

**CARDIEX LIMITED
AND CONTROLLED ENTITIES
ABN 81 113 252 234**

**HALF YEAR REPORT
FOR THE 6 MONTHS ENDED 31 DECEMBER 2018**



**CARDIEX LIMITED
AND CONTROLLED ENTITIES
ABN 81 113 252 234**



CORPORATE DIRECTORY

DIRECTORS

Mr. Niall Cairns (Chairman)
Mr. King Nelson
Mr. Craig Cooper

COMPANY SECRETARY

Mr. Jarrod White

CHIEF FINANCIAL OFFICER

Mr. Jarrod White

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 11, 1059 – 1063 Victoria Road
West Ryde NSW 2114

Telephone: (02) 9874 8761
Website: www.CardieX.com

SHARE REGISTRY

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Telephone: (02) 8280 6000
Website: www.linkmarketservices.com

AUDITORS

BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000
Telephone: (02) 9251 4100
Facsimile: (02) 9240 9821
Website: www.bdo.com.au

CORPORATE ACCOUNTANT

Traverse Accountants
Suite 305, Level 3
35 Lime Street
Sydney NSW 2000
Website: www.traverseaccountants.com.au

STOCK EXCHANGE LISTING

CardieX Limited's shares are listed on the Australian Securities Exchange (ASX code: **CDX**).

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**CARDIEX LIMITED
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LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholders,

On behalf of the Board and executive management I thank you for your support through a massively transformational year at CardieX.

Following a change of strategic direction announced earlier last year we've rapidly moved forward to create a significant and valuable healthcare ecosystem of complimentary medical products and services that are well positioned to drive significant value for shareholders.

We started last year with one business segment in medical devices. We now have strong exposure to three high growth healthcare sectors in medical devices, wearable technologies, and digital and consumer health.

These sectors all build off our original technology and extend the existing CardieX business into new and valuable areas of commercialisation.

Moreover, our IP, technology, and other solutions have the potential to disrupt multiple multi-billion-dollar markets in preventative diagnostics, patient management, wearables, and consumer/digital health.

Finally, I want to point out that despite our achievements in 2018, 2019 promises to be an even bigger year with our focus on major strategic partnerships and other opportunities currently in development.

Going forward, we expect to be announcing a significant repositioning of our medical devices division and a refined focus of our product strategy across our medical and consumer device portfolio, as well as other key company initiatives and opportunities.

I look forward to reporting our progress against these objectives to you over the coming year and thank you for your support as we continue to build out our vision for CardieX.

Yours Truly,

A handwritten signature in black ink, appearing to read "Craig Cooper".

**Craig Cooper
CEO & Managing Director
CardieX Limited**

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OPERATIONAL UPDATE

In conjunction with our half yearly report we are proud to present you with the following operational update and chronological timeline of significant events for the year:

Material Events Post Balance Date

- 8,000,000 of the performance rights issued to CEO Craig Cooper have vested per Tranche 1 of the Option and Performance Rights Plan;
- Leading telehealth and healthcare executive Harry Kim has been appointed to CardieX's advisory board as a Special Advisor;
- Resignation of Mr Donal O'Dwyer as Non-Executive Director and Chairman, and the appointment of Niall Cairns as interim Chairman; and
- All resolutions passed in the EGM held on 26th February, including:
 - Approval of all funding in relation to inHealth that occurred prior to 31 December 2018;
 - Approval of conversion terms of notes issues to C2 Ventures Pty Limited;
 - Approval of the issue of 1,500,000 options to Mr King Nelson;
 - Approval of the issue of 1,500,000 options to Mr Niall Cairns;
 - Approval of the issue of 20,000,000 new performance rights to Mr Craig Cooper.

Chronological Timeline of Significant Events for the Period to 31 December 2018

Completion of inHealth Funding Arrangements:

- Completion of the application \$2.5m in Convertible Notes by C2 Ventures Pty Ltd (C2V) under a Convertible Note facility entered into by Deed between CardieX and C2V;
- Subsequent subscription for this \$2.5m in notes and additional \$50k in Director funding from ex-Chairman Mr. Donal O'Dwyer.

