

Appendix 4E (Rule 4.3a)

Name of entity

Admedus Limited

ABN

35 088 221 078

Financial year ended ("current period")

31 December 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(Comparisons to the prior corresponding period refer to the 6 months ended 31 December 2017)

	12 months to 31 December 2018 \$'000	6 months to 31 December 2017 \$'000	Change \$'000	Change %
Revenues from ordinary activities	25,601	11,305	14,296	126%
Loss from ordinary activities after tax	(24,699)	(8,829)	(15,870)	180%
Loss for the period attributable to members	(24,217)	(8,632)	(15,585)	181%

Dividends	Amount per security	Franked amount per security
Final dividend proposed	NIL ¢	NIL ¢
Interim dividend	NIL ¢	NIL ¢

	31 December 2018	31 December 2017
Net Tangible Asset Backing	2.7 cents	3.5 cents

The Company changed its financial year-end from 30 June to 31 December at 31 December 2017. This change more closely aligned Admedus' reporting period with its global business sales cycles, assisting with forecasting, cash flow management and investment decisions. The Company is therefore reporting on the full year ended 31 December 2018, with the comparative accounting period in the attached Financial Report for the 6-month period from 1 July 2017 to 31 December 2017.

Annual General Meeting

The Annual General Meeting is proposed to be held in Brisbane on 14 May 2019.

Audit

The financial statements on which this report is based have been audited.



ADMEDUS LIMITED
ABN 35 088 221 078

**FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2018**

CORPORATE DIRECTORY

Directors

John Seaberg	- Chairman
Wayne Paterson	- CEO and Managing Director
Stephen Denaro	- Non-Executive Director
Dr Wenyi Gu	- Non-Executive Director
Lishan Zhang	- Non-Executive Director
Dr Yanheng Wu	- Non-Executive Director

Company Secretary

Stephen Denaro

Company and Registered Office

Toowong Tower
Suite 302, Level 3, 9 Sherwood Rd
Toowong, Queensland 4066
Telephone: +61 1300 550 310
Facsimile: +61 1300 880 398
Website: www.admedus.com
Email: info.au@admedus.com

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth, Western Australia 6000

Solicitors

Jones Day
Level 31, Riverside Centre
123 Eagle Street
Brisbane, QLD 4000

Bankers

ANZ
77 St Georges Terrace
Perth, Western Australia 6000

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000

T: 1300 850 505 (within Australia)
T: +61 3 9415 4000 (outside Australia)
F: +61 3 9473 2500

Securities Exchange Listing

ASX code: AHZ (ordinary shares)

CONTENTS

Directors' Report	1
Auditor's Independence Declaration	22
Corporate Governance Statement	23
Consolidated Statement of Profit or Loss	25
Consolidated Statement of Other Comprehensive Income	26
Consolidated Statement of Financial Position	27
Consolidated Statement of Changes in Equity	28
Consolidated Statement of Cash Flows	29
Notes to the Consolidated Financial Statements	30
Directors' Declaration	64
Independent Auditor's Report	65

DIRECTORS' REPORT

Your Directors present their report on Admedus Limited ("the Company") and the consolidated entity (referred to hereafter as the Group) for the period ended 31 December 2018.

The Company changed its financial year-end from 30 June to 31 December at 31 December 2017. This change more closely aligned Admedus' reporting period with its global business sales cycles, assisting with forecasting, cash flow management and investment decisions. The Company is therefore reporting on the year ended 31 December 2018. The comparative accounting period in this report will be for the 6-month period from 1 July 2017 to 31 December 2017, in line with the previous released financial report.

DIRECTORS

The Directors of the Company in office during the period ended 31 December 2018 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

- John Seaberg
- Wayne Paterson
- Stephen Denaro (Appointed 31 October 2018)
- Dr Wenyi Gu (Appointed 4 October 2018)
- Dr Yanheng Wu (Appointed 12 December 2018)
- Lishan Zhang (Appointed 12 December 2018)
- Simon Buckingham (Resigned 4 October 2018)
- Catherine Costello (Appointed 23 May 2018, resigned as Director on 27 October 2018)
- Mathew Ratty (Resigned 20 May 2018)

PRINCIPAL ACTIVITIES

During the period, the principal activities of the Group consisted of:

- The sale, distribution, maintenance and implementation of infusion solutions to major hospitals and health facilities in Australia and New Zealand;
- The manufacturing, sale and distribution of proprietary ADAPT® regenerative tissue products globally; and
- Continued research and development of regenerative medicine and immunotherapies.

