

HERA
MED



HERAMED LIMITED

ABN 65 626 295 314

**ANNUAL REPORT FOR THE YEAR ENDED
31 DECEMBER 2022**



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CORPORATE DIRECTORY

Directors

Dr Ronald Weinberger	Non-Executive Chairman
Mr David Groberman	Executive Director & Chief Executive Officer
Mr Tal Slonim	Non-Executive Director
Mr David Hinton	Non-Executive Director
Mr Doron Birger	Non-Executive Director
Ms Emily Slade	Non-Executive Director

Company Secretary

Mr Jonathan Hart

Registered Office

Suite 4, Level 16
55 Clarence Street
Sydney NSW 2000
Telephone: +61 (2) 7251 1888

Auditors (Australia)

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

Legal Advisers

Pearl Cohen Zedek Latzer Baratz
Azrieli Sarona Tower, 121 Menachem Begin Rd.
Tel Aviv, Israel 6701203

Share Registry

Automic Share Registry
Level 5, 191 St Georges Terrace
Perth WA 6000
Phone: 1300 288 664 (within Australia) +61 2 9698 5414 (outside Australia)
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Email: hello@automic.com.au
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ASX Code

HMD - Shares
HMDO - Options

CHAIRMAN AND CEO REVIEW

To our fellow Shareholders,

Highlights during the year

During the year ended 31 December 2022, the Company had the following highlights:

- **Commercial deployment of HeraCARE platform at Joondalup Health Campus (JHC); HeraCARE has been adopted as JHC's primary and standard model of care for pregnant women, and has now registered over 2,000 pregnancies.**
- **Discussions continue for an extended long-term contract to cover all pregnant women under JHC's care (approximately 3,000 births annually).**
- **Commercial agreement signed and plans to initiate deployment within 'Melbourne Mothers' private practice.**
- **Commercial agreement signed with e-Lövu Health in the US. The partnership has since then achieved important milestones including ordering and paying for the first 200 HeraCARE licences, PO for an additional 300 licences, and deployment at first site showing positive results including preliminary reimbursement coverage.**
- **The Company's technology continues to show remarkable results in clinical trials, the most recent one being peer-reviewed and published in one of the leading scientific publication platforms in the world - Nature magazine's digital health platform - Nature Portfolio Journals (NPJ).**
- **Appointment of highly regarded senior executive and entrepreneur Ms Anoushka Gungadin as director of strategic partnerships, Australia and New Zealand (ANZ).**
- **Appointment of highly experienced executive Mr Keith Koby as President North America representing an important step in strategy to rapidly grow presence in the key target market of America.**
- **Appointment of Ms Emily Slade as Non-Executive director.**

Outlook for 2023

Our focus for 2023 and beyond is the allocation of financial resources and best in class personnel to implement a well-defined sales strategy to ensure HeraCARE is established as the leading solution for remote pregnancy and maternity monitoring. Our primary target markets will be the USA and Australia where we will continue to emphasise the profile of the Company as an Australian ASX listed company and continue to grow our Australian presence and commercial leadership. Today, we have a solid pipeline and strong commercial interest from Australian healthcare facilities beyond Joondalup where in some cases we are well underway with in confidence commercial negotiations. Furthermore, in the short time that we have established commercial full-time leadership in the USA, we have developed a strong pipeline of opportunities.

In the US, we see commercial opportunities as the demand for remote monitoring technology continues to increase. We are confident in our ability to start capturing a share of the market through our innovative products and services, as well as our commitment to providing exceptional customer support. Our team is focused on building strong relationships with healthcare providers, insurers, and other stakeholders in the US, and we are confident that our efforts will lead to commercial success in this market.

As we gain more commercial traction and win contracts across the US, the company plans to focus significant resources on business development, sales, and customer success, all under the leadership of Keith Koby, who has a proven track record over 30 years in building markets in medical devices and technology.

Similarly, we are also focused on expanding our presence in Australia, where we believe there is a great deal of untapped potential. We are taking steps to strengthen our presence in this market, including increasing our investment in local sales and marketing efforts and developing strategic partnerships with key stakeholders led by Anoushka Gungadin. Our goal is to establish a strong, sustainable presence in Australia and to leverage this growth to further drive our commercial success.



In addition to our strong focus on commercial initiatives, we are also committed to keeping an edge over our competitors by continuously optimizing our technology. Our R&D team is working on improving the performance and reliability of our platform, as well as expanding our technology to better meet the needs of our customers. By investing in innovation and technology, we believe that we will deliver value to our customers.

In conclusion, we are confident in our ability to achieve further commercial traction in 2023 and beyond. Our team is dedicated to executing our vision and expectations, and we look forward to sharing our progress with you throughout the remainder of 2023.

Sincerely,

Ron Weinberger

Dr Ron Weinberger
Chairman

David Groberman

Mr David Groberman
Chief Executive Officer

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DIRECTORS' REPORT

The Directors present their report, together with the financial statements of HeraMED Limited ("the Company", "HeraMED" or "HMD") and its wholly-owned subsidiaries, Hera Med Ltd ("HeraMED Israel") and HeraMED US Inc. ("HeraMED USA"), altogether ("the Group") for the financial year ended 31 December 2022.

Directors

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

Name	Status	Appointed
Dr Ronald Weinberger	Non-Executive Chairman	21 Aug 2018
Mr David Groberman	Executive Director & CEO	25 Sep 2018
Mr Tal Slonim	Non-Executive Director	27 Sep 2018
Mr David Hinton	Non-Executive Director	21 Aug 2018
Mr Doron Birger	Non-Executive Director	5 Oct 2018
Ms Emily Slade	Non-Executive Director	13 Sep 2022

Principal Activities

The principal continuing activities of the Group during the year was focused on the commercialization and deployment of our HeraCARE pregnancy monitoring solution. We are committed to continuously optimizing our technology. Our R&D team is working on improving the performance and reliability of HeraCARE, as well as expanding our abilities to better meet the needs of our customers.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2022 (2021: nil).

Operating and Financial Review

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

HeraMED Limited recorded revenues of \$218,915 for the year ended 31 December 2022 (2021: \$86,654). The Group incurred a loss before finance expenses of \$3,180,882 (2021: \$4,035,050) and a total loss for the year ended 31 December 2022 of \$4,880,663 (2021: \$5,708,943). The net assets of the Group have increased by \$2,967,579, from a net liability position of \$105,985 at 31 December 2021 to a net asset position of \$2,861,594 at 31 December 2022. As at 31 December 2022, the Group's cash and cash equivalents were \$2,616,639 compared to \$3,559,018 at 31 December 2021. During the year, the Company completed a Placement of shares raising ~\$2.7m (before transaction costs), exercises of options of ~\$114k and the conversion of convertible notes with a face value of \$3.2m.

Highlights during the year

During the year ended 31 December 2022, the Company had the following highlights:

Commercial deployment of HeraCARE at Joondalup Health Campus (JHC)

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

Since achieving the important clinical validation of the HeraBEAT™ device in the outstanding results of the JHC trial, and the subsequent publication of these results in the globally renowned 'Green Journal', the scientific journal for gynaecology and obstetrics in March 2021, the Company has enjoyed continued momentum in the execution of its commercialisation strategy which culminated in the completion of a successful paid pilot at JHC and consequent commercial agreement for a full-scale deployment.

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

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

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

To date, JHC has continued to deploy the HeraCARE solution as their primary and standard model of care for pregnant women and has now registered over 2,000 pregnancies.

HeraMED continues to engage regularly with executive management at JHC with the intention of agreeing to a long-term extension of the existing commercial agreement. In order to complete the agreement JHC does require authorisation from its parent Ramsay Health. Whilst JHC (and by extension HeraMED) wait for that authorisation, HeraMED and JHC continue to work very closely on what has been a very successful first commercial deployment of HeraCARE.

In November 2022, results from JHC's second Clinical Trial were peer-reviewed and published in Nature magazine's digital health platform - Nature Portfolio Journals (NPJ). This publication is important for several reasons; the validation of the results that found the technology to be comparable to the current standard of care of hospital based CTG machines, the conclusion that the device can be used for remote and home monitoring and that this has not been a possibility before.

Australia - Commercial progress

HeraMED Director of Strategic Partnerships, Australia & New Zealand, Anoushka Gungadin, who joined in July 2022 has achieved solid progress in further growing the pipeline of opportunities across Australia, with a direct focus on business development and sales.

First agreement achieved was an agreement with leading obstetrician and gynaecologist Associate Professor Vinay Rane, who will lead the first private clinic commercial HeraCARE launch in Victoria, with deliveries across private hospital networks. The agreement includes 250 HeraCARE licenses (with a similar number of HeraBEATs) for a total of A\$169,000 for one year. Associate Professor Vinay Rane's private practice 'Melbourne Mothers' will undertake the project for deliveries. These initial 250 licenses represent Phase 1 of adopting the new 'Connected Maternity Care' (CMC) model. Dr Rane and HeraMED have been working closely to finalise the structure of the first phase of the commercial deployment and are planning to launch during 2023.

Pleasingly, there are well-progressed discussions underway with major public hospitals on the East Coast of Australia, which combined have >10,000 births per year. These discussions have moved from the 'trial scoping' stage into the 'technology due diligence' phase. Furthermore, there are discussions underway with other organisations including hospitals, health insurers, and other health professionals, which are all useful in determining the best fit for the HeraCARE platform in different settings, including public and private hospitals.

US - Commercial progress

e-Lövu and HeraMED executed an initial partnership agreement for deployment of HeraCARE into the US market in July 2022. e-Lövu is a clinically guided digital ecosphere and marketplace that is focused on bringing a new level of service and an innovative business model to the pregnancy and maternity care market in the US.

Pleasingly e-Lövu have initiated their deployment at the first site showing positive results including preliminary reimbursement coverage, and have well progressed plans to commence commercial rollouts. During 2022, e-Lövu fully paid and received devices and HeraCARE licenses for 30 pregnancies. During January 2023, e-Lövu fully paid and received additional 170 HeraBEAT's and HeraCARE licenses and during February 2023, e-Lövu placed a formal purchase order and made the downpayment for a further 300 units with a commitment to place another purchase order for an additional 500 pregnancies.

Both companies are aligned and committed to continue working together to leverage each other's strengths to grow commercial traction and gain further momentum

One of the key announcements subsequent to the year ended 31 December 2022 was the appointment of Keith Koby as President, North America. Keith is a highly experienced health executive, having spent over 30 years working in medical technology and services sales in North America, including senior roles at GE Healthcare and Nanosonics. Keith was most recently Senior Vice President, North America at Nanosonics (ASX: NAN) where he led the team that transformed the ultrasound probe disinfection market and established Nanosonics' technology as the standard of care across North America.

