,252 | 3,651,252 | - |
| D. Hinton | - | - | - | - | - | - | - | - |
| D. Birger | - | - | - | - | - | - | - | - |
| ***Other KMP:*** | | | | | | | | |
| S. Sadan | 1,081,196 | - | - | - | - | 1,081,196 | 821,028 | 260,168 |
| **Total** | **8,483,700** | **-** | **-** | **-** | **-** | **8,483,700** | **8,223,532** | **260,168** |

Options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

**Terms and conditions of share-based payment arrangements**

The terms and conditions of each grant of options affecting remuneration of key management personnel in the current or a future reporting are as follows:

| Option class | Number granted | Grant date | Vesting start date | Expiry date | Exercise price | Value per option at grant date (i) | Vested % |
|---|---|---|---|---|---|---|---|
| Employee Options Class 1 | 1,200,000 | 15 Aug 2019 | 15 Aug 2019 | 15 Aug 2024 | A$0.165 | $0.0694 | 42% |
| Employee Options Class 3 | 574,000 | 15 Aug 2019 | 1 July 2018 | 15 Aug 2024 | $0.01 | $0.1502 | 75% |

(i) The value per option at grant date has been determined using a Black Scholes option pricing model.

The vesting conditions of the Employee Options are as follows:

- Class 1 – 1,200,000 options: Unlisted Options expiring 15 August 2024 at A$0.165 subject to the terms of the Company's 2019 Employee Incentive Plan and vesting over three years on a quarterly basis (i.e., 8.33% a quarter) starting from 15 August 2019.
- Class 3 – 574,000 options: Unlisted Options expiring 15 August 2024 at $0.01 subject to the terms of the Company's 2019 Employee Incentive Plan and issued pursuant to the CFO Agreement dated 1 July 2018 as disclosed in section 7.8 of the Supplementary Prospectus dated 23 November 2018 and vesting over three years on a quarterly basis (i.e., 8.33% a quarter) starting from 1 July 2018.

There were no share-based payments granted as compensation to key management personnel during the current financial year (2019: 774,000).

| 31 Dec 2019 | Fair value of options granted during the year<br>$ | Value of options vested during the year<br>$ | Value of options lapsed during the year<br>$ | Value of options included in remuneration report for the year<br>$ | Remuneration consisting of options for the year<br>% |
|---|---|---|---|---|---|
| ***Other KMP:*** | | | | | |
| Sivan Sadan | 67,832 | 25,124 | - | 67,832 | 35.19% |

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**7. Loans from key management personnel (KMP) and their related parties**

Credit Line Agreement – Meytar (Digital) Engineering Ltd ("Meytar")
HeraMED Israel and Meytar, a company controlled by Messrs David Groberman and Tal Slonim, entered into a Credit Line Agreement dated 21 December 2017 (Credit Line Agreement). The key terms and conditions of the Credit Line Agreement are set out below.

(a) (Interest): The Principal shall bear interest from the date of payment of the Principal at a rate equivalent to the minimal interest amount recognised and attributed by the Israel Tax Authority.
(b) (Repayment): Repayment of the Principal shall take place as follows:
(i) half of the Principal shall be repaid upon the consummation by HeraMED Israel of an equity investment/aggregate sales transaction or series of transactions which are in aggregate amount of at least US$3,000,000; and
(ii) the second half of the Principal is to be repaid at the earlier of the date HeraMED Israel pays dividends or 21 December 2022.
(c) (Accelerated Repayment): Amongst other events, upon the consummation of an IPO, the Principal must be repaid in full.
(d) (Waiver of accelerated repayment): The parties have agreed that despite the requirement to repay the Principal in full in accordance with clause (c) above, half the Principal will be repaid upon completion of the Public Offer with the second half to be repaid at the earlier of the date HeraMED Israel pays dividends or 21 December 2022.

The Credit Line Agreement otherwise contains terms and conditions that are considered standard for an agreement of its nature. The interest is at the rate equivalent to the minimal interest amount recognized and attributed by the Israel Tax Authorities, as such may be adjusted from time to time. During 2020, the interest rate was 2.62% (2019: 2.6%). According to the above terms, half of the loan amount was repaid upon the consummation of the IPO. As of 31 December 2020, the amount of $185,837 was owed by HeraMED Israel to Meytar (2019: $168,464).

**8. Other transactions and balances with KMP and their related parties**

Transactions with related parties are entered into on terms equivalent to those that prevail in arm's length transactions. The Group had no transactions with members of the Group's key management personnel and/or their related parties during the year.

**9. Voting of shareholders at last year's annual general meeting**

The Company received 98.55% "Yes" votes cast on its Remuneration Report for the 2019 financial year. The Company did not receive any specific feedback at the 2019 Annual General Meeting regarding its remuneration practices.

***This is the end of the audited remuneration report***

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

David Groberman

**Mr David Groberman**
***Chief Executive Officer***
Tel Aviv, 29 March 2021

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**DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF HERAMED LIMITED**

As lead auditor of HeraMED Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of HeraMED Limited and the entities it controlled during the period.

**BDO Audit (WA) Pty Ltd**

**Dean Just**

**Director**

Perth, 29 March 2021

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| Revenues | 3a | 39,516 | 145,389 |
| Cost of sales | | (31,583) | (111,577) |
| **Gross profit** | | **7,933** | **33,812** |
| | | | |
| Other income | 3b | 14,655 | - |
| Research and development expenses | 4 | (1,180,681) | (922,706) |
| General and administrative expenses | 4 | (962,817) | (936,033) |
| Selling and marketing expenses | 4 | (860,611) | (980,136) |
| Depreciation and amortisation expenses | 4 | (258,674) | (242,894) |
| Share-based payments | 20 | (196,162) | (181,350) |
| Other gains | | 74,272 | 69,271 |
| **Loss before finance expenses** | | **(3,362,085)** | **(3,160,036)** |
| Finance income | 4 | 13,441 | 38,601 |
| Finance expenses | 4 | (10,325) | (7,450) |
| **Loss before income tax** | | **(3,358,969)** | **(3,128,885)** |
| Income tax expense | 5 | - | - |
| **Loss for the year** | | **(3,358,969)** | **(3,128,885)** |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| 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 | 8 | (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.

