APPENDIX 4E
PRELIMINARY FINAL REPORT

1. DETAILS OF REPORTING PERIOD

Name of Entity	HeraMED Limited ("the Company")
ABN	65 626 295 314
Reporting Period	**31 December 2021**
Previous Corresponding Period	31 December 2020
Presentation Currency	US Dollars ("$")

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended 31 Dec 2021 $'000	12 months ended 31 Dec 2020 $'000	Increase/ (decrease) %	Amount change $'000
Revenues from ordinary activities	87	40	117.50%	47
Profit/(loss) from ordinary activities after tax attributable to members	(5,709)	(3,359)	69.96%	(2,350)
Net profit/(loss) for the year attributable to members	(5,709)	(3,359)	69.96%	(2,350)

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

Commentary on results:

Refer to section 14 below.

3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached consolidated financial statements.

4. STATEMENT OF FINANCIAL POSITION

Refer to attached consolidated financial statements.

5. STATEMENT OF CASH FLOWS

Refer to attached consolidated financial statements.

6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached consolidated financial statements.

7. DIVIDENDS/DISTRIBUTIONS

No dividends declared in the current or prior year.

8. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

9. NET TANGIBLE ASSETS PER SHARE

	31 Dec 2021	31 Dec 2020
Net tangible (liability)/asset backing per ordinary security	(0.412) cents	0.688 cents

10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Control gained over entities

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

Loss of control over entities

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

11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

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

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

Refer to attached consolidated financial statements.

13. FOREIGN ENTITIES

Refer to attached consolidated financial statements.

14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION

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

15. AUDIT

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

Authorised for release by the Board

David Groberman

David Groberman

Chief Executive Officer

25 February 2022

HERAMED LIMITED

ABN 65 626 295 314

PRELIMINARY FINAL REPORT
31 DECEMBER 2021





HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2021

Review of operations

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

HeraMED Limited ("HeraMED", "HMD" or "the Company") incurred a loss before finance expense of $4,035,050 (2020: $3,362,085) and a total loss for the year ended 31 December 2021 of $5,708,943 (2020: $3,358,969). The net assets of the Group have decreased by $2,104,168, from $1,998,183 at 31 December 2020 to a net liability position of $105,985 at 31 December 2021.

As at 31 December 2021, the Group's cash and cash equivalents increased from $1,903,949 at 31 December 2020 to $3,559,018, mainly due to a Placement of ~$1.8M (before transaction costs), exercises of options during the year of ~$1.5M and convertible notes placement of ~$1.8M.

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 a Placement of ~$1.8M (before transaction costs), exercises of options of ~$1.5M and convertible notes placement of ~$1.8M.

Additional requirements for capital

During the year ended 31 December 2021, the Group raised a total of ~$5.2M (before issuance costs). The Group's future capital requirements depend on numerous factors. The Group may require further funding – the amount will depend on the Group's ability to generate income and the extent of development activities. Additional equity financing may dilute existing shareholders. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and/or scale back its development programmes as the case may be. There is no guarantee that the Group will be able to secure additional funding or be able to secure funding on terms acceptable to the Group.

Highlights during the year

During the year ended 31 December 2021, the Company had the following highlights:

- **During February 2021, the Company successfully raised $1.8M (A$2.3M) before transaction costs via a share placement to sophisticated and institutional investors.**
- **During October 2021, the Company successfully raised $1.8M (A$2.39M) via placement of convertible notes with strong support from several key institutional investors.**
- **Exercises of options during the year of ~$1.5M (A$2.1M).**
- **Joondalup Health Campus (JHC) in Western Australia completed a successful pilot and during January 2022 entered into an agreement for full commercial rollout of HeraCARE solution as the primary standard of care offered for their audience of expecting mothers. The contract value for the first 12 months is expected to be approximately A$220,000.**
- **HeraCARE pilot with US-based Obstetrix Medical Group, leaders in women's and children's health care provides very positive interim results, adherence levels and feedback from both expectant mothers and clinicians.**
- **Clinical trials at Mayo Clinic, US; JHC, WA high-risk pregnancy (NST) and Sheba, Israel post-term have all continued to progress with results anticipated in the near term.**
- **Focus continues to be capitalising on the growing pipeline of commercial opportunities globally underpinned by continued remote monitoring tailwinds as a result of COVID-19.**

