

## APPENDIX 4E PRELIMINARY FINAL REPORT

### 1. DETAILS OF REPORTING PERIOD

Name of Entity	HeraMED Limited (“the Company”)
ABN	65 626 295 314
<b>Reporting Period</b>	<b>31 December 2019</b>
Previous Corresponding Period	31 December 2018
Presentation Currency	US Dollars

### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended 31 Dec 2019 \$'000	12 months ended 31 Dec 2018 \$'000	Increase/ (decrease) %	Amount change \$'000
Revenues from ordinary activities	145	77	88.31%	68
Profit/(loss) from ordinary activities after tax attributable to members	(3,247)	(3,766)	(13.78%)	519
Net profit/(loss) for the year attributable to members	(3,247)	(3,766)	(13.78%)	519

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

#### Commentary on results:

Refer to section 14 below.

### 3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached consolidated financial statements.

### 4. STATEMENT OF FINANCIAL POSITION

Refer to attached consolidated financial statements.

### 5. STATEMENT OF CASH FLOWS

Refer to attached consolidated financial statements.

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

Refer to attached consolidated financial statements.

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**7. DIVIDENDS/DISTRIBUTIONS**

No dividends declared in current or prior year.

**8. DETAILS OF DIVIDEND REINVESTMENT PLANS**

Not Applicable

**9. NET TANGIBLE ASSETS PER SHARE**

	31 Dec 2019	31 Dec 2018
Net tangible asset backing per ordinary security	1.01 cents	3.60 cents

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

**Control gained over entities**

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

**Loss of control over entities**

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

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

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

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

Refer to attached consolidated financial statements.

**13. FOREIGN ENTITIES**

Refer to attached consolidated financial statements.

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

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

## 15. AUDIT

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

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David Groberman

David Groberman  
**Chief Executive Officer**

27 February 2020

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# **HERAMED LIMITED**

**ABN 65 626 295 314**

**PRELIMINARY FINAL REPORT**

**31 DECEMBER 2019**

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**HERAMED LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**Review of operations**

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

HeraMED Limited had a loss for the year ended 31 December 2019 of \$3,247,044 (2018: \$3,766,480). The net assets of the Group have decreased by \$2,071,651, from \$4,340,037 at 31 December 2018 to \$2,268,386 at 31 December 2019.

As at 31 December 2019, the Group's cash and cash equivalents decreased from \$4,033,829 at 31 December 2018 to \$2,045,612.

**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 the issue of 9,184,076 ordinary shares raising \$916,071 net of issuance expenses.

**Additional requirements for capital**

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

**Highlights during the year**

During the year ended 31 December 2019, the Company had the following highlights:

- Major Brazilian health care group placed initial pilot order for HeraMED's cloud-based SaaS pregnancy monitoring service.
- Manufacturing agreement signed with leading medical device manufacture – Quasar, to increase production and improve cost effectiveness of HeraBEAT™.
- Leading digital healthcare executive, Dr Arturo Weschler MD appointed to lead Orion Artificial Intelligence operation
- Head of Cardiology at the Mayo Clinic, Dr Paul Freidman appointed to HeraMED Advisory Board.
- HeraCARE PRO successfully integrated into Hapvida's hospital systems.
- HeraMED entered the German market after securing an initial order with major electronics distributor Duttenhofer Group.
- HeraMED and Mayo Clinic teamed up to co-develop a new platform based on Mayo Clinic successful OB Nest project.
- HeraMED received 510(k) clearance from the US Food and Drug Administration (FDA) for HeraBEAT US (United States) foetal ultrasonic heart rate monitor.
- Cooperation Agreement secured with Kinderheldin GmbH to add online midwifery service in Germany.
- A\$1.42m placement to investors to pursue growth opportunities.

*David Groberman*

**David Groberman**

**Chief Executive Officer**

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 US\$	2018 US\$
Revenue		145,389	77,169
Cost of sales		(111,577)	(134,070)
<b>Gross profit/(loss)</b>		<b>33,812</b>	<b>(56,901)</b>
Research and development expenses		(922,706)	(473,117)
General and administrative expenses		(1,054,192)	(806,011)
Selling and marketing expenses		(980,136)	(322,133)
Depreciation and amortisation expenses		(242,894)	(208,325)
Share-based payments	4	(181,350)	(1,008,415)
<b>Loss before finance expenses</b>		<b>(3,347,466)</b>	<b>(2,874,902)</b>
Finance income		107,872	77,607
Finance expenses		(7,450)	(969,185)
<b>Loss before income tax</b>		<b>(3,247,044)</b>	<b>(3,766,480)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(3,247,044)</b>	<b>(3,766,480)</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		77,972	(198,250)
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<b>(3,169,072)</b>	<b>(3,964,730)</b>
<b>Loss per share attributable to owners of the Company</b>			
Basic/diluted loss per share (cents per share)	2	(0.037)	(0.102)

