HERAMED LIMITED

ABN 65 626 295 314

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

HERA MED

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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) 7251 1888

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Legal Advisers

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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 2021, COVID-19 presented a unique opportunity to fast-track the adoption of digital health in maternity care globally.

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.**
- **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.**

Outlook for 2022

2021 was a breakthrough year for HeraMED. With our strong cooperation with some of the leading healthcare providers in the world such as Mayo Clinic, Sheba and the commercial agreement signed recently with JHC, we 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 will 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 at the very early stages of our journey. Thank you for being part of it.

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", "HeraMED" or "HMD") 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 2021.

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 2021 (2020: 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 before finance expenses 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 were $3,559,018 compared to $1,903,949 at 31 December 2020. During the year, the Company completed a Placement of ~$1.8M (before transaction costs), had exercises of options of ~$1.5M and had a convertible notes placement of ~$1.8M.

Highlights during the year

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

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

JHC is one of Western Australia's largest hospitals, 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 globally renowned 'Green Journal', the scientific journal for gynaecology and obstetrics 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', 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.

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 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. 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 with constant and real-time remote monitoring. 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 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 is working 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.

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.

Subsequent Events

On 21 January 2022, the Company announced it has entered into a commercial agreement with 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.

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

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.

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	586,000 Ordinary Shares
Directorships held in other listed entities (last 3 years)	EMVision Medical Devices Ltd (ASX: EMV) Cleanspace Holdings Ltd (ASX: CSX) – 15 April 2021 to 31 January 2022
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	9,709,170 Ordinary Shares
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	9,709,170 Ordinary Shares
Directorships held in other listed entities (last 3 years)	Nil

David Hinton	Non-Executive Director
Qualifications	B.Bus, FCA, GAICD, FGIA, 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 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, and of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors.. Mr Hinton is also a Non-Executive Director of Valo Therapeutics Oy and of the not-for-profit 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 Matricelf - traded on the TASE Chairman of Intelicanna - traded on the TASE Director in Citric Global - traded on NASDAQ (OTC) Director in Kadimastem – traded on the TASE Director in Icecure – traded on the TASE Director in Pluristem - traded on NASDAQ and the TASE

Information on Company Secretary

Jonathan Hart	Company Secretary
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.

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 24 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	486,928 Ordinary Shares (including shares held by Or Capital Ltd) 200,000 unlisted options expiring 15 August 2024 exercisable at A$0.165 574,000 unlisted options expiring 15 August 2024 exercisable at $0.01 1,200,000 unlisted options expiring 2 June 2025 exercisable at A$0.20
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, 9 board meetings were held.

	DIRECTORS' MEETINGS	
	Held	**Attended**
Ron Weinberger	9	9
David Groberman	9	9
Tal Slonim	9	9
David Hinton	9	9
Doron Birger	9	9

Options

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

Security Code	Expiry Date	Grant Date	Exercise Price	Number of Options
HMDESOP01 (i)	15 August 2024	15 August 2019	A$0.165	1,133,334
HMDESOP02 (ii)	15 August 2024	15 August 2019	$0.01	574,000
HMDOPT15 (iii)	14 August 2022	14 July 2020	A$0.20	3,672,419
HMDPO (iv)	14 August 2022	14 July 2020	A$0.15	5,500,000
HMDAP (v)	21 July 2022	21 July 2020	A$0.15	4,349,229
HMDOPT17 (vi)	15 June 2022	31 May 2021	A$0.20	6,126,119
HMDOPT17 (vii)	15 June 2022	31 May 2021	A$0.20	1,000,000
HMDESOP04 (viii)	2 June 2025	2 June 2021	A$0.20	7,440,000

(i) Unlisted Options 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.

(ii) Unlisted Options granted to the CFO of the Company 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 which have now vested.

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

(iv) 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, 2,500,000 vested on successful completion of the study and 1,000,000 vested on execution of a commercial agreement.

(v) 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 vests 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 when the HeraCARE Platform is generating its first revenues.

(vi) Unlisted Options (8,637,937) granted to subscribers pursuant to a Placement in February 2021. During the year ended 31 December 2021, 1,778,494 options were exercised. Subsequent to the year-end, 733,324 options were exercised.

(vii) Unlisted Options granted to Corporate Advisors PAC Partners Pty Ltd pursuant to a Placement in February 2021.

