APPENDIX 4E
PRELIMINARY FINAL REPORT

1. DETAILS OF REPORTING PERIOD

Name of Entity	HeraMED Limited ("the Company")
ABN	65 626 295 314
Reporting Period	**31 December 2022**
Previous Corresponding Period	31 December 2021
Presentation Currency	US Dollars ("$")

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended 31 Dec 2022 $'000	12 months ended 31 Dec 2021 $'000	Increase/ (decrease) %	Amount change $'000
Revenues from ordinary activities	219	87	151.72%	132
Profit/(loss) from ordinary activities after tax attributable to members	(4,881)	(5,709)	(14.50%)	828
Net profit/(loss) for the year attributable to members	(4,881)	(5,709)	(14.50%)	828

	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 Preliminary Final Report.

4. STATEMENT OF FINANCIAL POSITION

Refer to attached Preliminary Final Report.

5. STATEMENT OF CASH FLOWS

Refer to attached Preliminary Final Report.

6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached Preliminary Final Report.

7. DIVIDENDS/DISTRIBUTIONS

No dividends declared in the current or prior year.

8. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

9. NET TANGIBLE ASSETS PER SHARE

	31 Dec 2022	31 Dec 2021
Net tangible asset/(liability) backing per ordinary security	0.751 cents	(0.412) 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 Preliminary Final Report.

13. FOREIGN ENTITIES

Refer to attached Preliminary Final Report.

14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION

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

15. AUDIT

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 Final Report has been prepared on a going concern basis. Please refer to note 1(a) Going Concern.

Authorised for release by the Board

David Groberman

David Groberman

Chief Executive Officer

28 February 2023

HeraMED Limited ACN 626 295 314
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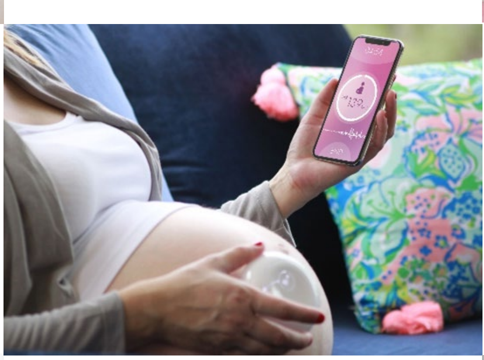
HERAMED LIMITED

ABN 65 626 295 314

PRELIMINARY FINAL REPORT
31 DECEMBER 2022





HERAMED LIMITED
PRELIMINARY FINAL REPORT 31 DECEMBER 2022

Review of operations

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

HeraMED Limited ("HeraMED", "HMD" or "the Company") incurred a loss before finance expense 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 decreased from $3,559,018 at 31 December 2021 to $2,616,639.

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.

Additional requirements for capital

During the year ended 31 December 2022, the Group raised a total of ~$2.8M (before issuance costs). 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 further revenues and the extent of development activities. Additional equity financing will dilute existing shareholders. If the Group is unable to obtain additional financing as needed, it will 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 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'Lōvu 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 Keith Koby as President America representing an important step in strategy to rapidly grow presence in the key target market of America;**
- **Appointment of Emily Slade as Non-Executive director.**

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, 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.

The first agreement achieved under Anoushka's stewardship 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-Lōvu and HeraMED executed an initial partnership agreement for deployment of HeraCARE into the US market in July 2022. e-Lōvu 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-Lōvu 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-Lōvu fully paid and received devices and HeraCARE licenses for 30 pregnancies. During January 2023, e-Lōvu fully paid and received additional 170 HeraBEAT's and HeraCARE licenses and during February 2023, e-Lōvu placed a formal purchase order and maid 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.

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.

Outlook for 2023

Dear shareholders and stakeholders, I am pleased to share with you my vision and expectations for 2023 and beyond.

We have a well-defined strategy to ensure HeraCARE is established as the leading solution for remote pregnancy and maternity monitoring

This year, we are focused on continued commercial activity, both in the US and Australia, as well as optimization of our technology.

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 working tirelessly to build 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, specifically 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 abilities 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, I am confident in our ability to achieve further commercial traction in 2023 and beyond.

We are aware of the fact that some initiatives are not moving as fast as we have wanted. Naturally, our clients being leading healthcare organizations, are inherently risk averse and conduct a thorough analysis and due diligence on all aspects of the solutions before they make a decision; however, once the decision is taken, the potential of each account is substantial and most probably long-term. We appreciate and are thankful for the patience that our shareholders are showing. We believe that the company has never been in a better situation, both from a product perspective as well as from a commercial position.

Our team is dedicated to executing our vision and expectations, and I look forward to sharing our progress with you throughout the year.