Israel – Commercial progress

There continues to be positive feedback on the HeraCARE platform and technology from Project Rozana in the West Bank. In July 2022, HeraMED announced that its remote monitoring technology was chosen as one of the key components of a collaboration between Israel's Sheba Medical Center and Project Rozana, an Australian-inspired, non-profit organization building bridges to better understanding between Israelis and Palestinians through health. This collaboration is targeting improved healthcare services for expectant mothers in Palestine's West Bank.

Our Strategy

We have a well-defined strategy to ensure HeraCARE is established as the leading solution for remote pregnancy and maternity monitoring. In order to do this, we need to build strong relationships with healthcare providers, invest in innovation, provide sound medical outcomes and provide exceptional customer support.

Managing the risks associated with our strategy

In developing, refining and executing on our strategy the Company constantly assesses the key risks to our business and puts in place controls and strategies to mitigate these risks in an appropriate manner. The Company is aware of the macro-economic risks impacting the environment that we operate, as well as the risk factors that pertain to medical device companies and other factors impacting HeraMED. Where the risk relates to factors within the control of management, we make further comments. These risk factors are not exhaustive and other risks may impact the value of the investment that shareholders in the Company.

Business risks

Limited Cash

The Company will have to raise more money to finance technology development, commercialisation and deployment of its products and other longer-term objectives. Such fundraising may dilute Shareholders, may be on terms unfavourable to the Company or may not be available at all.

Early-Stage Business

The Company's business operations are at an early stage, and the commercialisation of HeraCARE has not yet been proven at scale. The Company's success will depend on the Company's ability to implement its business plan, the ability to commercialise the Company's products and the ability of the Company to successfully implement its R&D plans.

Competition

There can be no assurance that the Company will be able to match or compete with the efforts or funding of competitors that release competing products to market. HeraMED is focussed on maintaining and developing strong relationships with health care providers, being able to innovate and respond to changing market needs.

Cybersecurity

The Company's products, services and systems may be used in critical company, customer or third-party operations, or involve the storage, processing and transmission of sensitive data, including valuable intellectual property, other proprietary or confidential data, regulated data, and personal information of employees, customers and others. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of company, customer, or other third party data or systems; theft of sensitive, regulated, or confidential data including personal information and intellectual property; the loss of access to critical data or systems through ransomware, destructive attacks or other means; and business delays, service or system disruptions or denials of service. HeraMED has in place various protections in order to take all reasonable steps to protect its data from unauthorized access, loss or modification.

Retention of Key Personnel

HeraMED's success depends on retaining its key management personnel, and attracting suitably qualified, new personnel. There is no guarantee that HeraMED will be able to attract and retain suitably qualified management and technical personnel. A failure to do so could materially and adversely affect the Company, its operating results and financial prospects.

Operations in Israel

HeraMED is headquartered in Israel. The region in general, is subject to confrontation and unrest. Such disruptions could materially and adversely affect the Company's operations and negatively impact its profitability.

Regulatory Approvals and Restrictions

The regulatory requirements for HeraBEAT and HeraCARE and any other developed products will depend on the local policies of the ministry of health or similar government agency in the jurisdictions in which it intends to operate (for example TGA in Australia, FDA in the US, CFDA in the PRC, ANVISA in Brazil, etc.) and may be different from country to country. In some countries, HeraMED's products may be subject to continuing regulation including quality assurance, ongoing monitoring and reporting, and restrictions on promoting or advertising its products. Some of these regulations change over time and are enforced unpredictably. Meeting such regulatory compliance may prove expensive and may reduce HeraMED's profitability. Failure by the Company to comply with applicable regulations may subject it to enforcement actions such as warning letters, fines, or other penalties. Such failure may also attract negative publicity to HeraMED and could harm HeraMED's reputation and adversely impact its ability to develop its business. There is also the risk that company IP is challenged or not adequately protected.

Liability and Lawsuits

Medical device companies can be subject to claims alleging negligence, product liability, breach of warranty or malpractice that may involve large claims and significant defence costs whether or not such liability is imposed. These claims may be brought by individuals seeking relief for themselves or, increasingly, by groups seeking to represent a class. There are no such claims against the Company.

Other Risks

This list of risk factors above is not an exhaustive list of the risks faced by HeraMED or by investors in the Company. The risk factors described in this Section as well as risk factors not specifically referred to above may in the future materially affect the financial performance of the Company and the value of its Shares.

Significant changes in the state of affairs

There were no significant changes to the Company or the state of its affairs during the year except for a Placement of shares raising ~\$2.7m (before transaction costs), exercises of options of ~\$114k and the conversion of convertible notes with a face value of \$3.2m.

Subsequent Events

On 21 March 2023, the Company announced it had signed a Memorandum of Understanding (MoU) with the Gold Coast Hospital to trial the HeraCARE platform as its new standard of care for their Women Newborn and Children Services. A controlled trial of HeraCARE platform will begin for up to 90 pregnancies for a period of six to nine months. Upon successful completion of the trial, subject to proper market scan, value for money assessment and results of clinical outcomes, the Gold Coast Hospital intends to order additional licenses.

On 24 January 2023, the Company announced the appointment of Mr Keith Koby as President, North America. Mr Koby is a highly experienced health executive, having spent over 30 years working in medical technology, devices and services sales in North America, including senior roles at GE Healthcare and Nanosonics. Mr Koby represents HeraMED's most senior appointment to date.

On 20 February 2023, the Company announced that its strategic partner in the USA, e-Lövu Health is progressing well with its first stage of its initial commercial roll out phase.

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

COVID-19

The impact of COVID-19 is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting period. The situation is rapidly evolving and is dependent on measures imposed by the different Governments, such as maintaining social distancing requirements, quarantine, travel/border restrictions, ability to deliver goods, possible recession in certain countries and more. As such, the Group is unable to estimate the effects of the COVID-19 outbreak on the Group's financial position, liquidity, and operations in the 2023 financial year.

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

Information on Directors**Ron Weinberger**

Non-Executive Chairman

Qualifications

PhD (Medical Biochemistry), BSc (Hons) Molecular Pharmacology

Experience

Dr Weinberger is an experienced technology and business development executive, with a demonstrated history of building significant value at multiple levels in the medical device industry. Dr Weinberger is the former Executive Director and CEO of Nanosonics (ASX: NAN). During his time at Nanosonics, he co-developed their platform technology, launched their breakthrough product Trophon globally and created a North American sales team to work alongside GE Healthcare. He also developed the distribution strategy for Europe having partnered with Toshiba Medical Systems (now Canon Medical Systems) and Miele Professional. Dr Weinberger is Managing Director and CEO of EMVision Medical Devices Ltd.

Interest in Shares and Options at the date of this report

586,000 Ordinary Shares

Directorships held in other listed entities (last 3 years)

EMVision Medical Devices Ltd (ASX: EMV)
Cleanspace Holdings Ltd (ASX: CSX) – 15 April 2021 to 31 January 2022

David Groberman

Chief Executive Officer

Qualifications

BSc *cum laude*

Experience

Mr Groberman is a mechanical and bio-medical engineer with over 17 years of experience in developing multi-disciplinary medical technologies across a wide spectrum of the industry. He spent over 8 years as co-founder and Chief Technology Officer at Meytar R&D – one of the leading service provider firms in Israel. During his time with Meytar R&D, he gained extensive, hands-on knowledge and capabilities, leading some of the most challenging projects in the field of multi-disciplinary medical and high-tech devices, ranging from implants to invasive mechanical, electro-mechanical and opto-mechanical instruments, surgical apparatuses and applicators, monitoring, diagnosis and scanning equipment.

Interest in Shares and Options at the date of this report

9,709,170 Ordinary Shares

Directorships held in other listed entities (last 3 years)

Nil

Tal Slonim

Non-Executive Director (was Executive Director & COO until 31 January 2023)

Qualifications

BSc *cum laude*, MBA

Experience

Mr Slonim is a qualified engineer and operations manager with over 22 years of experience. He is the co-founder and part-time CEO of Meytar R&D, one of Israel's top R&D services firm. Mr Slonim brings vast knowledge, hands-on capabilities and profound experience in system design of multi-disciplinary, integrated solutions as well as transition to mass manufacturing and production line erection and validation.

Interest in Shares and Options at the date of this report

9,709,170 Ordinary Shares

Directorships held in other listed entities (last 3 years)

Nil



David Hinton

Non-Executive Director

Qualifications

B.Bus, FCA, GAICD, FGIA, ICSA

Experience

Mr Hinton has an extensive career in the information and technology sectors and is currently Chief Financial Officer and Company Secretary of Empired Limited, an IT and software services provider and prior to that Amcom Telecommunications Ltd. He holds a Bachelor of Business Degree and is a Fellow of Chartered Accountants Australia and New Zealand, and of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors. Mr Hinton is also a Non-Executive Director of Valo Therapeutics Oy and of the not-for-profit Auspire - The Australia Day Council of Western Australia and a Board member of Royal Perth Yacht Club Inc. He is also the Independent Audit Committee member of the Australian Institute of Marine Science

Interest in Shares and Options

358,333 Ordinary Shares

Directorships held in other listed entities (last 3 years)

Nil

Doron Birger

Non-Executive Director

Qualifications

BA(Econ), MA(Econ)

Experience

Mr Birger was Chairman and director of Given Imaging (NASDAQ/TASE: GIVN), CEO of Elron electronic industries (Nasdaq/TASE: ELRN) and was Chairman or board member, during different periods, in a variety of publicly traded companies (including Elbit Systems, Elbit Ltd, NetVision, Icecure, Medigus, HBL Hadasit, Insuline, MCS and Starling). During such a period, he was involved in investments, merger and acquisitions, exits, public offerings on NASDAQ and TASE and private equity rounds totalling billions of dollars. Mr Birger currently serves as chairman and board member and consultant to a variety of technology companies, mainly in the medical device field, and conducts many voluntary and public activities.

Interest in Shares and Options

Nil

Directorships held in other listed entities (last 3 years)

Chairman of Matricelf - traded on the TASE
 Chairman of Intelicanna - traded on the TASE
 Director in Citrin Global - traded on NASDAQ (OTC)
 Director in Kadimastem – traded on the TASE
 Director in Icecure – traded on NASDAQ and the TASE
 Director in Pluristem - traded on NASDAQ and the TASE

Emily Slade

Non-Executive Director (appointed 13 September 2022)

Qualifications

BA, LLB

Experience

Ms Slade has broad experience across Legal and Business Affairs, Intellectual Property and Strategy, in a range of sectors including healthcare, logistics and technology. Ms Slade has worked in a range of organisations from start-ups to SMEs as well as large public companies such as Ansell Limited. Ms Slade was most recently Head of Legal and Business Affairs at Rendr, a fulfilment technology company providing on demand delivery solutions and was previously Head of Legal at Deliveroo AU and formerly Legal Counsel Asia Pacific at Ansell Limited. Ms Slade currently sits on various charity and NFP community boards and conducts many voluntary, philanthropic and public activities.