(viii) Unlisted Options granted to management, employees and service providers in Israel and USA under an Employee Incentive Scheme and vesting over 3 years on a quarterly basis starting 2 June 2021.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Details of shares or interests issued during or since the end of the financial year as a result of an exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid for shares
HeraMED Limited	100,000	Ordinary	A$25,000	-
HeraMED Limited	6,626,750	Ordinary	A$1,656,688	-
HeraMED Limited	3,371,319	Ordinary	A$67	-
HeraMED Limited	500,000	Ordinary	A$125,000	-
HeraMED Limited	1,778,494	Ordinary	A$355,699	-
HeraMED Limited	91,666	Ordinary	A$15,125	-
HeraMED Limited	733,324	Ordinary	A$146,665	-

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 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 EchoBEAT and 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 $6,140 in relation to tax compliance. In addition, BDO Israel provided non-audit services of $11,295 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 2021 has been received and can be found on page 18 of the financial report.

Remuneration Report (Audited)

This remuneration report, which forms part of the directors' report, for the year ended 31 December 2021 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
4. Non-executive director fee arrangements
5. Details of remuneration
6. Additional disclosures relating to equity instruments
7. Loans to key management personnel (KMP) and their related parties
8. Other transactions and balances with KMP and their related parties
9. Voting of Shareholders at last year's annual general meeting

1. Introduction

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprises 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.

3. Executive remuneration arrangements

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

- A monthly salary of ~$15,175 (49,000 NIS), car allowance ~$1,703 (5,500 NIS) and entitlement to social benefits (including severance payments (8.33%), pension payments (7.5%) and, advanced study fund (7.5%)).
- 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 ~$4,001 (12,920 NIS) and entitlement to social benefits and include severance payments (8.33%), pension payments (7.5% and, advanced study fund (7.5%).
- 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.

The term "Resignation for Good Reason" in this section shall mean resignation by the Employee due to (each of the following: "Good Reason"): (1) a material diminution in the Employee's duties or responsibilities, or (2) a material change in geographic location at which the Employee must perform services, or (3) a material diminution in the Employee's Salary – in each case following timely delivery of written notice by the Employee to the Company of the existence of Good Reason (the "Good Reason Notice") and the failure by the Company to cure the existence of Good Reason within thirty (30) days following its receipt of the Good Reason Notice."

Mrs Sivan Sadan's services as CFO were provided until June 2021 through Or Capital Pty Ltd ("Or Capital") pursuant to a service agreement ("CFO Agreement"). From January 2021 until June 2021, Or Capital was paid a fee of ~$11,675 (NIS 37,700) per month (plus value added tax (VAT)). Effective June 2021, Mrs Sadan was employed as an employee of HeraMED Ltd at a monthly salary of ~$12,388 (40,000 NIS) and entitlement to social benefits (including severance payments (8.33%), pension payments (7.5%) and advanced study fund (7.5%)). Other terms include 90 days' written notice of termination

The exchange rate used is the average exchange rate 1 US$=3.299 NIS

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 $218,133) 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 $145,642 (2020: $112,674) and covered main Board activities only. Non-executive directors may receive additional remuneration for other services provided to the Group. 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 2021.

31 Dec 2021	Short term salary, fees & commissions $	Superannuation & social benefits (1) $	Non-monetary benefits $	Share-based payments (2) $	Total $	Performance based remuneration
Directors:						
R. Weinberger	63,190	6,161	-	-	**69,351**	-
D. Groberman	199,471	38,283	-	-	**237,754**	-
T. Slonim	47,730	8,939	-	-	**56,669**	-
D. Hinton	36,777	1,751	-	-	**38,528**	-
D. Birger	37,763	-	-	-	**37,763**	-
Other KMP:						
S. Sadan	154,277	18,182	-	79,452	251,911	31.54%
Total	**539,208**	**73,316**	**-**	**79,452**	**691,976**	

(1) Mr Groberman, Mr Tal Slonim and Mrs Sivan Sadan are entitled to benefits as described in section 3 above. In the case of Mr Hinton and Dr Ron Weinberger, statutory superannuation of 10%.
(2) Refer to Section 6 below for further information on share-based payments granted to key management during the year.

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 including severance payments, pension payments, advanced study fund social security 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.

6. Additional disclosures relating to equity instruments

KMP Shareholdings

1,334,700 shares were issued to KMP during the 2021 financial year (2020: 619,333).

Fully paid ordinary shares of HeraMED Limited

31 Dec 2021	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)	486,000	100,000	-	586,000
D. Groberman (ii)	9,245,418	463,752	-	9,709,170
T. Slonim (ii)	9,245,418	463,752	-	9,709,170
D. Hinton	358,333	-	-	358,333
D. Birger	-	-	-	-
S. Sadan (iii)	179,732	307,196	-	486,928
Total	**19,514,901**	**1,334,700**	**-**	**20,849,601**

(i) Exercise of 100,000 unlisted options at A$0.25 per option.
(ii) Exercise of 463,752 unlisted options at A$0.00002 per option.
(iii) Exercise of 307,196 unlisted options at A$0.00002 per option. Total shares include shares held by Or Capital (an entity associated with Ms Sivan Sadan).