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# Consolidated Statement of Financial Position as at 31 December 2020

| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9a | 1,903,949 | 2,045,612 |
| Other receivables | 10 | 233,767 | 254,613 |
| Inventory | 11 | 69,274 | 58,091 |
| **TOTAL CURRENT ASSETS** | | **2,206,990** | **2,358,316** |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 12 | 16,410 | 16,823 |
| Right-of-use asset | 17 | 5,586 | 72,616 |
| Intangible assets | 13 | 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 | 14 | 498,536 | 456,345 |
| Lease liability | 17 | 5,811 | 66,805 |
| Other financial liability | 16 | 11,562 | 16,165 |
| **TOTAL CURRENT LIABILITIES** | | **515,909** | **539,315** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 15 | 185,837 | 168,464 |
| Lease liability | 17 | - | 5,811 |
| Other financial liability | 16 | 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 | 18 | 13,375,173 | 10,738,713 |
| Shares to be issued | 25 | - | 52,722 |
| Share-based payment reserve | 19 | 2,432,257 | 2,140,045 |
| Predecessor Accounting reserve | 19 | (133,879) | (133,879) |
| Foreign exchange reserve | 19 | (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.

# Consolidated Statement of Changes in Equity for the year ended 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 loss | - | - | - | - | 79,313 | - | 79,313 |
| Total comprehensive loss for the year | - | - | - | - | 79,313 | (3,128,885) | (3,049,572) |
| *Transactions with owners in their capacity as owners:* | | | | | | | |
| Issue of shares | 974,545 | - | - | - | - | - | 974,545 |
| Shares to be 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) |
| *Transactions with owners in their capacity as owners:* | | | | | | | |
| Issue of shares | 2,963,155 | (52,722) | - | - | - | - | 2,910,433 |
| Capital raising costs | (326,695) | - | - | - | - | - | (326,695) |
| Share based payments | - | - | 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.

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# 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 | | (2,804,192) | (2,860,387) |
| Interest received | | 668 | 11,108 |
| Finance costs paid | | (3,189) | (3,452) |
| **Net cash (used in) operating activities** | 9b | **(2,779,198)** | **(2,645,584)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for plant and equipment | 12 | (4,677) | (6,476) |
| Payments for capitalised development expenses | 13 | (62,636) | (200,749) |
| **Net cash (used in) investing activities** | | **(67,313)** | **(207,225)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from equity instruments of the Company | | 2,621,602 | 916,071 |
| Other transaction costs | | - | (92,215) |
| Repayment of lease liabilities | | (105,339) | (81,281) |
| **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** | 9a | **1,903,949** | **2,045,612** |

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

# Notes to the Consolidated Financial Statements for the year ended 31 December 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements cover HeraMED Limited (Company) and its wholly owned subsidiaries as a consolidated entity (also referred to as Group). HeraMED Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity. The Company's wholly owned subsidiaries are Hera Med Ltd (HeraMED Israel) and HeraMED US Inc (HeraMED USA).

The financial statements were authorised for issue by the board of directors on 29 March 2021.

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of preparation of the financial report**

**a) Statement of Compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

**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.

**c) Going Concern**

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss for the year ended 31 December 2020 of $3,358,969 (2019: $3,128,885) and net cash outflows from operating activities of $2,779,198 (2019: $2,645,584).

The impact of the coronavirus (COVID-19) pandemic is still 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 at 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.

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 a 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 the Group will continue as a going concern, after consideration of the following factors:

- the Group has recently been successful in raising equity and is planning to raise further funds;
- On 4 February 2021, the Group raised A$2,322,275 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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 financial statements or raise additional capital through equity raisings and that the financial 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 as 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.

**d) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of the Group and its wholly-owned subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recognises any surplus or deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**e) Income Tax**

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in the deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**f) Leases**

**The Group as a lessee**

At inception of a contract, the Group assesses if the contract contains characteristics of a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on the index of the rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise its options;
- lease payments under extension profits, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and initial direct costs. The subsequent measurement of the right-of-use asset is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**g) Financial Instruments**

**Initial recognition and measurement**

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

**Classification and subsequent measurement**

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

**Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Derivative instruments**

The Group does not trade or hold derivatives.

**Financial guarantees**

The Group has no material financial guarantees other than:

- A bank guarantee of ~$19,536 (62,809 NIS at an exchange rate of $1/3.215 NIS) issued in regard to the office lease in Israel. The Company has provided a cash deposit with a lien in favour of the bank for the issuance of the bank guarantee. The bank guarantee expires on 31 March 2021 and will not be renewed as the Company terminated the lease agreement after year end.
- A cash deposit of ~$19,731 (63,433 NIS at an exchange rate of $1/3.215 NIS) at Bank Hapoalim in Israel to secure credit card payments.
- A cash deposit of $10,000 at Silicon Valley Bank (USA) to secure credit card payments.

**Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**h) Impairment of non-financial assets**

At the end of each reporting period, the Directors assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

If any such indication exists, an impairment test is carried out on the asset by comparing the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets.

**i) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

**j) Trade receivables**

Trade receivables, which generally have 0-60 day terms, are recognised and carried at original invoice amount. Collectability of trade receivables is reviewed on an ongoing basis using an expected credit loss for assessing impairment. An impairment provision will be recognised when there is objective evidence that HeraMED will not be able to collect the receivable. Bad debts will be written off when identified.

**k) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average principle and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**l) Revenue recognition**

Revenue is recognised based on the five-step model outlined in *AASB 15 Revenue from Contracts with Customers*.

The Company derives its revenue from:

- the sale of goods; and
- software services and Software-as-a-Service (SaaS).

***Revenue from sale of goods***

Revenue from sale of goods in the ordinary course of business is measured at the fair value of the consideration received or receivable. When the credit period is short and constitutes the accepted credit in the industry, the future consideration is not discounted.

Revenue is recognised when performance obligation is satisfied, i.e., when control of the goods has transferred, being when the goods are shipped to the customer EXW (Ex Works).

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

***Revenue from software services and Software-as-a-Service (SaaS)***

*Software Services*

Revenue derived from software services is recognised, upon delivery of the software, when the Company provides the customer a right to use the Company's intellectual property, when collection is probable, the license fee is otherwise fixed or determinable and persuasive evidence of an arrangement exists.