Joondalup Health Campus (JHC), Western Australia agrees to full commercial rollout of HeraCARE

JHC is one of Western Australia's largest hospital, a leading medical institution, and a maternity care service provider to an average of 3,000 expectant mothers annually.

Since achieving the important clinical validation of the HeraBEAT™ device in the outstanding results of the JHC trial announced in October 2020, and the subsequent publication of these results in the peer-reviewed article in Obstetrics & Gynecology in March 2021, the Company has enjoyed continued momentum in the execution of its commercialisation strategy which culminated in the completion of a successful paid pilot at JHC and consequent commercial agreement for a full-scale deployment.

The JHC agreement represented HeraMED's first full-scale long-term commercial deployment of the HeraCARE platform.

The key terms of the agreement are as follows:

- The commercial agreement is a 12-month extension of the commercial terms agreed under the paid pilot.
- HMD and JHC will continue discussions to extend this agreement for an additional three years.
- HMD will progressively deliver HeraCARE SaaS licenses (including the HeraBEAT smart foetal monitors) to support JHC's services expansion.
- It is anticipated that HMD will supply JHC approximately 400 licenses each quarter over the next 12 months.
- Total estimated HeraCARE licenses fee for year one based on the accumulated licenses over four quarters is expected to be approximately A$220,000.

HeraMED began working collaboratively with JHC in 2020 through a clinical trial that delivered clinical and functional validation of the HeraBEAT device, which forms the backbone of the HeraCARE solution. The accuracy of the HeraBEAT device was found to be excellent compared to the industry gold standard CTG (Phillips Avalon) machine. The Foetal Heart Rate (FHR) was detected on 100% of occasions by clinicians, and importantly, the FHR was detected on 100% of occasions by the expectant mothers when using the device without assistance.

On completion of the clinical trial and publication of the results in the globally renowned 'Green Journal', the leading scientific journal for gynaecology and obstetrics, HeraMED and JHC undertook a paid pilot of the HeraCARE platform.

The pilot focused on ensuring the HeraCARE platform was fully integrated with the existing workflows and clinical pathways. Parties focused on configuring and optimising the platform to accommodate JHC's requirements, as well as providing training to key stakeholders in the pilots, including midwives, clinicians, obstetricians, and expecting mothers. The paid pilot represented the last stage of the collaboration to incorporate the HeraCARE platform to introduce remote monitoring and care management for pregnant women. The interim results provided confidence for JHC and HMD to reach a commercial agreement of a full rollout of the HeraCARE solution within JHC.

Obstetrix Medical Group (Mednax), US paid pilot continues

Obstetrix Medical Group is an affiliate of Mednax. Listed on the NYSE, with a market capitalisation of ~US$2.4 billion, Mednax is one of the largest providers of women's and children's physician services in the U.S. via its network of over 2,300 physicians in 39 states and Puerto Rico. Mednax-affiliated clinicians and their practices provide vital care or diagnostics to 1 in 4 babies born in the U.S. Mednax companies and solutions include Pediatrix Medical Group, the nation's leading provider of maternal-fetal, newborn, and pediatric subspecialty services, and Obstetrix Medical Group, a provider of obstetric and maternal-fetal services.

Obstetrix is licensing the full HeraCARE platform on a SaaS-based per user, per month model for its pilots.

Prices for the pilot include a one-off hardware licence fee of approximately A$180-200 per HeraBEAT device as well as a monthly software licence fee of approximately A$50-60 per user.

During the September quarter, HMD announced positive interim results at their initial pilot site in San Jose, California. These results led to a further pilot site established by Obstetrix in Atlanta, Georgia.