OPERATING RESULT

The operating result for the period:

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
Revenue	25,601,097	11,305,079
Loss for the period	(24,698,678)	(8,828,576)

DIVIDENDS

No dividend was paid during the period and the Board has not recommended the payment of a dividend.

SHARE CAPITAL

589,941,088 ordinary shares, 237,052,479 listed options, 12,314,215 unlisted options and 10,568,799 unlisted warrants were on issue as at 31 December 2018.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW

Group Overview

Admedus Limited is a global medical technologies company delivering clinically superior solutions that help healthcare professionals create life-changing outcomes for patients. Our focus is on investing in and developing next generation technologies with world class partners, to grow product and service offerings and expanding revenues for our existing, successful medical sales and distribution business. The Company has assets from research and development through clinical development as well as sales, marketing and distribution.

During the reporting period, the Company has continued to build its sales and marketing function across both the ADAPT® regenerative tissue product portfolio and the infusion business as we target becoming a sustainable business with growing profits and returns for shareholders.

Review of Operations

Revenues from ordinary activities for the year ended 31 December 2018 were \$25,601,097 (2017: \$11,305,079 for the 6 months to 31 December 2017). During the period, both the ADAPT® and Infusion business units performed strongly.

ADAPT® achieved revenues of \$11,068,761 for 2018 compared to \$3,796,591 for the 6 months to 31 December 2017. This overall growth was largely driven by sales in North America, which is the first market where the expanded 3D product range, including CardioCel® 3D, CardioCel® Neo and VasculCel®, was launched in February 2018.. The recruitment of a new sales team, in the first half of the year, and the contribution of the new and leading-edge CardioCel® 3D products have seen Admedus continue to build market share in the region. The implementation of a corporate accounts strategy targeting major US group purchasing organisations is also yielding results.

The European business turned around, returning to growth in the second half of 2018. Overall growth in Europe was impacted by delays in regulatory approvals for CardioCel® 3D and VasculCel®. Despite this, sales momentum in Europe continued to grow in the third and fourth quarter, as a result of the new leadership and sales team in this region who have been effective in driving increased engagement with key opinion leaders (KOLs) as well as reactivating and signing new customers. New distribution agreements have been executed in Spain, Portugal and Italy which have also contributed to increased sales in the second half of the year.

Sales in emerging markets have risen significantly, as a result of new regulatory approvals in the Philippines, Indonesia, Saudi Arabia and Kuwait. New product launches, including CardioCel® in Vietnam and CardioCel® 3D in the United Arab Emirates, has contributed to increased sales in these existing geographies.

The Infusion business delivered sales of \$14,532,336 for the 2018 year, (\$7,508,488 for the 6 months ended 31 December 2017). The performance over the year reflected strong underlying growth substantially offsetting the impact of the conclusion of the relationship with GO Medical Industries Pty Ltd (Go Medical). On a like for like comparison removing the impact of GO Medical, the business grew organically by 24% over the prior comparative period.

During the year, Infusion completed the renewal of our exclusive distribution agreement with Summit Medical. This agreement extends our distribution rights for an eight-year period. The Infusion business continues to assess new product opportunities to strengthen the portfolio and its revenue potential.

Gross profit for the Group for the year was \$12,438,499 representing a gross profit margin of 49%, compared to a margin of 59% for the prior 6 month period. This reduction in margin reflects higher direct product costs associated with sales for the ADAPT® and Infusion businesses compared to the prior period.

Selling, general and administration expenses was \$34,291,462 for the year ended 31 December 2018 (2017: \$14,541,863 for the 6 months to 31 December 2017) primarily driven by higher employee costs associated with increased head count to drive revenue growth, higher research and development costs, adverse foreign exchange movements and a number of one-off expenses related to restructuring the Company and the development of our global footprint.