*SaaS*

The Company provides the SaaS to the customer over time and the progress of the transfer of the service is measured in the same manner, that is, passage of time.

For contracts that consist of more than one performance obligation, at contract inception the Company allocates the contract transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. The stand-alone selling price is the price at which the Company would sell the promised goods or services separately to a customer.

**m) Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

**n) Depreciation**

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:

- Computers and equipment – 3 years
- Furniture and office equipment – 7-15 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**o) Goods and Services Tax (GST)/ Value Added Tax (VAT)**

Revenues, expenses, and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable.

Receivable and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of the GST/VAT recoverable from, or payable to, the tax authorities is included with other receivables and payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST/VAT component of investing and financing activities, which are disclosed as operating cash flows.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**p) Employee Benefits**

**Post-employment benefits**

The liability for severance pay is in accordance with its obligations under Israeli employment law (Section 14 of the Severance Compensation Act, 1963). All Israel based 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 or pension funds. Under Israeli employment law, payments in accordance with Section 14 release the employer from any future severance payments. The funds are made available to the employee at the time the employer-employee relationship is terminated, regardless of the 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 insurance companies or pension funds.

**Short term employee benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

**q) Equity-settled compensation**

The Group 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 option valuation model which takes into account the terms and conditions upon which the instruments are granted.

**r) Trade and other payables**

Liabilities for trade creditors and other amounts carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

**s) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**t) Equity and reserves**

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The Share-based payment reserve records the cost of share-based payments.

**u) Foreign currency transactions and balances**

**Functional and presentation currency**

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars which is the subsidiary's functional currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed of.

**v) Segment Information**

**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

**w) Share Based Payments**

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

**x) Earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to member of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**y) Intangible assets**

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available, and
- the expenditure attributable to the product during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria as set out above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**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 20.

*Deferred Consideration Shares*

Deferred consideration shares will convert into ordinary shares subject to the satisfaction of certain performance milestones within 36 months of quotation. The probability of achieving non-market-based performance milestones is assessed at each reporting date. The milestones are disclosed in Note 18(d) including management's assessment of the probability of achievement of these milestones.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

*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 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.

*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.

*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.

*Net investment in a foreign operation*

Net investment in a foreign operation is the amount of the Company's interest in the net assets of that operation. Monetary items and/or intercompany loans, receivable from, or payable to, a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are treated as part of the Company's net investment in that foreign operation.

Exchange rate differences arising on a monetary item that forms part of the Company's net investment in a foreign operation are recognised in the Statement of Profit or Loss in separate financial statements, but are recognised in Other Comprehensive Income in the consolidated financial statements.

**NOTE 2: APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS**

***New, revised or amending Accounting Standards and Interpretations issued and adopted***

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020.

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 make 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

***New and revised Australian Accounting Standards and Interpretations issued but not yet effective***
At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

| **Standard/amendment** | **Effective for annual reporting periods beginning on or after** |
|---|---|
| AASB 17 *Insurance Contracts* | 1 January 2023 |
| AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* | 1 January 2023 |
| AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* | 1 January 2022 |

| NOTE 3a: REVENUE | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Major products/service lines** | | |
| Revenue from sale of goods | 33,636 | 122,549 |
| Software licences and services SaaS | 5,880 | 22,840 |
| | 39,516 | 145,389 |
| **Revenue recognition** | | |
| At a point in time | 33,636 | 142,449 |
| Over time (SaaS) | 5,880 | 2,940 |
| | 39,516 | 145,389 |

| NOTE 3b: OTHER INCOME | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Grants received (i) | 14,655 | - |

(i) This represents government grants due to the COVID-19 pandemic.

| NOTE 4: EXPENSES | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Loss before income tax from continuing operations includes the following specific expenses: | | |
| ***Research and development expenses*** | | |
| - Payroll and related expenses | 879,145 | 796,000 |
| - Patents | 16,742 | 5,318 |
| - Professional services | 237,278 | 62,335 |
| - Other expenses | 47,516 | 59,053 |
| Total research and development expenses | 1,180,681 | 922,706 |
| ***General and administrative expenses:*** | | |
| - Human Resources expenses | 292,508 | 367,376 |
| - Directors remuneration | 103,569 | 134,111 |
| - Professional services | 358,214 | 307,119 |
| - Compliance expenses | 48,662 | 39,470 |
| - Insurances | 49,155 | 29,604 |
| - Rent expenses | 24,900 | 13,665 |
| - Other expenses | 85,809 | 44,688 |
| Total general and administrative expenses | 962,817 | 936,033 |

| NOTE 4: EXPENSES (cont'd) | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| ***Selling and marketing expenses:*** | | |
| - Payroll and related expenses | 235,747 | 416,411 |
| - Professional services | 564,589 | 546,502 |
| - Other expenses | 60,275 | 17,223 |
| Total selling and marketing expenses | 860,611 | 980,136 |
| | | |
| ***Depreciation and amortisation expenses:*** | | |
| - Depreciation of plant and equipment (Note 12) | 5,090 | 5,182 |
| - Amortisation of intangibles assets (Note 13) | 253,584 | 237,712 |
| Total depreciation and amortisation expenses | 258,674 | 242,894 |
| | | |
| ***Finance expenses/(income):*** | | |
| - Interest expenses and banks fees | 10,325 | 7,450 |
| - Revaluation of IIA Loan and interest income | (13,441) | (38,601) |
| Total finance (income)/expense | (3,116) | (31,151) |

**NOTE 5: INCOME TAX**

The financial accounts for the year ended 31 December 2020 comprise the results of HeraMED Limited, HeraMED Israel and HeraMED USA. The legal parent is incorporated and domiciled in Australia where the applicable tax rate is 27.5% (2019: 27.5%). The applicable tax rate in Israel is 23% (2019: 23%) and 21% in USA (2019: 21%).

| | 2020 | 2019 |
|---|---|---|
| (a) Income tax expense | $ | $ |
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |

(b) The income tax expense for the year can be reconciled to the accounting loss as follows:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Loss for the year before tax | (3,358,969) | (3,128,885) |
| Prima facie income tax expense/(benefit) at domestic tax rate | (923,716) | (860,443) |
| Effect of different tax rate of group entities operating in a different jurisdiction | 7,826 | (103,673) |
| Effect of expenses that are not deductible in determining taxable income | 184,705 | 90,309 |
| Effect of unused tax losses not recognised as deferred tax assets | 731,185 | 873,807 |
| | - | - |

*Tax losses*

Unused tax losses for which no deferred tax asset has been recognised will be subject to the Company or its subsidiary as the case maybe satisfying the requirements imposed by regulatory taxation authorities. The benefits of deferred tax assets will only be recognised if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- The conditions for deductibility imposed by tax legislation continue to be complied with; and
- No changes in tax legislation adversely affect the Company in realising the benefit.

