HERAMED LIMITED

ABN 65 626 295 314

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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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 Stephen Buckley

Registered Office

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38 Station Street
Subiaco WA 6008

Legal Advisers

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ASX Code

HMD

CHAIRMAN AND CEO REVIEW

To our fellow Shareholders,

We begin this letter with a sense of pride about HeraMED. As we look back on the past year, we have much pride in how well our company has performed. We are not only talking about our strong, successful, over-subscribed AU$6 million IPO, but mostly about how much we have accomplished to help our customers - expecting mothers and their partners around the world.

Ours is an exceptional company, with a short, yet extraordinary story and we believe, a promising future.

It has been a year of change for us, transitioning from an Israeli Med-Tech start-up to a multinational ASX listed company in growth. It has been a year in which after five years of hard work, going through all the challenges and ups and downs of an early stage technology start-up, we are now well prepared and can take the Company to the next stage and introduce our innovative technology to the medical community and pregnant women across the world.

A year in which our proprietary solution the "HeraBEAT" smart pregnancy monitor gained the ultimate acknowledgement and stamp of quality having signed an extensive research and clinical cooperation agreement with the Mayo Clinic, one of the most distinguished medical institutes in the world and a comprehensive commercial agreement with Teva (TEVA) a leading multinational generic pharmaceutical giant.

We believe in people

What makes HeraMED special is the human value and quality of our team and we recognise that our people are critical to our success. We all operate out of a strong sense of mission, deep belief and passion, knowing that we have the ability to influence the lives of millions by providing genuine medical value. We never forget this, and this is what drives us to excel each day.

During 2018 and looking forward towards 2019, we are going through substantial growth: marketing, sales, and business development forces are expanding, spreading across several continents, whilst R&D, engineering and management staff remain relatively lean yet highly motivated, engaged and showing personal responsibility and accountability.

As a Company we seek to coach, generate enthusiasm, create goodwill, give credit and give room to grow.

We believe in focus

We launched HeraBEAT to the market in 2018.

We started with a soft launch in Israel, gathering feedback, gaining momentum and optimizing our collaterals on all aspects - from technology through user journey and up to marketing and sales materials.

Whilst acceleration and growth are a must, we also acknowledge the crucial need to embrace a gradual and responsible approach, maintaining focus at all cost. Each market holds its own unique challenges and choosing the right distribution partner is essential in this process.

We focus on not compromising our customer support, a goal which requires our local partners and distributors to have a full understanding of our unique product and the needs of our loyal audience. Teva and our other partners have been crucial to helping us expand our reach and drive our sales volumes.

We believe in diversity

We believe our HeraBEAT smart pregnancy monitor for home use is truly a game changer. However, we do not stop there; we believe in building a broad spectrum of solutions, eventually being able to offer a unique and diversified, holistic eco-system giving answers to different audiences and addressing different needs across the continuum of care in the world of pregnancy and pregnancy monitoring.

Our next generation of foetal monitoring solutions - the EchoBEAT is already in advanced stages pushing the boundaries of science and medicine even further by offering a number of innovative, ground breaking features.

OrionAI is a SaaS, cloud-based, machine learning AI algorithm that will evaluate millions of pregnancy monitoring data records, enabling unprecedented analysis accuracy.

OrionAI's disruptive technology allows immediate, objective and accurate foetal monitor interpretations, by providing fully automated, easily implementable software tools.

The system will be trained to predict physician analysis and annotation as well as clinical outcomes, outperforming human capabilities. Orion is being developed in cooperation with the Mayo Clinic and we are aiming for this to become commercially available in 2021.

HeraCARE is our service model, currently under development, which includes a comprehensive, homecare pregnancy solution. This service will allow collected data to be transmitted to a call centre where medically-trained staff can offer the home user not only an analysis of the measurement but also general pregnancy support, data, and attention

Continued growth targeted in 2019

Whilst 2018 was a year of building the foundations, we are expecting 2019 to be the year of substantial growth and expansion. We have already signed comprehensive commercial agreements in Israel (TEVA) and Australia (Dale group). We are looking to complete several additional distribution agreements across Europe - UK and Germany as high priority - and we are currently targeting other potential geographies such as India, South-East Asia and Brazil.

The Company has further set a strategic goal of obtaining FDA approval and will follow this with a planned US launch.

A diverse and highly skilled Board

As with any company, independent directors are essential for governance. We are very fortunate to have three independent directors from various backgrounds that bring unique skill and depth for strategic guidance. David Hinton's ASX and financial experience brings outstanding attention to detail on all things financial and corporate with a keen eye on governance. Doron Birger with his extensive depth in the medtech and venture capital world adds excellent focus on corporate targets, milestones and the generation of revenue. Ron Weinberger brings substantial skills in the ASX space and along with Doron Birger many years of experience in the development of early stage companies in the Healthcare sector. This is not a Board that just turns up to meetings but one where the individuals roll up their sleeves to support the executive and assist with guidance as necessary. The working relationship with management team is very positive and the geographical distance presents no barriers to efficiency of communication. We also have strong company secretarial support from Stephen Buckley. The diversity and depth of experience of the independent directors is unusual in companies of this size on the ASX and ensures that the interests of all shareholders are considered.

On behalf of HeraMED and our management team, I want to express my deepest gratitude to all of our people – we are proud to be their partners.

Sincerely,

Ron Weinberger

Dr Ron Weinberger
Chairman

David Groberman

Mr David Groberman
Chief Executive Officer

HERA MED

DIRECTORS' REPORT

The Directors present their report, together with the financial statements of HeraMED Limited ("the Company" or "HeraMED") and its controlled entity ("the Group") for the financial year ended 31 December 2018.

Directors

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

Name	Status	Appointed	Resigned
Ronald Weinberger	Non-Executive Chairman	21 Aug 2018	-
David Groberman	Executive Director/CEO	25 Sept 2018	-
Tal Slonim	Executive Director/COO	27 Sept 2018	-
David Hinton	Non-Executive Director	21 Aug 2018	-
Doron Birger	Non-Executive Director	5 Oct 2018	-
Keaton Wallace	Non-Executive Director	21 May 2018	15 Oct 2018
Chris Ntoumenopoulos	Non-Executive Director	21 May 2018	15 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 designed for both home and professional use.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2018 (2017: nil).

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 of $3,766,480 (2017: $788,695). The 2018 loss included a non-cash share-based payment expense of $1,008,415 and a non-recurring non-cash once off finance expense of $927,524.

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

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

Significant changes in the state of affairs

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

HeraMED Pty Ltd was incorporated in Australia on 21 May 2018 primarily for the purpose of investing in HeraMed Israel.

On 10 June 2018 HeraMED Pty Ltd signed a convertible bridge loan in the amount of A$2,150,000 as a borrower from Australian investors, and in parallel signed a convertible loan agreement for the same amount as a lender to HeraMed Israel. Later on, HeraMED Pty Ltd changed its status to a public company, HeraMED Limited.

The convertible bridge loan was converted as part of the transaction, resulting in the issuance of 17,200,000 ordinary shares in HeraMED Limited and 8,600,000 options exercisable at A$0.25 on or before 5 December 2021.

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 the 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.

The terms of the transaction were as follows:

- The issue of 30,000,000 ordinary shares at A\$0.20 to raise 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");
- 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".
- 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".

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

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.

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.

Subsequent Events

On 14 January 2019, the Company announced it had signed a comprehensive distribution agreement with Australia's leading baby and toddler product supplier, Dale Group International. The agreement includes a commitment to distribute a minimum of 9,000 HeraBEAT units over the first three (3) years, generating a minimum circa A\$1.9 million over the first three years.

On 14 February 2019, the Company advised that it had received its first order for its cloud based, SaaS pregnancy monitoring service, HeraCARE from Hapvida Saude - one of Brazil's largest healthcare providers, medical insurance companies and hospital owners. The order, which is for an initial pilot trial is valued at US\$60,000.

On 13 March 2019, the Company advised that it had secured a manufacturing agreement with leading medical device manufacturer, Quasar for its smart ultrasound foetal heart rate monitor, HeraBEAT. The agreement allows HeraMED to immediately scale up production at an improved cost, ahead of commercial rollout of the HeraBEAT device.

