

## APPENDIX 4E

### PRELIMINARY FINAL REPORT

#### 1. DETAILS OF REPORTING PERIOD

Name of Entity	HeraMed Limited ("the Company")
ABN	65 626 295 314
Reporting Period	31 December 2018
Previous Corresponding Period	31 December 2017 as Hera Med Ltd (Israel)

#### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended 31 Dec 2018 US\$'000	12 months ended 31 Dec 2017 US\$'000	Increase/ (decrease) %	Amount change US\$'000
Revenues from ordinary activities	77	-	100.00%	77
Profit/(loss) from ordinary activities after tax attributable to members	(3,766)	(788)	377.92%	(2,978)
Net profit/(loss) for the year attributable to members	(3,766)	(788)	377.92%	(2,978)
<i>Comparisons to the previous corresponding period are comparisons to historical financial information extracted from Hera Med Ltd (Israel) for the year ended 31 December 2017 (refer to Notes 1 and 2 of the attached Preliminary Final Report).</i>				

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

#### Commentary on results:

Refer to section 14 below.

#### 3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached financial statements.

#### 4. STATEMENT OF FINANCIAL POSITION

Refer to attached financial statements.

#### 5. STATEMENT OF CASH FLOWS

Refer to attached financial statements.

#### 6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached financial statements.

**7. DIVIDENDS/DISTRIBUTIONS**

No dividends declared in current or prior year.

**8. DETAILS OF DIVIDEND REINVESTMENT PLANS**

Not Applicable

**9. NET TANGIBLE ASSETS PER SHARE**

	31 Dec 2018	31 Dec 2017
Net tangible asset backing per ordinary security	3.60 cents	(1.05) cents

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

Name of entity (or group of entities)	Hera Med Ltd
Date control gained	10 December 2018
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A
<p>On 10 December 2018, HeraMED Limited completed the acquisition of 100% of the issued capital in Hera Med Ltd, an Israeli company which specialises in the development and manufacture of foetal heart beat monitors and other pregnancy monitoring solutions designed for both home and professional use. The acquisition of Hera Med Ltd has been accounted for as a capital re-organisation rather than a business combination under Australian Accounting Standards. As such, the historical financial information of the Company will be presented as a continuation of the pre-existing accounting values of the Israeli entity Hera Med Ltd. Refer to Notes 1(a), 1(b) and 2 of the attached Preliminary Final Report.</p>	

**Loss of control over entities**

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

**11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES**

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

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

Refer to attached financial statements.

**13. FOREIGN ENTITIES**

Not Applicable

**14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION**

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Refer to commentary on pages 1 and 2 of the attached Preliminary Final Report

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**15. AUDIT**

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This report is based on accounts which are in the process of being audited.

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David Groberman

David Groberman  
**Chief Executive Officer**

28 February 2019



# **HERAMED LIMITED**

**ABN 65 626 295 314**

**PRELIMINARY FINAL REPORT  
31 DECEMBER 2018**

**HERAMED LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2018**

**Review of operations**

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

HeraMED Limited had a loss for the year ended 31 December 2018 of \$3,766,480 (2017: \$788,695). The 2018 loss included a non-cash share-based payment of \$1,008,415.

The net assets of the Group have increased by \$4,134,992, from \$205,045 at 31 December 2017 to \$4,340,037 at 31 December 2018.

As at 31 December 2018, the Group's cash and cash equivalents increased from a balance of \$45,604 at 31 December 2017 to a balance of \$4,033,829.

**Significant changes in the state of affairs**

***Acquisition of Hera Med Ltd ("HeraMed Israel") and ASX Listing of HeraMED Limited.***

HeraMED Limited was incorporated in Australia on 21 May 2018 primarily for the purpose of investing in Hera Med Ltd.