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Interest in Shares and Options	Nil
Directorships held in other listed entities (last 3 years)	Nil

Information on Company Secretary

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

Information on Other Key Management Personnel

Sivan Sadan	Chief Financial Officer
Qualifications	BA (Economics and Management), MBA (Finance) from Tel Aviv University.
Experience	Mrs Sadan has over 25 years of experience in financial management, investment banking and venture capital. In January of 2006, Mrs Sadan founded Or Capital Ltd, a boutique financial advisory firm specialising in capital raising, M&A and general financial guidance. Mrs Sadan has previously held key positions as part of the management team at Tamir Fishman & Co., acting as Managing Director, Head of Corporate Finance, CO-CEO of Tamir Fishman Underwriting and partner at Tamir Fishman Ventures. Mrs Sadan served as an external director on the board of Poalim IBI, a leading underwriting company in Israel, held partially by Bank Hapoalim (one of the largest commercial banks in Israel).
Interest in Shares and options	486,928 Ordinary Shares (including shares held by Or Capital Ltd) 200,000 unlisted options expiring 15 August 2024 exercisable at A\$0.165 574,000 unlisted options expiring 15 August 2024 exercisable at \$0.01 1,200,000 unlisted options expiring 2 June 2025 exercisable at A\$0.20
Directorships held in other listed entities (last 3 years)	Nil

Meetings of Directors

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director. During the financial year, 9 board meetings were held.

	DIRECTORS' MEETINGS	
	Held	Attended
Ron Weinberger	9	9
David Groberman	9	8
Tal Slonim	9	9
David Hinton	9	8
Doron Birger	9	9
Emily Slade ¹	2	2

(i) appointed 13 September 2022

Options

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

Security Code	Expiry Date	Grant Date	Exercise Price	Number of Options
HMDESOP01 (i)	15 August 2024	15 August 2019	A\$0.165	1,133,334
HMDESOP02 (ii)	15 August 2024	15 August 2019	\$0.01	574,000
HMDESOP04 (iii)	2 June 2025	2 June 2021	A\$0.20	7,440,000
HMDO (iv)	28 April 2024	Various	A\$0.22	44,589,584
HMDAOPT1 (v)	28 April 2024	28 April 2022	A\$0.22	1,000,000
HMDOPT19 (vi)	9 August 2027	9 August 2022	A\$0.15	250,000
HMDOPT20 (vii)	27 Jan 2027	27 Jan 2023	A\$0.15	350,000
HMDOPT21 (viii)	28 July 2027	2 Aug 2022	A\$0.1358	850,000

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

(ii) Unlisted Options granted to the CFO of the Company subject to the terms of the Company's 2019 Employee Incentive Plan and issued pursuant to the CFO Agreement dated 1 July 2018 as disclosed in section 7.8 of the supplementary prospectus dated 23 November 2018 and which have now vested.

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

(iv) Listed Options (previously unlisted) granted pursuant to:

- The issue of 22,833,176 Options to convertible note holders.
- The issue of 7,500,000 Options in 3 tranches to corporate advisors, Ratdog Pty Ltd for corporate advisory services.
- The issue of 14,256,410 Options pursuant to a placement in August 2022.

(v) Unlisted Options granted to Corporate Advisors PAC Partners Securities Pty Ltd for services provided in relation to the convertible notes conversion.

(vi) Unlisted Options subject to the terms of the Company's 2019 Employee Incentive Plan and vesting over three years on a quarterly basis (i.e., 8.33% a quarter) starting from 9 August 2022.

(vii) Unlisted Options granted to Mr Keith Koby President North America, subject to the following terms:

350,000 Options to be granted as a signature bonus, fully vested upon grant. 750,000 Options to be granted 12 months after the Commencement Date, to be vested thereafter over 24 months on a quarterly basis (i.e., in eight equal quarterly instalments), pending on continuation of the Services, with full and immediate acceleration in case of termination of this Agreement by the Company, not for Cause, after the grant of these Options. Additional Options to be granted for Proceeds from Qualified Transactions (fully vested upon grant):

- 100,000 Options for each Qualified Transaction with Proceeds exceeding US\$250,000.
- An additional 100,000 Options (200,000 Options in the aggregate) if the same Qualified Transaction has Proceeds exceeding US\$500,000.
- An additional 100,000 Options (300,000 Options in the aggregate) if the same Qualified Transaction has Proceeds exceeding US\$1,000,000.
- An additional 100,000 Options (400,000 Options in the aggregate) if the same Qualified Transaction has Proceeds exceeding US\$2,000,000.

The Additional Options will be granted on an incremental annual basis, according to Company's audited financial statements, which shall be the sole, decisive and final source of information for this purpose. Consultant shall be entitled to Additional Options for every end of calendar year at which Services were provided, even if this Agreement was terminated prior to the completion of the audited financial statements for that year.

(viii) Unlisted Options granted to the Director of Strategic Partnerships, Australia and New Zealand. These Options shall be vested and become exercisable as follows:

- For a commercial contract (including pilot) executed between the Company and a Third Party as a direct result of Optionee's efforts, resulting in proceeds actually received by the Company during Optionee's engagement with the Company, of at least AU\$100,000 - 100,000 Options shall vest and become exercisable.
- For a commercial contract executed between the Company and a Third Party as a direct result of Optionee's efforts and resulting in proceeds actually received by the Company during Optionee's engagement with the Company, of at least AU\$500,000 - 200,000 Options shall vest and become exercisable.
- For a commercial contract executed between the Company and a Third Party as a direct result of Optionee's efforts and resulting in proceeds actually received by the Company during Optionee's engagement with the Company, of at least AU\$2,000,000 to the Company- 250,000 Options shall vest and become exercisable.
- For a monetary grant of at least AU\$500,000 actually received by the Company from a Third-Party governmental authority during Optionee's engagement with the Company and as a direct result of Optionee's efforts - 200,000 Options shall vest and become exercisable.

Additional terms: (i) the Board will have the final authority and discretion to determine if any vesting conditions have been achieved, and Options will only vest upon the Company's notification to Optionee that the Board has determined that a vesting milestone has been achieved; (ii) Options will only vest if the relevant vesting milestone was achieved during Optionee's period of continuous engagement with the Company; and (iii) the total number of Options which may vest under any circumstances is capped by the total number of Options granted

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

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 policy.

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 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).

Likely Developments and Expected Results of Operations

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

Any likely developments are disclosed in the Chairman and CEO review as well as within the financial statements at note 27.

Indemnification of Auditors

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

Non-audit services

During the year, BDO Audit (WA) Pty Ltd, the Company's auditor provided non-audit services of \$7,516 in relation to tax compliance. In addition, BDO Israel provided non-audit services of \$444 in relation to tax compliance.

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

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

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

Corporate Governance

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

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2022 has been received and can be found on page 21 of the financial report.

Remuneration Report (Audited)

This remuneration report, which forms part of the directors' report, for the year ended 31 December 2022 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. Unless otherwise stated, all figures in the Remuneration Report are in the Company's presentation currency, the US Dollar ("\$").

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Non-executive director fee arrangements
5. Details of remuneration
6. Additional disclosures relating to equity instruments
7. Loans to key management personnel (KMP) and their related parties
8. Other transactions and balances with KMP and their related parties
9. Voting of Shareholders at last year's annual general meeting

1. Introduction

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

Key management personnel covered in this report are as follows:

Name	Status	Appointed
Directors		
Ron Weinberger	Non-Executive Chairman	21 August 2018
David Groberman	Executive Director & CEO	25 September 2018
Tal Slonim (i)	Non-Executive Director	27 September 2018
David Hinton	Non-Executive Director	21 August 2018
Doron Birger	Non-Executive Director	5 October 2018
Emily Slade	Non-Executive Director	13 September 2022
Other key management personnel		
Sivan Sadan	Chief Financial Officer	1 July 2018

(i) Non-Executive Director from 31 January 2023. Mr Slonim was previously Executive Director & Chief Operating Officer.

2. Remuneration governance

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

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

3. Executive remuneration arrangements

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

- A monthly salary of ~\$14,585 (49,000 NIS), car allowance ~\$1,637 (5,500 NIS) and entitlement to social benefits (including severance payments (8.33%), pension payments (7.5%) and advanced study fund (7.5%)).
- The appointment may be terminated by either party providing 90 days' written notice and the appointment may be terminated immediately if Mr Groberman commits a serious breach or is prohibited by law from being or acting as a director.

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

- A monthly salary of ~\$3,846 (12,920 NIS) and entitlement to social benefits and include severance payments (8.33%), pension payments (7.5%) and advanced study fund (7.5%).
- The appointment may be terminated by either party providing 90 days' notice and the appointment may be terminated immediately if Mr Slonim commits a serious breach or is prohibited by law from being or acting as a director.
- Mr Slonim is a Non-Executive Director effective 31 January 2023.

Termination Benefits: In the event Mr Groberman 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 12-month period, and any unvested incentive securities will automatically vest. However, the termination benefits are limited by and subject to Listing Rule 10.19, and the Company may seek Shareholder approval for the purposes of Listing Rule 10.19 at a future time.

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

Mrs Sivan Sadan's services as CFO were provided until June 2021 through Or Capital Pty Ltd ("Or Capital") pursuant to a service agreement ("CFO Agreement"). Effective June 2021, Mrs Sadan is employed as an employee of HeraMED Ltd at a monthly salary of ~\$11,906 (40,000 NIS) and entitled to social benefits (including severance payments (8.33%), pension payments (7.5%) and advanced study fund (7.5%)). Other terms include 90 days' written notice of termination

The above is paid in NIS and the exchange rate used in this section is the average exchange rate 1 US\$=3.3596 NIS

4. Non-executive director fee arrangements

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

The maximum aggregate amount of fees that can be paid to non-executive directors is presently limited to an aggregate of A\$300,000 (approximately \$204,151) 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 \$142,462 (2021: \$145,642) and covered main Board activities only. Non-executive directors may receive additional remuneration for other services provided to the Group. All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

5. Details of Remuneration

The Key Management Personnel of HeraMED Limited includes the current and former directors of the Company and Key Management Personnel of HeraMED Limited during the year ended 31 December 2022.