CardieX Group's inHealth Executes Major Co-Marketing Agreement with Anthem, Inc, the Largest Health Insurer in the USA:

- 5 -year Co-Marketing Agreement with Anthem, a New York Stock Exchange listed (NYSE: ANTM) S&P 500 company with US\$65 billion market cap to promote the services of inHealth across Anthem's customer network - with a focus on the Blue Cross Blue Shield Association of health insurance providers.
- inHealth's range of telehealth service plans and expertise in virtual health coach staffing, clinical program development, and clinical research services will be promoted across Anthem's network of 80+ US and international health plans within the Anthem/Blue Cross Blue Shield Association network.
- Blue Cross Blue Shield combined networks provide health plan coverage to more than 106 million people in the US – nearly 1/3rd of the US population.

SphygmoCor system Used in Top 20 US Hospitals:

- CardieX's SphygmoCor system is used in the top 20 hospitals as featured on the prestigious US News 2018-2019 Best Hospitals Honor Roll list.
- The Best Hospitals Honor Roll list ranks the top 20 hospitals in the United States.

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OPERATIONAL UPDATE

Relocation of Sydney Office:

- After 15 years in West Ryde, Sydney AtCor Medical's research and development team have moved to a more tech-focused space in the City of Sydney's Barangaroo district.

inHealth Executes Letter of Intent with Global Electronics & Medical Device Company:

- Letter of Intent executed with leading global electronics and medical device company ('GEMDC').
- GEMDC is a multi-ten billion USD market capitalisation "household brand" company.
- inHealth's sleep telehealth program to be sold by GEMDC through sleep physicians & direct to consumer.
- Global sleep apnoea market forecast to be a US\$6.5 billion market by 2023.

Development Agreement with Blumio to Develop Sensor Technology for Blood Pressure Wearables:

- Execution of Co-Development Agreement with Blumio to jointly develop intelligent sensor technology to be integrated into wearable devices.
- CardieX's AtCor division to provide key algorithms and FDA-approved technology for measuring central arterial blood pressure.
- Cuffless blood pressure monitoring identified by CNBC as US\$45 billion market opportunity.

Oversubscribed \$5.5 Million Placement for inHealth Acquisition Completed:

- \$5.5 million heavily oversubscribed placement to support acquisition of inHealth, with strong support from pre-eminent Australian fund managers SG Hiscock and CVC Limited.
- Cornerstone position from CEO Craig Cooper and Director Niall Cairns investing \$2.5 million, with Chairman Donal O'Dwyer and CFO/Company Secretary Jarrod White also participating.

inHealth Partners with Largest Managed Health Care Provider in the USA for Diabetes Clinical Study and Health Programs:

- inHealth, Kaiser Permanente, and California State University Long Beach combine for one of the largest diabetes lifestyle intervention studies yet to be undertaken, using inHealth's telehealth services.
- The already commenced seven-year study is supported by proposed funding from the US National Institute of Health.
- Diabetes "at epic proportions" with up to 15% of USA population living with the disease.

Blumio Initiates Trial to Further Demonstrate Wearable Blood Pressure Sensor Accuracy:

- Blumio initiates a 200-person clinical trial at US based Deborah Heart and Lung Centre.
- Study represents major milestone in further development of Blumio's continuous, non-invasive blood pressure sensor.
- Blumio wearable sensor technology together with CardieX analytics has potential to disrupt a multi-billion USD market.

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OPERATIONAL UPDATE

CardieX's AtCor Medical Division Wins Contract to Supply Medical Devices for International Pharmaceutical Trial:

- AtCor Medical subsidiary executes new contract to supply SphygmoCor systems in new multinational clinical trial to assess heart failure treatment.
- Global science-led biopharmaceutical business AstraZeneca AB managing the trial which will run for 18 months across US and Europe.
- Cost of heart failure to US circa US\$30 billion annually.

Agreement to Acquire Majority Interest in inHealth Medical Services, Inc:

- Major step forward in digital and consumer health strategy with agreement to acquire majority interest in inHealth Medical Services, Inc.
- Companies to jointly pursue significant opportunities in telehealth, digital and online patient care and health coaching – a US\$25 billion industry.
- Investment structured to acquire up to 50.5% of inHealth in 3 tranches, with tranche 1 US\$0.25M for 7.7% already funded from existing cash reserves.

Receipt of Subscription Proceeds from C2 Ventures:

- Receipt of subscription proceeds of \$1,500,000 from C2 Ventures, a related party of CEO Craig Cooper and Director Niall Cairns.
- Funds used to further execute against strategic direction of the Company.