On 10 December 2018, HeraMED Limited completed the acquisition of 100% of the issued capital of Hera Med Ltd ("HeraMed Israel"), an Israeli company which specialises in the development and manufacture of foetal heart beat monitors and other pregnancy monitoring solutions designed for both home and professional use. The transaction between the Company and HeraMed Israel has been accounted for as a capital re-organisation rather than a business combination under Australian Accounting Standards. As such, the historical financial information of the Company will be presented as a continuation of the pre-existing accounting values of Israeli entity Hera Med Ltd.

The terms of the transaction were as follows:

- The issue of up to 30,000,000 ordinary shares at A\$0.20 to raise up to A\$6,000,000 before costs (the entire amount was raised by the Company and all shares were issued);
- The issue of 33,728,841 ordinary shares and 3,671,159 options exercisable at A\$0.00002 to the vendors of HeraMed Israel;
- The issue of 17,200,000 ordinary shares upon conversion of the outstanding convertible loans of A\$2,150,000 in the Company;
- The issue of 550,000 ordinary shares to corporate advisors (in addition to the 6,050,000 ordinary shares already issued to corporate advisors on incorporation of HeraMED Limited);
- The issue of 7,500,000 options exercisable at A\$0.25 on or before 5 December 2021 to the lead manager ("Broker Options");
- The issue of 8,600,000 options exercisable at A\$0.25 on or before 5 December 2021 to convertible note holders ("Noteholder Options");
- The issue of 7,500,000 options in equal proportions to David Groberman and Tal Slonim as part of their remuneration, exercisable at A\$0.25 on or before 5 December 2021 ("Management Options");
- The issue of 19,550,000 deferred consideration shares to Vendors to be issued as follows:
  - 5,525,000 shares subject to the Company obtaining FDA approval for HeraBEAT to be used as a clinical medical device in the USA within 12 months of listing on the ASX.
  - 5,525,000 shares subject to the Company reaching cumulative revenue of A\$7,500,000, which shall be verified by an independent auditor's report, within 24 months of listing on the ASX.
  - 8,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX.

altogether referred to as "Deferred Consideration Shares - Vendors".

- The issue of 3,450,000 deferred consideration shares to Corporate Advisors to be issued as follows:
  - 975,000 shares subject to the Company obtaining FDA approval for HeraBEAT to be used as a clinical medical device in the USA within 12 months of listing on the ASX.
  - 975,000 shares subject to the Company reaching cumulative revenue of A\$7,500,000, which shall be verified by an independent auditor's report, within 24 months of listing on the ASX.
  - 1,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX.

altogether referred to as "Deferred Consideration Shares – Corporate Advisors".

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Further information on the capital reorganisation is detailed in Notes 1 and 2.

HeraMED Limited was admitted to the Official List on the ASX on 10 December 2018 with Official Quotation of its securities commencing on 12 December 2018.

**Additional requirements for capital**

The Group's capital requirements depend on numerous factors. Depending on the Group's ability to generate income and the extent of development activities, the Group may require further funding. Any additional equity financing may dilute existing shareholders. Debt financing, if available, may involve restrictions on financing and operating activities. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development programmes as the case may be. There is no guarantee that the Group will be able to secure any additional funding or be able to secure funding on terms favourable to the Group.

**Highlights during the year**

During the year ended 31 December 2018, the Company had the following highlights.

**ASX Listing**

HeraMED Limited was admitted to the Official List of ASX Limited and securities commenced on 12 December 2018.

Since its listing and up to the date of this report, the Company has made the following material announcements:

- 14 January 2019 – Australian Distribution Agreement for 9,000 HeraBEAT units.
- 14 February 2019 – Major Brazilian Health Care Group Places Initial Pilot Order.