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

Information on Directors

Ron Weinberger	Non-Executive Chairman (Appointed 21 August 2018)
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 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	125,000 Ordinary Shares, 75,000 Ordinary Shares escrowed until 12 Dec 2020 and 100,000 Unlisted Options expiring 5 Dec 2021 exercisable at $0.25 escrowed until 12 Dec 2020
Directorships held in other listed entities (last 3 years)	Nil
David Groberman	Executive Director/Chief Executive Officer (Appointed 25 September 2018)
Qualifications	BSc *cum laude*
Experience	Mr Groberman is a mechanical and bio-medical engineer with over 15 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 provide 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	7,995,723 Ordinary Shares escrowed until 12 Dec 2020 3,750,000 Unlisted Options expiring 5 Dec 2021 exercisable at $0.25 escrowed until 12 Dec 2020 463,752 Unlisted Options expiring 5 Dec 2021 exercisable at $0.00002 escrowed until 12 Dec 2020
Directorships held in other listed entities (last 3 years)	Nil
Tal Slonim	Executive Director/Chief Operations Officer (Appointed 27 September 2018)
Qualifications	BSc *cum laude*, MBA
Experience	Mr Slonim is a qualified engineer and operations manager with over 20 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	7,995,723 Ordinary Shares escrowed until 12 Dec 2020 3,750,000 Unlisted Options expiring 5 Dec 2021 exercisable at $0.25 escrowed until 12 Dec 2020 463,752 Unlisted Options expiring 5 Dec 2021 exercisable at $0.00002 escrowed until 12 Dec 2020
Directorships held in other listed entities (last 3 years)	Nil

David Hinton	Non-Executive Director (Appointed 21 August 2018)
Qualifications	B.Bus, FCA, GAICD, AGIA, ICSA
Experience	Mr Hinton has an extensive career in the information and technology sectors and is currently Chief Financial Officer and Company Secretary of Empired Limited, an ASX listed IT and software services provider and prior to that Amcom Telecommunications Ltd. He holds a Bachelor of Business Degree and is a Fellow of the Institute of Chartered Accountants, Graduate of the Australian Institute of Company Directors and an Associate of the Governance Institute of Australia. Mr Hinton is also a Director of Auspire - The Australia Day Council of Western Australia.
Interest in Shares and Options	25,000 Ordinary Shares
Directorships held in other listed entities (last 3 years)	Nil

Doron Birger	Non-Executive Director (Appointed 5 October 2018)
Qualifications	BA(Econ), MA(Econ)
Experience	Mr Birger is the former Chairman of Given Imaging (NASDAQ/TASE: GIVN), CEO of Elron electronic industries (Nasdaq / TASE: ELRN) and was a 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 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 medical device field, and conducts many voluntary and public activities.
Interest in Shares and Options	Nil
Directorships held in other listed entities (last 3 years)	Chairman of Medigus LTD – traded on Nasdaq and TASE Chairman of Insuline – traded on TASE Director in MCS MEDICAL COMPRESSION – traded on TASE Director in HBL Hadasit – traded on TASE Director in Icecure – traded on the TASE

Keaton Wallace	Non-Executive Director (Appointed 21 May 2018, Resigned 15 October 2018)
Qualifications	-
Experience	As both a private and public company director, Mr Wallace has substantial knowledge of equity capital markets, company restructures, IPOs, RTOs, investor placements and seed raisings. With experience spanning the retail and institutional sectors and extensive knowledge of markets, communications and investor relations, Mr Wallace continues to provide strategic advice to organisations across a number of industries. His earlier career includes working as an investment manager for a HNW family office where he oversaw the growth of property assets under management from $50-$200 million. This included the acquisition and development of large scale commercial and residential developments in Western Australia.
Interest in Shares	3,025,000 Ordinary shares (as at date of resignation)
Directorship held in other listed entities (last 3 years)	ZipTel Limited (resigned 8 September 2017) Family Insights Group Limited (resigned 25 February 2017)

Chris Ntoumenopoulos	Non-Executive Director (Appointed 21 May 2018, Resigned 15 October 2018)
Qualifications	BCom (Major in Money and Banking, Investment Finance and Electronic Commerce)
Experience	Mr Ntoumenopoulos is the Managing Director at Twenty1 Corporate, a boutique corporate advisory firm. He has worked in financial markets for the past 12 years, focusing on capital raisings, portfolio management and corporate advisory. Mr Ntoumenopoulos has advised and funded numerous ASX companies from early stage venture capital through to IPO. He is a director of various private and public companies which span across finance, technology and medical sectors.
Interest in Shares	3,025,000 Ordinary shares (as at date of resignation)
Directorships held in other listed entities (last 3 years)	Race Oncology Limited (current) ResApp Health Limited (current) Ookami Limited (resigned November 2015)

Information on Company Secretary

Stephen Buckley	Company Secretary
Qualifications	GAICD
Experience	Mr Buckley has over 37 years' experience in financial markets and is Managing Director of Company Secretary Solutions Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. In the 20 years prior to starting his own business, Mr Buckley has held executive and senior leadership roles in partnership management and business development.

Information on Other Key Management Personnel

Sivan Sadan	Chief Financial Officer (appointed on 1 July 2018)
Qualifications	BA (Economics and Management) and an MBA (Finance) from Tel Aviv University.
Experience	Mrs Sadan has over 20 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	117,058 Ordinary Shares escrowed until 12 December 2020 307,196 Unlisted Options expiring 5 Dec 2021 exercisable at $0.00002 escrowed until 12 Dec 2019
Directorships held in other listed entities (last 3 years)	Poalim IBI - traded on TASE (resigned Aug 2016)

Meetings of Directors

The number of formal meetings of Directors held during the period and the number of meetings attended by each director was as follows:

		DIRECTORS' MEETINGS	
		Number eligible to attend	Number Attended
Ron Weinberger	Appointed 21 August 2018	2	2
David Groberman	Appointed 25 September 2018	2	2
Tal Slonim	Appointed 27 September 2018	2	2
David Hinton	Appointed 21 August 2018	2	2
Doron Birger	Appointed 5 October 2018	2	2
Keaton Wallace	Appointed 21 May 2018, Resigned 15 October 2018	-	-
Chris Ntoumenopoulos	Appointed 21 May 2018, Resigned 15 October 2018	-	-

Options

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

Expiry Date	Issue Date	Exercise Price	Number of Options
5 December 2021	5 December 2018	A$0.00002	3,671,159
5 December 2021	5 December 2018	A$0.25	23,600,000
			27,271,159

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity. No options were exercised during the year (2017: nil).

Proceedings on Behalf of Company

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

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

Indemnification and insurance of directors and officers

During the year, HeraMED Limited paid a premium to insure directors and officers of the Group.

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

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

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

Environmental Regulations

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

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

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

HeraMED's critical supplier agreements cover the above requirements.

Likely Developments and Expected Results of Operations

The Company's principal continuing activity is the development and manufacture of foetal heart beat monitors and other pregnancy monitoring solutions designed for both home and commercial use. The Company's future developments, prospects and business strategies are to continue to develop and commercialise this technology.

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 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 US$11,536 in relation to the Investigating Accountant's Report. In addition, BDO Israel provided non-audit services of US$23,500 in relation to tax services.

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.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2018 has been received and can be found on page 18 of the financial report.

Remuneration Report (Audited)

This remuneration report for the year ended 31 December 2018 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 comprise the directors of the Company and identified key management personnel. Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparable companies both locally and internationally and the objectives of the Group's compensation strategy.

Key management personnel covered in this report are as follows:

Name	Status	Appointed	Resigned
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	-
Keaton Wallace	Non-Executive Director	21 May 2018	15 October 2018
Chris Ntoumenopoulos	Non-Executive Director	21 May 2018	15 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 compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to social benefits/superannuation funds.

Mr David Groberman and Mr Tal Slonim

Mr David Groberman is Executive Director/CEO and Mr Tal Slonim is Executive Director/COO. The summary of the terms of their Executive Employment Agreements with HeraMED Limited is as follows:

On 1 January 2016 (as amended on 1 August 2018), HeraMed Israel entered into executive employment agreements with:

Mr David Groberman pursuant to which Mr Groberman was appointed as the Chief Executive Officer (CEO); and

Mr Tal Slonim pursuant to which Mr Slonim was appointed as Chief Operating Officer (COO),

(together, the Executive Directors) of HeraMed Israel (Executive Services Agreements).

Pursuant to the Acquisition, the Executive Directors have also entered into engagement letters with the Company (Executive Engagement Letters), which outlined their arrangements as Executive Directors of the Company.

A summary of the key terms of the Executive Services Agreements and the Executive Engagement Letters effective from completion of the Public Offer are set out below.

(a) (Salary):

(i) the CEO is entitled to a monthly salary of US$15,000; and

(ii) the COO is entitled to a monthly salary of US$10,500.

(b) (Social Benefits) each Executive Director is entitled to 29.83% of its salary and include severance payments (8.33%), pension payments (7.5%), advanced study fund (7.5%) and social security (6.5%).

(c) (Term): Each Executive's engagement commenced on 1 January 2016, and continues until the Executive's engagement is validly terminated in accordance with its terms.

(d) (Termination by either Party): Each Executive Services Agreement may be terminated by either party by providing ninety (90) days' written notice to the other party (Notice Period), during which period the Executive must continue to perform his duties until the conclusion of the Notice Period.

(e) (Termination by the Company): HeraMed Israel may terminate an Executive Services Agreement immediately, without notice or payment for the Notice Period, in the event the Executive Director commits a serious breach.