Sincerely,

David Groberman

David Groberman

Chief Executive Officer

28 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 $	2021 $
Revenue		218,915	86,654
Cost of sales		(78,282)	(42,248)
Gross profit		**140,633**	**44,406**
Research and development expenses		(758,079)	(1,513,681)
General and administrative expenses		(1,244,378)	(1,331,850)
Selling and marketing expenses		(497,843)	(463,079)
Depreciation and amortisation expenses		(358,412)	(271,700)
Impairment of purchase license – Orion		-	(96,038)
Share-based payments		(462,803)	(403,108)
Loss before finance expenses		**(3,180,882)**	**(4,035,050)**
Finance income		38,131	75
Finance costs – convertible notes		(1,415,873)	(1,482,005)
Finance expenses		(322,039)	(191,963)
Loss before income tax		**(4,880,663)**	**(5,708,943)**
Income tax expense		-	-
Loss for the year		**(4,880,663)**	**(5,708,943)**
Items that may be reclassified subsequently to profit or loss			
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		(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		2,616,639	3,559,018
Trade receivables		9,521	1,152
Other receivables		245,427	241,014
Inventory		171,393	88,492
TOTAL CURRENT ASSETS		**3,042,980**	**3,889,676**
NON-CURRENT ASSETS			
Plant and equipment		75,412	28,989
Intangible assets		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		560,700	692,972
Convertible notes	5	-	3,221,286
Borrowings		178,152	196,818
Liability for Israel Innovation Authority grants		51,298	34,708
TOTAL CURRENT LIABILITIES		**790,150**	**4,145,784**
NON-CURRENT LIABILITIES			
Liability for Israel Innovation Authority grants		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	3	22,158,860	16,481,265
Share-based payment reserve	4	4,983,316	2,939,503
Predecessor Accounting reserve		(133,879)	(133,879)
Foreign exchange reserve		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 AS AT 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 income	-	-	-	(8,563)	-	(8,563)
Total comprehensive loss for the year	-	-	-	(8,563)	(5,708,943)	(5,717,506)
Transactions with owners in their capacity as owners:						
Issue of shares	3,327,477	-	-	-	-	3,327,477
Capital raising costs	(221,385)	-	-	-	-	(221,385)
Share based payments	-	507,246	-	-	-	507,246
Balance at 31 December 2021	**16,481,265**	**2,939,503**	**(133,879)**	**(34,184)**	**(19,358,690)**	**(105,985)**
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)
Transactions with owners in their capacity as owners:						
Issue of shares (refer to note 3)	5,979,148	-	-	-	-	5,979,148
Capital raising costs (refer to note 3)	(301,553)	-	-	-	-	(301,553)
Share based payments (refer to note 4)	-	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		**(2,560,313)**	**(3,231,788)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(4,649)	(18,762)
Payments for capitalised development expenses		(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	3	2,641,669	3,314,017
Proceeds on issue of convertible notes	5	-	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		**2,616,639**	**3,559,018**

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

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2022

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 2022 of $4,880,663 (31 December 2021: $5,708,943) and net cash outflows used in operating activities was $2,560,313 (31 December 2021: $3,231,788).

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.

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 ongoing operations of the Group for the following reasons:

- 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 will 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.

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.

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2022

c) Adoption of new and revised Australian Accounting Standards

The Group has adopted all 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.

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.

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2022

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 an 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.

Development costs

Costs relating to the development of HeraBEAT and HeraCARE 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.

Fair value of long-term liabilities

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

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

NOTE 2: 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 at year end used in calculation of basic and diluted loss per share	214,103,669	174,619,016

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2022

NOTE 3: 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

(b) Movement in Ordinary Capital

	No.	Total $
Opening balance as at 1 January 2022	188,229,652	16,481,265
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
Share issue costs	-	(301,553)
Closing balance at 31 December 2022	**242,657,048**	**22,158,860**

(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.

(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 and/or debt 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.

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2022

NOTE 4: 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$0.20 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 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. The expense associated with Tranche 1 was already accounted for at the half year reporting period. 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 unlisted 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. There are various milestones which have to be met for the Options to vest and become exercisable.

Fair value

The inputs to the pricing models and valuations for options issued in the current reporting period are 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$0.1358
Expected volatility	90%	90%	90%	90%	90%
Implied option life (years)	2.0	2.0	1.9	2.0	5.0
Expected dividend yield	nil	nil	nil	nil	nil
Risk free rate	2.15%	2.15%	2.60%	3.31%	3.16%
Valuation per option (A$)	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

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2022

NOTE 4: SHARE BASED PAYMENTS (cont'd)

Share based payment expense and expenses recognised in equity 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	462,803	403,108
Issue of 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	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 5: 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 in single or multiple closings) (Qualified Financing) on or before the maturity date, the principal amount of each Note and all interest due will automatically convert into fully paid ordinary shares.
- 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 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 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 4.

As at the date of this report, there are no Notes on issue.

CONSOLIDATED NOTES TO THE PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2022

NOTE 6: EVENTS AFTER THE REPORTING PERIOD

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-Lōvu Health has launched the first stage of its initial commercial rollout phase.