**NOTE 6: RELATED PARTY TRANSACTIONS**

**a) Key Management Personnel Compensation**

The remuneration of directors and other members of key management personnel during the year was as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Short-term salary and fees | 460,430 | 540,762 |
| Social benefits | 49,677 | 38,982 |
| Share based payments | 48,435 | 67,832 |
| | 558,542 | 647,576 |

**b) Loans from key management personnel (KMP) and their related parties**

Details of loans made to the Group by directors and key management or their related parties are set out below:

| 2020 | Balance at the start of the year<br>$ | Interest payable for the year and foreign exchange rate revaluation<br>$ | Repayments made during the year<br>$ | Converted to equity during the year<br>$ | Balance at the end of the year<br>$ |
|---|---|---|---|---|---|
| *Meytar (Digital) Engineering Ltd* | 168,464 | 17,373 | - | - | 185,837 |

| 2019 | Balance at the start of the year<br>$ | Interest payable for the year and foreign exchange rate revaluation<br>$ | Repayments made during the year<br>$ | Converted to equity during the year<br>$ | Balance at the end of the year<br>$ |
|---|---|---|---|---|---|
| *Meytar (Digital) Engineering Ltd* | 157,220 | 11,244 | - | - | 168,464 |

Meytar (Digital) Engineering Ltd (Meytar) is a company controlled by Messrs Groberman and Slonim (Executive Directors of the HeraMED Limited). Meytar and HeraMED Israel entered into a Credit Line Agreement on 21 December 2017.

## NOTE 7: AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Auditor remuneration** | | |
| - Auditing and reviewing the financial reports (BDO) – Australia | 27,282 | 26,389 |
| - Auditing and reviewing the financial reports (BDO) – Israel | 51,412 | 49,000 |
| - Auditing and reviewing the financial reports (BDO) – USA | 7,932 | - |
| | 86,626 | 75,389 |
| **Non-audit remuneration** | | |
| - Taxation services (BDO) - Australia | 14,457 | 12,167 |

## NOTE 8: LOSS PER SHARE

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **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 during the year used in calculation of basic and diluted loss per share | 125,768,442 | 88,511,748 |

## NOTE 9a: CASH AND CASH EQUIVALENTS

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Cash at bank | 1,903,949 | 2,045,612 |
| Total cash and cash equivalents in the statement of cash flows | 1,903,949 | 2,045,612 |

The Group's exposure to the risks associated with cash are disclosed in Note 22.

**NOTE 9b: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Loss for the year | (3,358,969) | (3,128,885) |
| **Non-cash flows in loss after income tax** | | |
| Adjustments for: | | |
| Share based payments expense | 196,162 | 128,628 |
| Issue of shares for services | - | 52,722 |
| Depreciation and amortisation | 258,674 | 242,894 |
| Change in Israel Innovation Authority grants | (12,773) | (38,601) |
| Interest and foreign exchange revaluation of third-party loan | 17,373 | 11,244 |
| Net exchange differences | 68,481 | 130,792 |
| **Changes in assets and liabilities** | | |
| Decrease/(increase) in other receivables | 20,846 | (77,423) |
| (Increase)/decrease in inventory | (11,183) | 47,220 |
| Increase/(decrease) in other payables | 42,191 | (14,175) |
| Cash flow (used in) operating activities | (2,779,198) | (2,645,584) |

**Non-cash investing and financing activities**

On 7 September 2020, 1,186,153 shares at a deemed issue price of A$0.091 per share were issued to Mayo Clinic as consideration for entering into the Agreement for the development of the HeraCARE pregnancy management platform.

On 14 July 2020, the Company's shareholders approved the issue of 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 activities.

There were no other non-cash investing and financing activities during the year.

| **NOTE 10: OTHER RECEIVABLES** | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **CURRENT** | | |
| Advances to suppliers | 51,923 | 28,512 |
| Prepaid expenses | 98,831 | 45,065 |
| Deposits | 39,267 | 36,523 |
| Other receivables | 43,746 | 144,513 |
| | 233,767 | 254,613 |

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value. The Group's exposure to the risks associated with trade and other receivables are disclosed in Note 22.

| **NOTE 11: INVENTORY** | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Inventory at cost | 69,274 | 58,091 |

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**NOTE 12: PLANT AND EQUIPMENT**

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Cost | 55,797 | 51,120 |
| Accumulated depreciation | (39,387) | (34,297) |
| Net carrying amount | 16,410 | 16,823 |

| *Cost or valuation* | Computer equipment and software $ | Office furniture and equipment $ | Total $ |
|---|---|---|---|
| Balance at 1 January 2019 | 28,818 | 15,826 | 44,644 |
| Additions | 6,476 | - | 6,476 |
| Balance at 31 December 2019 | 35,294 | 15,826 | 51,120 |
| Additions | 4,677 | - | 4,677 |
| Balance at 31 December 2020 | 39,971 | 15,826 | 55,797 |

| *Accumulated depreciation* | Computer equipment and software $ | Office furniture and equipment $ | Total $ |
|---|---|---|---|
| Balance at 1 January 2019 | (24,974) | (4,141) | (29,115) |
| Depreciation expense | (3,959) | (1,223) | (5,182) |
| Balance at 31 December 2019 | (28,933) | (5,364) | (34,297) |
| Depreciation expense | (3,780) | (1,310) | (5,090) |
| Balance at 31 December 2020 | (32,713) | (6,674) | (39,387) |