The loss for the consolidated entity after providing for income tax for the 2018 year was \$24,698,678 (2017: \$8,828,576 for 6 months). During the period the Company continued its focus on executing initiatives resulting from its strategic review to deliver revenue growth and work towards driving the business on a more sustainable path towards profitability and positive operating cash flows.

Research and Development

The TAVR (transcatheter aortic valve replacement) project continued to progress ahead of schedule, with several milestones delivered during the year, including the commencement of a feasibility study in sheep, continual enhancements of the product, and the filing of additional patents. To date, the feasibility trial has shown that the Admedus TAVR valve has an EOA (effective orifice area) of up to 2.5 cm². The EOA, which is an important factor in enabling the flow of blood, is significant as currently available valves have an EOA of 1.6 to 2 cm². The Company has confirmed that it could initiate a first-in-human trial earlier than expected. The Company is also continuing its partnership strategy, commencing engagement with KOLs and potential target partners.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Capital Management

Over the year the Company raised \$31,711,580 in capital funds (being gross proceeds of \$35,410,796 with associated transaction costs of \$3,699,216), covering the following transactions:

- In May 2018 the Company completed a Share Placement of \$6,000,000 via the issue of 20,000,000 shares. This included 2,333,333 shares purchased by Admedus Company Directors for \$700,000.
- In June 2018 a further \$2,761,072 was raised from the issue of 9,203,575 shares under a Share Purchase Plan offered to existing investors.
- In August and September 2018 Hong Kong based strategic investor, Star Bright Holding Ltd (together with its associates) ("Star Bright") increased its interest in the Company through their purchase of an additional 68,889,502 shares for \$7,685,527. In addition, Admedus entered into a \$5,000,000 unsecured loan facility with Star Bright which was used to repay the existing term loan from Partners for Growth (PFG)
- In November 2018 the Company announced a pro rata renounceable partially underwritten entitlement offer. The offer reflected 5 new fully paid ordinary shares for each 7 shares currently held with an attaching option for each new share issued. The attached options were listed with an exercise price of \$0.08 and a three year exercise period. Following the close of the offer on 13 December 2018, Admedus issued 237,052,479 new shares and 237,052,479 new options raising gross funds of \$18,964,197. Part of these funds were used to repay the \$5,000,000 loan from Star Bright.

Financial Position

The closing cash position for the period was \$12,036,301, up from \$8,254,823 at 31 December 2017.

Net working capital (current assets less current liabilities) increased by \$6,529,959 during the year largely driven by capital raisings of \$31,711,580 (net of transaction costs); offset by the repayment of the PFG secured debt facility of \$5,000,000, and operational and research and development expenditures for the ADAPT® business. The Group had no borrowings at the end of the financial year.

Cash Flow

The net cash inflow during the period was \$3,781,478 reflecting:

- Operating cash out flows of \$22,205,313 including \$3,373,000 for research and development expenditure for ADAPT, primarily related to the TAVR (transcatheter aortic valve replacement) project which includes ongoing trials and the filing of additional patents;
- Investing cash out flows of \$1,011,218 relating to capital purchases and a deferred settlement payment in relation to the Regen acquisition.
- Financing cash inflows of \$27,149,260 reflecting net proceeds from capital raising activities of \$32,342,116 over the year; Admedus entering into a \$5,000,000 million unsecured loan facility with Star Bright to repay the existing term loan from PFG; and the subsequent repayment of this Star Bright loan, through the use of funds received from the renounceable rights issue of shares at the end of the year.

Material Business Risks

The Group has identified the below specific risks which could impact upon its prospects.

Commercial risk

As with all businesses there is always a commercial risk that not all customers will use your product, or that competing products are used in preference to the Company's product and therefore 100% market penetration is uncommon. With ADAPT® now on the market in the US, Europe, Canada, India, Hong Kong, Malaysia, New Zealand, the Middle East and Singapore, the Company continues to progress its global coverage for the product and build market penetration and product awareness. During the year the Company has continued to build on improving market messaging, sales force optimisation and bring new ADAPT® products to market with a focus to build market penetration and market expansion, resulting in a reduced commercial risk.