KMP Options Holdings

Options of HeraMED Limited

31 Dec 2021	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 (i)	Balance at the end of the year	Vested and exercisable	Unvested
Directors:								
R. Weinberger	100,000	-	100,000	-	-	-	-	-
D. Groberman	3,651,252	-	463,752	-	3,187,500	-	-	-
T. Slonim	3,651,252	-	463,752	-	3,187,500	-	-	-
D. Hinton	-	-	-	-	-	-	-	-
D. Birger	-	-	-	-	-	-	-	-
Other KMP:								
S. Sadan	1,081,196	1,200,000	307,196	-	-	1,974,000	924,000	1,050,000
Total	**8,483,700**	**1,200,000**	**1,334,700**	**-**	**6,375,000**	**1,974,000**	**924,000**	**1,050,000**

(i) Expired during 2021.

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 Sivan Sadan in the current reporting are as follows:

Option Code	Number granted	Grant date	Vesting start date	Expiry date	Exercise price	Value per option at grant date (i)	Vested %
Employee Options HMDESOP01	200,000	15 Aug 2019	15 Aug 2019	15 Aug 2024	A$0.165	$0.0694	75%
Employee Options HMDESOP02	574,000	15 Aug 2019	1 July 2018	15 Aug 2024	$0.01	$0.1502	100%
Employee Options HMDESOP04	1,200,000	2 Jun 2021	2 Jun 2021	2 Jun 2025	A$0.20	$0.116	16.67%

(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:

- HMDESOP01 – 200,000 options: Unlisted Options expiring 15 August 2024 exercisable 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.
- HMDESOP02 – 574,000 options: Unlisted Options expiring 15 August 2024 exercisable 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.
- HMDESOP04 – 1,200,000 options: Unlisted Options expiring 2 June 2025 exercisable at A$0.20 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 2 June 2021.

Details of share-based payments granted as compensation to key management personnel during the current financial year:

		During the financial year			
Name	Option Code	No. granted	No. vested	% of grant vested	% of grant forfeited
S. Sadan	HMDESOP04	1,200,000	200,000	16.67%	-

31 Dec 2021	Fair value of options granted during the year $	Value of options vested during the year $	Value of options lapsed during the year $	Value of options included in remuneration report for the year $	Remuneration consisting of options for the year %
S. Sadan	139,200	44,314	-	79,452	31.54%

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 2021, the interest rate was 2.45% (2020: 2.62%). According to the above terms, half of the loan amount was repaid upon the consummation of the IPO. As of 31 December 2021, the amount of $196,818 was owed by HeraMED Israel to Meytar (2020: $185,837).

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 98.66% "Yes" votes cast on its Remuneration Report for the 2020 financial year. The Company did not receive any specific feedback at the 2020 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

Mr David Groberman
Chief Executive Officer
Tel Aviv, 29 March 2022

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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 2021, 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.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

	Note	2021	2020
		$	$
Revenues	3a	86,654	39,516
Cost of sales		(42,248)	(31,583)
Gross profit		**44,406**	**7,933**
Other income	3b	-	14,655
Research and development expenses	4	(1,513,681)	(1,180,681)
General and administrative expenses	4	(1,331,850)	(962,817)
Selling and marketing expenses	4	(463,079)	(860,611)
Depreciation and amortisation expenses	4	(271,700)	(258,674)
Impairment of purchase license – Orion	13	(96,038)	-
Share-based payment expenses	20	(403,108)	(196,162)
Other gains		-	74,272
Loss before finance expenses		**(4,035,050)**	**(3,362,085)**
Finance income	4	75	13,441
Finance costs – convertible notes	24	(1,482,005)	-
Finance expenses	4	(191,963)	(10,325)
Loss before income tax		**(5,708,943)**	**(3,358,969)**
Income tax expense	5	-	-
Loss for the year		**(5,708,943)**	**(3,358,969)**
Other comprehensive income:			
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	8	(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	9a	3,559,018	1,903,949
Other receivables	10	242,166	233,767
Inventory	11	88,492	69,274
TOTAL CURRENT ASSETS		**3,889,676**	**2,206,990**
NON-CURRENT ASSETS			
Plant and equipment	12	28,989	16,410
Right-of-use asset	17	-	5,586
Intangible assets	13	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	14	692,972	498,536
Lease liability	17	-	5,811
Convertible notes	24	3,221,286	-
Borrowings	15	196,818	-
Other financial liability	16	34,708	11,562
TOTAL CURRENT LIABILITIES		**4,145,784**	**515,909**
NON-CURRENT LIABILITIES			
Borrowings	15	-	185,837
Other financial liability	16	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	18	16,481,265	13,375,173
Share-based payment reserve	19	2,939,503	2,432,257
Predecessor Accounting reserve	19	(133,879)	(133,879)
Foreign exchange reserve	19	(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 for the year ended 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 loss	-	-	-	-	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	3,327,477	-	-	-	-	-	3,327,477
Capital raising costs	(221,385)	-	-	-	-	-	(221,385)
Share based payments	-	-	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	9b	**(3,231,788)**	**(2,779,198)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment	12	(18,762)	(4,677)
Payments for capitalised development expenses	13	(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		3,314,017	2,621,602
Proceeds on issue of convertible notes		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	9a	**3,559,018**	**1,903,949**

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 2021

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 2022.