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

**HERAMED LIMITED**  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	Note	2019 US\$	2018 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,045,612	4,033,829
Other receivables		135,113	177,190
Inventory		58,091	105,311
<b>TOTAL CURRENT ASSETS</b>		<b>2,238,816</b>	<b>4,316,330</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		16,823	15,529
Right-of-use asset		72,616	-
Intangible assets		1,156,190	1,193,153
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,245,629</b>	<b>1,208,682</b>
<b>TOTAL ASSETS</b>		<b>3,484,445</b>	<b>5,525,012</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		456,345	470,520
Lease liability		66,805	-
Liability for Israel Innovation Authority grants		16,165	29,870
<b>TOTAL CURRENT LIABILITIES</b>		<b>539,315</b>	<b>500,390</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		168,464	157,220
Lease liability		5,811	-
Liability for Israel Innovation Authority grants		502,469	527,365
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>676,744</b>	<b>684,585</b>
<b>TOTAL LIABILITIES</b>		<b>1,216,059</b>	<b>1,184,975</b>
<b>NET ASSETS</b>		<b>2,268,386</b>	<b>4,340,037</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	3	10,738,713	9,822,642
Shares to be issued		52,722	-
Share-based payment reserve	4	2,140,045	2,011,417
Predecessor Accounting reserve		(133,879)	(133,879)
Foreign exchange reserve		(120,278)	(198,250)
Accumulated losses		(10,408,937)	(7,161,893)
<b>SHAREHOLDERS' EQUITY</b>		<b>2,268,386</b>	<b>4,340,037</b>

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

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019**

	Issued capital	Shares to be issued	Share-based payment reserve	Predecessor Accounting reserve	Foreign exchange reserve	Accumulated losses	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Balance at 1 January 2018</b>	<b>2,998,771</b>	-	<b>601,687</b>	-	-	<b>(3,395,413)</b>	<b>205,045</b>
Loss for the year	-	-	-	-	-	(3,766,480)	(3,766,480)
Other comprehensive loss	-	-	-	-	(198,250)	-	(198,250)
Total comprehensive loss for the year	-	-	-	-	(198,250)	(3,766,480)	(3,964,730)
<i>Transactions with owners in their capacity as owners:</i>							
Issue of shares – pre IPO	589,746	-	-	-	-	-	589,746
Issue of shares	6,866,552	-	-	-	-	-	6,866,552
Capital raising costs	(632,427)	-	-	-	-	-	(632,427)
Share based payments	-	-	1,409,730	-	-	-	1,409,730
Transactions under common control	-	-	-	(133,879)	-	-	(133,879)
<b>Balance at 31 December 2018</b>	<b>9,822,642</b>	-	<b>2,011,417</b>	<b>(133,879)</b>	<b>(198,250)</b>	<b>(7,161,893)</b>	<b>4,340,037</b>
<b>Balance at 1 January 2019</b>	<b>9,822,642</b>	-	<b>2,011,417</b>	<b>(133,879)</b>	<b>(198,250)</b>	<b>(7,161,893)</b>	<b>4,340,037</b>
Loss for the year	-	-	-	-	-	(3,247,044)	(3,247,044)
Other comprehensive income	-	-	-	-	77,972	-	77,972
Total comprehensive loss for the year	-	-	-	-	77,972	(3,247,044)	(3,169,072)
<i>Transactions with owners in their capacity as owners:</i>							
Issue of shares	974,545	-	-	-	-	-	974,545
Shares yet to be issued to service providers	-	52,722	-	-	-	-	52,722
Capital raising costs	(58,474)	-	-	-	-	-	(58,474)
Share based payments	-	-	128,628	-	-	-	128,628
<b>Balance at 31 December 2019</b>	<b>10,738,713</b>	<b>52,722</b>	<b>2,140,045</b>	<b>(133,879)</b>	<b>(120,278)</b>	<b>(10,408,937)</b>	<b>2,268,386</b>