Admedus has numerous ongoing R&D and product development programs in both its bio-scaffold and therapeutic immunotherapies areas to further develop the technologies. The development of additional bio-scaffold products such as CardioCel® Neo, VascuCel® and CardioCel® 3D reinforces the quality of the ADAPT® platform technology, as well as reducing the commercial risk by having an increased number of products on the market.

The Group currently maintains a range of patents across the various technologies and continues to monitor these patents, as well as explore new patents based on the R&D currently being undertaken by the Company.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Material Business Risks (continued)

Clinical trial risk

The development of innovative products in the biomedical and healthcare industries will always have an element of risk associated with it. Admedus is working with Professor Ian Frazer and his team to develop therapeutic vaccines with one programme having completed two clinical studies, and the second programme having commenced a Phase 1 clinical study, which is due for completion in the coming financial year. In addition, Admedus continues to develop products from its ADAPT® platform technology, albeit de-risking, because of the lead product ADAPT® being on market and actively used in patients. Because of these ongoing activities there is an inherent risk associated with clinical studies and R&D and it is subject to many factors beyond the Company's control. The Company continuously monitors the progress of these studies and aims to manage these risks.

Competition

Admedus actively monitors its markets and the activities of potential competing products. As a Company, we feel it is highly likely that other companies and organisations may be trying to develop competing products. Admedus believes that its platform technologies and products have clear advantages over other technologies and products and continues to undertake activities to further illustrate and explore these advantages and benefits.

Regardless of the diligent activities of the Admedus team, there is no assurance that the Group's competitors will not succeed in developing technologies that compete with the Admedus technologies.

Despite the existence of a general statutory framework in Australia and international conventions which are intended to protect against certain anti-competitive practices, there can be no assurance that the applicable laws will be enforced sufficiently to protect the Group from anti-competitive practices by its competitors or that major competitors will not use their strategic positions to gain a competitive advantage in some future period, whether by means of price reductions or by other means.

Financial performance

The ability of the Company and the Group to continue as a going concern and fund the path to profitability is dependent upon securing additional funds in the coming months from amongst a range of sources/opportunities including issuing new equity, securing long term debt, partnerships and divesting assets. The Directors believe that the Company and Group has the ability to raise additional funds. Notwithstanding the above factors, as a company moving towards profitability is dependent upon continuing support from current shareholders, should the Company and the Group not receive the forecast cash inflows and additional funding referred to above there are material uncertainties as to whether the Company and the Group will be able to continue as a going concern and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Intellectual property

The Group's success will depend, in part, on its ability to obtain adequate and valid patent protection, maintain trade secret protection and operate without infringing the proprietary rights of third parties or having third parties circumvent the Group's rights. Admedus prepares files and maintains patents in countries relevant to the use and manufacturing of products using our technologies.

Staff

Admedus' success is dependent on the skills and abilities of its employees. To encourage a motivated, engaged and expert workforce, the Company strives to create a positive culture underpinned by its AORTIC values and alignment to strategic objectives. Competition for skilled employees can be intense and there can be no assurance that the Group will be able to retain its key managerial, R&D, and technical employees or that it will be able to attract and retain additional highly qualified personnel in the future. The inability to attract and retain the necessary personnel could have a material and adverse effect upon the Group's business, results of operations and financial condition. To mitigate this risk, Admedus provides incentive and engagement opportunities as appropriate.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Likely Developments

Outlook

During 2018 the Company continued its evolution with the delivery of several key initiatives and increased investment in long-term strategic projects. We look forward to leveraging these developments and building on the momentum that's currently driving us forward as a bankable, sustainable business.