The paid pilot represents the initial part of the agreement, including the purchase of 100 licenses to the HeraCARE software and devices, and will evaluate the functionality and suitability of the technology of the HeraCARE platform.

HeraMED continues to work closely and collaboratively with Mednax on the successful completion of pilots underway at its two pilot sites in San Jose and Atlanta. Discussion continues at an operational level to ensure optimisation of the HeraCARE platform is delivered for the specific requirements of Mednax. In addition, HMD continues discussions with Mednax in their planning for a wider rollout.

Sheba Medical Centre, Israel's largest hospital

HeraMED has been working with Sheba Medical Centre (Sheba), Israel's largest and most advanced hospital, for approximately 12 months. Sheba houses more than a quarter of all Israeli clinical research and provides care for ~1.6 million people annually. Sheba was recently ranked 9th as the world's best hospital in 2020 by Newsweek. HeraMED's technology was initially adopted operationally in Q1 2021 due to the sharp increase in the number and severity of COVID-19 infections during pregnancy. The HeraBEAT smart pregnancy monitors were used in operational mode to enable telehealth-based services in Sheba's dedicated pregnancy COVID-19 unit. The HeraBEAT enabled real-time foetal and maternal heart rate monitoring and analysis by Sheba's midwives and obstetricians through the HeraCARE professional dashboard, limiting the amount of physical interaction to potentially reduce the risk of COVID-19 exposure and spread.

As the initial wave of COVID-19 concluded and HeraCARE successfully delivered its first operational stage, the parties continued to the second stage of the pilot, involving a much broader study providing additional use cases such as high-risk pregnancies and post-term in which constant and real-time remote monitoring is. This pilot included both in-hospital as well as in-home use-cases, and it is a part of Sheba BEYOND's vision to become a leader in virtual care and home admission services. The study is expected to be finalised during the first quarter of 2022, with HMD awaiting the final results and will update shareholders once the final report is received. Conclusion of this study will allow HMD to begin discussions around next steps on its path to commercial deployment.

Mayo Clinic clinical trial

In December 2020, HMD announced the Mayo Clinic Institutional Review Board (IRB) has approved the Clinical Trial of HeraBEAT. The trial was established to recruit low-risk expectant mothers from the Mayo Clinic's Obstetrics and Gynaecology Department in Rochester, Minnesota. The overall study was designed to encompass an assessment of the HeraBEAT 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.

Mayo Clinic is ranked as the #1 hospital and research institute in the US and follows their world-class, strict clinical trial ethical code. They do not release any data from their clinical trial before a final report is completed, carefully reviewed by the relevant stakeholders, and approved by their committee. HMD continuously works closely and in full cooperation with the professional team at Mayo and is looking forward to receiving the formal results in the near term. We will be happy to provide a proper update to the market once we receive formal approvals.

The Mayo Clinic, headquartered in Minnesota, USA, operates as a not-for-profit, academic medical organisation focused on integrating clinical practice, education and research and currently employs over 4,5000 physicians and scientists, as well as close to 60,000 administrative and allied health staff. The Mayo Clinic is considered one of the world's leading medical institutions and has been ranked first in the US News & World Report 2019-2020 'Best Hospitals Honour Roll' rankings

COVID-19

The impact of COVID-19 is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting period. The situation is rapidly evolving and is dependent on measures imposed by the different Governments, such as maintaining social distancing requirements, quarantine, travel/border restrictions, ability to deliver goods, possible recession in certain countries and more. 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 2022 financial year.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected the operations of the Group or the results of those operations.

Outlook for 2022

2021 was a breakthrough year for HeraMED.

More and more healthcare organizations have no doubt about the viability and adoption of telehealth and remote monitoring in pregnancy.

With our strong cooperation with some of the leading healthcare providers in the world such as Mayo Clinic, Sheba and the substantial commercial agreement signed recently with JHC, we've achieved validation and recognition for the superiority and benefits of our solution, demonstrating that the transformation of pregnancy care is gaining momentum.