31 Dec 2022	Short term salary, fees & commissions \$	Superannuation & social benefits (1) \$	Non-monetary benefits \$	Share-based payments (2) \$	Total \$	Performance based remuneration
Directors:						
R. Weinberger	55,552	5,694	-	-	61,246	-
D. Groberman	195,703	45,167	-	-	240,870	-
T. Slonim	46,222	7,581	-	-	53,803	-
D. Hinton	30,862	3,163	-	-	34,025	-
D. Birger	34,659	-	-	-	34,659	-
E. Slade (3)	11,342	1,191	-	-	12,533	-
Other KMP:						
S. Sadan	143,924	31,277	-	58,719	233,920	25.1%
Total	518,264	94,073	-	58,719	671,056	-

(1) Mr Groberman, Mr Slonim and Mrs Sadan are entitled to benefits as described in section 3 above. In the case of Mr Hinton and Dr Weinberger and Ms Slade, statutory superannuation of 10% up to 30 June 2022 and 10.5% as from 1 July 2022.

(2) Refer to Section 6 below for further information on share-based payments granted to key management during the year.

(3) Appointed 13 September 2022.

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

(1) Mr Groberman and Mr Slonim are entitled to benefits including severance payments, pension payments, advanced study fund social security and vacation accrued. In the case of Mr Hinton and Dr Weinberger, statutory superannuation of 10%.

(2) Refer to Section 6 below for further information on share-based payments granted to key management during the year.

6. Additional disclosures relating to equity instruments

KMP Shareholdings

No shares were issued to KMP during the 2022 financial year (2021: 1,334,700).

Fully paid ordinary shares of HeraMED Limited

31 Dec 2022	Balance at start of the year	Shares issued during the year	Other changes during the year	Balance at end of the year
Directors:				
R. Weinberger	586,000	-	-	586,000
D. Groberman	9,709,170	-	-	9,709,170
T. Slonim	9,709,170	-	-	9,709,170
D. Hinton	358,333	-	-	358,333
D. Birger	-	-	-	-
E. Slade (i)	-	-	-	-
S. Sadan (ii)	486,928	-	-	486,928
Total	20,849,601			20,849,601

(i) Appointed 13 September 2022.

(ii) Total shares include shares held by Or Capital (an entity associated with Ms Sivan Sadan).

KMP Options Holdings

Options of HeraMED Limited

31 Dec 2022	Balance at the start of the year	Granted as remuneration	Exercised during the year	Options issued during the year	Other changes during the year (i)	Balance at the end of the year	Vested and exercisable	Unvested
Directors:								
R. Weinberger	-	-	-	-	-	-	-	-
D. Groberman	-	-	-	-	-	-	-	-
T. Slonim	-	-	-	-	-	-	-	-
D. Hinton	-	-	-	-	-	-	-	-
D. Birger	-	-	-	-	-	-	-	-
E. Slade (i)	-	-	-	-	-	-	-	-
Other KMP:								
S. Sadan	1,974,000	-	-	-	-	1,974,000	1,374,000	600,000
Total	1,974,000					1,974,000	1,374,000	600,000

(i) Appointed 13 September 2022.

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

Terms and conditions of share-based payment arrangements

The terms and conditions of each grant of options affecting remuneration of Sivan Sadan in the current reporting are as follows:

Option Code	Number granted	Grant date	Vesting start date	Expiry date	Exercise price	Value per option at grant date (i)	Vested %	Vested during 2022
Employee Options HMDESOP1	200,000	15 Aug 2019	15 Aug 2019	15 Aug 2024	A\$0.165	\$0.0694	100%	50,000
Employee Options HMDESOP2	574,000	15 Aug 2019	1 July 2018	15 Aug 2024	\$0.01	\$0.1502	100%	Vested
Employee Options HMDESOP4	1,200,000	2 Jun 2021	2 Jun 2021	2 Jun 2025	A\$0.20	\$0.116	50%	400,000

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

The vesting conditions of the Employee Options are as follows:

- HMDESOP1 – 200,000 options: Unlisted Options expiring 15 August 2024 exercisable at A\$0.165 subject to the terms of the Company's 2019 Employee Incentive Plan and vesting over three years on a quarterly basis (i.e., 8.33% a quarter) starting from 15 August 2019.
- HMDESOP2 – 574,000 options: Unlisted Options expiring 15 August 2024 exercisable at \$0.01 subject to the terms of the Company's 2019 Employee Incentive Plan and issued pursuant to the CFO Agreement dated 1 July 2018 as disclosed in section 7.8 of the Supplementary Prospectus dated 23 November 2018 and vesting over three years on a quarterly basis (i.e., 8.33% a quarter) starting from 1 July 2018.
- HMDESOP4 – 1,200,000 options: Unlisted Options expiring 2 June 2025 exercisable at A\$0.20 subject to the terms of the Company's 2019 Employee Incentive Plan and vesting over three years on a quarterly basis (i.e., 8.33% a quarter) starting from 2 June 2021.

31 Dec 2022	Fair value of options granted during the year	Value of options vested during the year	Value of options lapsed during the year	Value of options included in remuneration report for the year	Remuneration consisting of options for the year
	\$	\$	\$	\$	%
S. Sadan	-	55,377	-	58,719	25.1%

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

Credit Line Agreement – Meytar (Digital) Engineering Ltd (“Meytar”)

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

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

The Credit Line Agreement otherwise contains terms and conditions that are considered standard for an agreement of its nature. The interest is at the rate equivalent to the minimal interest amount recognized and attributed by the Israel Tax Authorities, as such may be adjusted from time to time. During 2022, the interest rate was 2.42% (2021: 2.45%). According to the above terms, half of the loan amount was repaid upon the consummation of the IPO. As of 31 December 2022, the amount of \$178,152 was owed by HeraMED Israel to Meytar (2021: \$196,818). The Meytar loan is denominated in Israeli Shekels and an amount of \$4,467 representing interest was accrued during the year ended 31 December 2022.

During November 2022, Meytar extended the repayment date of the loan. Under the new terms of the extension, it was agreed that a “Trigger Event” shall mean the earlier of (i) the consummation by the Company of an equity investment in the aggregate amount of at least A\$10,000,000; or (ii) 31 December 2023.

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 2021 annual general meeting was held on 12 October 2022. The Company received 99.39% “Yes” votes cast on its Remuneration Report for the 2021 financial year. The Company did not receive any specific feedback at the 2021 Annual General Meeting regarding its remuneration practices.

This is the end of the audited remuneration report

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

On behalf of the Directors

David Groberman

Mr David Groberman
Chief Executive Officer
Tel Aviv, 22 March 2023

DECLARATION OF INDEPENDENCE BY JACKSON WHEELER TO THE DIRECTORS OF HERAMED LIMITED

As lead auditor of HeraMED Limited for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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



Jackson Wheeler
Director

BDO Audit (WA) Pty Ltd
Perth
22 March 2023

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022

	Note	2022 \$	2021 \$
Revenues	3a	218,915	86,654
Cost of sales		(78,282)	(42,248)
Gross profit		140,633	44,406
Research and development expenses	4	(758,079)	(1,513,681)
General and administrative expenses	4	(1,244,378)	(1,331,850)
Selling and marketing expenses	4	(497,843)	(463,079)
Depreciation and amortisation expenses	4	(358,412)	(271,700)
Impairment of purchase license – Orion	13	-	(96,038)
Share-based payment expenses	19	(462,803)	(403,108)
Loss before finance expenses		(3,180,882)	(4,035,050)
Finance income	4	38,131	75
Finance costs – convertible notes	24	(1,415,873)	(1,482,005)
Finance expenses	4	(322,039)	(191,963)
Loss before income tax		(4,880,663)	(5,708,943)
Income tax expense	5	-	-
Loss for the year		(4,880,663)	(5,708,943)
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		126,834	(8,563)
Total comprehensive loss for the year attributable to owners of the Company		(4,753,829)	(5,717,506)
Loss per share attributable to owners of the Company			
Basic/diluted loss per share	8	(0.023)	(0.033)

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 2022

	Note	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	9a	2,616,639	3,559,018
Trade receivables		9,521	1,152
Other receivables	10	245,427	241,014
Inventory	11	171,393	88,492
TOTAL CURRENT ASSETS		3,042,980	3,889,676
NON-CURRENT ASSETS			
Plant and equipment	12	75,412	28,989
Intangible assets	13	1,038,234	670,352
TOTAL NON-CURRENT ASSETS		1,113,646	699,341
TOTAL ASSETS		4,156,626	4,589,017
CURRENT LIABILITIES			
Trade and other payables	14	560,700	692,972
Convertible notes	24	-	3,221,286
Borrowings	15	178,152	196,818
Other financial liability	16	51,298	34,708
TOTAL CURRENT LIABILITIES		790,150	4,145,784
NON-CURRENT LIABILITIES			
Other financial liability	16	504,882	549,218
TOTAL NON-CURRENT LIABILITIES		504,882	549,218
TOTAL LIABILITIES		1,295,032	4,695,002
NET ASSETS/(LIABILITIES)		2,861,594	(105,985)
SHAREHOLDERS' EQUITY			
Issued capital	17	22,158,860	16,481,265
Share-based payment reserve	18	4,983,316	2,939,503
Predecessor Accounting reserve	18	(133,879)	(133,879)
Foreign exchange reserve	18	92,650	(34,184)
Accumulated losses		(24,239,353)	(19,358,690)
SHAREHOLDERS' EQUITY/(DEFICIENCY)		2,861,594	(105,985)

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 2022

	Issued capital	Share-based payment reserve	Predecessor Accounting reserve	Foreign exchange reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2021	13,375,173	2,432,257	(133,879)	(25,621)	(13,649,747)	1,998,183
Loss for the year	-	-	-	-	(5,708,943)	(5,708,943)
Other comprehensive loss	-	-	-	(8,563)	-	(8,563)
Total comprehensive loss for the year	-	-	-	(8,563)	(5,708,943)	(5,717,506)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares (note 17)	3,327,477	-	-	-	-	3,327,477
Capital raising costs (note 17)	(221,385)	-	-	-	-	(221,385)
Share based payments (note 19)	-	507,246	-	-	-	507,246
Balance at 31 December 2021	16,481,265	2,939,503	(133,879)	(34,184)	(19,358,690)	(105,985)
Balance at 1 January 2022	16,481,265	2,939,503	(133,879)	(34,184)	(19,358,690)	(105,985)
Loss for the year	-	-	-	-	(4,880,663)	(4,880,663)
Other comprehensive income	-	-	-	126,834	-	126,834
Total comprehensive income/(loss) for the year	-	-	-	126,834	(4,880,663)	(4,753,829)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares (note 17)	5,979,148	-	-	-	-	5,979,148
Capital raising costs (note 17)	(301,553)	-	-	-	-	(301,553)
Share based payments (note 19)	-	2,043,813	-	-	-	2,043,813
Balance at 31 December 2022	22,158,860	4,983,316	(133,879)	92,650	(24,239,353)	2,861,594

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

Consolidated Statement of Cash Flows for the year ended 31 December 2022

	Note	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		271,228	132,176
Payments to suppliers and employees		(2,846,725)	(3,362,101)
Interest received		17,029	480
Finance costs paid		(1,845)	(2,343)
Net cash (used in) operating activities	9b	(2,560,313)	(3,231,788)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment	12	(4,649)	(18,762)
Payments for capitalised development expenses	13	(686,132)	(66,664)
Net cash (used in) investing activities		(690,781)	(85,426)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from equity instruments of the Company		2,641,669	3,314,017
Proceeds on issue of convertible notes		-	1,806,235
Repayment of lease liabilities		(102,902)	(117,469)
Transactions costs related to loans and borrowings		-	(119,211)
Net cash provided by financing activities		2,538,767	4,883,572
Net (decrease)/ increase in cash and cash equivalents		(712,327)	1,566,358
Cash and cash equivalents at the beginning of the financial year		3,559,018	1,903,949
Impact of movement in foreign exchange rates		(230,052)	88,711
Cash and cash equivalents at the end of the financial year	9a	2,616,639	3,559,018

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 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue by the board of directors on 22 March 2023.