Successful Initial Trial Results for Wearable Blood Pressure Technology:

- CardieX and Blumio complete an 8-week trial with the Faculty of Medicine & Health Services at Macquarie University, part of a "Collaboration & Development Agreement" between Blumio and CardieX to co-develop wearable blood pressure technology.
- Trial results showed the sensor returns a high degree of cardiovascular blood pressure data as measured by CardieX technology.
- Development of commercial blood pressure and cBP wearable with CardieX's PWA technology positions CardieX in global multi-billion-dollar market for wearable cardiovascular monitoring devices.

Board Restructure: Senior Executive Changes and New Appointments:

- New senior executive changes and appointments to support CardieX's repositioning as global health technology provider and ongoing restructuring to focus on new growth opportunities
- Board restructure and new appointments a key step forward as CardieX positions for long-term growth and expansion into new markets.
- Doug Kurschinski promoted to Executive VP & Head of Global Sales of CardieX's AtCor Medical division.

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OPERATIONAL UPDATE

ZiHan Li Appointed to Head of Asian Strategy with a Focus on Chinese Market and New Business Development

Opportunities:

- Former Masimo Inc (NASDAQ: MASI - US\$5B market capitalisation) executive ZiHan Li appointed Director of Corporate Development of CardieX. Subsequently promoted to VP of Corporate Development in January 2019.
- Mr Li is focused on expanding the opportunity for CardieX's products in the Chinese market as well as accelerating the commercialisation of CardieX's cardiovascular technologies into new devices and technologies.

Relocation of AtCor Medical's Asia-Pacific Sales Operations to the USA:

- Asia-Pacific sales of SphygmoCor technology relocated to AtCor's head office in Chicago, USA.
- Sydney sales operations shuttered. All sales and training undertaken by USA staff utilizing virtual and online training platforms.
- Seamless transition with no impact on global sales operations.

Appointment of Rhonda Welch to Drive New Strategic Initiatives:

- Former Johnson & Johnson Executive joins CardieX as a member of the Company's Advisory Board.
- Ms Welch to work closely with the CEO and executive team in the development of new opportunities and business strategy with respect to the expansion of CardieX's technologies and reimbursement programs.

Appointment of New CFO/Company Secretary:

- Appointment of Jarrod White as CFO/Company Secretary.
- Mr White is a Partner/Director at Traverse Accountants in Sydney and has significant experience in listed company compliance, finance and accounts management.

First Investment in Wearable Partner Blumio Completed:

- CardieX initiates first tranche of 7.5% investment into Blumio by way of a Convertible Note.
- CardieX IP and trademarks together with Blumio sensor have the potential to significantly disrupt diagnosis and treatment of hypertension and related cardiovascular disorders.

Change of Name to CardieX. Trading Commences Under New Listing Code (CDX) & Capital Raising:

- During June 2018, CardieX's listing code on the ASX changed from ACG to CDX.
- Change of name and ASX code reflects new strategic focus on becoming a global health technology company. AtCor cardiovascular medical device business continues operating under the AtCor brand as an operating division of CardieX – headed by Doug Kurschinski.
- \$5 million capital raising completed, including \$1.6 million invested by Directors.

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OPERATIONAL UPDATE

Blumio, Inc Financial and Strategic Partnership:

- Financial and strategic partnership with Blumio, Inc, a Silicon Valley based developer of non-invasive radar-based sensors designed to measure blood pressure and other cardiovascular diagnostics.
- CardieX has committed to invest up to US\$600,000 in Blumio, Inc for a 7.5% shareholding.
- Partnership focuses on building new opportunities for CardieX core SphygmoCor technology and providing patients and health practitioners with the key products they need to better manage patient outcomes.

Corporate Conference and Investor Relations Programme:

- CardieX attended several conferences during the year including CES2019, A4M World Congress, ASN Kidney Week 2018, American College of Sports Medicine Annual Meeting, ACPM Preventative Medicine 2018, and the Renal Physicians 2018 Annual Meeting.
- CardieX also conducted a number of roadshows across major Australian cities and held several investor presentations for investor, broker and institutional networks.