After a successful 2021, our focus shifts to the future.

We aim to focus on our key markets - US, Australia, EU and Israel, increase our client base and medical partnerships pushing for wider adoption and improved generation of revenues. 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.

We plan to continue optimising our platform, working closely with our medical partners in order to fully understand their current, as well as future needs.

We believe competitiveness in our sector will be determined by the ability to prove significant value to both expecting mothers as well as physicians. HeraCARE is an advanced and comprehensive home pregnancy solution and we plan to keep its winning edge by offering advanced, clinically-proven technology.

Let me use this opportunity to express our appreciation to our loyal shareholders – your ongoing support is important to all of us.

The entire HeraMED team is highly motivated by the recent success and determined to continue pushing the company to new heights.

While 2021 was a defining year for our company, we believe we are just at the very early stages of our journey.

Thank you for being part of it.

David Groberman

David Groberman

25 February 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 $	2020 $
Revenue		86,654	39,516
Cost of sales		(42,248)	(31,583)
Gross profit		**44,406**	**7,933**
Other income		-	14,655
Research and development expenses		(1,513,681)	(1,180,681)
General and administrative expenses		(1,331,850)	(962,817)
Selling and marketing expenses		(463,079)	(860,611)
Depreciation and amortisation expenses		(271,700)	(258,674)
Impairment of purchase license – Orion		(96,038)	-
Share-based payments	4	(403,108)	(196,162)
Other gains		-	74,272
Loss before finance expenses		**(4,035,050)**	**(3,362,085)**
Finance income		75	13,441
Finance costs – convertible notes	5	(1,482,005)	-
Finance expenses		(191,963)	(10,325)
Loss before income tax		**(5,708,943)**	**(3,358,969)**
Income tax expense		-	-
Loss for the year		**(5,708,943)**	**(3,358,969)**
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(8,563)	93,316
Total comprehensive loss for the year attributable to owners of the Company		**(5,717,506)**	**(3,262,653)**
Loss per share attributable to owners of the Company			
Basic/diluted loss per share	2	(0.033)	(0.027)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 $	2020 $
CURRENT ASSETS			
Cash and cash equivalents		3,559,018	1,903,949
Other receivables		242,166	233,767
Inventory		88,492	69,274
TOTAL CURRENT ASSETS		**3,889,676**	**2,206,990**
NON-CURRENT ASSETS			
Plant and equipment		28,989	16,410
Right-of-use asset		-	5,586
Intangible assets		670,352	965,242
TOTAL NON-CURRENT ASSETS		**699,341**	**987,238**
TOTAL ASSETS		**4,589,017**	**3,194,228**
CURRENT LIABILITIES			
Trade and other payables		692,972	498,536
Lease liability		-	5,811
Convertible notes	5	3,221,286	-
Borrowings		196,818	-
Liability for Israel Innovation Authority grants		34,708	11,562
TOTAL CURRENT LIABILITIES		**4,145,784**	**515,909**
NON-CURRENT LIABILITIES			
Borrowings		-	185,837
Liability for Israel Innovation Authority grants		549,218	494,299
TOTAL NON-CURRENT LIABILITIES		**549,218**	**680,136**
TOTAL LIABILITIES		**4,695,002**	**1,196,045**
NET (LIABILITIES)/ASSETS		**(105,985)**	**1,998,183**
SHAREHOLDERS' EQUITY			
Issued capital	3	16,481,265	13,375,173
Share-based payment reserve	4	2,939,503	2,432,257
Predecessor Accounting reserve		(133,879)	(133,879)
Foreign exchange reserve		(34,184)	(25,621)
Accumulated losses		(19,358,690)	(13,649,747)
SHAREHOLDERS' (DEFICIENCY)/EQUITY		**(105,985)**	**1,998,183**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