(f) (Termination Benefits): In the event the Executive Director's employment is 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.

(g) (Compliance with Australian Laws): Pursuant to the Executive Engagement Letters, any provision contained in the Executive Services Agreements that is not consistent with, or is in breach of the Corporations Act, the ASX Listing Rules, or any Australian law, has no force or effect.

The Executive Services Agreements and the Executive Engagement Letters otherwise contain terms and conditions which are considered standard for agreements of their respective nature, including those relating to confidentiality and intellectual property.

Ms Sivan Sadan - CFO

On 1 July 2018, HeraMed Israel entered into a service agreement with Or Capital Ltd (Or Capital) (an entity associated with Ms Sivan Sadan) for the provision of CFO services in connection with the development of the ongoing and future business of HeraMED (CFO Agreement).

A summary of the key terms of the CFO Agreement is set out below:

(Salary): A monthly fee of 29,000 NIS (plus value added tax (VAT) is payable to Or Capital for provision of the CFO services. As of January 2019, the monthly fee was changed to 37,700 NIS (approximately US$10,059) (plus VAT).

(IPO Bonus): Upon successful completion of the Public Offer, Or Capital is entitled to a one-off cash bonus of 25,000 NIS (approximately US$6,670) (plus VAT).

(Options): Subject to the implementation of an employee share option plan and the Company obtaining any necessary approvals, the Company has agreed to issue Sivan Sadan options, with a nominal exercise price, to acquire such number of Shares that equates to 0.5% of the Company (on a fully diluted basis) upon completion of the Public Offer (Option Issue). In the event the Option Issue has not been completed by 31 December 2019, and subject to the continuous employment of Or Capital until 1 January 2020, Or Capital shall be entitled to a one-off cash payment of US$50,000 in lieu of the Option Issue.

(Term): The CFO Agreement commenced on 1 July 2018 and shall continue until terminated in accordance with its terms.

(Termination): Either party may terminate the CFO Agreement by providing the other party with ninety (90) days written notice.

(Termination for cause): The Company may terminate the CFO Agreement immediately for cause (as defined in the CFO Agreement).

The CFO Agreement otherwise contains terms and conditions which are considered standard for an agreement of its nature, including those relating to confidentiality, and intellectual property.

Employee Options

HeraMed Israel

HeraMed Israel has established the HeraMed (Israel) Employee Share Option Plan to provide ongoing incentives to employees or service providers or directors. The HeraMed Israel options were replaced with HeraMED Limited options as part of the transaction and a total of 3,671,159 Options expiring 5 Dec 2021 exercisable at A$0.00002, were issued during the 2018 financial year.

As at 31 December 2018, there were no options on issue in the Israeli company.

Executive Options

A total of 7,500,000 Options expiring 5 Dec 2021 exercisable at A$0.25 were issued to Management (Mr David Groberman and Mr Tal Slonim) during the 2018 financial year.

The purpose of granting employee options is to provide an incentive, in the employment or service or directorship of HeraMED Israel, and ability to attract new employees, directors or consultants whose services are considered valuable, to encourage the sense of proprietorship of such persons and to stimulate the active interest of such persons in the development and financial success of the Company by providing them with opportunities to purchase shares in the Company.

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 US$211,417) 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 $28,908 (2017: nil) and cover 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 2018.

31-Dec-18	Short term salary, fees & commissions US$	Superannuation & social benefits (1) US$	Non-monetary benefits US$	Bonus (2) US$	Share-based payments (3) US$	Total US$	Performance based remuneration
Directors:							
R. Weinberger	21,142	-	-	-	-	**21,142**	-
D. Groberman	96,790	26,971	-	25,000	198,717	**347,478**	**64.38%**
T. Slonim	54,830	17,843	-	25,000	198,717	**296,390**	**75.48%**
D. Hinton	5,363	509	-	-	-	**5,872**	-
D. Birger	1,894	-	-	-	-	**1,894**	-
K. Wallace	-	-	-	-	-	**-**	-
C. Ntoumenopoulos	-	-	-	-	**-**	**-**	-
Other KMP:							
S. Sadan (4)	47,143	-	-	6,670	28,358	**82,171**	**42.63%**
Total	**227,162**	**45,323**	-	**56,670**	**425,792**	**754,947**	

(1) Mr Groberman and Mr Tal Slonim are entitled to benefits which equate to 29.83% of the salary and include severance payments (8.33%), pension payments (7.5%), advanced study fund (7.5%) and social security (6.5%). In the case of Mr Hinton, statutory superannuation of 9.5%.
(2) A one-off bonus of US$25,000 to Mr Groberman and Mr Tal Slonim and US$6,670 to Ms. Sivan Sadan (as per the agreement with Or Capital).
(3) Refer to Section 6 Additional disclosures relating to equity instruments for further information on share-based payments granted to directors and key management during the year.
(4) Refers to remuneration starting 1 July 2018 from which Mrs Sivan Sadan acted as CFO. Prior to her role as CFO Mr Sivan Sadan acted as an advisory board member of HeraMed Israel.

31-Dec-17	Short term salary, fees & commissions US$	Superannuation & social benefits (1) US$	Bonus US$	Share-based payments US$	Total US$	Performance based remuneration
Directors:						
R. Weinberger	-	-	-	-	**-**	
D. Groberman	101,977	15,361	-	-	**117,338**	-
T. Slonim	66,468	11,974	-	-	**78,442**	-
D. Hinton	-	-	-	-	**-**	-
D. Birger	-	-	-	-	**-**	-
K. Wallace	-	-	-	-	**-**	-
C. Ntoumenopoulos	-	-	-	-	**-**	-
Other KMP:						
S. Sadan	-	-	-	-	**-**	-
Total	**168,445**	**27,335**	**-**	**-**	**195,780**	**-**

(1) Mr Groberman and Mr Tal Slonim are entitled to benefits which equate to 29.83% of the salary and include severance payments (8.33%), pension payments (7.5%), advanced study fund (7.5%) and social security (6.5%).

6. Additional disclosures relating to equity instruments

KMP Shareholdings

There were no shares issued as remuneration or on the exercise of options during the 2018 financial year (2017: nil). For the avoidance of doubt, Messrs Groberman and Slonim received shares and options of the Company in the framework of a share swap agreement in which the shares of the Subsidiary were swapped for shares of the Company. Messrs Groberman and Slonim were shareholders of the Subsidiary.

The number of ordinary shares in HeraMED Limited held by each KMP of the Group during the financial year is as follows:

31-Dec-18	Balance at start of the year	Shares issued during the year(i)	Shares issued during the year(ii)	Shares issued during the year(iii)	Other changes during the year	Balance at end of the year
Directors:						
R. Weinberger	-	-	-	200,000	-	200,000
D. Groberman	-	-	7,995,723	-	-	7,995,723
T. Slonim	-	-	7,995,723	-	-	7,995,723
D. Hinton	-	-	-	-	25,000[vi]	25,000
D. Birger	-	-	-	-	-	-
K. Wallace	-	3,025,000	-	-	(3,025,000)[iv]	-
C. Ntoumenopoulos	-	3,025,000	-	-	(3,025,000)[iv]	-
S. Sadan(v)	-	-	117,058	-	-	117,058
Total	**-**	**6,050,000**	**16,108,504**	**200,000**	**(6,025,000)**	**16,333,504**

(i)On 21 May 2018, the date of incorporation of HeraMED Limited, the issued capital of HeraMED Limited was 6,050,000 ordinary shares held by Mr Wallace or his nominees (3,025,000) and Mr Ntoumenopoulos (3,025,000).

(ii)Shares issued to key management personnel as consideration for their shareholding in Hera Med Ltd.

(iii)Shares issued in respect of the conversion of HeraMED Limited convertible notes totalling A$25,000 for Dr Weinberger on completion of the Company's Initial Public Offer and admission to the ASX Official List.

(iv)Messrs Wallace and Ntoumenopoulos resigned on 15 October 2018 and are not considered to be a KMP from this date.

(v) Shares acquired by Or Capital (an entity associated with Ms Sivan Sadan) and held by Altshuler Shaham Trusts Ltd until 12 Dec 2019 (Exit Valley).

(vi) Shares acquired by David Hinton as part of the Initial Public Offer in December 2018.

KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

31-Dec-18	Balance at the start of the year	Granted as remuner-ation[i]	Exercised during the year	Options issued during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested and unexerci-sable
Directors:								
R. Weinberger	-	-	-	-	100,000[ii]	100,000	100,000	-
D. Groberman	-	3,750,000	-	463,752[iii]	-	4,213,752	4,213,752	-
T. Slonim	-	3,750,000	-	463,752[iii]	-	4,213,752	4,213,752	-
D. Hinton	-	-	-	-	-	-	-	-
D. Birger	-	-	-	-	-	-	-	-
K. Wallace[iv]	-	-	-	-	-	-	-	-
C. Ntoumenopoulos[iv]	-	-	-	-	-	-	-	-
Other KMP:								
S. Sadan				307,196[iii]		307,196	307,196	
Total		**7,500,000**		**1,234,700**	**100,000**	**8,834,700**	**8,834,700**	

(i)Refer terms and conditions of the share-based payment arrangements section below for details of remuneration options issued during the year.
(ii)Options issued for no consideration to convertible note holders upon conversion of the Convertible Loan Agreements.
(iii)Options issued to key management personnel in their capacity as Vendors.
(iv)Messrs Wallace and Ntoumenopoulos resigned on 15 October 2018 and are not considered to be a KMP from this date.

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.

Year ended 31 December 2017

There were no options held by KMP during the 2017 financial year.

Terms and conditions of the share-based payment arrangements

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

Option class	Number granted	Grant Date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date(i)	Vested %
Management Options	7,500,000	10-Dec-18	10-Dec-18	10-Dec-21	A$0.25	US$0.0416	100

(i)The value per option at grant date has been determined using a Black Scholes option pricing model. Details of Black Scholes inputs and valuations can be found at Note 17.

31-Dec-18	Fair value of options granted during the year US$	Value of options vested during the year US$	Value of options lapsed during the year US$	Value of options included in remuneration report for the year US$	Remuneration consisting of options for the year %
Directors:					
David Groberman	198,717	198,717	-	198,717	57.19%
Tal Slonim	198,717	198,717	-	198,717	67.05%

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

Credit Line Agreement – Meytar

HeraMED Israel and Meytar (Digital) Engineering Ltd (Meytar), a company controlled by Messrs David Groberman and Tal Slonim (i.e. the Executive Directors), 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 Principle shall bear interest from the date of payment of the Principle at a rate equivalent to the minimal interest amount recognised and attributed by the Israel Tax Authority.

(b) (Repayment): Repayment of the Principle shall take place as follows:

> (i) half of the Principle shall be repaid upon the consummation by Hera Med Ltd (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 Principle is to be repaid at the earlier of the date Hera Med Ltd (Israel) pays dividends or 21 December 2022.

(c) (Accelerated Repayment): Amongst other events, upon the consummation of an IPO the Principle must be repaid in full.

(d) (Waiver of accelerated repayment): the parties have agreed that despite the requirement to repay the Principle 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 Hera Med Ltd (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 2018, the interest rate was 2.6%. According to the above terms, half of the loan amount was repaid upon the consummation of the IPO. After the repayment and as of 31 Dec 2018, the amount of US$157,220 was owing by Hera Med Ltd (Israel) to Meytar.

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 financial year ended 31 December 2018 is the Company's first financial year as a disclosing entity; accordingly, no remuneration report was prepared at 31 December 2017 and no vote by shareholders was applicable.

AUDITED REMUNERATION REPORT (END)

Signed in accordance with a resolution of the Board of Directors.

David Groberman

Mr David Groberman

Chief Executive Officer

Tel Aviv, 29 March 2019

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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 2018, 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 entity it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

	Note	2018 US$	2017 US$
Revenues	3	77,169	-
Cost of sales		(134,070)	-
Gross profit/(loss)		**(56,901)**	**-**
Research and development expenses		(473,117)	(236,230)
General and administrative expenses	4	(806,011)	(275,336)
Selling and marketing expenses		(322,133)	(125,055)
Depreciation and amortisation expenses	4	(208,325)	(7,084)
Share-based payments	19	(1,008,415)	-
Loss before finance expenses		**(2,874,902)**	**(643,705)**
Finance expenses	4	(891,578)	(144,990)
Loss before income tax		**(3,766,480)**	**(788,695)**
Income tax expense	5	-	-
Loss for the year		**(3,766,480)**	**(788,695)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(198,250)	-
Total comprehensive loss for the year attributable to owners of the Company		**(3,964,730)**	**(788,695)**
Earnings/(loss) per share attributable to owners of the Company			
Basic/Diluted earnings/(loss) per share (cents per share)	8	(0.102)	(0.023)

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 2018

	Note	2018 US$	2017 US$
CURRENT ASSETS			
Cash and cash equivalents	9a	4,033,829	45,604
Trade and other receivables	10	177,190	14,799
Inventory	11	105,311	63,567
TOTAL CURRENT ASSETS		**4,316,330**	**123,970**
NON-CURRENT ASSETS			
Plant and equipment	12	15,529	17,246
Intangible assets	13	1,193,153	1,125,785
TOTAL NON-CURRENT ASSETS		**1,208,682**	**1,143,031**
TOTAL ASSETS		**5,525,012**	**1,267,001**
CURRENT LIABILITIES			
Trade and other payables	14	470,520	339,431
Other financial liability		29,870	30,072
TOTAL CURRENT LIABILITIES		**500,390**	**369,503**
NON-CURRENT LIABILITIES			
Other non-current liabilities	15	157,220	151,786
Other financial liability	16	527,365	540,667
TOTAL NON-CURRENT LIABILITIES		**684,585**	**692,453**
TOTAL LIABILITIES		**1,184,975**	**1,061,956**
NET ASSETS		**4,340,037**	**205,045**
SHAREHOLDERS' EQUITY			
Issued capital	17	9,822,642	2,998,771
Reserves	18	1,679,288	601,687
Accumulated losses		(7,161,893)	(3,395,413)
SHAREHOLDERS' EQUITY		**4,340,037**	**205,045**

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 2018

	Issued capital	Share-based payment reserve	Predecessor Accounting reserve	Foreign exchange reserve	Accumulated losses	Total
	US$	US$	US$	US$	US$	US$
Balance at 1 January 2017	**2,998,771**	**485,122**	**-**	**-**	**(2,606,718)**	**877,175**
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
Balance at 31 December 2017	**2,998,771**	**601,687**	**-**	**-**	**(3,395,413)**	**205,045**
Balance at 1 January 2018	**2,998,771**	**601,687**	**-**	**-**	**(3,395,413)**	**205,045**
Loss for the year	-	-	-	-	(3,766,480)	(3,766,480)
Other comprehensive income/(loss)	-	-	-	(198,250)	-	(198,250)
Total comprehensive income/(loss) for the year	-	-	-	(198,250)	(3,766,480)	(3,964,730)
Transactions with owners in their capacity as owners:						
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	-	1,409,730	-	-	-	1,409,730
Transactions under common control[(i)]	-	-	(133,879)	-	-	(133,879)
Balance at 31 December 2018	**9,822,642**	**2,011,417**	**(133,879)**	**(198,250)**	**(7,161,893)**	**4,340,037**

The above Consolidated Statement 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.

Consolidated Statement of Cash Flows for the year ended 31 December 2018

	Note	2018 US$	2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		39,193	-
Payments to suppliers and employees		(1,806,217)	(546,736)
Interest received		878	-
Net cash (used in) operating activities	9b	**(1,766,146)**	**(546,736)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(5,051)	(2,247)
Payments for capitalised development expenses		(172,887)	(839,472)
Cash held by the Company at acquisition date		4,267	-
Net cash (used in) investing activities		**(173,671)**	**(841,719)**
CASH FLOWS FROM FINANCING ACTIVITIES			
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)	-
Net cash provided by financing activities		**5,964,448**	**81,099**
Net increase/(decrease) in cash and cash equivalents		**4,024,631**	**(1,307,356)**
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)	-
Cash and cash equivalents at the end of the financial year	9a	**4,033,829**	**45,604**

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 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements cover HeraMED Limited (Company) and its controlled entities 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 financial statements were issued by the board of directors on 29 March 2019 by the directors of the Company.

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 Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standard Board (AASB) and the *Corporations Act 2001*.

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 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 financial 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2018 of $3,766,480 (2017: $788,695) and net cash outflows from operating activities of $1,766,146 (2017: $546,736).

The ability of the Group to continue as a going concern is dependent on securing additional funding through either equity, debt or receipts from product sales, or a combination of all, to continue to fund its operational and technology development activities. These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

- the Group has recently been successful in raising equity and believes that further funding can be raised if required; and
- the level of expenses can be managed.

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 or debts 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 subsidiaries as at 31 December 2018. 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

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.

d) 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 reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

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

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.

e) Leases

Leases are classified at their inception as either operating or finance leases based on economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f) 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 transactions 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.

(i) 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.)

(ii) Financial liabilities

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

Derivative instruments

The Group does not trade or hold derivatives.

Financial guarantees

The Group has no material financial guarantees other than a bank guarantee of 26,000 NIS (approximately US$6,937) issued in regard to the office lease in Israel. The Company has provided a deposit of with a lien in favour of the bank for the issuance of the bank guarantee (see note 10).

Impairment

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

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.

g) Impairment of non-financial assets

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

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

Impairment testing is performed annually for intangible assets.

h) 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.

i) 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.

j) 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.

k) Revenue Recognition

Revenue from the 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.