Managing Director Duncan Ross Transitioned out of Executive Role:

- Long serving Managing Director, Duncan Ross transitioned out of his executive role during the year following the global sales force restructure.
- Mr Ross was formerly CEO and Managing Director and then appointed to the newly created role of “EVP & Head of Global Sales” on 1 December 2017. Mr Ross’ employment was terminated at the end of June 2018.

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DIRECTORS' REPORT

The Directors of CardieX Limited (the “**Company**”) (formerly AtCor Medical Holdings Limited) submit the financial report of the Company for the half year ended 31 December 2018, which comprises the results of CardieX Limited and the entities it controlled during the period (the “**Group**”).

Directors

The following persons held office as Directors of CardieX Limited at any time during or since the end of the financial year, unless stated otherwise:

Mr. Niall Cairns
Mr. Craig Cooper
Mr. King Nelson
Mr. Donal O'Dwyer (resigned 26 February 2019)

Company Secretary and Chief Financial Officer

Mr. Jarrod White

Review of Operations

The loss for the Group after income tax amounted to \$1,365,391 (31 December 2017: \$1,081,420).

The Group has generated total revenue of \$2,007,925, up from \$1,964,342 in the previous period.

Principal Activities

During the period the principal continuing activities of the Group consisted of designing, manufacturing and marketing medical devices for use in cardiovascular health management, and the development of clinical and consumer digital health solutions.

Dividends

No dividends were paid or declared by the Group since the end of the previous financial year and the Directors do not recommend dividends be paid for the half year ended 31 December 2018.

Significant Changes in the State of Affairs

Throughout the period the group extended the group's operational and organisational focus into extending the prior intellectual property and business assets of the company into the wearables and telehealth sector.

No other significant changes in the Group's state of affairs occurred during the financial period.

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Matters Subsequent to Period End

- Completion of the application \$2.5m in Convertible Notes by C2 Ventures Pty Ltd (C2V) under a Convertible Note facility entered into by Deed between CardieX and C2V (a related party of Mr Niall Cairns and Mr Craig Cooper);
- inHealth investment of US\$250,000 throughout the financial period was converted from a Convertible Note interest on 31 January 2019 into equity of 7.7%;
- Further subscription of US\$3,000,000 of inHealth for a further 33.3% in potential ownership (subject to convertible note until 31 January 2020) was applied and subscribed for;

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DIRECTORS' REPORT (CONT.)

- Further payments under the Blumio, Inc original investment were made. The final payment of US\$112,500 was due on 4 March 2019 after which the original convertible note subscription would be complete;
- 8,000,000 of the performance rights issued to CEO Craig Cooper have vested per Tranche 1 of the Option and Performance Rights Plan;
- Leading telehealth and healthcare executive Harry Kim has been appointed to CardieX's advisory board as a special advisor;
- Resignation of Mr Donal O'Dwyer as Non-Executive Director and Chairman, and the appointment of Niall Cairns as interim Chairman; and
- All resolutions passed in the EGM held on 26th February, including:
 - Approval of conversion terms of notes issues to C2V
 - Approval of the issue of 1,500,000 options to Mr King Nelson
 - Approval of the issue of 1,500,000 options to Mr Niall Cairns
 - Approval of the issue of 20,000,000 performance rights to Mr Craig Cooper

No other significant subsequent event has arisen that significantly affects the operations of the Group.

Rounding of Accounts

The Company has applied the relief available under ASIC legislative Instrument 2016/191 and accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors:



Niall Cairns
Chairman
Sydney, 28 February 2019

DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF CARDIEX LIMITED

As lead auditor for the review of CardieX Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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



Grant Saxon,
Partner

BDO East Coast Partnership

Sydney, 28 February 2019

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

	Note	31 December 2018	31 December 2017
		\$	\$
Sales revenue	2	1,987,846	1,964,189
Other revenue	2	20,079	153
		<u>2,007,925</u>	<u>1,964,342</u>
Other income		370,239	418,369
Total income		2,378,164	2,382,711
Cost of sales		(540,770)	(455,647)
Bad debts expense		(46,172)	-
Marketing and sales expense		(1,031,262)	(1,504,099)
Product development and regulatory expense		(714,234)	(568,627)
Occupancy expense		(186,760)	(112,888)
Administration expense		(1,245,329)	(677,970)
Restructuring costs		-	(122,130)
Foreign exchange gains/(losses)		20,972	(22,770)
Loss before income tax expense		(1,365,391)	(1,081,420)
Income tax expense		-	-
Loss attributable to members of the parent entity		(1,365,391)	(1,081,420)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		(44,753)	98,992
Total comprehensive loss for the period		(1,410,144)	(982,428)
Basic earnings per share (cents)	3	(0.25)	(0.41)
Diluted earnings per share (cents)	3	(0.25)	(0.41)

These financial statements should be read in conjunction with the accompanying notes.