## NOTE 13: INTANGIBLE ASSETS

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Cost (1) | 1,658,095 | 1,595,459 |
| Accumulated amortisation | (692,853) | (439,269) |
| Net carrying amount | 965,242 | 1,156,190 |

| *Cost* | Purchase license (2) $ | Development costs $ | Total $ |
|---|---|---|---|
| Balance at 1 January 2019 | 96,038 | 1,298,672 | 1,394,710 |
| Additions | - | 200,749 | 200,749 |
| Balance at 31 December 2019 | 96,038 | 1,499,421 | 1,595,459 |
| Additions | - | 62,636 | 62,636 |
| Balance at 31 December 2020 | 96,038 | 1,562,057 | 1,658,095 |

| *Accumulated amortisation* | Purchase license $ | Development costs $ | Total $ |
|---|---|---|---|
| Balance at 1 January 2019 | - | (201,557) | (201,557) |
| Amortisation expense | - | (237,712) | (237,712) |
| Balance at 31 December 2019 | - | (439,269) | (439,269) |
| Amortisation expense | - | (253,584) | (253,584) |
| Balance at 31 December 2020 | - | (692,853) | (692,853) |

(1) The Company capitalised development costs that are attributable to the HeraBEAT product as it meets the criteria as described in Note 1(y).

(2) Prior to the acquisition of HeraMED Israel by the Company, HeraMED Israel issued shares to Mayo Foundation for Medical Education and Research ("Mayo") as consideration for a research and development collaboration license with Mayo.

## NOTE 14: TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **CURRENT** | | |
| Trade payables | 199,085 | 86,646 |
| Employees' salaries and related liabilities | 151,810 | 237,387 |
| Accrued expenses | 147,641 | 112,122 |
| Others | - | 20,190 |
| | 498,536 | 456,345 |

All amounts are short-term. The carrying values of trade payables and other payables are considered to approximate fair value. The Group's exposure to the risks associated with trade and other payables are disclosed in Note 22.

**NOTE 15: BORROWINGS**

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Loan from related party (i) | 185,837 | 168,464 |

(i) This represents a loan from Meytar (Digital) Engineering Ltd ("Meytar"), a company controlled by Messrs David Groberman and Tal Slonim (executive directors of HeraMED Limited). The loan bears interest at 2.62% per annum, is unsecured and is at arm's length. The loan will be repaid at the earlier of the date HeraMED Israel pays dividends or 21 December 2022. Refer to Note 6(b) for more information.

**NOTE 16: OTHER FINANCIAL LIABILITIES**

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **CURRENT** | | |
| Liability for Israel Innovation Authority Grants | 11,562 | 16,165 |
| **NON-CURRENT** | | |
| Liability for Israel Innovation Authority Grants | 494,299 | 502,469 |

HeraMED Israel received funding from the Israeli Innovation Authority ("IIA") for its participation in research and development costs of HeraMED Israel, based on budgets approved by the IIA, subject to the fulfillment of specified milestones. HeraMED Israel 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 terms, royalties between 3% and 4.5% are payable on sales of developed products funded, up to 100% of the grant received by HeraMED Israel, linked to the US dollar and bearing libor interest rates. In the case of failure of a financed project, HeraMED Israel is not obligated to pay any such royalties to the IIA. HeraMED Israel received grants, prior to 1 January 2020, amounting to $1,015,306 related to two different products. There were no additional grants received in the 2020 financial year.

As at 31 December 2020, the WACC rate used by HeraMED Israel for the liability was 20% (2019: 20.9%).

The liability balance recognised by HeraMED Israel is based on its future revenue estimates which are performed at the end of each reporting period.

**NOTE 17: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

This note provides information for leases where the Group is a lessee.

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **Right-of-use assets** | | |
| Office lease | 5,586 | 72,616 |
| **Lease liabilities** | | |
| Current | 5,811 | 66,805 |
| Non-current | - | 5,811 |
| | 5,811 | 72,616 |

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**NOTE 18: 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 (iv) | 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 2020** | **150,038,908** | **13,375,173** |

(i) Issue of shares on 19 February 2020 to S3 Consortium Pty Ltd or its nominee(s) 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 to Mayo Clinic at a deemed issue price of A$0.091 per share as part consideration for Mayo Clinic entering into a Collaboration Agreement ("Agreement"). The shares were issued for non-cash consideration and in exchange for the shares and pursuant to the Agreement, Mayo Clinic will provide expert medical know-how and guidelines and a license to Mayo's library of educational content.

**(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.

**(d) Deferred Consideration Shares**

In addition to the number of shares disclosed above (note 18a), 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:

- 8,500,000 Deferred Consideration Shares to Vendors to be issued subject to the Company reaching the 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 (by 12 Dec 2021).

- 1,500,000 Deferred Consideration Shares to Corporate Advisors to be issued 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 (by 12 Dec 2021).

The Deferred Consideration Shares will convert into ordinary shares on the achievement of the respective milestones.

For the year ended 30 December 2020, no share-based payment expense has been recognised in respect of these Deferred Consideration Shares as there had been no changes to management's assessed probabilities of milestones achievement since 31 December 2019.

## NOTE 19: RESERVES

| | | 2020 | 2019 |
|---|---|---|---|
| **a) Share Based Payment Reserve** | | $ | $ |
| 46,841,807 (31 December 2019: 31,070,159) options on issue | 19b | 2,432,257 | 2,140,045 |

| **b) Movement in Share Based Payment Reserve** | | 2020 |
|---|---|---|
| | | $ |
| **Opening balance at 1 January 2020** | | 2,140,045 |
| Issue of 2,250,000 Placement Options | 20 | 47,601 |
| Issue of 3,672,419 Placement Options | 20 | 59,966 |
| Issue of 5,500,000 Freeman Road Options | 20 | 116,254 |
| Employee option plans | | 68,391 |
| **Closing balance at 31 December 2020** | | **2,432,257** |

| | 2020 | 2019 |
|---|---|---|
| **c) Foreign Exchange Reserve** | $ | $ |
| Closing balance | (25,621) | (118,937) |

The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.

| | 2019 | 2018 |
|---|---|---|
| **d) Predecessor Accounting Reserve** | $ | $ |
| Closing balance | (133,879) | (133,879) |

The reserve arises from the capital reorganisation and records the net liabilities of HeraMED Limited as at the acquisition date of 10 December 2018.