**David Groberman**

**Chief Executive Officer**

**HERAMED LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2018**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 US\$	2017 US\$
Revenue		77,169	-
Cost of sales		(134,070)	-
<b>Gross profit/(loss)</b>		<b>(56,901)</b>	<b>-</b>
Research and development expenses		(678,312)	(241,188)
General and administrative expenses		(807,846)	(276,399)
Selling and marketing expenses		(323,427)	(126,118)
Share-based payments	5	(1,008,415)	-
<b>Loss before finance expenses</b>		<b>(2,874,901)</b>	<b>(643,705)</b>
Finance expenses		(891,579)	(144,990)
<b>Loss before income tax</b>		<b>(3,766,480)</b>	<b>(788,695)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(3,766,480)</b>	<b>(788,695)</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(201,708)	-
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<b>(3,968,188)</b>	<b>(788,695)</b>
<b>Loss per share attributable to owners of the Company</b>			
Basic/diluted earnings/(loss) per share (cents per share)	3	(0.043)	(0.009)

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

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**PRELIMINARY FINAL REPORT 31 DECEMBER 2018**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	Note	2018 US\$	2017 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,033,829	45,604
Trade and other receivables		177,190	14,799
Inventory		105,311	63,567
<b>TOTAL CURRENT ASSETS</b>		<b>4,316,330</b>	<b>123,970</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		15,529	17,246
Intangible assets		1,193,153	1,125,785
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,208,682</b>	<b>1,143,031</b>
<b>TOTAL ASSETS</b>		<b>5,525,012</b>	<b>1,267,001</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		470,520	339,431
Liability for Israel Innovation Authority grants		29,870	30,072
<b>TOTAL CURRENT LIABILITIES</b>		<b>500,390</b>	<b>369,503</b>
<b>NON-CURRENT LIABILITIES</b>			
Other non-current liabilities		157,220	151,786
Liability for Israel Innovation Authority grants		527,365	540,667
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>684,585</b>	<b>692,453</b>
<b>TOTAL LIABILITIES</b>		<b>1,184,975</b>	<b>1,061,956</b>
<b>NET ASSETS</b>		<b>4,340,037</b>	<b>205,045</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	4	9,822,642	2,998,771
Reserves		1,679,288	601,687
Accumulated losses		(7,161,893)	(3,395,413)
<b>SHAREHOLDERS' EQUITY</b>		<b>4,340,037</b>	<b>205,045</b>

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



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018**

	Issued capital	Share-based payment reserve	Predecessor Accounting reserve	Foreign exchange reserve	Accumulated losses	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Balance at 1 January 2017</b>	<b>2,998,771</b>	<b>485,122</b>	-	-	<b>(2,606,718)</b>	<b>877,175</b>
Loss for the year	-	-	-	-	(788,695)	(788,695)
Other comprehensive income/(loss)	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-	(788,695)	(788,695)
Share based payments	-	116,565	-	-	-	116,565
<b>Balance at 31 December 2017</b>	<b>2,998,771</b>	<b>601,687</b>	-	-	<b>(3,395,413)</b>	<b>205,045</b>
<b>Balance at 1 January 2018</b>	<b>2,998,771</b>	<b>601,687</b>	-	-	<b>(3,395,413)</b>	<b>205,045</b>
Loss for the year	-	-	-	-	(3,766,480)	(3,766,480)
Other comprehensive income/(loss)	-	-	-	(201,708)	-	(201,708)
Total comprehensive income/(loss) for the year	-	-	-	(201,708)	(3,766,480)	(3,968,188)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares – pre-IPO	589,746	-	-	-	-	589,746
Issue of shares	6,866,552	-	-	-	-	6,866,552
Capital raising costs	(632,427)	-	-	-	-	(632,427)
Share based payments	-	1,413,188	-	-	-	1,413,188
Transactions under common control <sup>(i)</sup>	-	-	(133,879)	-	-	(133,879)
<b>Balance at 31 December 2018</b>	<b>9,822,642</b>	<b>2,014,875</b>	<b>(133,879)</b>	<b>(201,708)</b>	<b>(7,161,893)</b>	<b>4,340,037</b>

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

(i) As a result of the common control transaction, an equity account called 'Predecessor Account Reserve' exists. This equity account represents the carrying value of the net liabilities acquired. See Note 2 for further details of the acquisition.