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

	Note	31 December 2018	30 June 2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		4,735,364	2,736,517
Trade and other receivables		1,091,574	1,113,219
Inventory		420,560	490,362
Other Current Assets	4	351,866	1,774,152
TOTAL CURRENT ASSETS		6,599,364	6,114,250
NON-CURRENT ASSETS			
Property, plant and equipment		126,993	97,079
Financial assets	5	722,719	202,578
TOTAL NON-CURRENT ASSETS		849,712	299,657
TOTAL ASSETS		7,449,076	6,413,907
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	593,331	986,724
Unearned Revenue	6	374,303	188,503
Provisions	6	288,770	409,203
Borrowings	6	-	185,000
TOTAL CURRENT LIABILITIES		1,256,404	1,769,430
NON-CURRENT LIABILITIES			
Provisions		58,382	48,264
TOTAL NON-CURRENT LIABILITIES		58,382	48,264
TOTAL LIABILITIES		1,314,786	1,817,694
NET ASSETS		6,134,290	4,596,213
EQUITY			
Contributed equity	8	49,624,757	46,832,833
Reserves		1,288,774	1,571,498
Accumulated losses	9	(44,779,241)	(43,808,118)
TOTAL EQUITY		6,134,290	4,596,213

These financial statements should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR HALF YEAR ENDED 31 DECEMBER 2018

	Note	Shares on Issue \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2017		41,126,573	2,327,448	(42,125,535)	1,328,486
Loss for the half year		-	-	(1,081,420)	(1,081,420)
Other comprehensive income		-	98,992	-	98,992
Total comprehensive income/(loss) for the half year		-	98,992	(1,081,420)	(982,428)
Transactions with equity holders in their capacity as owners.					
Shares issued, net of costs		1,075,666	-	-	1,075,666
Employee share options expensed		-	22,015	-	22,015
		1,075,666	22,015	-	1,097,681
Balance at 31 December 2017		42,202,239	2,448,455	(43,206,955)	1,443,739
Balance at 1 July 2018					
		46,832,833	1,571,498	(43,808,118)	4,596,213
Loss for the half year		-	-	(1,365,391)	(1,365,391)
Other comprehensive income/(loss)		-	(44,753)	-	(44,753)
Total comprehensive income/(loss) for the half year		-	(44,753)	(1,365,391)	(1,410,144)
Transactions with equity holders in their capacity as owners.					
Shares issued, net of costs	8	2,728,924	-	-	2,728,924
Share Based Payments	8	63,000	156,297	-	219,297
Options expired	8	-	(389,802)	389,802	-
Balance at 31 December 2018		49,624,757	1,293,240	(44,783,707)	6,134,290

These financial statements should be read in conjunction with the accompanying notes.

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

	Note	31 December 2018 \$	31 December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,149,118	2,166,478
Payments to suppliers and employees		<u>(3,985,603)</u>	<u>(3,559,254)</u>
		(1,836,485)	(1,392,776)
Other income		185,239	418,369
Interest received		974	153
Net cash (used in) operating activities		<u>(1,650,272)</u>	<u>(974,254)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		(67,816)	(56,375)
Payments for acquisition of subsidiaries		<u>(509,327)</u>	-
Net cash (used in) investing activities		<u>(577,143)</u>	<u>(56,375)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued	8	2,950,000	1,175,000
Capital raising costs		(232,029)	(99,334)
Proceeds from loans from related parties		<u>1,500,000</u>	-
Net cash provided by financing activities		<u>4,217,971</u>	<u>1,075,666</u>
Net increase in cash held		1,990,556	45,037
Cash and cash equivalents at beginning of financial year		2,736,517	677,916
Effects of foreign currency exchange		<u>8,291</u>	<u>1,718</u>
Cash and cash equivalents at end of financial year		<u><u>4,735,364</u></u>	<u><u>724,671</u></u>

These financial statements should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These condensed general purpose financial statements represent those of CardieX Limited ("CardieX") for the interim half year reporting period ended 31 December 2018 and its controlled entities (the "consolidated group" or "group") and have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The separate financial statements of the parent entity, CardieX Limited, have not been presented within this financial report pursuant to the Corporations Act 2001.