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 2021 of $5,708,943 (2020: $3,358,969) and net cash outflows from operating activities of $3,231,788 (2020: $2,779,198). The consolidated statement of financial position as at 31 December 2021 has a deficiency of current assets to current liabilities of $256,108. This deficiency is caused by the classification of the Convertible Notes as a current liability in the amount of $3,221,286. The Convertible Notes will be settled via the issuance of equity on the maturity date. Should settlement be effected in this way, then current liabilities would decrease by approximately $3,221,286 and a surplus of current assets to current liabilities would arise.

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 2022 financial year.

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.

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

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 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 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 2021. 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.

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

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.

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.

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

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.

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 cash deposit of ~$6,027 (18,744 NIS at an exchange rate of 1 NIS/$3.11) in regards to the office lease in Israel.
- A cash deposit of ~$19,303 (60,033 NIS at an exchange rate of 1 NIS/$3.11) held by the Company's bankers in Israel to secure credit card payments.
- A cash deposit of $20,000 held by the Company's bankers in the 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 have 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 assess 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
- licenses 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 licenses and Software-as-a-Service (SaaS)

Revenue derived from HeraBEAT and from the software is recognised over the period of the contract.
The Company provides SaaS services 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.

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 transactions 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 in 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

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 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 19.

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: ADOPTION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

New and amended Australian Accounting Standards that are effective for the current year

The Group has adopted all of the new and revised 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 2021.

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 AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*. 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 interest rate benchmark reform.

In the current year, the Group adopted AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.*

The adoption of this Amendment 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 on issue 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* and AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts*	1 January 2023
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*	1 January 2023
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	1 January 2022
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

NOTE 3a: REVENUE	2021 $	2020 $
Major products/service lines		
Revenue from sale of goods	17,800	33,636
Licences and SaaS	68,854	5,880
	86,654	39,516
Revenue recognition		
At a point in time	17,800	33,636
Over time	68,854	5,880
	86,654	39,516

NOTE 3b: OTHER INCOME	2021 $	2020 $
Grants received (i)	-	14,655

(i) This represents government grants received in the 2020 financial year due to the COVID-19 pandemic.

NOTE 4: EXPENSES	2021 $	2020 $
Loss before income tax from continuing operations includes the following specific expenses:		
Research and development expenses		
- Payroll and related expenses	1,112,616	879,145
- Patents	5,303	16,742
- Professional services	345,945	237,278
- Other expenses	49,817	47,516
Total research and development expenses	1,513,681	1,180,681
General and administrative expenses:		
- Human resources expenses	408,081	292,508
- Directors' remuneration	144,632	103,569
- Professional services	554,489	358,214
- Compliance expenses	52,332	48,662
- Insurances	64,377	49,155
- Rent expenses	28,948	24,900
- Other expenses	78,991	85,809
Total general and administrative expenses	1,331,850	962,817

NOTE 4: EXPENSES (cont'd)

	2021	2020
	$	$
Selling and marketing expenses:		
- Payroll and related expenses	220,793	235,747
- Professional services	220,237	564,589
- Other expenses	22,049	60,275
Total selling and marketing expenses	463,079	860,611
Depreciation and amortisation expenses:		
- Depreciation of plant and equipment (Note 12)	6,183	5,090
- Amortisation of intangibles assets (Note 13)	265,517	253,584
Total depreciation and amortisation expenses	271,700	258,674
Finance expenses/(income):		
- Interest expenses and banks fees	191,964	10,325
- Revaluation of IIA Loan and interest income	(75)	(13,441)
Total finance expense/(income)	191,889	(3,116)

NOTE 5: INCOME TAX

The financial accounts for the year ended 31 December 2021 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 26% (2020: 27.5%). The applicable tax rate in Israel is 23% (2020: 23%) and 21% in USA (2020: 21%).