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 US\$	2017 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		39,193	-
Payments to suppliers and employees		(1,806,217)	(546,736)
Interest received		878	-
<b>Net cash (used in) operating activities</b>		<b>(1,766,146)</b>	<b>(546,736)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(5,051)	(2,247)
Research and development expenses capitalised		(172,887)	(839,472)
Cash held by the Company at acquisition date		4,267	-
<b>Net cash (used in) investing activities</b>		<b>(173,671)</b>	<b>(841,719)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from equity instruments of the Company		4,487,060	-
Proceeds from borrowings		-	81,099
Proceeds from convertible loans		1,629,174	-
Repayment of loans		(151,786)	-
<b>Net cash provided by financing activities</b>		<b>5,964,448</b>	<b>81,099</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,024,631</b>	<b>(1,307,356)</b>
Cash and cash equivalents at the beginning of the financial year		45,604	1,352,960
Impact of movement in foreign exchange rates		(36,406)	-
<b>Cash and cash equivalents at the end of the financial year</b>		<b>4,033,829</b>	<b>45,604</b>

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

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**PRELIMINARY FINAL REPORT 31 DECEMBER 2018**

**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2018**

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

**Basis of preparation of the financial report**

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

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

**a) Basis of Measurement and Reporting Conventions Including Capital Re-organisation**

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.

On 10 December 2018, HeraMED Limited ('HMD') completed a transaction with the shareholders of Hera Med Ltd ('HeraMed Israel') to acquire 100% of the share capital of HeraMed Israel in exchange for 33,728,841 shares and 3,671,159 options exercisable at A\$0.00002. In accordance with Australian Accounting Standards, the acquisition does not meet the definition of a business combination as HMD was established for the sole purpose of facilitating the listing process and to acquire HeraMed Israel by way of an equity swap. The shareholders of HeraMed Israel received the same proportion of equity instruments in HMD.

Consequently, this report presents:

- the results of HeraMed Israel for the period from 1 January 2018 to 10 December 2018
- the results of the consolidated Group for the period from 10 December 2018 to 31 December 2018; and
- the consolidated Group's financial position as at 31 December 2018.

The comparative financial information included in the Company's financial statements is that of HeraMed Israel, not the Company. However, the capital structure of the legal acquirer, the Company is adopted in the financial report.

The accounting policies adopted are consistent with the accounting policies adopted in HeraMed Israel's last annual financial statements for the year ended 31 December 2017. Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**b) 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**

*Capital Reorganisation*

The acquisition of 100% of the issued capital of Hera Med Ltd (Israel) by the Company, by way of issuing the shareholders of Hera Med Ltd fully paid shares in the Company, has been determined by management to be a capital reorganisation as the transaction does not meet the definition of a business. Capital reorganisation transactions are a complex accounting area because there are no specific applicable accounting standards to these types of transactions. In the absence of specific guidance, management has used the guidance in AASB 108 'Accounting Policies, Change in Accounting Estimates and Errors' (para 10) whereby management has used its judgment in developing and applying a relevant and reliable accounting policy using pre-combination book values to account for this transaction as no substantive economic change has occurred. Refer to Note 2 for additional information.

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**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2018**

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

*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 10.

**NOTE 2: COMMON CONTROL ENTITY**

**Summary of Acquisition**

On 21 May 2018, HeraMED Limited (the acquirer) was incorporated in Australia primarily for the purpose of investing in Hera Med Ltd (Israel).

On 10 December 2018, the Company completed a transaction with the shareholders of Hera Med Ltd (Israel) under common control to acquire 100% of the share capital in Hera Med Ltd in exchange for 33,728,841 ordinary shares in the Company.