In 2019 we are committed to:

- Significant growth of the CardioCel[®] product portfolio with reinvigorated sales teams and new opportunities in the US, EU and emerging markets.
- Continuing our partnership strategy to advance the development of our TAVR device.
- Expansion of ADAPT[®] into emerging markets such as India, Taiwan and Japan.
- Investing in continuous improvement initiatives in our manufacturing operation to improve efficiency, reduce costs and maximise margins and yields.
- Ensuring a financially strong and stable business through detailed planning, responsible management and transparency of strategy and outcomes.
- Continuing with the planned divestiture of the Immunotherapies business.

Business Strategies

The Group's business strategies to achieve the above goals include:

- Actively seeking co-development partners for our TAVR device, ideally with global cardiac device companies.
- Technology enablement programs to enable and equip the sales teams and management with timely, accurate and insightful information.
- Infusion business to focus on capturing new large accounts, increasing its brand presence.
- Continue to develop the patient-centric narrative around the ADAPT[®] message and its advantages for patients and surgeons.
- Grow ADAPT[®] market penetration and sales through an enhanced product range targeting separate segments of the cardiovascular market, a new/expanded sales force put in place in US and EU and a more focused and strategic sales methodology applied.
- Apply a disciplined and conservative approach to expenditure relative to sales growth.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial period not otherwise disclosed in this report and the Financial Statements.

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

ENVIRONMENTAL REGULATIONS

The Company is subject to environmental regulation and other licences due to its research, development and manufacturing. The Company complies with all relevant Federal, State and Local environmental regulations. The Board is not aware of any breach of applicable environmental regulations by the Company.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group have reviewed the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007* and the Group is not currently subject to any reporting obligations.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS

The name of the Directors holding office during the period ended 31 December 2018 are set out below, together with details of Directors' experience, qualifications, special responsibilities and other listed company directorships during the past three financial years.

Mr Wayne Paterson - Executive Director - Chief Executive Officer		
Experience and expertise	<p>Mr Paterson has been a Director of Admedus since 10 October 2014. Mr Paterson has held numerous senior positions in multi-national pharmaceutical companies and has lived in seven countries during the past 25 years. Throughout his career, he has been responsible for building and managing multi-billion dollar businesses throughout the world, including mergers, integrations, acquisitions and major restructures as President and CEO.</p> <p>From 2005 to 2013 Mr Paterson held senior positions at Merck Kgaa, most recently as President of Europe, Canada and Australia. Prior to this, Mr Paterson was President of Emerging Markets, President of Japan and Global Head of Cardiovascular medicine.</p> <p>Between 1999 and 2005, Mr Paterson served at Roche Pharmaceuticals where he was most recently Head of Pharmaceuticals in Roche's South Korean operation. He also served as Head of Commercial Operations for Roche China based in Shanghai.</p> <p>Mr Paterson is an Australian national and resides in Minneapolis, Minnesota, United States of America.</p>	
Qualifications	MBA, University of Southern Queensland and Business Studies from the Queensland University of Technology.	
Listed Company Directorships in last three years	Cepheid Inc (NASDAQ:CHPD) from April 2015 to November 2016.	
Special responsibilities	Chief Executive Officer	
Interests in shares and options	Ordinary shares in Admedus Ltd	916,667
	Unlisted options over ordinary shares in Admedus Ltd	1,535,630
	Listed options over ordinary shares in Admedus Ltd	700,000

Mr John Seaberg - Independent Non-Executive Director - Chairman		
Experience and expertise	<p>Mr Seaberg has been an independent Non-Executive Director of Admedus since 10 October 2014. He was appointed as Deputy Chair on 16 June 2016 and Chair on 14 March 2017.</p> <p>From 2008 until its sale to Baxter in 2012, Mr Seaberg served as Chairman of the Board of Synovis Inc (NASDAQ:SYNO), a Minneapolis based manufacturer of various medical devices and bio scaffold tissue products.</p> <p>From 2007 until 2014 he was Founder, Chairman and CEO of NeoChord Inc., a venture capital-backed company commercialising technology developed at the Mayo Clinic for the repair of the mitral valve via minimally invasive techniques.</p> <p>From 1996 to 2006, Mr Seaberg served at Guidant Corp (subsequently acquired by Boston Scientific Corp) where he served in various executive level positions including Director of Bradycardia Marketing for Cardiac Rhythm Management, Vice President of Sales for Cardiac Surgery and Vice President of Sales for Cardiac Rhythm Management.</p> <p>In 1991, Mr Seaberg was co-founder of ACIST Medical and served as its first President and CEO.</p> <p>Mr Seaberg is a resident of Minneapolis, Minnesota, United States of America.</p>	
Qualifications	MBA, University of Minnesota and BA, University of Minnesota.	
Listed Company Directorships in last three years	None.	
Special responsibilities	<p>Chair of the Board</p> <p>Member of the Audit and Risk Management Committee</p> <p>Chair of the Remuneration Committee</p>	
Interests in shares and options	Ordinary shares in Admedus Ltd	885,703
	Unlisted options over ordinary shares in Admedus Ltd	100,000
	Listed options over ordinary shares in Admedus Ltd	700,000