Sales are recognised when performance obligation is satisfied, ie when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been trucked to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criterions for acceptance have been satisfied.

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.

l) Operating expenses

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

m) 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.

n) 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.

o) Employee Benefits

Post-employment benefits

The liability for severance pay is in accordance 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

p) Equity-settled compensation

The Group measures the share-based expense and the cost of equity-settled transaction with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes option valuation model which takes into account the terms and conditions upon which the instruments are granted.

q) 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.

r) 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.

s) 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.

t) 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.

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 recognized 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

u) 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.

v) 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.

w) 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.

x) 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.

y) Predecessor Accounting

Business combinations involving entities under common control are accounted for using the predecessor accounting method. Under this method;

- carrying values are not restated in the accounts of the acquiring entity, rather prior book values are maintained. As a result, no fair value adjustments are recorded on the acquisition; and
- the carrying value of net assets or liabilities acquired is recorded as a separate element of equity.

z) 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 Re-organisation

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 (Israel) fully paid shares in the Company, has been determined by management to be a capital re-organisation as the transaction does not meet the definition of a business. Capital re-organisation 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 have 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.

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.

Deferred Consideration Shares

Deferred consideration shares were issued during the year, which will convert into ordinary shares subject to the satisfaction of certain performance milestones within 36 months of quotation. The probability of achieving non-market-based performance milestones is assessed at each reporting date. The milestones are disclosed in Note 17(d) including management's assessment of the probability of achievement of these milestones.

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 grant received, each period, based on discounted cash flows derived from Group's future anticipated revenues. The grant is repayable upon the Group commencing product commercialisation and generating revenue from sale of product, with repayments being based on 3%-3.5% 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 discount rate and the timing and quantity of future revenues.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 recognized, in whole or in part, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognised and recorded in profit or loss as an adjustment 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 research and development expenses.

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 plus a portion of non-direct costs including some overheads. 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.

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) 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; 1(y) Predecessor accounting; and 1(z) Critical accounting judgments and estimates for further information.

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

		2018 US$
a)	**Assets and Liabilities at Acquisition Date**	
	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	(133,879)
b)	**Predecessor Accounting Reserve**	
	Net liabilities of HeraMED Limited at acquisition date	(133,879)
	Predecessor Accounting Reserve	(133,879)

NOTE 3: REVENUE	2018 US$	2017 US$
Revenue from sale of goods	77,169	-
Total revenue	77,169	-

NOTE 4: EXPENSES

	2018 US$	2017 US$
Loss before income tax from continuing operations includes the following specific expenses:		
General and administrative expenses:		
- Payroll and related expenses	171,560	122,903
- Professional services	241,393	70,842
- Others	393,058	82,654
Total general and administrative expenses	806,011	276,399
Depreciation and amortisation expenses:		
- Depreciation of plant and equipment (Note 12)	6,768	7,084
- Amortisation of intangibles assets (Note 13)	201,557	-
Total depreciation and amortisation expenses	208,325	7,084
Finance expenses:		
- Interest expenses	41,661	8,673
- Exchange rate differences	(77,607)	136,317
- Non-cash expense (Note 17(b))	927,524	-
Total finance expenses	891,578	144,990

NOTE 5: INCOME TAX

The financial accounts for the year ended 31 December 2018 comprise the results of HeraMED Australia and HeraMed Israel. The legal parent is incorporated and domiciled in Australia where the applicable tax rate is 27.5% (2017: 27.5%). The applicable tax rate in Israel is 23% (2017: 24%).

(a) Income tax expense	2018 US$	2017 US$
Current tax	-	-
Deferred tax	-	-
	-	-

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

	2018 US$	2017 US$
Loss for the year before tax	(3,766,480)	(788,695)
Income tax expense/(benefit)	(937,930)	(189,287)
Effect of different tax rate of group entities operating in a different jurisdiction	(500,130)	-
Effect of expenses that are not deductible in determining taxable income	544,359	-
Effect of unused tax losses not recognised as deferred tax assets	893,701	189,287
	-	-

Tax losses

Unused tax losses for which no deferred tax asset has been recognised will be subject to the Company 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 totals of remuneration paid to KMP during the year are as follows:

	2018 US$	2017 US$
Short-term salary and fees	227,162	168,445
Social benefits	45,323	27,335
Bonuses	56,670	-
Share based payments	425,792	-
Total KMP Compensation	754,947	195,780

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

Details of loans made to the Group by directors and key management are set out below.

2018	Balance at the start of the year US$	Interest payable for the year US$	Repayments made during the year(i) US$	Converted to equity during the year US$	Balance at the end of the year US$
D. Groberman and T. Slonim	303,573	13,719	(160,072)	-	157,220

(i) According to the terms of the Credit Line Agreement between Hera Med Ltd Israel and Meytar, half of the loan amount was repaid upon the consummation of the IPO and as at 31 December 2018, an amount of US$157,220 was owed by the Group to Meytar.

2017	Balance at the start of the year US$	Interest payable for the year US$	Repayments made during the year US$	Changes during the year (i) US$	Balance at the end of the year US$
D. Groberman and T. Slonim	216,520	5,954	-	81,099	303,573

(i) On 21 December 2017, Hera Med Ltd Israel and Meytar (Digital) Engineering Ltd ("Meytar"), a company controlled by Messrs David Groberman and Tal Slonim entered into a Credit Line Agreement ("Agreement"). The key terms of the Agreement were that the Principal shall bear interest at a rate equivalent to the minimal interest amount recognised and attributed by the Israel Tax Authority and that the repayment of half of the Principal shall be made upon consummation by Hera Med Ltd Israel of an equity investment of at least US$3,000,000 and repayment of the other half of the Principal shall be at the earlier date Hera Med Ltd Israel pays dividend or 21 December 2022 (whichever the earlier).

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:

	2018 US$	2017 US$
Auditor remuneration		
- Auditing and reviewing the financial reports (BDO) – Australia	21,116	-
- Auditing and reviewing the financial reports (BDO) – Israel	25,000	57,500
- Auditing and reviewing the financial reports (Tamir Saar) – Israel	-	7,210
	46,116	64,710
Other non-audit remuneration		
- Investigating Accountant's Report (BDO) – Australia	11,536	-
- Tax support (BDO) - Israel	23,500	-
	35,036	-

NOTE 8: EARNINGS/(LOSS) PER SHARE	2018 US$	2017 US$
Earnings/ (loss) per share (EPS)		
a) Profit/(loss) used in calculation of basic EPS and diluted EPS	(3,766,480)	(788,695)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings/(loss) per share	36,971,581	33,728,841

The weighted average 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 weighted average number of shares outstanding for the year ended 31 December 2017 is based on the weighted average number of shares of HeraMED Limited outstanding in the period following the acquisition. The share capital of Hera Med Ltd as at 31 December 2017 was 153,571 shares on issue which the shareholders subsequently exchanged for shares in the Company.

NOTE 9 a: CASH AND CASH EQUIVALENTS	2018 US$	2017 US$
Cash at bank	4,033,829	45,604
Total cash and cash equivalents in the statement of cash flows	4,033,829	45,604

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

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

	2018	2017
	US$	US$
Loss after income tax	(3,766,480)	(788,695)
Non-cash flows in loss after income tax		
Non-cash interest expenses	941,244	5,954
Share based payments expense	1,008,415	116,565
Depreciation and amortisation	208,325	7,084
Change in Israel Innovation Authority grants	2,796	105,567
Revaluation of third-party loan	(13,178)	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(162,391)	61,975
(Increase)/decrease in inventory	(41,744)	(63,567)
Increase/(decrease) in trade and other payables	43,953	(1,250)
Increase/(decrease) in provisions	12,914	9,631
Cash flow (used in) operating activities	(1,766,146)	(546,736)

Non-Cash investing and financing activities

The Group issued shares for the common control transaction and converted debt to equity as described in Note 17.