These condensed general purpose financial statements do not include all the notes of the type normally included in annual financial statements. These financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Accounting Policies

a) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

At the date of signing, the Directors have assessed that there is a material uncertainty related to going concern that may cast significant doubt over the ability of the Group to continue as a going concern given that the Group incurred a loss after tax of \$1,365,391 (2017: \$1,081,420) and had net cash outflows from operating activities of \$1,650,272 for the half year ended 31 December 2018 (2017: \$974,254). As a result of these conditions the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that there are reasonable grounds that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group has cash and cash equivalents of \$4,735,364 as at 31 December 2018 (30 June 2018: \$2,736,517). As at that date, the Group had net current assets of \$5,342,960 (30 June 2018: \$4,344,820) and net assets of \$6,134,290 (30 June 2018: \$4,596,213). The Group has performed a cash flow forecast and determined that it has adequate cash resources in place to fund its operations for the next 12 months;
- If required, the Group has the ability to continue to raise additional funds on a timely basis pursuant to the Corporations Act 2001. The Group has raised in excess of \$5.5 million in the previous 12-month reporting period and the Directors have no reason to believe that it will not be able to continue to source equity or alternative funding if required; and
- The Group has the ability to scale back a significant portion of its development activities if required.

Accordingly, the Directors believe that the Group will be able to continue as a going concern, and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

b) New Accounting Standards and Interpretations Adopted

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Group has assessed the impact of the adoption of AASB 9 and determined the value of the ECL to be immaterial.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition.

The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue.

Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Revenue has been recognised by management by allocating arrangement consideration to each deliverable in the Group's contracts with customers. This policy will not change under the new AASB 15 and no material change to revenue will be effected from its adoption.

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There is no impact on opening retained profits as at 1 July 2018.

Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report 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.

NOTE 2: REVENUE

**CARDIEX LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	\$	\$
<i>Sales revenue</i>		
Sale of goods	1,987,846	1,964,189
	<u>1,987,846</u>	<u>1,964,189</u>
<i>Other revenue</i>		
Interest received	20,079	153
Total revenue	<u>2,007,925</u>	<u>1,964,342</u>

NOTE 3: EARNINGS PER SHARE

a. Reconciliation of earnings:		
Loss after tax	<u>(1,365,391)</u>	<u>(1,081,420)</u>
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating EPS	541,383,092	266,441,330
	Cents	Cents
c. Basic EPS	<u>(0.25)</u>	<u>(0.41)</u>
d. Diluted EPS	<u>(0.25)</u>	<u>(0.41)</u>

NOTE 4: OTHER CURRENT ASSETS

	31 December 2018	30 June 2018
	\$	\$
Prepayments	140,952	63,232
Finance lease receivable	143,397	159,252
Amounts Due from related parties	-	1,500,000
Other	67,517	51,668
	<u>351,866</u>	<u>1,774,152</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 5: FINANCIAL ASSETS

	31 December 2018	30 June 2018
	\$	\$
At the beginning of reporting period	202,578	-
Partial payment of Blumio convertible note	162,968	202,578
inHealth convertible note – loan asset	334,338	-
inHealth convertible note – derivative asset	22,835	-
	722,719	202,578

In March 2018, the Company entered into a convertible note purchase agreement for the acquisition of a Convertible Note (the "Note") issued by Blumio Inc, payable in instalments. As at 31 December 2018, \$365,546 was paid for this investment.

The Company entered into a separate convertible note arrangement to acquire inHealth Medical Services, Inc. As at 31 December 2018, the total convertible loan asset was \$357,173 made up of the initial \$334,338 payment and \$22,835 in interest. Subsequent to balance date on 31 January 2019 the Company issued a notice of conversion to inHealth Medical Services and converted its note into a 7.7% equity interest in the Company.

NOTE 6: CURRENT LIABILITIES

Two reclassifications have been made in relation to the financial statement line item allocation of current liabilities.