	2021	2020
(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:

	2021	2020
	$	$
Loss for the year before tax	(5,708,943)	(3,358,969)
Prima facie income tax (benefit) at domestic tax rate	(1,484,325)	(923,716)
Effect of different tax rate of group entities operating in a different jurisdiction	218,898	7,826
Effect of expenses that are not deductible in determining taxable income	496,828	184,705
Effect of unused tax losses not recognised as deferred tax assets	768,599	731,185
	-	-

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:

	2021 $	2020 $
Short-term salary and fees	539,208	460,430
Social and other benefits	73,316	49,677
Share based payments	79,452	48,435
	691,976	558,542

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:

2021	Balance at the start of the year $	Interest payable for the year and foreign exchange rate revaluation $	Repayments made during the year $	Converted to equity during the year $	Balance at the end of the year $
Meytar (Digital) Engineering Ltd	185,837	10,981	-	-	196,818

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

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 and is due for repayment at the earlier of the date HeraMED Israel pays dividends or 21 December 2022.

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:

	2021 $	2020 $
Auditor remuneration		
- Auditing and reviewing the financial reports (BDO) – Australia	41,780	27,282
- Auditing and reviewing the financial reports (BDO) – Israel	61,475	51,412
- Auditing and reviewing the financial reports (BDO) – USA	14,629	7,932
	117,884	86,626
Non-audit remuneration		
- Taxation services (BDO) - Australia	6,140	14,457
- Taxation services (BDO) - Israel	11,295	-
	17,435	14,457

NOTE 8: 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 during the year used in calculation of basic and diluted loss per share	174,619,016	125,768,442

NOTE 9a: CASH AND CASH EQUIVALENTS	2021 $	2020 $
Cash at bank	3,559,018	1,903,949
Total cash and cash equivalents in the statement of cash flows	3,559,018	1,903,949

The Group's exposure to the risks associated with cash are disclosed in Note 21.

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

	2021	2020
	$	$
Loss for the year	(5,708,943)	(3,358,969)
Non-cash flows in loss after income tax		
Adjustments for:		
Share based payments expense	403,108	196,162
Depreciation and amortisation	271,700	258,674
Impairment of purchase license - Orion	96,038	-
Change in Israel Innovation Authority grants	78,065	(12,773)
Interest and foreign exchange revaluation of third-party loan	10,981	17,373
Fair value revaluation - convertible notes	1,482,005	-
Net exchange differences	(31,561)	68,481
Changes in assets and liabilities		
(Increase)/decrease in other receivables	(8,399)	20,846
(Increase) in inventory	(19,218)	(11,183)
Increase in trade and other payables	194,436	42,191
Cash flow (used in) operating activities	(3,231,788)	(2,779,198)

Non-cash investing and financing activities

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

Changes in liabilities arising from financial activities

During the year ended 31 December 2021, the Company raised $1,806,235 (A$2,392,047) via a placement of convertible notes ("Notes"). An independent fair valuation 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 A$1/$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. Refer to Note 24 for further information.

NOTE 10: OTHER RECEIVABLES

	2021	2020
	$	$
CURRENT		
Advances to suppliers	41,907	51,923
Prepaid expenses	117,456	98,831
Deposits	25,330	39,267
Other receivables	57,473	43,746
	242,166	233,767

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 21.

NOTE 11: INVENTORY

	2021	2020
	$	$
Inventory at cost	88,492	69,274

NOTE 12: PLANT AND EQUIPMENT

	2021 $	2020 $
Cost	74,559	55,797
Accumulated depreciation	(45,570)	(39,387)
Net carrying amount	28,989	16,410

Cost or valuation	Computer equipment and software $	Office furniture and equipment $	Total $
Balance at 1 January 2020	35,294	15,826	51,120
Additions	4,677	-	4,677
Balance at 31 December 2020	39,971	15,826	55,797
Additions	18,762	-	18,762
Balance at 31 December 2021	58,733	15,826	74,559

Accumulated depreciation	Computer equipment and software $	Office furniture and equipment $	Total $
Balance at 1 January 2020	(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)
Depreciation expense	(5,022)	(1,161)	(6,183)
Balance at 31 December 2021	(37,735)	(7,835)	(45,570)

NOTE 13: INTANGIBLE ASSETS

	2021	2020
	$	$
Cost (1)	1,628,722	1,658,095
Accumulated amortisation	(958,370)	(692,853)
Net carrying amount	670,352	965,242

Cost	Purchase license (2) $	Development costs $	Total $
Balance at 1 January 2020	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
Additions		66,665	66,665
Impairment	(96,038)	-	(96,038)
Balance at 31 December 2021	-	1,628,722	1,628,722

Accumulated amortisation	Purchase license $	Development costs $	Total $
Balance at 1 January 2020	-	(439,269)	(439,269)
Amortisation expense	-	(253,584)	(253,584)
Balance at 31 December 2020	-	(692,853)	(692,853)
Amortisation expense	-	(265,517)	(265,517)
Balance at 31 December 2021	-	(958,370)	(958,370)

(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. At 31 December 2021, the Company fully impaired the license with Mayo regarding the Orion project.