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

NOTE 10: TRADE AND OTHER RECEIVABLES	**2018**	**2017**
	US$	**US$**
CURRENT		
Accounts receivables	37,976	-
Prepaid expenses	55,590	5,660
Deposits	6,858	4,996
Governmental institutions	76,766	4,143
	177,190	14,799

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	**2018**	**2017**
	US$	**US$**
Inventory at cost	105,311	63,567
	105,311	63,567

NOTE 12: PLANT AND EQUIPMENT

	2018 US$	2017 US$
Cost	44,644	39,593
Accumulated depreciation	(29,115)	(22,347)
Net carrying amount	15,529	17,246

Cost or valuation	**Computer equipment and software US$**	**Office furniture and equipment US$**	**Total US$**
Balance at 1 January 2017	24,514	12,832	37,346
Additions	2,247	-	2,247
Disposals	-	-	-
Balance at 31 December 2017	26,761	12,832	39,593
Additions	2,057	2,994	5,051
Disposals	-	-	-
Balance at 31 December 2018	28,818	15,826	44,644

Accumulated depreciation	**Computer equipment and software US$**	**Office furniture and equipment US$**	**Total US$**
Balance at 1 January 2017	(13,278)	(1,985)	(15,263)
Depreciation expense	(6,061)	(1,023)	(7,084)
Balance at 31 December 2017	(19,339)	(3,008)	(22,347)
Depreciation expense	(5,635)	(1,133)	(6,768)
Foreign currency translation adjustments	-	-	-
Balance at 31 December 2018	(24,974)	(4,141)	(29,115)

NOTE 13: INTANGIBLE ASSETS

	2018 US$	2017 US$
Cost (1)	1,394,710	1,125,785
Accumulated amortisation	(201,557)	-
Net carrying amount	1,193,153	1,125,785

Cost	Purchase license (2) US$	Development costs US$	Total US$
Balance at 1 January 2017	-	286,313	286,313
Additions	-	839,472	839,472
Balance at 31 December 2017	-	1,125,785	1,125,785
Additions	96,038	172,887	268,925
Balance at 31 December 2018	96,038	1,298,672	1,394,710

Accumulated amortisation	Purchase license US$	Development costs US$	Total US$
Balance at 1 January 2017	-	-	-
Amortisation expense	-	-	-
Balance at 31 December 2017	-	-	-
Amortisation expense	-	(201,557)	(201,557)
Balance at 31 December 2018	-	(201,557)	(201,557)

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

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

NOTE 14: TRADE AND OTHER PAYABLES

	2018 US$	2017 US$
CURRENT		
Trade payables	207,710	12,690
Employees salaries and related liabilities	117,100	122,645
Accrued expenses	145,710	52,310
Related party loan	-	151,786
	470,520	339,431

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: OTHER NON-CURRENT LIABILITIES

	2018 US$	2017 US$
Loan from related party (i)	157,220	151,786
	157,220	151,786

(i) This represents 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 2.6% per annum, is unsecured and is at arm's length. The loan will be repaid at the earlier of the date Hera Med Ltd (Israel) pays dividends or 21 December 2022. Refer to Note 6(b) for more information.

NOTE 16: OTHER FINANCIAL LIABILITIES

	2018 US$	2017 US$
Liability for Israel Innovation Authority Grants	527,365	540,667

Hera Med Ltd Israel received funding from the Israeli Innovation Authority ("IIA", previously known as Officer of Chief Scientist - OCS) for its participation in research and development costs of Hera Med Ltd Israel, based on budgets approved by the IIA, subject to the fulfillment of specified milestones. Hera Med Ltd 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 Hera Med Ltd Israel, linked to US dollar and bearing libor interest rate. In the case of failure of a financed project, Hera Med Ltd Israel is not obligated to pay any such royalties to the IIA. As at 31 December 2018, Hera Med Ltd Israel received grants related to two different products which amounted to USD 1,015,306.

As at 31 December 2018, the discounted rate used by Hera Med Ltd Israel for the liability was 19% (2017: 20%).

The expectations of Hera Med Ltd Israel to pay back the grants are based on its estimation at the end of each year.

NOTE 17: ISSUED CAPITAL

	2018	2017
	US$	US$
(a) Share Capital		
87,528,841 (31 December 2017: 153,571) fully paid ordinary shares	9,822,642	2,998,771

(b) Movement in Ordinary Capital

	Date	No.	Total US$
Opening balance as at 1 January 2017	-	153,571	2,998,771
Movement during the year	-	-	-
Closing balance at 31 December 2017[1]	-	153,571	2,998,771
Issue of shares in Hera Med Ltd	30 Apr 2018	37,439	589,746
Less: adjustment for predecessor accounting[1]	10 Dec 2018	(191,010)	-
Existing shares of HeraMED Limited	10 Dec 2018	6,050,000	2
Issue of shares to Hera Med Ltd shareholders[2]	10 Dec 2018	33,728,841	-
Issue of shares in relation to capital raising via public offer	10 Dec 2018	30,000,000	4,314,064
Issue of shares upon conversion of Company convertible loans[3]	10 Dec 2018	17,200,000	2,473,397
Issue of shares to corporate advisors (refer to note 19)	10 Dec 2018	550,000	79,091
Costs of capital raising	-	-	(320,615)
Issue of 7,500,000 options to lead manager (refer to note 20)	-	-	(311,814)
Closing balance at 31 December 2018	**-**	**87,528,841**	**9,822,642**

[1] 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.

[2] The Company issued 33,728,841 fully paid ordinary shares to Hera Med Ltd shareholders. Refer to note 2 for further information.

[3] 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 of $927,524 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.

(d) Deferred Consideration Shares

In addition to the number of shares disclosed above (note 17), 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:

- 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.
- 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.

NOTE 18: RESERVES		**2018**	**2017**
a) Share Based Payment Reserve		**US$**	**US$**
27,271,159 (31 December 2017: 38,500) options on issue	18b	2,011,417	601,687

b) Movement in Share Based Payment Reserve	**US$**
Opening balance at 1 January 2017	485,122
Movement during the year - related to options to employees and service providers in prior years (2015-2016)	116,565
Closing balance at 31 December 2017	601,687
Issue of 7,500,000 options to lead manager (note 19)	311,814
Issue of 7,500,000 options to management (note 19)	311,814
Issue of 8,600,000 options to noteholders (note 19)	357,546
3,671,159 Options to Vendors as part of the Acquisition (note 19) - expensed in the statement of profit or loss and other comprehensive income	269,720
3,671,159 Options to Vendors as part of the Acquisition (note 19) - capitalised in the statement of financial position	89,501
Deferred Consideration Shares to be issued to Corporate Advisors (note 17d)	69,335
Closing balance at 31 December 2018	**2,011,417**

	2018	2017
c) Foreign Exchange Reserve	**US$**	**US$**
Closing balance	(198,250)	-

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

	2018	2017
d) Predecessor Accounting Reserve	**US$**	**US$**
Closing balance	(133,879)	-

The reserve arises from the capital reorganisation and records the net liabilities of HeraMED Limited as at the acquisition date of 10 December 2018. Refer to Note 2.

NOTE 19: SHARE BASED PAYMENTS

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

- 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 550,000 ordinary shares at a deemed issue price of A$0.20 (being the IPO offer issue price) to corporate advisors of the Company in lieu of services provided. The resulting value of US$79,091 has been recognised as a share issue costs as the services rendered were directly related to the IPO.
- 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 fair value of the options has been determining using Black-Scholes model as the fair value of the service provided could not be reliably determined.
- 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").
- 19,550,000 Deferred Consideration Shares to Vendors to be issued subject to the satisfaction of certain performance milestones within 36 months of the date of quotation. Refer to Note 17(d) for further information. No share-based payment expense has been recognised in the statement of profit or loss and other comprehensive income.
- 3,450,000 Deferred Consideration Shares to Corporate Advisors to be issued subject to the satisfaction of certain performance milestones within 36 months of the date of quotation. Refer to Note 17(d) for further information. An expense of US$69,335 has been recognised in the statement of profit or loss and other comprehensive income.

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

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Share Based Payments Expense

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

	2018 US$	2017 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 17d)	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	-
Share option plans - capitalised under Intangible assets	89,501	-
Total share-based payments expense	1,409,730	-

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.

(b) Categories of financial instruments

Financial assets	2018 US$	2017 US$
Cash and cash equivalents	4,033,829	45,604
Trade and other receivables	121,599	9,138
	4,155,428	54,742
Financial liabilities		
Trade and other payables	470,520	339,431
Borrowings	157,220	151,786
Other financial liabilities	557,235	570,739
	1,184,975	1,061,956

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 US$	Movement in Equity US$
Year ended 31 December 2018		
+/-1% in interest rates	40,338	40,338
Year ended 31 December 2017		
+/-1% in interest rates	456	456

(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 rates 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 forecast and actual cash flows.

The following are the contractual maturities of financial liabilities based on the actual rates at the reporting date excluding interest payments:

2018	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		US$	US$	US$	US$	US$	US$	US$
Trade and other payables		470,520	-	-	-	-	470,520	470,520
Borrowings	2.56%	-	157,220	-	-	-	157,220	157,220
		470,520	157,220	-	-	-	627,740	627,740

2017	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		US$	US$	US$	US$	US$	US$	US$
Trade and other payables		339,431	-	-	-	-	339,431	339,431
Borrowings	2.61%	-	151,786	-	-	-	151,786	151,786
		339,431	151,786	-	-	-	491,217	491,217

(h) Net fair value of financial assets and liabilities

Fair value estimation

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

(i) Foreign currency risk

The currency risk is that risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's function 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), 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

	2018 US$
ASSETS	
Current assets	3,655,358
Other current assets	107,548
Non-current assets	660,713
TOTAL ASSETS	**4,423,619**
LIABILITIES	
Current liabilities	83,582
Non-current liabilities	-
TOTAL LIABILITIES	**83,582**
NET ASSETS	**4,340,037**
SHAREHOLDERS' EQUITY	
Issued capital	6,234,126
Reserves	677,811
Accumulated losses	(2,571,900)
SHAREHOLDERS' EQUITY	**4,340,037**

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

Loss for the year	(1,592,000)
Intercompany impairment expenses	(979,900)
Other comprehensive income	-
Total comprehensive loss	(2,571,900)

During 2018, HeraMED Limited became the parent entity as part of a capital reorganisation. Refer to Note 2 for further details.