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**NOTE 20: 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 the 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 the 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 Road Options"). Under the terms of the Agreement, 2,000,000 options vested on the commencement of a clinical study or pilot, 2,250,000 options vested on successful completion of the study and 1,000,000 will vest on execution of a commercial agreement. The fair value of the options has been determined using the Black-Scholes model as the fair value of the service provided could not be reliably determined. The expense associated with the 5,500,000 Options was fully recognised in the statement of profit or loss and other comprehensive income as management has assigned a 100% probability to meeting all milestones.
- The issue of 4,349,229 Performance Options with a nil exercise price expiring on or before 21 July 2022 to Mayo Clinic ("Mayo Performance Options") as part consideration for entering into a collaboration agreement and for Mayo Clinic providing expert medical know-how and guidelines. 1,186,153 options vest on the successful completion of the HeraCARE pilot and on acceptance of a proof of concept by the Mayo Clinic, 1,581,538 vest on FDA clearance of HeraBEAT Plus for home care and 1,581,538 vest on the commercial launch of the HeraCARE platform and the HeraCARE platform generating its first revenues. No expense has been recognised in relation to the Mayo Performance Options at 31 December 2020 as none of the vesting conditions were expected to be met as at the reporting date.

**Fair value**

For equity settled share-based payments, the Group measures the goods or services received and the corresponding increase in equity, directly at the fair value of the goods or services received. Where this cannot be reliably measured, the Group measures the value by reference to the fair value of equity instruments granted.

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

| Options | Placement 1 Options | Placement 2 Options | Freeman Road 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 by multiplying the number of options by the valuation per option.

**NOTE 20: SHARE BASED PAYMENTS (cont'd)**

**Share Based Payments Expense**

Share based payment expense at 31 December 2020 is comprised as follows:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Issue of shares to Spark Plus Pte Ltd (refer to Note 18b) | 11,517 | - |
| Issue of 5,500,000 Freeman Road Options | 116,254 | - |
| Deferred Consideration Shares to be issued to Corporate Advisors | - | 69,335 |
| Shares yet to be issued to third-party service providers | - | 52,722 |
| Employee 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.*

**NOTE 21: OPERATING SEGMENTS**

**Segment Information**

**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's sole operating segment is consistent with the presentation of these consolidated financial statements.

**NOTE 22: FINANCIAL INSTRUMENTS**

**(a) Capital management**

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements. There were no changes in the Group's approach to capital management during the year.

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**NOTE 22: FINANCIAL INSTRUMENTS (cont'd)**

**(b) Categories of financial instruments**

| **Financial assets** | **2020** $ | **2019** $ |
|---|---|---|
| Cash and cash equivalents | 1,903,949 | 2,045,612 |
| Other receivables | 134,936 | 209,549 |
| | 2,038,885 | 2,255,161 |
| **Financial liabilities** | | |
| Trade and other payables | 498,536 | 456,345 |
| Lease liabilities | 5,811 | 72,616 |
| Borrowings | 185,837 | 168,464 |
| Other financial liabilities | 505,861 | 518,634 |
| | 1,196,045 | 1,216,059 |

The fair value of the above financial instruments approximates their carrying values.

**(c) Financial risk management policies**

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

The board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of those risks on the Group where such impacts may be material. The board receives financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

**(d) Market risk**

Market risk for the Group arises from the use of interest-bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see (e) below).

**(e) Interest rate risk management**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

| | **Movement in Profit** $ | **Movement in Equity** $ |
|---|---|---|
| **Year ended 31 December 2020** | | |
| +/-1% in interest rates | 19,039 | 19,039 |
| **Year ended 31 December 2019** | | |
| +/-1% in interest rates | 20,456 | 20,456 |

**NOTE 22: FINANCIAL INSTRUMENTS (cont'd)**

**(f) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**(g) Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecasts and actual cash flows.

The following are the contractual maturities of financial liabilities as of 31 December:

| **2020** | **Interest rate** | **Less than 6 months** | **6-12 months** | **1-5 years** | **Over 5 years** | **Total contractual cash flows** | **Carrying amount** |
|---|---|---|---|---|---|---|---|
| | | **$** | **$** | **$** | **$** | **$** | **$** |
| Trade and other payables | | 498,536 | - | - | - | 498,536 | 498,536 |
| Lease liabilities | | - | - | - | - | 5,811 | 5,811 |
| Borrowings | 2.62% | - | - | 185,837 | - | 185,837 | 185,837 |
| Other financial liabilities | | - | 11,562 | 494,299 | - | 505,861 | 505,861 |
| | | 498,536 | 11,562 | 680,136 | | 1,196,045 | 1,196,045 |

| **2019** | **Interest rate** | **Less than 6 months** | **6-12 months** | **1-5 years** | **Over 5 years** | **Total contractual cash flows** | **Carrying amount** |
|---|---|---|---|---|---|---|---|
| | | **$** | **$** | **$** | **$** | **$** | **$** |
| Trade and other payables | | 456,345 | - | - | - | 456,345 | 456,345 |
| Lease liabilities | | - | - | - | - | 72,616 | 72,616 |
| Borrowings | 2.56% | - | - | 168,464 | - | 168,464 | 168,464 |
| Other financial liabilities | | - | 16,165 | 502,469 | - | 518,634 | 518,634 |
| | | 456,345 | 16,165 | 743,549 | - | 1,216,059 | 1,216,059 |

NOTE 22: FINANCIAL INSTRUMENTS (cont'd)

**(h) Net fair value of financial assets and liabilities**

***Fair value estimation***

Due to the short-term nature of the receivables and payables, the carrying value approximates fair value.

**(i) Foreign currency risk**

The currency risk is that risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised 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 US Dollar (the functional currency of the subsidiary company and the presentation currency of the Group), the New Israeli Shekel, the Australian Dollar (functional currency of the parent company).

**NOTE 23: PARENT ENTITY FINANCIAL INFORMATION**

The following information of the legal parent HeraMED Limited has been prepared in accordance with Australian Accounting Standards and the accounting policies as outlined in Note 1.