	Issued capital	Shares to be issued	Share-based payment reserve	Predecessor Accounting reserve	Foreign exchange reserve	Accumulated losses	Total
	$	$	$	$	$	$	$
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**
Balance at 1 January 2021	**13,375,173**	**-**	**2,432,257**	**(133,879)**	**(25,621)**	**(13,649,747)**	**1,998,183**
Loss for the year	-	-	-	-	-	(5,708,943)	(5,708,943)
Other comprehensive loss	-	-	-	-	(8,563)	-	(8,563)
Total comprehensive loss for the year	-	-	-	-	(8,563)	(5,708,943)	(5,717,506)
Transactions with owners in their capacity as owners:							
Issue of shares (refer to note 3)	3,327,477	-	-	-	-	-	3,327,477
Capital raising costs (refer to note 3)	(221,385)	-	-	-	-	-	(221,385)
Share based payments (refer to note 4)	-	-	507,246	-	-	-	507,246
Balance at 31 December 2021	**16,481,265**	**-**	**2,939,503**	**(133,879)**	**(34,184)**	**(19,358,690)**	**(105,985)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		132,176	22,248
Government grants		-	5,267
Payments to suppliers and employees		(3,362,101)	(2,804,192)
Interest received		480	668
Finance costs paid		(2,343)	(3,189)
Net cash (used in) operating activities		**(3,231,788)**	**(2,779,198)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(18,762)	(4,677)
Payments for capitalised development expenses		(66,664)	(62,636)
Net cash (used in) investing activities		**(85,426)**	**(67,313)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from equity instruments of the Company	3	3,314,017	2,621,602
Proceeds on issue of convertible notes	5	1,806,235	-
Repayment of lease liabilities		(117,469)	(105,339)
Transactions costs related to loans and borrowings		(119,211)	-
Net cash provided by financing activities		**4,883,572**	**2,516,263**
Net increase/(decrease) in cash and cash equivalents		**1,566,358**	**(330,248)**
Cash and cash equivalents at the beginning of the financial year		1,903,949	2,045,612
Impact of movement in foreign exchange rates		88,711	188,585
Cash and cash equivalents at the end of the financial year		**3,559,018**	**1,903,949**

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

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial report

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

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

a) Going concern

The preliminary final report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a loss for the year ended 31 December 2021 of $5,708,943 (31 December 2020: $3,358,969) and net cash outflows used in operating activities was $3,231,788 (31 December 2020: $2,779,198).

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

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

- the Group has recently been successful in raising funds and is planning to raise further funds;
- the level of expenditure can be managed; and
- the directors of HeraMED have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through the sale of the Group's products and services.

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

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

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.

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2021

c) Adoption of new and revised Australian Accounting Standards

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

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

AASB 2020-8 ***Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2***

In the prior year, the Group adopted the Phase 1 amendments *Interest Rate Benchmark Reform – Amendments to IFRS9/IAS 39 and IFRS 7.* These amendments 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 are amended as a result of the ongoing interest rate benchmark reforms.

In the current year, the Group adopted the Phase 2 amendments, Interest *Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 6.*

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

d) Critical Accounting Estimates and Judgements

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

Key Estimates and Judgements

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that COVID-19 has had, or may have on the Group based on known information. This consideration extends to the nature of products and services offered, customers, supply-chain, staffing and geographic regions in which the Group operates. Other than as addressed in the Directors' Report and in specific notes, there does not currently appear to be any material impact on the financial statements of 2021 with respect to events or conditions which may impact the Group unfavourably as at the reporting date.

Convertible notes

Convertible notes that do not contain an equity component are accounted as a financial liability in the statement of financial position at fair value. If the convertible notes are converted, the carrying amount of the derivative and liability components are transferred to share capital as consideration for shares issued. The Group has carried the convertible notes at fair value with movements recognised directly through profit or loss and the derivative liability accounted together with the host contract pursuant to AASB 9.