- The provision for annual leave has been moved from Trade and other payables to Provisions; and
- Unearned revenue has been reallocated from Trade and other payables.

	30 June 2018 Balance in 2018 Annual Report	Reclassification	30 June 2018 Balance in Current Report
	\$		\$
Trade and other payables	1,469,402	(482,678)	986,724
Unearned Revenue	-	188,503	188,503
Provisions	115,028	294,175	409,203
Borrowings	185,000	-	185,000
TOTAL CURRENT LIABILITIES	1,769,430	-	1,769,430

NOTE 7: CONTROLLED ENTITIES

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		31 December 2018	30 June 2018
PARENT ENTITY:			
CardieX Limited	Australia		
SUBSIDIARIES OF CARDIEX LIMITED			
AtCor Medical Pty Limited	Australia	100	100
AtCor Medical Inc	USA	100	100

* Percentage of voting power is in proportion to ownership

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 8: ISSUED CAPITAL

	31 December 2018		30 June 2018	
	No of Shares	\$	No of Shares	\$
(a) Ordinary shares				
At the beginning of reporting period	531,018,793	46,832,833	233,630,539	41,126,573
Placements in the year	98,333,334	2,950,000	220,958,254	4,674,906
Shares issued subject to restriction agreement	-	-	75,000,000	1,500,000
Shares issued in lieu of payment to suppliers	-	-	1,430,000	62,150
Shares issued to key executive	1,800,000	63,000	-	-
Cost of raising capital	-	(221,076)	-	(530,796)
Closing balance at reporting date	631,152,127	49,624,757	531,018,793	46,832,833

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	31 December 2018		30 June 2018	
	No of Rights	\$	No of Rights	\$
(b) Rights on Issue	24,000,000	31,857	24,000,000	4,466
At the beginning of reporting period	24,000,000	4,466	-	-
Issued under Performance Rights Plan	-	-	24,000,000	4,466
Rights vesting expense in current period	-	27,391		
Closing balance at reporting date	24,000,000	31,857	24,000,000	4,466

The terms of the rights on issue are as follows:

Tranche	Number of performance rights	Will vest if 30 day VWAP exceeds:
1	8,000,000	\$0.05
2	8,000,000	\$0.08
3	8,000,000	\$0.12

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 8: ISSUED CAPITAL (CONT.)

	31 December 2018		30 June 2018	
	No of Options	\$	No of Options	\$
(c) Options on Issue	144,952,625	798,612	150,050,958	1,059,508
At the beginning of reporting period	150,050,958	1,059,508	17,233,333	2,243,864
Options issued to broker in November 2017 Placement	-	-	2,500,000	31,517
Options expired and transferred to accumulated losses (Note 8)	(5,098,333)	(389,802)	(4,680,000)	(1,278,642)
Options vesting expense in current period	-	128,906	-	-
Free attaching options (1 for 2) as part of Entitlements Issue	-	-	28,099,975	-
Free attaching options (1 for 2) as attaching to placement	-	-	59,397,650	-
Free attaching options issued subject to restriction agreement	-	-	37,500,000	-
Options issued to broker in May 2018 placement	-	-	10,000,000	62,769
Closing balance at reporting date	144,952,625	798,612	150,050,958	1,059,508

* There were no options granted within the half year to 31 December 2018.

NOTE 9: ACCUMULATED LOSSES

Opening balance	(43,808,118)	(42,125,535)
Losses for the period	(1,365,391)	(2,961,225)
Transfer from share-based payments reserve	389,802	1,278,642
Closing balance at end of financial period	(44,783,707)	(43,808,118)

NOTE 10: EVENTS AFTER THE BALANCE SHEET DATE

- Completion of the application \$2.5m in Convertible Notes by C2 Ventures Pty Ltd (C2V) under a Convertible Note facility entered into by Deed between CardieX and C2V (a related party of Mr Niall Cairns and Mr Craig Cooper);
- inHealth investment of US\$250,000 throughout the financial period was converted from a convertible note interest on 31 January 2019 into equity of 7.7%;
- Further subscription of US\$3,000,000 of inHealth for a further 33.3% in potential ownership (subject to a convertible note until 31 January 2020) was applied and subscribed for;
- Further payments under the Blumio, Inc original investment were made. The final payment of US\$112,500 is due on 4 March 2019 after which the original convertible note subscription would be complete;
- 8,000,000 of the performance rights issued to CEO Craig Cooper have vested per Tranche 1 of the Option and Performance Rights Plan;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 10: EVENTS AFTER THE BALANCE SHEET DATE (CONT.)