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

There are no guarantees entered into by HeraMED Limited.

(d) Contingent liabilities of HeraMED Limited

There were no contingent liabilities as at 31 December 2018 (2017: nil).

(e) Commitments by HeraMED Limited

There were no commitments as at 31 December 2018 (2017: 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 entity	Country of Incorporation	Percentage Owned 2018	Percentage Owned 2017
Hera Med Ltd	Israel	100%	-

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

NOTE 24: COMMITMENTS

	2018 US$	2017 US$
Operating lease commitments:		
No longer than 1 year	5,446	6,115
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	5,446	6,115

At 31 December 2018, the Company had a lease commitment of three (3) months until 31 March 2019 for a total of US$5,446. At 31 December 2018, the Company had a bank guarantee of 26,000 NIS (approx US$6,937) to secure the lease obligation.

After the reporting period, the Company signed an office lease for a period of one (1) year commencing on 31 Jan 2019 at a rate of NIS 16,440 NIS per month (approximately US$4,386) with the option to renew until 31 January 2020 at a rate of 18,688 NIS per month (approx US$ 4,986). Should the Company not exercise its right to renew the lease, a one-time payment of 28,000 NIS (approximatly US$7,471) will apply. The Company provided a bank guarantee of 62,800 NIS (approx US$16,756) to secure the lease obligation.

Where commitments are denominated in foreign currencies, the amounts have been converted to US dollars based on exchange rates prevailing as at 31 December 2018.

NOTE 25: CONTINGENT LIABILITIES

The Group has no known contingent liabilities as at 31 December 2018.

NOTE 26: EVENTS AFTER THE REPORTING PERIOD

On 14 January 2019, the Company announced it had signed a comprehensive distribution agreement with Australia's leading baby and toddler product supplier, Dale Group International. The agreement includes a commitment to distribute a minimum of 9,000 HeraBEAT units over the first three (3) years, generating a minimum circa A$1.9 million over the first three years.

On 14 February 2019, the Company advised that it had received its first order for its cloud based, SaaS pregnancy monitoring service, HeraCARE from Hapvida Saude - one of Brazil's largest healthcare providers, medical insurance companies and hospital owners. The order, which is for an initial pilot trial is valued at US$60,000.

On 13 March 2019, the Company advised that it had secured a manufacturing agreement with leading medical device manufacturer, Quasar for its smart ultrasound foetal heart rate monitor, HeraBEAT. The agreement allows HeraMED to immediately scale up production at an improved cost, ahead of commercial rollout of the HeraBEAT device.

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 2019.

The directors are unaware of any other significant event or circumstance that has arisen since 31 December 2018 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.

NOTE 28: APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

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

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following new Standards resulted in a change in the Group's accounting policies as follows:

- AASB 15 Revenue from Contract with Customers

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. There is no material impact on the Group for the year ended 31 December 2018.

- AASB 9 Financial Instruments

AASB 9 introduces an expected credit loss model for impairment of financial assets which replaces the incurred loss model. A simplified impairment model applies to trade receivables with maturities of 12 months or less. There is no material impact on the Group for the year ended 31 December 2018.

New Standards and Interpretations issued but not yet adopted

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2018. Relevant Standards and Interpretations are outlined in the table below.

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
AASB 16 Leases	The key features of AASB 16 are as follows: **Lessee accounting:** ● Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value. ● A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. ● Assets and liabilities arising from a lease are initially measured on present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the **lease.** ● AASB 16 contains disclosure requirements for lessees. **Lessor accounting:** ● AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. ● AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. **AASB 16 supersedes:** (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases-Incentives SIC-27 Evaluating the Substance of Transaction Involving the Legal Form of a Lease.	1 January 2019	1 January 2019

The Group has decided not to early adopt any of the new and amended pronouncements. The Company has completed an initial assessment of the potential impact on its consolidated financial statements. The application of AASB 16 will not have a material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

DIRECTORS' DECLARATION

In the Director's opinion:

1. The consolidated financial statements and notes set out on pages 20 to 50 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 consolidated entity's financial position as at 31 December 2018 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 2018.

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 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of HeraMED Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of HeraMED Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 2018 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 (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 capital reorganisation

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 1 of the financial report, on 10 December 2018, HeraMED Limited acquired 100% of the issued capital of Hera Med Ltd by issuing the shareholders of Hera Med Ltd fully paid ordinary shares in HeraMED Limited. HeraMED Limited has been incorporated to effect the Australian listing of Hera Med Ltd under a capital reorganisation. The accounting of this acquisition is a key audit matter due to the accounting complexity of the arrangement as there is limited guidance in Australian accounting standards relating to these types of transactions. There is a risk that the financial report are not presented and disclosed in accordance with the accounting policy adopted for capital reorganisations by the group. Refer to Note 1 and Note 2 of the financial report for a description of the accounting policy and judgements applied to this transaction.	Our procedures included, but were not limited to: • Obtaining an understanding of the relevant agreements in line with management's assessment of the transaction and the accounting policies adopted to reflect the capital reorganisation; • Involving our internal technical accounting specialists to evaluate the appropriateness of the use of the continuation accounting as it was applied to this transaction; and • Assessing the adequacy of the Group's disclosures in respect of the accounting for this capital reorganisation in Note 1 and Note 2 in the financial report.

Accounting for share based payments

Key audit matter	How the matter was addressed in our audit
During the financial year ended 31 December 2018, the Group issued equity instruments, in the form of shares, options and performance shares, to eligible directors, employees and other consultants as detailed in Note 19. The Group performed valuations of the options and recorded the related share-based payment expense or share capital costs in accordance with the relevant accounting standard. Due to the judgemental estimates used in determining the value of the fair value of the share based payments, we consider the accounting for the share-based payments to be a key audit matter.	Our audit procedures in respect of this area included but were not limited to the following: • Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Involving our internal valuation specialists to assess the assumptions and inputs used in the valuation; • Assessing management's determination of achieving non-market vesting conditions of the deferred consideration shares issued; • Assessing the allocation of the share-based payment expense over management's expected vesting period; and • Assessing the adequacy of the disclosure in Note 1, Note 18 and Note 19 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 2018, 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.

Other Matter

The financial report of the Entity for the year ended 31 December 2017 was audited by another auditor who expressed an unmodified opinion on that financial report on 8th October 2018.

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 at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.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 11 to 17 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of HeraMED Limited, for the year ended 31 December 2018, 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 2019

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 29 March 2019 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company follows the recommendations set by the ASX Corporate Governance Council in its publication *Corporate Governance Principles and Recommendations 3rd Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that have not been followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are contained within the Corporate Governance Plan and available on the Company's website at hera-med.com/corporate-governance/

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution.

The Board is responsible for and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer.

The role of management is to support the Chief Executive Officer and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

In addition to matters it is expressly required by law to approve, the Board has reserved the following matters to itself:

- appointment of the Chief Executive Officer / Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company (subject to compliance with the ASX Listing Rules if applicable);
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules if applicable); and
- meeting with the external auditor, at their request, without management being present.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Chief Executive Officer responsibility for the management and operation of HeraMED. The Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of HeraMED within the powers authorised to him from time-to-time by the Board. The Chief Executive Officer may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter which is contained within the Corporate Governance Plan available on the HeraMED website.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit and risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit and risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if considered appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company 36%
- Women in senior management positions 29%
- Women on the Board 0%

The Company's Diversity Policy is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparison of the performance of the Board against the requirements of the Board charter;
- assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- review the Board's interaction with management;
- identification of any particular goals and objectives of the Board for the next year;
- review the type and timing of information provided to the directors; and
- identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Chief Executive Officer against agreed key performance indicators.

The Chief Executive Officer conducts an annual performance assessment of senior executives against agreed key performance indicators.

Due to HeraMED only listing in December 2018, no formal appraisal of the Board or Chief Executive Officer has been conducted.

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

Principle 2: Structure the board to add value

Board Composition

During the financial year and as at the date of this report the Board was comprised of the following members:

Mr Ronald Weinberger	Non-Executive Chairman (appointed 21 August 2018)
Mr David Groberman	Chief Executive Officer (appointed 25 September 2018)
Mr David Hinton	Non-Executive Director (appointed 21 August 2018)
Mr Tal Slonim	Executive Director (appointed 27 September 2018)
Mr Doron Birger	Non-Executive Director (appointed 5 October 2018)
Mr Keaton Wallace	Non-Executive Director (appointed 21 May 2018; ceased 15 October 2018)
Mr Chris Ntoumenopoulos	Non-Executive Director (appointed 21 May 2018; ceased 15 October 2018)

The Board comprises of the majority of Non-Executive Directors.