Refer to Notes 1(b) Basis of measurement and reporting conventions, including capital reorganisation and 1(b) Critical accounting judgments and estimates for further information.

As at the date of acquisition, the assets and liabilities of the Company were as follows:

	<b>2018</b>
	<b>US\$</b>
<b>a) Assets and Liabilities at Acquisition Date</b>	
Cash and cash equivalents	4,267
Other current assets	160,373
Intercompany loan receivable (due from Hera Med Ltd Israel)	1,372,159
Trade and other payables	(124,805)
Convertible loans	(1,545,873)
Net liabilities of HeraMED Limited at acquisition date	<u>(133,879)</u>
<b>b) Predecessor Accounting Reserve</b>	
Net liabilities of HeraMED Limited at acquisition date	(133,879)
Predecessor Accounting Reserve	<u>(133,879)</u>

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**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2018**

<b>NOTE 3: EARNINGS/(LOSS) PER SHARE</b>	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
<b>Earnings/ (loss) per share (EPS)</b>		
a) Profit/(loss) used in calculation of basic EPS and diluted EPS	(3,766,480)	(788,695)
b) Number of ordinary shares outstanding at year end used in calculation of basic and diluted earnings/ (loss) per share	87,528,841	87,528,841

The number of ordinary shares outstanding (the denominator of the EPS calculation) for the years ended 31 December 2018 and 31 December 2017 has been adjusted to reflect the capital reorganisation. The number of shares outstanding for the year ended 31 December 2017 is based on the number of shares of HeraMED Limited outstanding in the period following the acquisition.

<b>NOTE 4: ISSUED CAPITAL</b>	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
<b>(a) Share Capital</b>		
87,528,841 (31 December 2017: 100,000) fully paid ordinary shares	9,822,642	266

**(b) Movement in Ordinary Capital**

	<b>Date</b>	<b>No.</b>	<b>Unit Price<sup>1</sup></b>	<b>Total<sup>2</sup></b>
			<b>US\$</b>	<b>US\$</b>
Opening balance as at 1 January 2018 <sup>3</sup>		153,571	n/a	2,998,771
Issue of shares in Hera Med Ltd	30 Apr 2018	37,439	-	589,746
Less: adjustment for predecessor accounting <sup>3</sup>	10 Dec 2018	(191,010)	n/a	-
Existing shares of HeraMED Limited	10 Dec 2018	6,050,000	n/a	-
Issue of shares to Hera Med Ltd shareholders <sup>4</sup>	10 Dec 2018	33,728,841	-	-
Issue of shares in relation to capital raising via public offer	10 Dec 2018	30,000,000	0.144	4,314,064
Issue of shares upon conversion of Company convertible loans <sup>5</sup>	10 Dec 2018	17,200,000	0.144	2,473,397
Issue of shares to corporate advisors	10 Dec 2018	550,000	0.144	79,091
Costs of capital raising	-	-	-	(320,613)
Issue of 7,500,000 options to lead manager (refer to note 5)	-	-	-	(311,814)
<b>Closing balance at 31 December 2018</b>	-	<b>87,528,841</b>	-	<b>9,822,642</b>

<sup>1</sup> The unit price of US\$0.144 has been obtained by converting the issue price of A\$0.20 at a rate of 1.3908.

<sup>2</sup> Due to rounding, the figures may not precisely reflect the absolute figures obtained on multiplying the number of shares by the unit price.

<sup>3</sup> The application of predecessor accounting for the acquisition and consolidation of the common controlled entity Hera Med Ltd (Israel) required the value of Hera Med Ltd shares on issue as at 31 December 2017 as a comparative.

<sup>4</sup> The Company issued 33,728,841 fully paid ordinary shares to Hera Med Ltd shareholders, refer to Note 2 for further information.