- Leading telehealth and healthcare executive Harry Kim has been appointed to CardieX's advisory board as a special advisor;
- Resignation of Mr Donal O'Dwyer as Non-Executive Director and Chairman, and the appointment of Niall Cairns as interim Chairman; and
- All resolutions passed in the EGM held on 26th February, including:
 - Approval of conversion terms of notes issues to C2V
 - Approval of the issue of 1,500,000 options to Mr King Nelson
 - Approval of the issue of 1,500,000 options to Mr Niall Cairns
 - Approval of the issue of 20,000,000 performance rights to Mr Craig Cooper

No other significant subsequent event has arisen that significantly affects the operations of the Group.

NOTE 11: SEGMENT REPORTING

(a) Description of segments

In the half year 2019 financial period, the Group operated in one operating segment, being sales of cardiovascular devices and services to hospitals, clinics, research institutions and pharmaceutical companies.

Management has determined the reporting segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board generally considers the business from a geographical perspective and has identified three reportable segment by geographic area.

Geographic areas are:

- Americas (includes global pharmaceutical trials business)
- Europe (includes Middle East and Africa)
- Asia Pacific (includes Asia & Australia/NZ)

(b) Segmental information provided to the Board

	Americas	Europe	Asia Pacific	Inter-segment eliminations/ unallocated	Consolidated
31 December 2018	\$	\$	\$	\$	\$
Sales to external customers	1,415,605	306,554	225,043	-	1,947,202
Intersegment sales	-	-	40,204	(40,204)	-
Total sales revenue	1,415,605	306,554	265,247	(40,204)	1,947,202
Other revenue/income	6,106	1,553	32,985	-	40,644
Total segment revenue/income	1,421,711	308,107	298,232	(40,204)	1,987,846
Segment result	(706,289)	136,148	(809,432)	747,879	(631,694)
Unallocated revenue less unallocated expenses					(733,697)
Loss before income tax					(1,365,391)
Income tax expense					-
Loss for the period					(1,365,391)

**CARDIEX LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 11: SEGMENT REPORTING (CONT.)

31 December 2017

Sales to external customers	1,319,016	374,365	270,808	-	1,964,189
Intersegment sales	-	-	792,398	(792,398)	-
Total sales revenue	1,319,016	374,365	1,063,206	(792,398)	1,964,189
Other revenue/income	-	-	418,369	-	418,369
Total segment revenue/income	1,319,016	374,365	1,481,575	(792,398)	2,382,558
Segment result	(318,919)	55,176	(670,233)	-	(933,976)
Unallocated revenue less unallocated expenses					(147,444)
Loss before income tax					(1,081,420)
Income tax expense					-
Loss for the period					(1,081,420)

(c) Notes to and forming part of the segment information

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. The group transfer inventory and finished goods between its group companies. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

Segment revenue

There was no significant concentration of revenue attributable to one customer in the 6 months to December 2018 (2017: \$nil).

NOTE 12: CAPITAL COMMITMENTS

At 31 December 2018, the parent entity had a contractual commitment to pay US\$337,500 under the Convertible Note Purchase Agreement with Blumio, Inc.

The Company has negotiated to pay the US\$337,500 over three equal payments of \$112,500 per month from January – March 2019.

There are no other capital commitments present for the Group at 31 December 2018.

**CARDIEX LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 13: COMPANY DETAILS

The registered office of the Company is:

CardieX Limited
Suite 11
1059-1063 Victoria Road
West Ryde NSW 2114

The principal place of business is:

CardieX Limited
Suite 11
1059-1063 Victoria Road
West Ryde NSW 2114

**CARDIEX LIMITED
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DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company 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 as set out on pages 12 to 24 comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (d) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date.

Signed in accordance with a resolution of the directors made pursuant to s303 (5) (a) of the Corporations Act 2001.

On behalf of the Directors:



Niall Cairns
Chairman
Sydney, 28 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of CardieX Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of CardieX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134



Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Grant Saxon', written over a faint, stylized BDO logo.

Grant Saxon
Partner

Sydney, 28 February 2019