(3) The Company has assessed the relevant impairment indicators for development costs and does not expect impairment to the Company's intangibles in the current reporting year. The Company has concluded that the carrying value of the intangibles at 31 December 2021 is recoverable.

NOTE 14: TRADE AND OTHER PAYABLES

	2021	2020
	$	$
CURRENT		
Trade payables	276,798	199,085
Employees' salaries and related liabilities	250,956	151,810
Accrued expenses	165,218	147,641
	692,972	498,536

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 21.

NOTE 15: BORROWINGS

	2021	2020
	$	$
Loan from related party (i)	196,818	185,837

(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 2.45% (2020:2.62%) per annum andis unsecured. 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

	2021	2020
	$	$
CURRENT		
Liability for Israel Innovation Authority Grants	34,708	11,562
NON-CURRENT		
Liability for Israel Innovation Authority Grants	549,218	494,299

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 2021 financial year.

As at 31 December 2021, the WACC rate used by HeraMED Israel for the liability was 20% (2020: 20%).

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: 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

NOTE 17: ISSUED CAPITAL (cont'd)

Fully paid ordinary shares	31 December 2021 No.	31 December 2021 $	31 December 2020 No.	31 December 2020 $
Balance at the beginning of the year	150,038,908	13,375,173	103,212,917	10,738,713
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	-	-
Issue of shares (x)	-	-	500,000	50,054
Issue of shares (xi)	-	-	164,760	11,517
Placement (xii)	-	-	25,804,659	1,596,027
Share Purchase Plan (xiii)	-	-	2,588,879	163,234
Share Purchase Plan Shortfall (xiv)	-	-	14,077,787	907,851
Placement Shortfall (xv)	-	-	922,215	59,472
Issue of shares (xvi)	-	-	1,581,538	100,000
Issue of shares (xvii)	-	-	1,186,153	75,000
Share issue costs	-	(221,385)	-	(326,695)
Balance at the end of the year	**188,229,652**	**16,481,265**	**150,038,908**	**13,375,173**

(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.
(x) 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 shares for services rendered to the Company.
(xi) 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.
(xii) Issue of shares on 15 June 2020 at an issue price of A$0.09 per share pursuant to a Placement.
(xiii) Issue of shares on 20 July 2020 at an issue price of A$0.09 per share pursuant to a Share Purchase Plan.
(xiv) Issue of shares on 11 August 2020 at an issue price of A$0.09 per share pursuant to a Share Purchase Plan Shortfall.
(xv) Issue of shares on 11 August 2020 at an issue price of A$0.09 per share pursuant to a Placement Shortfall.
(xvi) 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.
(xvii) Issue of shares on 7 September 2020 at a deemed issue price of A$0.091 per share to Mayo Clinic 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.

HERA MED

NOTE 17: ISSUED CAPITAL (cont'd)

(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

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 18: RESERVES

		2021	2020
a) Share Based Payment Reserve		**$**	**$**
32,870,091 (2020: 46,841,807) options on issue	19b	2,939,503	2,432,257

b) Movement in Share Based Payment Reserve	**2021**
	$
Opening balance at 1 January 2021	2,432,257
Issue of 1,000,000 Advisor Options (refer to Note 19)	85,217
Issue of ESOP options (refer to Note 19)	409,864
Options to employees and CFO in prior years	12,165
Closing balance at 31 December 2021	**2,939,503**

	2021	2020
c) Foreign Exchange Reserve	**$**	**$**
Closing balance	(34,184)	(25,621)

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

	2021	2020
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 2019.

NOTE 19: 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 the 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 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. There were 960,000 options of the 7,440,000 total options that have been approved for grant under the ESOP but are yet to be issued and included non-market vesting conditions which, as at the reporting date, have been assigned a 0% probability of achievement, therefore no share-based payment expense has been recognised in relation to these options.

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

	Advisor Options	ESOP
Number of options	1,000,000	7,440,000
Grant date	31 May 2021	2 Jun 2021
Exercise price	A$0.20	A$0.20
Expected volatility	91%	100%
Implied option life (years)	1.0	4.0
Expected dividend yield	nil	nil
Risk free rate	0.07%	0.725%
Valuation per option (A$)	0.1101	0.172
Exchange rate	1.292	0.772
Valuation per option (US$)	0.0852	0.133
Total valuation (US$)	85,217	859,024

In relation to the Mayo Performance Options issued during the prior year, no share-based payment expense has been recognised in relation to these for the year ended 31 December 2021 as none of the vesting conditions were met as at the reporting date.

NOTE 19: SHARE BASED PAYMENTS (cont'd)

Share Based Payments Expense

Share based payment expense at 31 December 2021 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	196,1662
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 20: 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 21: 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.