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

Basis of preparation of the financial report

a) Statement of Compliance

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

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

b) Basis of Measurement and Reporting Conventions

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Unless stated otherwise, all figures in this report are in the Company's presentation currency, the US Dollar ("\$"). The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

c) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the ordinary course of business. HeraMED Limited recorded revenues of \$218,915 for the year ended 31 December 2022 (2021: \$86,654). The Group incurred a loss for the year ended 31 December 2022 of \$4,880,663 (2021: \$5,708,943) and net cash outflows from operating activities of \$2,560,313 (2021: \$3,231,788). The net assets of the Group have increased by \$2,967,579 from a net liability position of \$105,985 at 31 December 2021 to a net asset position of \$2,861,594 at 31 December 2022.

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

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

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

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

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

The directors plan to continue the Group's operations on the basis as outlined above and believe there will be sufficient funds for the Group to meet its obligations and liabilities for at least twelve (12) months from the date of this report.

d) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its wholly-owned subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

e) Income Tax

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

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

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

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

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

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

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

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

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

f) Leases**The Group as a lessee**

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

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

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

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

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

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

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

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

g) Financial Instruments**Initial recognition and measurement**

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

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

Classification and subsequent measurement

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

Loans and receivables

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

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

Financial liabilities

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

Derivative instruments

The Group does not trade or hold derivatives.

Financial guarantees

The Group has no material financial guarantees other than:

- A cash deposit of ~\$13,577 (45,614 NIS at an exchange rate of 1 US\$=3.3596 NIS) in regards to the office lease in Israel.
- A cash deposit of ~\$17,908 (60,165 NIS at an exchange rate of 1 US\$=3.3596 NIS) held by the Company's bankers in Israel to secure credit card payments.
- A cash deposit of \$20,000 held by the Company's bankers in the USA to secure credit card payments.

Impairment

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

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

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

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

h) Impairment of non-financial assets

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

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

Impairment testing is performed annually for intangible assets which are not being amortised and goodwill.

i) Cash and cash equivalents

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

j) Trade receivables

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

k) Inventories

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

l) Revenue recognition

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

The Company derives its revenue from:

- the sale of goods; and
- software licenses per month or per pregnancy.

Revenue from sale of goods

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

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

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

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.

Revenue from software licenses per month or per pregnancy

Revenue derived from the software are recognised according to two main models:

Per pregnancy model:

1. In cases where the HeraBEAT devices are leased, there is a single performance obligation which is met once the pregnancy is archived.
2. In cases where the HeraBEAT devices are sold, there are two (2) separate performance obligations; one performance obligation is met at the delivery of the HeraBEAT device to the client and the second performance obligation is met once the pregnancy is archived.

Per User Per Month model:

The Company provides software licenses per user per month to the customer over time and the progress of the transfer of the service is measured in the same manner, that is, passage of time. The performance obligation in this case is met over time and therefore, the Company allocates the per user per month multiplied by the number of licenses.

m) Operating expenses

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

n) Depreciation

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

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

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

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

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

Depreciation of intangible assets is based on a straight-line method over the estimated useful life of the intangible assets, estimated by the company at 6 years

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**p) Employee Benefits****Post-employment benefits**

The liability for severance pay is in accordance with its obligations under Israeli employment law (Section 14 of the Severance Compensation Act, 1963). All Israel based employees are included under Section 14, and are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in the employee's name with insurance companies or pension funds. Under Israeli employment law, payments in accordance with Section 14 release the employer from any future severance payments. The funds are made available to the employee at the time the employer-employee relationship is terminated, regardless of the cause of termination. The severance pay liabilities and deposits under Section 14 are not reflected in the statements of financial position as the severance pay risks have been irrevocably transferred to the insurance companies or pension funds.

Short term employee benefits

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

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

q) Equity-settled compensation

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

r) Trade and other payables

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

s) Provisions

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

t) Equity and reserves

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

u) Foreign currency transactions and balances**Functional and presentation currency**

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

Transaction and balances

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

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

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

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

Group companies

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

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

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

v) Segment Information**Identification of reportable segments**

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

w) Share Based Payments

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. For share based payments with non-market vesting conditions, the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

x) Earnings per share

Basic earnings per share is calculated by dividing:

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

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

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

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

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

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

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

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

Critical Accounting Estimates and Judgements

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

Key Estimates and judgements*Convertible notes*

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

Share based payments

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

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

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 19.

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

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

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

Fair value of long-term liabilities

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

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

Development costs

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

Net investment in a foreign operation

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

Exchange rate differences arising on a monetary item that forms part of the Company's net investment in a foreign operation are recognised in the statement of profit or loss in separate financial statements, but are recognised in other comprehensive income in the consolidated financial statements.

NOTE 2: ADOPTION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS**New and amended Australian Accounting Standards that are effective for the current year**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2022.

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

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

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

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

New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

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

Standard/amendment	Effective for annual reporting periods beginning on or after
<i>AASB 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts and AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information</i>	1 January 2023
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	1 January 2023
<i>AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023
<i>AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

NOTE 3a: REVENUE
Major products/service lines

	2022	2021
	\$	\$
Revenue from sale of goods	14,070	17,800
Revenue from software	204,845	68,854
	<u>218,915</u>	<u>86,654</u>

Revenue recognition

At a point in time	14,070	17,800
Over time	204,845	68,854
	<u>218,915</u>	<u>86,654</u>

NOTE 4: EXPENSES

Loss before income tax from continuing operations includes the following specific expenses:

Research and development expenses

- Payroll and related expenses	551,279	1,112,616
- Patents	9,049	5,303
- Professional services	145,961	345,945
- Other expenses	51,790	49,817
Total research and development expenses	<u>758,079</u>	<u>1,513,681</u>

General and administrative expenses:

- Payroll and related expenses	412,574	408,081
- Non executive directors' remuneration	144,462	144,632
- Professional services	476,933	554,489
- Compliance expenses	44,795	52,332
- Insurances	66,899	64,377
- Rent expenses	24,188	28,948
- Other expenses	74,527	78,991
Total general and administrative expenses	<u>1,244,378</u>	<u>1,331,850</u>

NOTE 4: EXPENSES (cont'd)

	2022	2021
	\$	\$
Selling and marketing expenses:		
- Payroll and related expenses	232,082	220,793
- Professional services	195,770	220,237
- Other expenses	69,991	22,049
Total selling and marketing expenses	497,843	463,079
Depreciation and amortisation expenses:		
- Depreciation of plant and equipment (note 12)	15,634	6,183
- Amortisation of intangibles assets (note 13)	342,778	265,517
Total depreciation and amortisation expenses	358,412	271,700
Finance expenses/(income):		
- Interest expenses and banks fees	6,916	6,054
- Foreign exchange losses	254,560	2,231
- Costs relating to issue of convertible notes	60,563	107,727
- Revaluation of IIA loan and interest income	(38,131)	75,876
Total finance expense	283,908	191,888

NOTE 5: INCOME TAX

The financial statements for the year ended 31 December 2022 comprise the results of HeraMED Limited, HeraMED Israel and HeraMED USA. The legal parent is incorporated and domiciled in Australia where the applicable tax rate is 25% (2021: 26%). The applicable tax rate in Israel is 23% (2021: 23%) and 21% in USA (2021: 21%).

	2022	2021
	\$	\$
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-

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

	2022	2021
	\$	\$
Loss for the year before tax	(4,880,663)	(5,708,943)
Prima facie income tax (benefit) at domestic tax rate	(1,220,166)	(1,484,325)
Effect of different tax rate of group entities operating in a different jurisdiction	218,979	218,898
Effect of expenses that are not deductible in determining taxable income	422,710	496,828
Effect of unused tax losses not recognised as deferred tax assets	578,477	768,599
	-	-

Tax losses

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

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

NOTE 6: RELATED PARTY TRANSACTIONS**a) Key Management Personnel Compensation**

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

	2022	2021
	\$	\$
Short-term salary and fees	518,264	539,208
Social and other benefits	94,073	73,316
Share based payments	58,719	79,452
	671,056	691,976

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

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

2022	Balance at the start of the year \$	Interest payable for the year and foreign exchange rate revaluation \$	Repayments made during the year \$	Converted to equity during the year \$	Balance at the end of the year \$
<i>Meytar (Digital) Engineering Ltd</i>	196,818	(18,666)	-	-	178,152
2021	Balance at the start of the year \$	Interest payable for the year and foreign exchange rate revaluation \$	Repayments made during the year \$	Converted to equity during the year \$	Balance at the end of the year \$
<i>Meytar (Digital) Engineering Ltd</i>	185,837	10,981	-	-	196,818

Meytar (Digital) Engineering Ltd (Meytar) is a company controlled by Messrs Groberman and Slonim (Directors of the HeraMED Limited). Meytar and HeraMED Israel entered into a Credit Line Agreement on 21 December 2017 and was due for repayment at the earlier of the date HeraMED Israel pays dividends or 21 December 2022. During November 2022, Meytar extended the repayment date of the loan. Under the new terms of the extension, it was agreed that a "Trigger Event" shall mean the earlier of (i) the consummation by the Company of an equity investment in the aggregate amount of at least A\$10,000,000; or (ii) December 31, 2023. Except as amended hereby, all provisions, terms, and conditions of the Credit Line Agreement shall remain in full force and effect.