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



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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 US\$	2018 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		207,147	39,193
Payments to suppliers and employees		(2,945,120)	(1,806,217)
Interest received		11,108	878
<b>Net cash (used in) operating activities</b>		<b>(2,726,865)</b>	<b>(1,766,146)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(6,476)	(5,051)
Payments for capitalised development expenses		(200,749)	(172,887)
Cash held by the Company at acquisition date		-	4,267
<b>Net cash (used in) investing activities</b>		<b>(207,225)</b>	<b>(173,671)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from equity instruments of the Company	3	916,071	4,487,060
Other transaction costs		(92,215)	-
Proceeds from convertible loans		-	1,629,174
Repayment of loans		-	(151,786)
<b>Net cash provided by financing activities</b>		<b>823,856</b>	<b>5,964,448</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,110,234)</b>	<b>4,024,631</b>
Cash and cash equivalents at the beginning of the financial year		4,033,829	45,604
Impact of movement in foreign exchange rates		122,017	(36,406)
<b>Cash and cash equivalents at the end of the financial year</b>		<b>2,045,612</b>	<b>4,033,829</b>

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

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**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2019**

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

**Basis of preparation of the financial report**

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

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

**a) Going concern**

The preliminary final report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a loss for the year ended 31 December 2019 of \$3,247,044 (31 December 2018: \$3,766,480) and net cash outflows used in operating activities was \$2,726,865 (31 December 2018: \$1,766,146).

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

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

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

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

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

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

**b) Basis of Measurement and Reporting Conventions**

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

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**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2019**

**c) Adoption of New and Amended Accounting Standards**

The Group had to change its accounting policies as a result of the adoption of *AASB 16 Leases* as from 1 January 2019. The impact of the adoption of this Standard is as follows:

**AASB 16 Leases – Impact of Adoption**

In January 2020, the Group entered into an extension of its office space lease agreement (“Agreement”). The new term of the Agreement extends the lease term for more than one (1) year. As a result, the Group recognised a “right-of-use asset” in the consolidated statement of financial position as at 31 December 2019. The Group’s obligation to make lease payments under the Agreement are recognised under current and non-current liabilities in the consolidated statement of financial position. Based on the present value of future lease payments, the Group has recognised a right-of-use asset and lease liability of \$72,616 as at 31 December 2019. The interest rate used to discount future lease payment was 8%.

**Reconciliation of total leases commitments at 31 December 2018 to the lease liability recognised at 1 January 2019**

Lease Commitments as at 31 December 2018	\$5,446
Less: Lease with remaining term less than 12 months	<u>(\$5,446)</u>
Lease liabilities as at 1 January 2019	nil

**AASB 16 Leases – Accounting Policies applied from 1 January 2019**

**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.

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.

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**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2019**

**d) Critical Accounting Estimates and Judgements**

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

**Key Estimates and Judgements**

*Share based payments*

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

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

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

**NOTE 2: LOSS PER SHARE**

	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
<b>Loss per share (EPS)</b>		
a) Loss used in calculation of basic EPS and diluted EPS	(3,247,044)	(3,766,480)
b) Weighted average number of ordinary shares outstanding at year end used in calculation of basic and diluted loss per share	88,511,748	36,971,581

The weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the year ended 31 December 2018 has been adjusted to reflect the capital reorganisation.

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**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2019**

<b>NOTE 3: ISSUED CAPITAL</b>	<b>2019 US\$</b>	<b>2018 US\$</b>
<b>(a) Share Capital</b>		
103,212,917 (31 December 2018: 87,528,841) fully paid ordinary shares	10,738,713	9,822,642

**(b) Movement in Ordinary Capital**

	<b>No.</b>	<b>Total US\$</b>
Opening balance as at 1 January 2019	87,528,841	9,822,642
Issue of shares (i)	6,500,000	-
Issue of shares (ii)	9,184,076	974,545
Costs of capital raising	-	(58,474)
<b>Closing balance at 31 December 2019</b>	<b>103,212,917</b>	<b>10,738,713</b>

(i) Issue of shares on 28 November 2019 following receipt of FDA clearance for HeraBEAT device to be used as a clinical medical device for professional use in the USA. 5,525,000 shares were issued to Vendors and 975,000 shares were issued to Corporate Advisors.

(ii) Issue of shares on 17 December 2019 pursuant to a placement at A\$0.155 per share.

**(c) Capital Management**

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

**Deferred Consideration Shares**

In addition to the number of shares disclosed above (Note 3a), there are also 16,500,000 deferred consideration shares to be issued (14,025,000 to Vendors and 2,475,000 to Corporate Advisors) subject to the satisfaction of certain performance milestones within 36 months of the date of quotation ("Deferred Consideration Shares").