**(a) Financial Position of HeraMED Limited**

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| Current assets | 366,133 | 1,064,726 |
| Non-current assets | - | - |
| **TOTAL ASSETS** | **366,133** | **1,064,726** |
| **LIABILITIES** | | |
| Current liabilities | 66,418 | 53,246 |
| Non-current liabilities | - | - |
| **TOTAL LIABILITIES** | **66,418** | **53,246** |
| **NET ASSETS** | **299,715** | **1,011,480** |
| **SHAREHOLDERS' EQUITY** | | |
| Issued capital | 8,602,388 | 5,965,928 |
| Shares to be issued | - | 52,722 |
| Reserves | 1,726,264 | 817,898 |
| Accumulated losses | (10,028,937) | (5,825,068) |
| **SHAREHOLDERS' EQUITY** | **299,715** | **1,011,480** |

**(b) Statement of profit or loss and other comprehensive income**

| | | |
|---|---|---|
| Loss for the year | (4,203,869) | (3,253,168) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (4,203,869) | (3,253,168) |

**(c) Guarantees entered into by HeraMED Limited for the debts of its subsidiary**

There are no guarantees entered into by HeraMED Limited.

**(d) Contingent liabilities of HeraMED Limited**

There were no contingent liabilities as at 31 December 2020 (2019: nil).

**(e) Commitments by HeraMED Limited**

There were no commitments as at 31 December 2020 (2019: nil).

## NOTE 24: CONTROLLED ENTITIES

The ultimate legal parent entity of the Group is HeraMED Limited, incorporated and domiciled in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1.

| Controlled entities | Country of Incorporation | Percentage Owned | |
|---|---|---|---|
| | | 2020 | 2019 |
| Hera Med Ltd | Israel | 100% | 100% |
| HeraMED US Inc.(i) | U.S.A | 100% | - |

(i) Incorporated on 19 August 2020 in the state of Delaware, USA with an initial equity investment of $300,000 invested by HeraMED Limited.

The proportion of ownership interest is equal to the proportion of voting power held.

## NOTE 25: SHARES TO BE ISSUED

As at 31 December 2019, the Company was yet to issue 500,000 ordinary shares at a deemed issue price of A$0.15 per share to a third party for services rendered to the Company. The issue was subject to shareholders approval which was sought and obtained at a General Meeting of the Company held on 19 February 2020. The shares were issued on 19 February 2020.

## NOTE 26: CONTINGENCIES AND COMMITMENTS

The Group has no material financial guarantees other than:

- A bank guarantee of ~$19,536 (62,809 NIS at an exchange rate of $1/3.215 NIS) issued in regard to the office lease in Israel. The Company has provided a cash deposit with a lien in favour of the bank for the issuance of the bank guarantee. The bank guarantee expires on 31 March 2021 and will not be renewed as the Company terminated the lease agreement, after year end.
- A cash deposit of ~$19,731 (64,433 NIS at an exchange rate of $1/3.215 NIS) at Bank Hapoalim in Israel to secure credit card payments.
- A cash deposit of $10,000 at Silicon Valley Bank (USA) to secure credit card payments.

As disclosed in Note 18, as at 31 December 2020, there were a total of 10,000,000 deferred consideration shares that were previously issued to vendors and corporate advisors which will convert to ordinary shares on the achievement of specific non-market vesting conditions.

There were no other contingencies or commitments as at 31 December 2020.

## NOTE 27: 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 $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 (before transaction costs) (~$1.8M before transaction costs) 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 the 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.

On 16 March 2021, the Company announced that a peer reviewed article covering the Joondalup Health Campus' clinical study, has been published in Obstetrics & Gynecology, the official publication of the American College of Obstetricians and Gynecologists. Known as "The Green Journal", Obstetrics & Gynecology has been widely regarded as one of the most renowned scientific journals since first published in 1953, now reaching 40,000 subscribers globally.

COVID-19

The impact of the coronavirus (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 at 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.

There were no other material events after the reporting period other than the above.

**NOTE 28: APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorised for issue on 29 March 2021.

The directors are unaware of any other significant event or circumstance that has arisen since 31 December 2020 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years other than those disclosed above.

# DIRECTORS' DECLARATION

In the Director's opinion:

1. The consolidated financial statements and notes set out on pages 20 to 51 are in accordance with the *Corporations Act 2001*, including:

   a) complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements, noting the matters documented in Note 1(a);

   b) giving a true and fair view, the Group's financial position as at 31 December 2020 and of its performance for the year ended on that date; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2020.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

David Groberman

**Mr David Groberman**
***Chief Executive Officer***
Tel Aviv, 29 March 2021

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**INDEPENDENT AUDITOR'S REPORT**

To the members of HeraMED Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of HeraMED Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Accounting of share-based payments

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| During the financial year ended 31 December 2020, the Group issued equity instruments, in the form of shares and options to eligible employees and other consultants as detailed in Note 1, Note 18 and Note 20.<br><br>The Group performed valuations of the options and recorded the related share-based payment expense or share capital costs in accordance with the relevant accounting standard.<br><br>Due to the judgemental estimates used determining the value of the fair value of the share-based payments, we consider the accounting for the share-based payments to be a key audit matter. | Our audit procedures in respect of this area included but were not limited to the following:<br><br>• Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements;<br><br>• Holding discussions with management to understand the share-based payment transactions in place;<br><br>• Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation assumptions and inputs, involving our internal valuation specialists where considered necessary;<br><br>• Assessing management's determination of achieving non-market vesting conditions;<br><br>• Assessing the allocation of the share-based payment expense over management's expected vesting period; and<br><br>• Assessing the adequacy of the disclosure in Note 1, Note 18 and Note 20 in the financial report. |

**Other information**

The directors are responsible for the other information. The other information comprises the information contained in annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report 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 report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 audit conducted in accordance with the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of HeraMED Limited for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

BDO

**Dean Just**

Director

Perth, 29 March 2021

# ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 16 March 2021.

As at 16 March 2021, there were 1,173 holders of Ordinary Fully Paid Shares.

**VOTING RIGHTS**

The voting rights of the ordinary shares are as follows:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands, each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representation more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held.