Share based payments

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

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

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

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2021

Impairment

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

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

Development costs

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

Fair value of long-term liabilities

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

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

NOTE 2: LOSS PER SHARE	**2021**	**2020**
	$	**$**
Loss per share (EPS)		
a) Loss used in calculation of basic EPS and diluted EPS	(5,708,943)	(3,358,969)
b) Weighted average number of ordinary shares outstanding at year end used in calculation of basic and diluted loss per share	174,619,016	125,768,442

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2021

NOTE 3: ISSUED CAPITAL	2021 $	2020 $
(a) Share Capital		
188,229,652 (31 December 2020: 150,038,908) fully paid ordinary shares	16,481,265	13,375,173

(b) Movement in Ordinary Capital

	No.	Total $
Opening balance as at 1 January 2021	150,038,908	13,375,173
Placement (i)	25,914,181	1,804,039
Issue of shares (ii)	691,151	11
Issue of shares (iii)	285,182	42,775
Issue of shares (iv)	259,256	38,768
Issue of shares (v)	1,234,056	175,252
Issue of shares (vi)	1,180,000	209,469
Issue of shares (vii)	927,504	13
Issue of shares (viii)	5,946,750	1,057,124
Issue of shares (ix)	1,752,664	26
Share issue costs	-	(221,385)
Closing balance at 31 December 2021	**188,229,652**	**16,481,265**

(i) Issue of shares on 10 February 2021 at an issue price of A$0.09 per share pursuant to a Placement.
(ii) Issue of shares on 3 May 2021 following exercise of 691,151 unlisted options at A$0.00002 per option.
(iii) Issue of shares on 30 June 2021 following exercise of 285,182 unlisted options at A$0.20 per option.
(iv) Issue of shares on 14 July 2021 following exercise of 259,256 unlisted options at A$0.20 per option.
(v) Issue of shares on 2 December 2021 following exercise of 1,234,056 unlisted options at A$0.20 per option.
(vi) Issue of shares on 2 December 2021 following exercise of 1,180,000 unlisted options at A$0.25 per option.
(vii) Issue of shares on 7 December 2021 following exercise of 927,504 unlisted options at A$0.00002 per option.
(viii) Issue of shares on 7 December 2021 following exercise of 5,946,750 unlisted options at A$0.20 per option.
(ix) Issue of shares on 9 December 2021 following exercise of 1,752,664 unlisted options at A$0.00002 per option.

(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 and/or debt 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.

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2021

(d) Deferred Consideration Shares

10,000,000 deferred consideration shares (8,500,000 to Vendors and 1,500,000 to Corporate Advisors) which were supposed to be issued subject to the satisfaction of certain performance milestones within 36 months of the date of quotation of the Company i.e., by December 2021 ("Deferred Consideration Shares") were not issued as those performance milestones were not achieved.

As at the date of this report, there are no Deferred Consideration Shares on issue.

NOTE 4: SHARE BASED PAYMENTS

During the year ended 31 December 2021, the Company recorded the following share-based payments:

- The issue of 1,000,000 Options exercisable at A$0.20 on or before 31 May 2022 to corporate advisors, PAC Partners Securities Pty Ltd pursuant to a Placement in February 2021 ("Advisor Options"). The fair value of the options has been determined using Black-Scholes pricing model as the fair value of the service provided could not be reliably determined.
- The issue of 7,440,000 Options (out of which, 1,200,000 granted to the CFO Mrs Sivan Sadan and 960,000 options are subject to certain vesting conditions) exercisable at A$0.20 vested over 3 years and expiring on or before 2 June 2025 to management, employees and service providers in Israel and USA under an employee incentive scheme ("ESOP"). The fair value of the options has been determined using the Black-Scholes pricing model as the fair value of the service provided could not be reliably measured. No expense has been recognised in relation to the 960,000 performance options at 31 December 2021 as none of the vesting conditions have been met at the reporting date.