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**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2018**

<sup>5</sup> At the acquisition date (10 Dec 2018), the Company had A\$2,150,000 with face value of convertible notes on issue. Upon completion of the Company's initial public offering and admission to the ASX Official List, the convertible notes automatically converted to 17,200,000 shares, each at a price of A\$0.125 per share. The shares issued have been valued at the offer issue price of A\$0.20 and the difference between the carrying amount of the outstanding liabilities and the fair value of the shares granted has been recognised as a finance expense.

**(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.

**Deferred Consideration Shares**

In addition to the number of shares disclosed above (Note 4a), there are also 23,000,000 deferred consideration shares to be issued (19,550,000 to Vendors and 3,450,000 to Corporate Advisors) subject to the satisfaction of certain performance milestones within 42 months of the date of quotation ("Deferred Consideration Shares").

The performance milestones are as follows:

- The issue of 19,550,000 Deferred Consideration Shares to Vendors to be issued as follows:
  - 5,525,000 shares subject to the Company obtaining FDA approval for HeraBEAT to be used as a clinical medical device in the USA within 12 months of listing on the ASX.
  - 5,525,000 shares subject to the Company reaching cumulative revenue of A\$7,500,000, which shall be verified by an independent auditor's report, within 24 months of listing on the ASX.
  - 8,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX.
- The issue of 3,450,000 Deferred Consideration Shares to Corporate Advisors to be issued as follows:
  - 975,000 shares subject to the Company obtaining FDA approval for HeraBEAT to be used as a clinical medical device in the USA within 12 months of listing on the ASX.
  - 975,000 shares subject to the Company reaching cumulative revenue of A\$7,500,000, which shall be verified by an independent auditor's report, within 24 months of listing on the ASX.
  - 1,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX.

In relation to the Deferred Consideration Shares to be issued to Corporate Advisors, an expense of US\$69,335 has been recognised in the statement of profit or loss and other comprehensive income. The underlying fair value per deferred consideration share was determined to be A\$0.20 based on the issue price of ordinary shares on Acquisition date.

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

**HERAMED LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2018**

**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2018**

**NOTE 5: SHARE BASED PAYMENTS**

During the year ended 31 December 2018, the Company recorded the following share-based payments:

- The issue of 7,500,000 Options exercisable at A\$0.25 on or before 5 December 2021 to the lead manager ("Broker Options").
- The issue of 7,500,000 Options exercisable at A\$0.25 on or before 5 December 2021 to Messrs David Groberman (3,750,000) and Tal Slonim (3,750,000) as part of their remuneration ("Management Options").
- The issue of 8,600,000 Options exercisable at A\$0.25 on or before 5 December 2021 to Convertible Noteholders ("Noteholder Options").

**Fair Value**

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

Options	Broker Options	Management Options	Noteholder Options
Number of options	7,500,000	7,500,000	8,600,000
Grant date	10 Dec 2018	10 Dec 2018	10 Dec 2018
Issue date	5 Dec 2018	5 Dec 2018	5 Dec 2018
Exercise price	A\$0.25	A\$0.25	A\$0.25
Expected volatility	56%	56%	56%
Implied option life (years)	3.00	3.00	3.00
Expected dividend yield	nil	nil	Nil
Risk free rate	1.91%	1.91%	1.91%
Valuation per option A\$	0.0585	0.0585	0.0585
Exchange rate	1.4062	1.4062	1.4062
Valuation per option US\$	0.0416	0.0416	0.0416
Total valuation US\$	311,814	311,814	357,546

**Share Based Payments expense**

Share based payment expense at 31 December 2018 is comprised as follows:

	US\$	US\$
Issue of 7,500,000 Management Options	311,814	-
Issue of 8,600,000 Noteholder Options	357,546	-
Deferred Consideration Shares to be issued to Corporate Advisors (refer Note 4c)	69,335	
Share option plans	269,720	
Total expense recognised in profit or loss	1,008,415	-
Issue of 7,500,000 Broker Options	311,814	-
Total expense recognised in equity	311,814	-
Total share-based payments expense	1,320,229	-