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Mr Stephen Denaro - Independent Non-Executive Director	
Experience and expertise	<p>Mr Denaro was appointed as Non-Executive Director and Company Secretary on 31 October 2018.</p> <p>Mr Denaro has more than 30 years of senior level and Board level experience across publicly-listed companies; serving as Chief Financial Officer, Company Secretary and Director. He brings a depth of experience in managing compliance with finance and accounting regulatory requirements. He has managed investment acquisitions and subsequent funding (domestic and international).</p> <p>Mr Denaro is a resident of Brisbane, QLD, Australia.</p>
Qualifications	Bachelor of Business in Accountancy, Graduate Diploma in Applied Corporate Governance, member of Chartered Accountants Australia & New Zealand and the Australian Institute of Company Directors.
Listed Company Directorships in last three years	None.
Special responsibilities	<p>Chair of the Audit and Risk Management Committee</p> <p>Member of the Remuneration Committee</p> <p>Company Secretary</p>
Interests in shares and options	Nil.

Mr Wenyi Gu - Non-Executive Director	
Experience and expertise	<p>Dr Gu was appointed to the Board of Directors as Nominee Non-Executive Director of Star Bright Holding Ltd on 4 October 2018.</p> <p>Dr Gu currently works as Research Fellow for the Australian Institute for Bioengineering and Nanotechnology at The University of Queensland (UQ), where he began his post-doctoral work in 2001. He held a Peter Doherty Fellowship (2006-2009) and was supported by the National Health and Medical Research Council (NHMRC) to work at Harvard Medical School, Harvard University as a visiting research fellow.</p> <p>Before engaging in nanomedicine (focusing on drug delivery and cancer therapy), he worked on RNAi-based gene therapy for several years at Translation Research Institute (TRI). Dr Gu's research has been extensively published in respected industry journals such as Nature Communications, Ad. Materials, ACS Nano and PNAS USA. He is a Nominee Non-Executive Director for major shareholder, Star Bright Holding Ltd.</p> <p>Mr Gu is a resident of Brisbane, QLD, Australia.</p>
Qualifications	Master's degree in veterinary science, PhD in biochemistry and molecular biology at the Australian National University.
Listed Company Directorships in last three years	None.
Special responsibilities	Member of the Audit and Risk Management Committee and the Remuneration Committee
Interests in shares and options	Nil.

Dr Yanheng Wu - Non-Executive Director	
Experience and expertise	<p>Dr Wu was appointed to the Board of Directors as Nominee Non-Executive Director of Star Bright Holding Ltd on 12 December 2018.</p> <p>Dr Wu is the President and Vice-chair of Constellation International (Group) Holdings Ltd. In 2016, he established Guangzhou Hearty-Care Biotechnology Ltd., a medical technology company that is now owned by Constellation International (Group) Holdings Ltd. He holds multiple biomedical patents and is well published domestically and internationally.</p> <p>Dr Wu is a resident of China.</p>
Qualifications	<p>Bachelor of Clinical Medicine from Guangzhou Medical University.</p> <p>PhD in tumour immunotherapy and nanocarrier technology from the University of Queensland.</p>
Listed Company Directorships in last three years	None.
Interests in shares and options	<p>Direct interests: Nil.</p> <p>Indirect interests: Refer to section J of the Remuneration Report.</p>