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:

	2022	2021
	\$	\$
Auditor remuneration		
- Auditing and reviewing the financial reports (BDO) – Australia	34,152	41,780
- Auditing and reviewing the financial reports (BDO) – Israel	57,857	61,475
- Auditing and reviewing the financial reports (BDO) – USA	8,726	14,629
	100,735	117,884
Non-audit remuneration		
- Taxation services (BDO) - Australia	7,516	6,140
- Taxation services (BDO) - Israel	444	11,295
	7,960	17,435

NOTE 8: LOSS PER SHARE

	2022	2021
	\$	\$
Loss per share (EPS)		
a) Loss used in calculation of basic EPS and diluted EPS	(4,880,663)	(5,708,943)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	214,103,669	174,619,016

NOTE 9a: CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash at bank	2,616,639	3,559,018
Total cash and cash equivalents in the statement of cash flows	2,616,639	3,559,018

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

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

	2022	2021
	\$	\$
Loss for the year	(4,880,663)	(5,708,943)
Non-cash flows in loss after income tax		
Adjustments for:		
Share based payments expense	462,803	403,108
Depreciation and amortisation	358,412	271,700
Impairment of purchase license – Orion	-	96,038
Change in Israel Innovation Authority grants	(27,746)	78,065
Interest and foreign exchange revaluation of borrowings	(18,666)	10,981
Fair value revaluation - convertible notes	1,415,873	1,482,005
Other finance costs and exchange differences	415,036	(31,561)
Changes in assets and liabilities		
(Increase)/decrease in other receivables	(12,781)	(8,399)
(Increase) in inventory	(140,309)	(19,218)
(Decrease)/increase in trade and other payables	(132,272)	194,436
Cash flow (used in) operating activities	(2,560,313)	(3,231,788)

Non-cash investing and financing activities

During the reporting period, 4,000,000 options were issued to PAC Partners for acting as lead manager for a Placement. An amount of \$116,792 (A\$186,400) representing the fair value of the options granted was recognised under share issue costs. Refer to note 19 for more information.

An amount of \$24,530 representing share-based payment was capitalised under intangible assets. Refer to note 19 for more information.

On 29 April 2022 (Conversion Date), the Company issued 22,833,176 fully paid ordinary shares and 22,833,176 unlisted options following the conversion of 2,392,047 Notes. The Notes were fair valued at the Conversion Date and the difference of \$1,415,873 (A\$1,969,879 at an exchange rate of A\$1/\$1.39128) between the carrying amount as at 31 December 2021 and the fair value at Conversion Date (29 April 2022) has been recognised as a finance expense in the statement of profit or loss and other comprehensive income. Refer to note 24 for more information.

There were no other non-cash investing and financing activities during the year apart from those mentioned above.

NOTE 10: OTHER RECEIVABLES

	2022	2021
	\$	\$
CURRENT		
Advances to suppliers	81,530	41,907
Prepaid expenses	83,712	117,456
Deposits	22,424	25,330
Other receivables	57,761	56,321
	245,427	241,014

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

	2022	2021
	\$	\$
Inventory at cost	171,393	88,492

NOTE 12: PLANT AND EQUIPMENT

	2022	2021
	\$	\$
Cost	136,473	74,559
Accumulated depreciation	(61,061)	(45,570)
Net carrying amount	75,412	28,989

<i>Cost or valuation</i>	Computer equipment and software	Office furniture and equipment	Total
	\$	\$	\$
Balance at 1 January 2021	39,971	15,826	55,797
Additions	18,762	-	18,762
Balance at 31 December 2021	58,733	15,826	74,559
Additions	61,872	42	61,914
Balance at 31 December 2022	120,605	15,868	136,473

<i>Accumulated depreciation</i>	Computer equipment and software	Office furniture and equipment	Total
	\$	\$	\$
Balance at 1 January 2021	(32,713)	(6,674)	(39,387)
Depreciation expense	(5,022)	(1,161)	(6,183)
Balance at 31 December 2021	(37,735)	(7,835)	(45,570)
Depreciation expense	(14,440)	(1,051)	(15,491)
Balance at 31 December 2022	(52,175)	(8,886)	(61,061)

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NOTE 13: INTANGIBLE ASSETS

	2022	2021
	\$	\$
Cost (1)	2,339,382	1,628,722
Accumulated amortisation	(1,301,148)	(958,370)
Net carrying amount	1,038,234	670,352

	Purchase license (2) \$	Development costs \$	Total \$
Cost			
Balance at 1 January 2021	96,038	1,562,057	1,658,095
Additions	-	66,665	66,665
Impairment	(96,038)	-	(96,038)
Balance at 31 December 2021	-	1,628,722	1,628,722
Additions	-	710,660	710,660
Balance at 31 December 2022	-	2,339,382	2,339,382

	Purchase license \$	Development costs \$	Total \$
Accumulated amortisation			
Balance at 1 January 2021	-	(692,853)	(692,853)
Amortisation expense	-	(265,517)	(265,517)
Balance at 31 December 2021	-	(958,370)	(958,370)
Amortisation expense	-	(342,778)	(342,778)
Balance at 31 December 2022	-	(1,301,148)	(1,301,148)

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

(2) Prior to the acquisition of HeraMED Israel by the Company, HeraMED Israel issued shares to Mayo Foundation for Medical Education and Research ("Mayo") as consideration for a research and development collaboration license with Mayo. At the last reporting period, the Company fully impaired the license with Mayo regarding the Orion project.

(3) The Company has assessed the relevant impairment indicators for development costs and does not expect impairment to the Company's intangibles in the current reporting year. The Company has concluded that the carrying value of the intangibles at 31 December 2022 is recoverable.

NOTE 14: TRADE AND OTHER PAYABLES

	2022	2021
	\$	\$
CURRENT		
Trade payables	213,692	160,612
Employees' salaries and related liabilities	231,500	367,142
Accrued expenses	115,508	165,218
	560,700	692,972

All amounts are short-term. The carrying values of trade payables and other payables are considered to approximate fair value. The Group's exposure to the risks associated with trade and other payables are disclosed in note 21.

NOTE 15: BORROWINGS

	2022	2021
	\$	\$
Loan from related party (i)	178,152	196,818

(i) This represents a loan from Meytar (Digital) Engineering Ltd ("Meytar"), a company controlled by Messrs David Groberman and Tal Slonim (directors of HeraMED Limited). The loan bears interest at 2.45% (2021:2.45%) per annum and is unsecured. The loan was to be repaid at the earlier of the date HeraMED Israel pays dividends or 21 December 2022. In November 2022, Meytar extended the repayment date of the loan. Refer to Note 6(b) for more information.

NOTE 16: OTHER FINANCIAL LIABILITIES

	2022	2021
	\$	\$
CURRENT		
Liability for Israel Innovation Authority Grants	51,298	34,708
NON-CURRENT		
Liability for Israel Innovation Authority Grants	504,882	549,218

HeraMED Israel received funding from the Israeli Innovation Authority ("IIA") for its participation in research and development costs of HeraMED Israel, based on budgets approved by the IIA, subject to the fulfillment of specified milestones. HeraMED Israel is required to pay royalties to the IIA on proceeds from sale of products in the research and development of which the IIA participates by way of grants. According to the funding terms, royalties between 3% and 4.5% are payable on sales of developed products funded, up to 100% of the grant received by HeraMED Israel, linked to the US dollar and bearing libor interest rates. In the case of failure of a financed project, HeraMED Israel is not obligated to pay any such royalties to the IIA nor repay any grant monies received for that project.

HeraMED Israel received grants, prior to 1 January 2020, amounting to \$1,015,306 related to two different products. There were no additional grants received in the 2022 or 2021 financial years.

As at 31 December 2022, the WACC rate used by HeraMED Israel for the liability was 20% (2021: 20%).

The liability balance recognised by HeraMED Israel is based on the grant amount of \$809,866 and on HMD's future revenue estimates which are performed at the end of each reporting period.

NOTE 17: ISSUED CAPITAL

	2022	2021
	\$	\$
(a) Share Capital		
242,657,048 (31 December 2021: 188,229,652) fully paid ordinary shares	22,158,860	16,481,265

NOTE 17: ISSUED CAPITAL (cont'd)
NOTE 17: ISSUED CAPITAL

	2022	2021
	\$	\$
(a) Share Capital		
242,657,048 (31 December 2021: 188,229,652) fully paid ordinary shares	22,158,860	16,481,265

	31 December 2022		31 December 2021	
<i>Fully paid ordinary shares</i>	No.	\$	No.	\$
Balance at the beginning of the year	188,229,652	16,481,265	150,038,908	13,375,173
Issue of shares (i)	622,215	87,010	-	-
Issue of shares (ii)	91,666	10,575	-	-
Issue of shares (iii)	111,109	16,031	-	-
Issue of shares (iv)	22,833,176	3,152,749	-	-
Placement (v)	26,104,258	2,326,096	-	-
Placement (vi)	4,664,972	386,687	-	-
Placement (vii)	-	-	25,914,181	1,804,039
Issue of shares (viii)	-	-	691,151	11
Issue of shares (ix)	-	-	285,182	42,775
Issue of shares (x)	-	-	259,256	38,768
Issue of shares (xi)	-	-	1,234,056	175,252
Issue of shares (xii)	-	-	1,180,000	209,469
Issue of shares (xiii)	-	-	927,504	13
Issue of shares (xiv)	-	-	5,946,750	1,057,124
Issue of shares (xv)	-	-	1,752,664	26
Share issue costs	-	(301,553)	-	(221,385)
Balance at the end of the year	242,657,048	22,158,860	188,229,652	16,481,265

- (i) Issue of shares on 28 January 2022 following exercise of 622,215 unlisted options at A\$0.20 per option.
- (ii) Issue of shares on 28 January 2022 following exercise of 91,666 unlisted options at A\$0.165 per option.
- (iii) Issue of shares on 21 February 2022 following exercise of 111,109 unlisted options at A\$0.20 per option.
- (iv) Issue of shares on 29 April 2022 at A\$0.195 following the conversion of 2,392,047 convertible notes.
- (v) Issue of shares on 31 August 2022 at A\$0.13 per share pursuant to a Placement.
- (vi) Issue of shares on 25 October 2022 at A\$0.13 per share pursuant to a Placement.
- (vii) Issue of shares on 10 February 2021 at A\$0.09 per share pursuant to a Placement.
- (viii) Issue of shares on 3 May 2021 following exercise of 691,151 unlisted options at A\$0.00002 per option.
- (ix) Issue of shares on 30 June 2021 following exercise of 285,182 unlisted options at A\$0.20 per option.
- (x) Issue of shares on 14 July 2021 following exercise of 259,256 unlisted options at A\$0.20 per option.
- (xi) Issue of shares on 2 December 2021 following exercise of 1,234,056 unlisted options at A\$0.20 per option.
- (xii) Issue of shares on 2 December 2021 following exercise of 1,180,000 unlisted options at A\$0.25 per option.
- (xiii) Issue of shares on 7 December 2021 following exercise of 927,504 unlisted options at A\$0.00002 per option.
- (xiv) Issue of shares on 7 December 2021 following exercise of 5,946,750 unlisted options at A\$0.20 per option.
- (xv) Issue of shares on 9 December 2021 following exercise of 1,752,664 unlisted options at A\$0.00002 per option.