HeraMED has adopted a definition of 'independence' for Directors that is consistent with the Recommendations. The Board considers an independent Director to be a Non-Executive Director who is not a substantial Shareholder or a member of management and who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of that Director's judgement. The Board considers that Messrs Weinberger, Hinton and Birger are independent.

Messrs David Groberman and Tal Slonim are not considered to be independent as they are both executive directors and each of them are substantial holders in the Company.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern HeraMED. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Board will establish a Board Skills Matrix. The Board Skills Matrix will include the following areas of knowledge and expertise:

- strategic expertise;
- specific industry knowledge;
- accounting and finance;
- risk management;
- experience with financial markets; and
- investor relations.

The Board anticipates having the skills matrix in place for the year ending 31 December 2019.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the head of their business unit or with the Company Secretary, or in their absence, the Chairman. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfils to the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company throughout the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend HeraMED's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the lead engagement partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. All key announcements at the discretion of the Chief Executive Officer are to be circulated to and reviewed by all members of the Board.

The Chairman/Chief Executive Officer, the Board and the Company Secretary are responsible for ensuring that:

a) company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
b) company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders. The Board of the Company aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information posted or emailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "Corporate Directory" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from HeraMED and HeraMED's securities registry electronically. The contact details for the registry are available on the "Corporate Directory" page of the Company's website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

Principle 7: Recognise and manage risk

The Board as a whole fulfils to the functions normally delegated to the Audit and Risk Committee as detailed in the Audit and Risk Committee Charter.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and internal compliance and control framework. HeraMED has established policies for the oversight and management of material business risks.

HeraMED's Audit and Risk Committee Charter recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

HeraMED believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, HeraMED is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

HeraMED accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather, HeraMED's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

HeraMED assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, HeraMED applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage HeraMED's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Audit and Risk Committee Charter), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of HeraMED's management of its material business risks at each Board meeting.

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfils to the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

HeraMED has implemented a Remuneration Policy which was designed to recognise the competitive environment within which HeraMED operates and also emphasise the requirement to attract and retain high caliber talent in order to achieve sustained improvement in HeraMED's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of HeraMED.

The key principles are:

- reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- reviewing and approving the non-executive remuneration policy to enable the Company to attract and retain non-executive Directors in a manner that will not conflict with their obligation to bring an independent judgement to matters before the Board;
- ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- recommending to the Board the remuneration of executive Directors;
- fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- reviewing and approving the remuneration of Director reports to the Managing Director, and as appropriate other senior executives; and
- reviewing and approving any equity-based plans and other incentive schemes.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Chief Executive Officer, Non-Executive Directors and senior management based on an annual review.

HeraMED's executive remuneration policies and structures and details of remuneration paid to directors and key management personnel (where applicable) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options.

The maximum aggregate remuneration for Non-Executive Directors is $300,000 per annum as disclosed within the Company's constitution which may be varied from time to time by the Shareholders in general meeting. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance-based remuneration. Fees and salaries are set at levels reflecting market rates and performance-based remuneration is linked directly to specific performance targets that are aligned to both short- and long-term objectives.

The Company prohibits Directors and employees from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 15 March 2019.

As at 15 March 2019 there were 413 holders of Ordinary Fully Paid Shares.

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

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

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

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

TWENTY (20) LARGEST SHAREHOLDERS

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

Ordinary Full Paid Shares

Holder Name	Holding	% IC
Altshuler Shaham Trusts Ltd <Holley Pharma Co Ltd A/C>	9,459,901	10.81%
Altshuler Shaham Trusts Ltd <Tal Slonim A/C>	7,995,723	9.14%
Altshuler Shaham Trusts Ltd <David Groberman A/C>	7,995,723	9.14%
Altshuler Shaham Trusts Ltd <Exit Valley Investors A/C>	3,550,421	4.06%
Safari Capital Pty Ltd	3,198,245	3.65%
J P Morgan Nominees Australia Pty Limited	3,143,100	3.59%
Altshuler Shaham Trusts Ltd <Michael Nenner A/C>	3,040,774	3.47%
Chris Ntoumenopoulos	3,025,000	3.46%
Etchell Capital Ltd	3,025,000	3.46%
Freeman Road Pty Ltd <The Avenue A/C>	1,500,000	1.71%
Troca Enterprises Pty Ltd <Coulson Super Fund A/C>	1,086,579	1.24%
The Gas Super Fund Pty Ltd <The Gas Super Fund A/C>	980,000	1.12%
S & S Browne Assets Pty Ltd <S & S Browne Investment A/C>	975,000	1.11%
Mr Phillip John Coulson & Mrs Maria-Luisa Coulson <Coulson Family A/C>	950,000	1.09%
Freeman Road Pty Ltd <The Avenue A/C>	900,000	1.03%
Mr Kenneth James <James Family A/C>	875,000	1.00%
Mr Dominic Virgara	825,000	0.94%
Bnp Paribas Noms Pty Ltd <Uob Kh P/L Ac Uob Kh Drp>	750,000	0.86%
Sharp Holdings Pty Ltd <The Sharp Property A/C>	747,500	0.85%
Altshuler Shaham Trusts Ltd <Mayo Found For Me & R A/C>	734,007	0.84%
Total	**54,756,973**	**62.57%**

SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 15 March 2019 are:

Name	No of Shares Held	% of Issued Capital
Holley Pharmaceutical Group Co Ltd	9,459,901	10.81%
David Groberman	7,995,723	9.14%
Tal Slonim	7,995,723	9.14%

DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	2	292	0.00%
1,001 - 5,000	30	97,910	0.11%
5,001 - 10,000	66	627,077	0.72%
10,001 - 100,000	200	9,283,185	10.61%
100,001 - 9,999,999,999	115	77,520,377	88.57%
Totals	**413**	**87,528,841**	**100.00%**

Unmarketable Parcels – 2 Holders with a total of 292 shares, based on the last trading price of $0.30 on 15 March 2019.

RESTRICTED SECURITIES

As at 15 March 2019 the following shares are subject to escrow:

8,277,494	Ordinary Fully Paid Shares escrowed until 5 December 2019
444,000	Ordinary Fully Paid Shares escrowed until 5 June 2019
2,130,000	Ordinary Fully Paid Shares escrowed until 1 June 2019
808,500	Ordinary Fully Paid Shares escrowed until 31 May 2019
21,000	Ordinary Fully Paid Shares escrowed until 13 June 2019
30,000	Ordinary Fully Paid Shares escrowed until 6 June 2019
35,067,847	Ordinary Fully Paid Shares escrowed until 12 December 2020
4,022,000	Unlisted Options Expiring 5 December 2021 @ $0.25 escrowed until 12 December 2020
7,500,000	Unlisted Broker Options Expiring 5 December 2021 @ $0.25 escrowed until 12 December 2020
7,500,000	Unlisted Director Options Expiring 5 December 2021 @ $0.25 escrowed until 12 December 2020
927,504	Unlisted Options Expiring 5 December 2021 @ $0.00002 escrowed until 12 December 2020
2,743,655	Unlisted Options Expiring 5 December 2021 @ $0.00002 escrowed until 5 December 2019
4,578,000	Unlisted Options Expiring 5 December 2021 @ $0.25 escrowed until 5 December 2019

UNQUOTED SECURITIES

As at 15 March 2019, the following unquoted securities are on issue:

Unlisted Options Expiring 5 December 2021 @ $0.25 escrowed until 12 December 2020 – 16 Holders

Holders with more than 20% - Nil

Unlisted Broker Options Expiring 5 December 2021 @ $0.25 escrowed until 12 December 2020 – 14 Holders

Holders with more than 20% - Nil

Unlisted Director Options Expiring 5 December 2021 @ $0.25 escrowed until 12 December 2020 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Altshuler Shaham Trusts Ltd <David Groberman A/C>	3,750,000	50.00%
Altshuler Shaham Trusts Ltd <Tal Slonim A/C>	3,750,000	50.00%

Unlisted Options Expiring 5 December 2021 @ $0.00002 escrowed until 12 December 2020 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Altshuler Shaham Trusts Ltd <David Groberman A/C>	463,752	50.00%
Altshuler Shaham Trusts Ltd <Tal Slonim A/C>	463,752	50.00%

Unlisted Options Expiring 5 December 2021 @ $0.00002 escrowed until 5 December 2019 – 9 Holders

Holders with more than 20% - Nil

Unlisted Options Expiring 5 December 2021 @ $0.25 escrowed until 5 December 2019 – 39 Holders

Holders with more than 20%

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

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.