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Ms Lishan Zhang - Non-Executive Director	
Experience and expertise	<p>Ms Zhang was appointed to the Board of Directors as Nominee Non-Executive Director of Star Bright Holding Ltd on 12 December 2018.</p> <p>Lishan Zhang is a successful businessperson and entrepreneur and has extensive executive experience across strategy, development and financial oversight. She currently serves as the Chair of Constellation International Group Holdings Ltd. and as Vice-Chair of Guangzhou Hearty-Care Biotechnology Ltd.</p> <p>Constellation International Group Holdings Ltd. is a medical technology holding company that focusses on several areas, including vaccines technology, biological immunotherapy, nanotechnology, biomedical materials and minimally invasive tumour treatments.</p> <p>Ms Zhang's business interests are primarily global asset and equity investments. She is also the owner of Star Bright, a Hong Kong based private investment company with interests in the medical and healthcare industry, and a mission to support the long-term development of global medical care to help patients in need.</p> <p>Ms Zhang is a resident of Hong Kong.</p>
Listed Company Directorships in last three years	None.
Interests in shares and options	<p>Direct interests: Nil.</p> <p>Indirect interests: Refer to section J of the Remuneration Report.</p>

Dr Simon Buckingham - Independent Non-Executive Director (Resigned as Director 5 October 2018)	
Experience and expertise	<p>Dr Buckingham has over 25 years of experience in the global pharmaceutical industry across a range of functions and variety of therapeutic areas. Dr Buckingham has been a Non-Executive Director of several companies and a Senior Advisor to a new Swiss biotech company Idorsia Ltd. He was President, Global Corporate and Business Development at Actelion from 2005-2011 and President, North America and Asia-Pacific at Actelion from 2000-2005.</p> <p>He was the Founding President of Actelion Pharmaceuticals US Ltd (2000 - 2004). From 1998 to 2000 he worked in sales and marketing for Parke-Davis (now part of Pfizer) in the United States. Prior to Parke-Davis, Dr Buckingham served at Roche in Switzerland and Australia.</p>
Qualifications	BVSc (Hons), University of Sydney; PhD, University of Melbourne; Graduate from the Australian Graduate School of Management (University of New South Wales) and the Australian Institute of Company Directors.
Listed Company Directorships in last three years	Pharmaxis Ltd (ASX:PXS) from July 2012 to November 2018; Creso Pharma Ltd (ASX:CPH) from October 2016 to May 2017.

Ms Catherine Costello - Executive Director and Chief Financial Officer (Resigned as Director on 27 October 2018)	
Experience and expertise	<p>Ms Costello was appointed as Director on 23 May 2018 and resigned as Director on 27 October 2018. Ms Costello was appointed as CFO on 7 November 2017 and resigned as CFO on 16 November 2018.</p> <p>Ms Costello has more than 20 years of experience in Australian and multinational business and joined Admedus from an emerging ASX-listed company, where she served as CFO and Company Secretary.</p> <p>Prior to this role, she was Group Financial Controller with a global service provider operating in 32 international jurisdictions, responsible for the global finance, reporting, tax and treasury teams.</p> <p>Preceding this, she worked for US-listed entities both at the head office and regional office levels in senior finance management roles.</p>
Qualifications	Commerce degree (University of Queensland), a Masters of Science from Curtin University, Chartered Accountant, Chartered Secretary and a member of the Australian Institute of Company Directors and Governance Institute of Australia.
Listed Company Directorships in last three years	None.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Mr Mathew Ratty - Independent Non-Executive Director (Resigned as Director on 20 May 2018)	
Experience and expertise	<p>Co-founder and Head of Investment at MC Management Group Pty Ltd, a globally focused venture fund. He has extensive capital, equity and debt markets experience.</p> <p>Prior to MC Management Group Pty Ltd, Mr Ratty worked at Gladstone Bridge Pty Ltd where he worked as an analyst and was offered a Directorship at Gladstone Bridge Pty Ltd following his success at the company.</p> <p>Mr Ratty has experience in both domestic and international capital markets as well as investment and funding feasibility analysis.</p>
Qualifications	B-Comm and BCom (Hons), Curtin University, Western Australia.
Listed Company Directorships in last three years	Adveritas Limited (ASX: AV1), previously listed under the name Tech Mpire Limited (ASX:TMP), since February 2017.