NOTE 17: ISSUED CAPITAL (cont'd)**(c) Capital Management**

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

NOTE 18: RESERVES

		2022	2021
		\$	\$
a) Share Based Payment Reserve			
55,836,918 (2021: 32,870,091) options on issue	19	4,983,316	2,939,503
b) Movement in Share Based Payment Reserve			2022
			\$
Opening balance at 1 January 2022			2,939,503
Share option plans			24,530
Issue of Ratdog Options (refer to note 19)			246,482
Issue of Anoushka Options (refer to note 19)			2,163
Issue of Advisory Options (refer to note 19)			116,792
Issue of Convertible Notes Options (refer to note 19)			1,439,688
Options to employees, consultants and CFO			214,158
Closing balance at 31 December 2022			4,983,316
		2022	2021
		\$	\$
c) Foreign Exchange Reserve			
Closing balance		92,650	(34,184)
The foreign currency translation reserve records exchange differences arising on translation from functional currency to presentation currency.			
		2022	2021
		\$	\$
d) Predecessor Accounting Reserve			
Closing balance		(133,879)	(133,879)
The reserve arises from the capital reorganisation and records the net liabilities of HeraMED Limited as at the acquisition date of 10 December 2019.			

NOTE 19: SHARE BASED PAYMENTS

During the year ended 31 December 2022, the Company recorded the following share-based payments:

- The issue of 1,000,000 Options exercisable at A\$0.22 on or before 28 April 2024 to corporate advisors, PAC Partners Securities Pty Ltd for services provided in relation to the convertible notes conversion which occurred on 28 April 2022 (“**Broker Options**”). The fair value of the options has been determined using the Black-Scholes pricing model as the fair value of the service provided could not be reliably determined.
- The issue of 22,833,176 Options exercisable at A\$0.22 on or before 28 April 2024 to convertible note holders (“**Convertible Notes Options**”). The fair value of the options has been determined using Black-Scholes pricing model and has been recorded under reserves in the statement of financial position.
- The issue of 7,500,000 Options in three (3) equal tranches exercisable at A\$0.22 on or before 28 April 2024 to corporate advisors, Ratdog Pty Ltd (“**Ratdog Options**”) for corporate advisory services. All three tranches were issued during the year ended 31 December 2022. Tranche 1 vested on 6 June 2022, Tranche 2 vested on 5 July 2022 and Tranche 3 vested on 17 August 2022. The fair value of the options has been determined using the Black-Scholes pricing model.
- The issue of 4,000,000 Options exercisable at A\$0.22 on or before 28 April 2024 to corporate advisors, PAC Partners Securities Pty Ltd for acting as sole and exclusive lead manager and bookrunner for the Placement (“**Advisory Options**”). The fair value of the options has been determined using the Black-Scholes pricing model and has been recognised as share issue costs.
- The issue of 850,000 Options exercisable at A\$0.1358 on or before 28 July 2027 to Ms Anoushka Gungadin (“**Anoushka Options**”) following her appointment on 26 July 2022 as Director of Strategic Partnerships Australia and New Zealand. The fair value of the options has been determined using the Black-Scholes pricing model. The Anoushka Options shall vest and become exercisable as follows:
 - For a commercial contract (including pilot) executed between the Company and Third Party as a direct result of Optionee’s efforts resulting in proceeds actually received by the Company during Optionee’s engagement with the Company, of at least A\$100,000 – 100,000 Options.
 - For a commercial contract executed between the Company and Third Party as a direct result of Optionee’s efforts resulting in proceeds actually received by the Company during Optionee’s engagement with the Company, of at least A\$500,000 – 200,000 Options.
 - For a commercial contract (including pilot) executed between the Company and Third Party as a direct result of Optionee’s efforts resulting in proceeds actually received by the Company during Optionee’s engagement with the Company, of at least A\$2,000,000 – 250,000 Options.
 - For a monetary grant of at least A\$500,000 actually received by the Company from a Third Party governmental authority during the Optionee’s engagement with the Company and as a direct result of the Optionee’s efforts – 200,000 Options.

NOTE 19: SHARE BASED PAYMENTS (cont'd)
Fair value

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

	Broker Options	Convertible Notes Options	Ratdog Options	Advisory Options	Anoushka Options
Number of options	1,000,000	22,833,176	7,500,000	4,000,000	850,000
Grant date	28 Apr 2022	29 Apr 2022	7 Jun 2022	12 Oct 2022	2 Aug 2022
Exercise price	A\$0.22	A\$0.22	A\$0.22	A\$0.22	A\$0.1358
Expected volatility	90%	90%	90%	90%	90%
Implied option life (years)	2.0	2.0	1.9	1.5	5.0
Expected dividend yield	nil	nil	nil	nil	nil
Risk free rate	2.15%	2.15%	2.60%	3.31%	3.16%
Valuation per option (A\$)	0.0853	0.0853	0.0471	0.0466	0.1043
Exchange rate	1.40845	1.41225	1.38911	1.596	1.4385
Valuation per option (US\$)	0.0606	0.0604	0.0339	0.0292	0.0725
Total valuation (US\$)	60,563	1,379,126	254,299	116,791	61,632

Share Based Payments Expense

Share based payment expense and expenses recognised in equity at 31 December 2022 is comprised as follows:

	2022	2021
	\$	\$
Share option plans	214,158	403,108
Issue of Ratdog Options	246,482	-
Issue of Anoushka Options	2,163	-
Total recognised in profit or loss as share-based payments	462,803	403,108
Issue of 4,000,000 Advisory Options	116,792	-
Issue of 1,000,000 Advisor Options	-	85,217
Total recognised in equity	116,792	85,217
Issue of Convertible Notes Options recognised as finance expense in profit or loss	1,439,688	-
Share option plans – capitalised under intangible assets	24,530	18,921
Total share-based payments expense recognised in reserves	2,043,813	507,246

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

	2022	2021
	\$	\$
Financial assets		
Cash and cash equivalents	2,616,639	3,559,018
Other receivables	171,235	124,711
	<u>2,787,874</u>	<u>3,683,729</u>
Financial liabilities		
Trade and other payables	560,700	692,972
Convertible notes	-	3,221,286
Borrowings	178,152	196,818
Other financial liabilities	556,180	583,926
	<u>1,295,032</u>	<u>4,695,002</u>

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.

NOTE 21: FINANCIAL INSTRUMENTS (cont'd)**(d) Market risk**

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

(e) Interest rate risk management

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

	Movement in Profit \$	Movement in Equity \$
Year ended 31 December 2022		
+/-1% in interest rates	26,166	26,166
Year ended 31 December 2021		
+/-1% in interest rates	35,590	35,590

(f) Credit risk

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

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

(g) Liquidity risk

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

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

NOTE 21: FINANCIAL INSTRUMENTS (cont'd)

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

31 December 2022	Interest rate	Less than 6 months	6-12 months	1-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		\$	\$	\$	\$	\$	\$
Trade and other payables	-	560,700	-	-	-	560,700	560,700
Borrowings	2.45%	-	178,152	-	-	178,152	178,152
Other financial liabilities	-	-	51,298	504,882	-	556,180	556,180
		560,700	229,450	504,882	-	1,295,032	1,295,032

31 December 2021	Interest rate	Less than 6 months	6-12 months	1-5 years	Over 5 years	Total contractual cash flows	Carrying amount
		\$	\$	\$	\$	\$	\$
Trade and other payables	-	692,972	-	-	-	692,972	692,972
Convertible notes	10%	3,221,286	-	-	-	-	3,221,286
Borrowings	2.45%	-	196,818	-	-	196,818	196,818
Other financial liabilities	-	-	34,708	549,218	-	583,926	583,926
		3,914,258	231,526	549,218	-	1,473,716	4,695,002

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

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

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

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

NOTE 21: FINANCIAL INSTRUMENTS (cont'd)

A summary of significant unobservable inputs (Level 3 inputs) used in measuring other financial liability are as follows:

Other financial liability	2022	2021
Principal amount	\$809,866	\$809,866
Discount rate	20%	20%
Fair value	\$556,180	\$583,926

The Company performed a sensitivity analysis of the financial liability which are classified as level 3 financial instruments. The Company recalculated the fair value of the financial liability by applying a +/- 5% changes to the discount rate used. As of 31 December 2022, a 5% increase in the discount rate would decrease the fair value of the financial liability to \$546,040; a 5% decrease in the discount rate would increase the fair value of the financial liability to \$566,620.

(i) Foreign currency risk

The currency risk is that risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar (the functional currency of the subsidiary company and the presentation currency of the Group), the New Israeli Shekel, the Australian Dollar (functional currency of the parent company).

NOTE 22: PARENT ENTITY FINANCIAL INFORMATION

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

(a) Financial Position of HeraMED Limited

	2022	2021
	\$	\$
ASSETS		
Current assets	702,516	2,017,642
Non-current assets	49,626	-
TOTAL ASSETS	752,142	2,017,642
LIABILITIES		
Current liabilities	44,818	58,290
Non-current liabilities	-	3,221,286
TOTAL LIABILITIES	44,818	3,279,576
NET ASSETS/(LIABILITIES)	707,324	(1,261,934)
SHAREHOLDERS' EQUITY		
Issued capital	17,386,075	11,708,480
Reserves	3,161,214	1,774,838
Accumulated losses	(19,839,965)	(14,745,252)
SHAREHOLDERS' EQUITY	707,324	(1,261,934)

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

Loss for the year	(5,094,713)	(4,716,315)
Other comprehensive income	-	-
Total comprehensive loss	(5,094,713)	(4,716,315)

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

There are no guarantees entered into by HeraMED Limited.

(d) Contingent liabilities of HeraMED Limited

There were no contingent liabilities as at 31 December 2022 (2021: nil) other than those mentioned at note 25.

(e) Commitments by HeraMED Limited

There were no commitments as at 31 December 2022 (2021: nil).

NOTE 23: CONTROLLED ENTITIES

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

Controlled entities	Country of Incorporation	Percentage Owned	
		2022	2021
Hera Med Ltd	Israel	100%	100%
HeraMED US Inc.	U.S.A	100%	100%

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

NOTE 24: CONVERTIBLE NOTES

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

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

On 29 April 2022 (Conversion Date), the Company issued 22,833,176 fully paid ordinary shares and 22,833,176 unlisted options following the conversion of 2,392,047 Notes. The Notes were fair valued at the Conversion Date; the shares were valued at the market price on the Conversion Date and the unlisted options were valued using the Black-Scholes pricing model. The difference of \$1,415,873 (A\$1,969,879 at an exchange rate of A\$1/\$1.39128) between the carrying amount as at 31 December 2021 and the fair value at Conversion Date has been recognised as a finance expense in the statement of profit or loss and other comprehensive income.