There are no voting rights attached to any of the options and deferred securities that the Company currently has on issue. Upon exercise of the options, the shares issued will have the same voting rights as existing ordinary shares.

**TWENTY (20) LARGEST SHAREHOLDERS**

The names of the twenty largest holders of each class of listed securities are listed below:

**Ordinary Fully Paid Shares**

| Holder Name | Holding | % IC |
|---|---|---|
| Altshuler Shaham Trusts Ltd <Holley Pharma Co Ltd A/C> | 10,857,385 | 6.17 |
| Altor Capital Management Pty Ltd <Altor Alpha Fund A/C> | 10,853,467 | 6.17 |
| Altshuler Shaham Trusts Ltd <David Groberman A/C> | 9,245,418 | 5.25 |
| Altshuler Shaham Trusts Ltd <Tal Slonim A/C> | 9,245,418 | 5.25 |
| Freeman Road Pty Ltd <The Avenue A/C> | 6,912,365 | 3.93 |
| Citicorp Nominees Pty Limited | 5,713,618 | 3.25 |
| Etchell Capital Ltd | 3,512,500 | 2.00 |
| HSBC Custody Nominees (Australia) Limited | 3,511,142 | 2.00 |
| Altshuler Shaham Trusts Ltd <Michael Nenner A/C> | 3,040,774 | 1.73 |
| Chris Ntoumenopoulos | 3,025,000 | 1.72 |
| Mayo Clinic | 2,767,691 | 1.57 |
| Pula Holdings Pty Ltd <Herath Super Fund A/C> | 2,019,000 | 1.15 |
| Mrs Amandeep Kaur | 1,850,000 | 1.05 |
| BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP> | 1,591,586 | 0.90 |
| Cardup Syndicate Holdings Pty Ltd <The Cardup Syndicate A/C> | 1,533,750 | 0.87 |
| Dr Matthew Farrugia | 1,394,739 | 0.79 |
| Mr Barry John Ashwin & Dr Desiree Silva | 1,388,833 | 0.79 |
| Sobol Capital Pty Ltd <BOC A/C> | 1,305,555 | 0.74 |
| S & S Browne Assets Pty Ltd <S & S Browne Investment A/C> | 1,225,000 | 0.70 |
| J P Morgan Nominees Australia Pty Limited | 1,090,949 | 0.62 |
| **Total** | **82,084,190** | **46.65** |

**SUBSTANTIAL HOLDERS**

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 16 March 2021 are:

| Name | No of Shares Held | % of Issued Capital |
|---|---|---|
| Altshuler Shaham Trusts Ltd <Holley Pharma Co Ltd A/C> | 10,857,385 | 6.17 |
| Altor Capital Management Pty Ltd <Altor Alpha Fund A/C> | 10,853,467 | 6.17 |
| Altshuler Shaham Trusts Ltd <David Groberman A/C> | 9,245,418 | 5.25 |
| Altshuler Shaham Trusts Ltd <Tal Slonim A/C> | 9,245,418 | 5.25 |

**DISTRIBUTION OF EQUITY SECURITIES**

**Ordinary Fully Paid Shares**

| Holding Ranges | Holders | Total Units | % Issued Share Capital |
|---|---|---|---|
| 1 - 1,000 | 11 | 1,920 | 0.00% |
| 1,001 - 5,000 | 149 | 552,606 | 0.31% |
| 5,001 - 10,000 | 187 | 1,595,750 | 0.91% |
| 10,001 - 100,000 | 580 | 25,012,260 | 14.22% |
| 100,001 - 9,999,999,999 | 246 | 148,790,553 | 84.56% |
| **Totals** | **1,173** | **175,953,089** | **100%** |

Unmarketable Parcels – 125 Holders with a total of 379,526 shares, based on the last trading price of $0.10 on 16 March 2021.

**RESTRICTED SECURITIES**

As at 16 March 2021, the Company does not have any restricted securities on issue.

**UNQUOTED SECURITIES**

As at 16 March 2021, the following unquoted securities are on issue:

**Unlisted Director Options Expiring 5 December 2021 @ $0.25 – 26 Holders**

*Holders with more than 20% - Nil*

**Unlisted Options Expiring 5 December 2021 @ $0.00002 – 11 Holders**

*Holders with more than 20% - Nil*

**Unlisted Options Expiring 5 December 2021 @ $0.25 – 39 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| Freeman Road Pty Ltd <The Avenue A/C> | 1,200,000 | 26.21 |

**Unlisted Options Expiring 31 December 2021 @ $0.25 – 2 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| Pointciana Pty Ltd <Ivanhoe Investments A/C> | 1,500,000 | 75 |
| Ratdog Pty Ltd | 500,000 | 25 |

**Unlisted Options Expiring 19 February 2022 @ $0.25 – 2 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| Etchell Capital Ltd | 1,125,000 | 50 |
| Sobol Capital Pty Ltd <BOC A/C> | 1,125,000 | 50 |

**Unlisted Options Expiring 15 August 2024 @ $0.20 – 4 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| Inverness Capital Pty Ltd <Match Partner Investment A/C> | 1,709,419 | 47 |
| Altor Capital Management Pty Ltd <Alpha Fund A/C> | 900,000 | 25 |

**Unlisted Options Expiring 15 August 2024 @ $0.165 – 4 Holders**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| Altshuler Shaham Trusts Ltd | 800,000 | 65.30 |

**Unlisted Options Expiring 15 August 2024 @ US$0.01 – 1 Holder**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| Sivan Sadan | 574,000 | 100 |

**Unlisted Performance Options Expiring 14 August 2022 @ $0.15 – 1 Holder**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| Freeman Road Pty Ltd <The Avenue A/C> | 5,500,000 | 100 |

**Unlisted Performance Options Expiring 21 July 2022 @ $nil – 1 Holder**

*Holders with more than 20%*

| Holder Name | Holding | % IC |
|---|---|---|
| Mayo Clinic | 4,349,229 | 100 |

**ON-MARKET BUY BACK**

There is currently no on-market buyback program.

**ASX LISTING RULE 4.10.19**

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of listing of the Company's securities to quotation in a way consistent with its business objectives.