The performance milestones are as follows:

- The issue of 14,025,000 Deferred Consideration Shares to Vendors to be issued as follows:
  - 5,525,000 shares subject to the Company reaching cumulative revenue of A\$7,500,000, which shall be verified by an independent auditor's report, within 24 months of listing on the ASX.
  - 8,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX.
- The issue of 2,475,000 Deferred Consideration Shares to Corporate Advisors to be issued as follows:
  - 975,000 shares subject to the Company reaching cumulative revenue of A\$7,500,000, which shall be verified by an independent auditor's report, within 24 months of listing on the ASX.
  - 1,500,000 shares subject to the Company reaching cumulative revenue of A\$15,000,000, which shall be verified by an independent auditor's report, within 36 months of listing on the ASX.

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

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

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**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2019**

**NOTE 4: SHARE BASED PAYMENTS**

During the year ended 31 December 2019, the Company recorded the following share-based payments:

- The issue of 2,000,000 Options exercisable at A\$0.25 on or before 31 December 2021 to third party service providers ("Service Provider Options"). The fair value of the Options has been determined using Black-Scholes model as the fair value of the service provided could not be reliably determined.
- The issue of 1,200,000 Class 1 Options exercisable at A\$0.165 on or before 15 August 2024 to Israeli employees ("Employee Options Class 1").
- The issue of 25,000 Class 2 Options exercisable at A\$0.165 on or before 15 August 2024 to Israeli employees ("Employee Options Class 2").
- The issue of 574,000 Class 3 Options exercisable at US\$0.01 (approximately A\$0.015) on or before 15 August 2024 to Ms Sivan Sadan ("CFO Options").
- The issue of 5,525,000 ordinary shares as consideration to Vendors as a result of the satisfaction of the first milestone achieved within 12 months of listing on the ASX. No share-based payment expense has been recognised in the statement of profit or loss and other comprehensive income.
- The issue of 975,000 ordinary shares to Corporate Advisors as a result of the satisfaction of the first milestone achieved within 12 months of listing on the ASX. An initial expense of US\$69,335 was already recorded in the 2018 statement of profit or loss and other comprehensive income and an additional expense of US\$69,335 has been recognised in the 2019 statement of profit or loss and other comprehensive income.
- The issue of 500,000 ordinary shares to third-party service providers for their services during the 2019 financial year. The Group recorded an expense of US\$52,722 in the statement of profit or loss and other comprehensive income.

**Fair value**

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

Options	Service Providers Options	Employee Options Class 1	Employee Options Class 2	CFO Options
Number of options	2,000,000	1,200,000	25,000	574,000
Grant date	22 Aug 2019	15 Aug 2019	15 Aug 2019	15 Aug 2019
Exercise price	A\$0.25	A\$0.165	A\$0.165	US\$0.01
Expected volatility	60%	60%	60%	60%
Implied option life (years)	2.0	3.3	2.5	2.85
Expected dividend yield	nil	nil	nil	nil
Risk free rate	0.86%	0.70%	0.70%	0.70%
Valuation per option A\$	0.0193	0.0694	0.0611	0.1502
Exchange rate	1.4784	1.4760	1.4760	1.4760
Valuation per option US\$	0.0131	0.0470	0.0414	0.1018
Total valuation US\$ (i)	26,095	56,428	1,036	58,427

(i) Due to rounding, the total might not precisely reflect the absolute figures obtained on multiplying the number of options by the valuation per option.

**HERAMED LIMITED**  
**PRELIMINARY FINAL REPORT 31 DECEMBER 2019**

**CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2019**

**Share Based Payments expense**

Share based payment expense at 31 December 2019 is comprised as follows:

	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
Issue of 7,500,000 Management Options	-	311,814
Issue of 8,600,000 Noteholder Options	-	357,546
Deferred Consideration Shares issued to Corporate Advisors	69,335	69,335
Shares yet to be issued to third-party service providers	52,722	-
Share option plans	59,293	269,720
Total expense recognised in profit or loss	<u>181,350</u>	<u>1,008,415</u>
Issue of 7,500,000 Broker Options	-	311,814
Total expense recognised in equity	<u>-</u>	<u>311,814</u>
Share option plans – capitalised under Intangible assets	-	89,501
Total share-based payments expense	<u>181,350</u>	<u>1,409,730</u>

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