NOTE 21: FINANCIAL INSTRUMENTS (cont'd)

(b) Categories of financial instruments

Financial assets	**2021** **$**	**2020** **$**
Cash and cash equivalents	3,559,018	1,903,949
Other receivables	124,711	134,936
	3,683,729	2,038,885
Financial liabilities		
Trade and other payables	692,972	498,536
Lease liabilities	-	5,811
Convertible notes	3,221,286	-
Borrowings	196,818	185,837
Other financial liabilities	583,926	505,861
	4,695,002	1,196,045

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 2021		
+/-1% in interest rates	35,590	35,590
Year ended 31 December 2020		
+/-1% in interest rates	19,039	19,039

NOTE 21: 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:

2021	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		692,972	-	-	-	692,972	692,972
Lease liabilities	-	-	-	-	-	-	-
Convertible notes	10%	3,221,286	-	-	-	-	3,221,286
Borrowings	2.45%	-	196,818	-	-	196,818	196,818
Other financial liabilities		-	34,708	549,218	-	583,926	583,926
		3,914,258	231,526	549,218	-	1,473,716	4,695,002

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

NOTE 21: FINANCIAL INSTRUMENTS (cont'd)

(h) Net fair value of financial assets and liabilities

Fair value estimation

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Valuation techniques for fair value measurements categorised within level 2

The fair value of the convertible notes was obtained using a risk-neutral simulation-based model. The level 2 parameters and inputs are as follows:

Parameters	***Inputs***	***Source***
Valuation date	31 December 2021	The Company
Volatility	90%	Historical returns
Risk free	0.09%	AUD Treasuries
Div	0.00%	Internal assumption
T	0.50	The convertible notes terms
Threshold share price	A$0.3	The Company

(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 22: 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

	2021	2020
	$	$
ASSETS		
Current assets	2,017,642	366,133
Non-current assets	-	-
TOTAL ASSETS	**2,017,642**	**366,133**
LIABILITIES		
Current liabilities	58,290	66,418
Non-current liabilities	3,221,286	-
TOTAL LIABILITIES	**3,279,576**	**66,418**
NET (LIABILITIES)/ASSETS	**(1,261,934)**	**299,715**
SHAREHOLDERS' EQUITY		
Issued capital	11,708,480	8,602,388
Reserves	1,774,838	1,726,264
Accumulated losses	(14,745,252)	(10,028,937)
SHAREHOLDERS' EQUITY	**(1,261,934)**	**299,715**

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

Loss for the year	(4,716,315)	(4,203,869)
Other comprehensive income	-	-
Total comprehensive loss	(4,716,315)	(4,203,869)

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

There are no guarantees entered into by HeraMED Limited.

(d) Contingent liabilities of HeraMED Limited

There were no contingent liabilities as at 31 December 2021 (2020: nil).

(e) Commitments by HeraMED Limited

There were no commitments as at 31 December 2021 (2020: nil).

NOTE 23: 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	
		2021	2020
Hera Med Ltd	Israel	100%	100%
HeraMED US Inc.(i)	U.S.A	100%	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 24: 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 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 A$1/$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.

NOTE 25: CONTINGENCIES AND COMMITMENTS

The Group has no material financial guarantees other than:

- A cash deposit of ~$6,027 (18,744 NIS at an exchange rate of 1 NIS/$3.11) in regards to the office lease in Israel.
- A cash deposit of ~$19,303 (60,033 NIS at an exchange rate of 1 NIS/$3.11) held by the Company's bankers in Israel to secure credit card payments.
- A cash deposit of $20,000 held by the Company's bankers in the USA to secure credit card payments.

There were no other contingencies or commitments as at 31 December 2021.

NOTE 26: 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 licenses 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.

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 2022 financial year.

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

NOTE 27: APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 29 March 2022.

The directors are unaware of any other significant event or circumstance that has arisen since 31 December 2021 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 19 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 2021 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 2021.

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 2022

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Australia

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 2021, 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 2021 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 for convertible notes

Key audit matter	*How the matter was addressed in our audit*
During the year, HeraMED Limited ("the Company") entered into a convertible note deed with investors raising $1,806,235 USD. Refer Note 24 and Note 1 in the financial report for further details. We have identified the accounting and the valuation of the convertible notes as a key audit matter due to complexity and judgements involved in determining the various conversion features which can have a significant effect on the appropriate classification of the components of this instrument together with complexities as to the initial and subsequent measurement of the identified components.	Our audit procedures in this area included, but were not limited to: • Reviewing the Convertible Note Agreements to understand the key terms and conditions of the arrangement; • Assessing whether management's assessment of the classification of the components contained within the instrument was in accordance with accounting standards; • Reviewing management's valuation of the instrument, including assessing the methodology used for the valuation; • Involving our valuation specialists to assess the reasonableness of management's valuation inputs; and • Assessing the adequacy of the related disclosures at Note 24 and Note 1 in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2021, but does not include the financial report and the 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 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, 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 12 to 17 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of HeraMED Limited, for the year ended 31 December 2021, 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 2022

ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 11 March 2022.