Fair value

The inputs to the pricing model and valuations were as follows:

	Advisor Options	ESOP
Number of options	1,000,000	6,480,000
Grant date	31 May 2021	2 Jun 2021
Exercise price	A$0.20	A$0.20
Expected volatility	91%	100%
Implied option life (years)	1.0	4.0
Expected dividend yield	nil	nil
Risk free rate	0.07%	0.44%
Valuation per option A$	0.1101	0.15
Exchange rate	1.292	1.291
Valuation per option US$	0.0852	0.116
Total valuation US$ (i)	85,217	751,600

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2021

NOTE 4: SHARE BASED PAYMENTS (cont'd)

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

	2021 $	2020 $
Share option plans	403,108	68,391
Issue of shares to Spark Plus Pte Ltd	-	11,517
Issue of 5,500,000 Freeman Road Options	-	116,254
Total expense recognised in profit or loss	403,108	196,162
Issue of 1,000,000 Advisor Options	85,217	-
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	85,217	107,567
Share option plans – capitalised under Intangible assets	18,921	-
Total share-based payments expense	507,246	303,729

NOTE 5: CONVERTIBLE NOTES

On 18 October 2021, the Company successfully raised $1,806,235 (A$2,392,047) via a placement of convertible notes ("Notes"). The key commercial terms of the Notes are as follows:

- Amount raised: A$2,392,047 placed with each Note having a face value of A$1.00.
- Maturity date: 6 months from date of issue (being 18 April 2022).
- Coupon: 10% per annum capitalised and paid in additional shares at conversion price.
- Conversion Event (Automatic): The Notes automatically convert if the Company receives A$4 million or more (whether in single or multiple closings) (Qualified Financing) on or before the maturity date, the principal amount of each Note and all interest due will automatically convert into fully paid ordinary shares.
- Conversion price on Qualifying Financing or Exit: at the lesser of A$0.20 or a 15% discount to the relevant event and subject to a floor of A$0.09 per share.
- On conversion of the Notes, investors will receive 1 option for 2 shares issued, exercisable at A$0.30 with a two-year expiry from date of issue.
- Conversion Event (at Maturity): if these Notes remain unconverted at maturity (i.e., 18 April 2022), they will convert automatically at a 25% discount to the VWAP for the 5 Trading Days prior to the Maturity Date with capitalised interest paid in additional shares at the conversion price of the Notes. Investors will also receive a 1:1 2-year unlisted option with an exercise price of 200% premium to the conversion price.
- A Note will not be capable of conversion to the extent that it would result in the Noteholder and its Associates holding a Relevant Interest in more than 19.99% of the Issued Shares (or such other limit prescribed by section 606(1)(c)(i) of the Corporations Act 2001 from time to time), or if the Company would be in breach of any applicable Law as a result of such conversion.

The Company engaged an external third-party valuer to conduct a fair value analysis of the derivative as at 31 December 2021. The fair value was obtained using a risk-neutral simulation-based model and the fair value analysis resulted in a total fair value of $3,221,286 (A$4,430,260) as at the reporting date. The difference of $1,482,005 (A$2,038,213 at an exchange rate of 1A$/US$1.37531) between the carrying amount (A$2,392,047) of the Notes and the fair value of the Notes has been recognised as a finance cost in the statement of profit or loss and other comprehensive income.

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2021

NOTE 6: EVENTS AFTER THE REPORTING PERIOD

On 21 January 2022, the Company announced it has entered into a commercial agreement with Joondalup Health Campus (JHC) for JHC to offer the HeraCARE solution as the primary standard of care for their entire audience of expecting mothers. This represents the first full-scale commercial roll-out of the Company's technology as a standard service to be offered to all suitable pregnant mothers by a hospital. Total estimated HeraCARE license fee for year number one based on the accumulated licenses is approximately A$220,000.

On 28 January 2022, the Company raised a total of A$139,568 via the issue of 91,666 fully paid ordinary shares on the exercise of 91,666 unlisted options at A$0.165 per option and 622,215 fully paid ordinary shares on the exercise of 622,215 unlisted options at A$0.20 per option.

On 21 February 2022, the Company raised a total of A$22,222 via the issue of 111,109 fully paid ordinary shares on the exercise of 111,109 unlisted options at A$0.20 per option.