The 22,833,176 unlisted options were valued using the Black-Scholes pricing model and more information is found at note 19. As at the date of this report, there are no Notes on issue.

NOTE 25: CONTINGENCIES

The Company is a party to a number of agreements with Mayo Clinic. Subject to Mayo Clinic's achieving milestones with such agreements, the Company is to issue securities and/or pay royalties.

NOTE 26: COMMITMENTS

The Group has no known commitments as at 31 December 2022.

NOTE 27: EVENTS AFTER THE REPORTING PERIOD

On 21 March 2023, the Company announced it had signed a Memorandum of Understanding (MoU) with the Gold Coast Hospital to trial the HeraCARE platform as its new standard of care for their Women Newborn and Children Services. A controlled trial of HeraCARE platform will begin for up to 90 pregnancies for a period of six to nine months. Upon successful completion of the trial, subject to proper market scan, value for money assessment and results of clinical outcomes, the Gold Coast Hospital intends to order additional licenses.

On 24 January 2023, the Company announced the appointment of Mr Keith Koby as President, North America. Mr Koby is a highly experienced health executive, having spent over 30 years working in medical technology, devices and services sales in North America, including senior roles at GE Healthcare and Nanosonics. Mr Koby represents HeraMED's most senior appointment to date.

On 20 February 2023, the Company announced that its strategic partner in the USA, e-Lövu Health has launched the first stage of its initial commercial rollout phase.

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

NOTE 28: APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 22 March 2023.

The directors are unaware of any other significant event or circumstance that has arisen since 31 December 2022 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years other than those disclosed above.

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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, 22 March 2023

INDEPENDENT AUDITOR'S REPORT

To the members of HeraMED Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of HeraMED Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Material uncertainty related to going concern

We draw attention to Note 1c) 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.

Revenue Recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>HeraMED Limited has generated material revenue during the year related to the provision of pregnancy monitoring services under key contracts with customers through the delivery of their HeraCARE software platform and HeraBEAT monitoring devices.</p> <p>We have identified revenue recognition as a key audit matter due to the judgement involved in determining the performance obligations within contracts with customers and the most appropriate methodology to measuring the satisfaction of these performance obligations.</p> <p>Refer to Note 1 I) and Note 3 for the Group's accounting policy and disclosures relating to revenue recognition.</p>	<p>Our audit procedures in this area included, but were not limited to:</p> <ul style="list-style-type: none"> • Reading contracts or agreements for a sample of key contracts to obtain an understanding of the terms and conditions; • Reviewing the revenue recognition policy applied by the Group and comparing to the requirements of the applicable accounting standards'; • Enquiring with management as to the appropriateness of procedures in place to ensure proper cut-off for revenue has been achieved and that deferred revenue had been appropriately recorded at year end; • Testing a sample of transactions and contracts to supporting documentation and comparing revenue recognition to the Group's accounting policy and the requirements of the applicable accounting standards'; • Reviewing accounting policies and disclosures including significant estimates and judgements included within note 1(I) and note 3 of the financial report.

Accounting Treatment of the Conversion of Convertible Notes

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>In the previous financial year, HeraMED Limited successfully raised US\$1,806,235 via an issuance of 2,397,047 convertible notes.</p> <p>In the current financial year HeraMED Limited issued 22,833,176 fully paid ordinary shares and 22,833,176 unlisted options following the conversion of 2,392,047 notes to settle the convertible note liability.</p> <p>We have identified the accounting for the conversion of the convertible notes as a key audit matter due to complexity of the valuation of the financial liability and the significant impact that the accounting has on the financial performance of the Group.</p>	<p>Our audit procedures in this area included, but were not limited to:</p> <ul style="list-style-type: none"> • Enquiring with management and confirming there were no changes to the convertible note facility up until the point of conversion; • Reviewing management's valuation of the convertible note on conversion date and the treatment of the fair value increment up until this date. This included reviewing the fair value of shares and options issued; • Engaging our valuation specialists to review the volatility of the options issued as part of the conversion; • Reviewing the accounting entries recognised by the Group for the conversion of the convertible notes; • Considering the accounting treatment against the requirements of applicable accounting standards; and • Reviewing accounting policies and disclosures including significant estimates and judgements included within note 24 of 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 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 31 December 2022.

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

A handwritten signature in black ink, appearing to read 'JW', is written over a horizontal line.

Jackson Wheeler

Director

Perth

22 March 2023

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ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 2 March 2023.

As at 2 March 2023, there were 1,358 holders of fully paid ordinary shares.

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

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

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

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

ANNUAL GENERAL MEETING

The Annual General Meeting is scheduled to be held at the end of May 2023.

TWENTY (20) LARGEST SHAREHOLDERS

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

Fully Paid Ordinary Shares

Holder Name	Holding	% IC
Citicorp Nominees Pty Limited	12,187,408	5.02%
Altshuler Shaham Trusts Ltd <Holley Pharma Co Ltd A/C>	10,857,385	4.47%
Altor Capital Management Pty Ltd <Altor Alpha Fund A/C>	10,628,875	4.38%
Freeman Road Pty Ltd <The Avenue A/C>	10,543,779	4.35%
Altshuler Shaham Trusts Ltd <Tal Slonim A/C>	9,709,170	4.00%
Altshuler Shaham Trusts Ltd <David Groberman A/C>	9,709,170	4.00%
HSBC Custody Nominees (Australia) Limited	8,294,621	3.42%
S & S Browne Assets Pty Ltd <S & S Browne Investment A/C>	4,096,616	1.69%
Ratdog Pty Ltd	3,670,000	1.51%
Bryntirion Capital	3,637,273	1.50%
Ripperday Pty Ltd	3,457,496	1.42%
Chris Ntoumenopoulos	3,025,000	1.25%
Tamorer Pty Ltd <Wylie Family A/C>	2,909,091	1.20%
Mayo Clinic	2,767,691	1.14%
Mr Alan Jonathan Berrick	2,552,273	1.05%
Dr Matthew Farrugia	2,354,014	0.97%
Netwealth Investments Limited <Wrap Services A/C>	2,171,276	0.89%
Cardup Syndicate Holdings Pty Ltd <The Cardup Syndicate A/C>	2,050,000	0.84%
Mr John Vieira & Mrs Tracey Lois Vieira <Bayview Retirement Plan A/C>	1,656,000	0.68%
Dr Stuart Lloyd Phillips & Mrs Fiona Jane Phillips <SL & FJ Phillips Pension A/C>	1,585,000	0.65%
North of the River Investments Pty Ltd	1,508,042	0.62%
Total	109,370,180	45.07%

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 2 March 2023 are:

Name	No of Shares Held	% of Issued Capital
Citicorp Nominees Pty Ltd	12,187,408	5.02%

DISTRIBUTION OF SHAREHOLDERS

Fully Paid Ordinary Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	25	2,139	-
1,001 - 5,000	267	885,145	0.36
5,001 - 10,000	198	1,608,896	0.66
10,001 - 100,000	567	24,805,679	10.22
100,001 - 9,999,999,999	301	215,355,189	88.75
Totals	1,358	242,657,048	100.00

Unmarketable Parcels – 207 Holders with a total of 497,511 shares, based on the last trading price of \$0.125 on 1 March 2023.

RESTRICTED SECURITIES

As at 2 March 2023, the Company did not have any restricted securities on issue.

LISTED OPTIONS EXPIRING 28 APRIL 2024 @ A\$0.22 – 111 HOLDERS

Holder Name	Holding	% IC
Ratdog Pty Ltd	7,500,000	16.45%
F & T Spagnolo Pty Ltd <Fred Spagnolo Family A/C>	2,610,682	5.73%
Tamorer Pty Ltd <Wylie Family A/C>	2,242,424	4.92%
Inverness Capital Pty Ltd <Match Partner Investment A/C>	2,200,000	4.83%
J P Morgan Nominees Australia Pty Limited	1,813,636	3.98%
Epic Capital Pty Ltd	1,670,455	3.66%
HSBC Custody Nominees (Australia) Limited	1,666,667	3.66%
Freeman Road Pty Ltd <The Avenue Trust>	1,282,051	2.81%
MGL Corp Pty Ltd	1,130,594	2.48%
Klip Pty Ltd <The Beirne Super Fund A/C>	1,056,815	2.32%
Anthony Alan David Berrick <Ellis David Reed Berrick A/C>	1,000,000	2.19%
Anthony Alan David Berrick <Lewin L R Berrick A/C>	1,000,000	2.19%
Netwealth Investments Limited <Wrap Services A/C>	954,545	2.09%
Altor Capital Management Pty Ltd <Altor Alpha Fund A/C>	915,495	2.01%
Blue Lake Partners Pty Ltd	906,818	1.99%
Badak Puth Capital Pty Ltd <Gajah Investment A/C>	825,000	1.81%
PAC Partners Securities Pty Ltd	819,000	1.80%
EDNA Securities Pty Ltd <Warren Gelfand PSF A/C>	783,205	1.72%
Generation Wise Pty Ltd <The Generation 1 A/C>	715,909	1.57%
Pac Partners Pty Ltd	700,000	1.54%
North of the River Investments Pty Ltd	687,529	1.51%
Total	32,480,825	71.25%

SUBSTANTIAL LISTED OPTION HOLDERS

The names of the substantial listed option holders disclosed to the Company as at 2 March 2023 are:

Name	No of Options Held	%
Ratdog Pty Ltd	7,500,000	16.45%
F & T Spagnolo Pty Ltd <Fred Spagnolo Family A/C>	2,610,682	5.73%

DISTRIBUTION OF LISTED OPTIONS

Listed Options

Holding Ranges	Holders	Total Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	48	2,737,594	6.00%
100,001 - 9,999,999,999	63	42,851,990	94.00%
Totals	111	45,589,584	100.00%

UNQUOTED SECURITIES

As at 2 March 2023, the following unquoted securities were on issue:

Unlisted Options Expiring 9 August 2027 @ A\$0.15 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Ms Michal Vasiliver	250,000	100.00

Unlisted Options Expiring 27 January 2027 @ A\$0.15 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Keith Koby	350,000	100.00

Unlisted Options Expiring 28 July 2027 @ A\$0.1358 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Anoushka Gungadin	850,000	100.00

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

Holders with more than 20%

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



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

Holders with more than 20%

Holder Name	Holding	% IC
Sivan Sadan	574,000	100

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

Holders with more than 20% - NIL

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.

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