As at 11 March 2022, there were 1,313 holders of fully paid ordinary 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:

Fully Paid Ordinary Shares

Holder Name	Holding	% IC
Citicorp Nominees Pty Limited	29,689,010	15.70%
Altshuler Shaham Trusts Ltd <Holley Pharma Co Ltd A/C>	10,857,385	5.74%
Altor Capital Management Pty Ltd <Altor Alpha Fund A/C>	10,400,559	5.50%
Freeman Road Pty Ltd <The Avenue A/C>	6,477,365	3.43%
HSBC Custody Nominees (Australia) Limited	4,546,320	2.40%
Cardup Syndicate Holdings Pty Ltd <The Cardup Syndicate A/C>	4,356,250	2.30%
Bryntirion Capital	3,160,000	1.67%
Chris Ntoumenopoulos	3,025,000	1.60%
Mayo Clinic	2,767,691	1.46%
Ratdog Pty Ltd	2,750,000	1.45%
Dr Matthew Farrugia	2,000,000	1.06%
S & S Browne Assets Pty Ltd <S & S Browne Investment A/C>	1,825,000	0.97%
Ripperday Pty Ltd	1,271,235	0.67%
Hillridge Pty Ltd	1,265,299	0.67%
Dr Stuart Lloyd Phillips & Mrs Fiona Jane Phillips <SL & FJ Phillips Pension A/C>	1,200,000	0.63%
Mr Janetto Grigoriadis	1,157,872	0.61%
Sobol Capital Pty Ltd <BOC A/C>	1,150,000	0.61%
Mr Barry John Ashwin & Dr Desiree Silva	1,143,888	0.61%
Mr Long Yao Quek	1,118,944	0.59%
Epicinvest Pty Ltd <Epic Investment B A/C>	1,050,000	0.56%
Total	**91,211,818**	**48.25%**

SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 11 March 2022 are:

Name	No of Shares Held	% of Issued Capital
Citicorp Nominees Pty Ltd	29,689,010	15.70
Altshuler Shaham Trusts Ltd <Holley Pharma Co Ltd A/C>	10,857,385	5.74
Altor Capital Management Pty Ltd <Altor Pharma Fund A/C>	10,400,559	5.5

DISTRIBUTION OF EQUITY SECURITIES

Fully Paid Ordinary Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	24	3,452	-
1,001 - 5,000	253	835,828	0.44
5,001 - 10,000	203	1,685,045	0.89
10,001 - 100,000	578	23,944,111	12.67
100,001 - 9,999,999,999	255	162,586,206	86.00
Totals	**1,313**	**189,054,642**	**100.00**

Unmarketable Parcels – 115 Holders with a total of 189,415 shares, based on the last trading price of $0.195 on 10 March 2022.

RESTRICTED SECURITIES

As at 11 March 2022, the Company does not have any restricted securities on issue.

UNQUOTED SECURITIES

As at 11 March 2022, the following unquoted securities are on issue:

Unlisted Options Expiring 15 August 2024 @ A$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 @ A$0.165 – 3 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Altshuler Shaham Trusts Ltd	733,334	64.70

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 Options Expiring 2 June 2025 @ A$0.20 – 12 Holders

Holders with more than 20% - NIL

Unlisted Options Expiring 14 August 2022 @ A$0.20 – 6 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Inverness Capital Pty Ltd <Match Partner Investment A/C>	1,609,419	43.82

Unlisted Options Expiring 15 June 2022 @ A$0.20 – 69 Holders

Holders with more than 20% - NIL

Unlisted Performance Options Expiring 14 August 2022 @ A$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

2,392,047 Convertible Notes issued on 28 October 2022 Expiring 25 April 2022 (Face Value of $1.00)

Holders with more than 20% - NIL

- **Coupon:** 10% pa capitalised and paid in additional shares at conversion price.
- **Conversion Event (Automatic):** The Notes automatically convert if the Company receives A$4.0 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 into the Company.
- **Conversion price on Qualifying Financing or Exit:** at the lesser of $0.20c or a 15% discount to the relevant event and subject to a floor of $0.09 cents per share. On conversion of the Notes, investors will receive 1 option for 2 Shares issued, exercisable at $0.30 with a two-year expiry from the date of issue.
- **Conversion Event (at Maturity)**: If these Notes remain unconverted at maturity (25 April 2022) they will convert automatically at a 25% discount to the 5 VWAP at that time 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 at a 200% premium to the conversion price.

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.