COMPANY SECRETARY

Mr Stephen Denaro was appointed as Company Secretary on 31 October 2018, replacing Ms Catherine Costello who resigned on 27 October 2018. During the financial year, Mrs Maja McGuire fulfilled the Company Secretary role until 27 February 2018, Ms Tanya Mangold from 27 February 2018 to 15 March 2018 and Ms Catherine Costello from 15 March 2018 to 27 October 2018.

Mr Denaro combines the company secretarial duties with his role as Non-Executive Director. Mr Denaro is a Chartered Accountant and Registered Tax Agent with more than 30 years of senior level and Board level experience across publicly-listed companies; serving as Chief Financial Officer, Company Secretary and Director. He brings a depth of experience in managing compliance with finance and accounting regulatory requirements.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the period ended 31 December 2018 is set out below. The first column represents the number of meetings attended by each Director whilst in office:

Directors ¹	Board of Directors	Audit and Risk Management Committee	Remuneration Committee
Mr Wayne Paterson	17/17	n/a	n/a
Mr John Seaberg	16/17	4/4	2/2
Mr Stephen Denaro	1/1	1/1	1/1
Dr Wenyi Gu	1/1	1/1	1/1
Dr Yanheng Wu	n/a	n/a	n/a
Ms Lishan Zhang	n/a	n/a	n/a
Dr Simon Buckingham	16/16	3/3	1/1
Ms Catherine Costello	11/11	n/a	n/a
Mr Mathew Ratty	4/4	2/2	0/1

¹ Excludes circular resolutions.

Where a Director stood down from the Board and/or a committee during the period, excused himself from a meeting due to a conflict or was appointed during the period, only meetings before standing down or after the date of appointment are shown.

The Board meets regularly on an informal basis in addition to the above meetings.

Details of the membership of the committees of the Board are presented in the Corporate Governance Statement, which can be viewed at <https://admedus.com/about/corporate-governance>.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

- A Introduction
- B Key Management Personnel
- C Principles Used to Determine the Nature and Amount of Remuneration
- D Remuneration Governance
- E Use of Remuneration Consultants
- F Service Agreements
- G Details of Remuneration
- H Share-based Compensation
- I Additional Information
- J Additional Disclosures Relating to Key Management Personnel

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

A Introduction

This year we have continued to review and refine our remuneration framework and associated practices following feedback from stakeholders. This has included undertaking the benchmarking of both executive remuneration and non-executive director remuneration incorporating an assessment of the market the Company operates in as well as the relative size and market capitalisation of the Company. For executives based in the United States, an analysis of both Australian and US data sources was utilised for the benchmarking.

A key component of the remuneration framework is the short term incentive remuneration for executives which has been assessed in light of corporate and individual key performance metrics for the financial year. Finally, as part of the broader overall review and refinement of the framework, a second phase has commenced to assess and where appropriate, revise the equity remuneration practices of executive remuneration which will be implemented as part of the 2019 remuneration processes.

B Key Management Personnel

For the purposes of this report personnel deemed Key Management Personnel (KMP) at any time during the period to 31 December 2018 are:

Board of Directors

Non-Executive Directors

Mr John Seaberg
Mr Stephen Denaro (from 31 October 2018)
Dr Wenyi Gu (from 4 October 2018)
Dr Yanheng Wu (from 12 December 2018)
Ms Lishan Zhang (from 12 December 2018)
Mr Simon Buckingham (until 4 October 2018)
Mr Mathew Ratty (until 20 May 2018)

Executive Directors

Mr Wayne Paterson
Ms Catherine Costello (from 23 May 2018 to 27 October 2018)

Other KMP

Dr Kiran Bhirangi - Chief Medical Officer (from 3 December 2018)
Mr Matthew McDonnell - Interim Chief Financial Officer (from 23 November 2018)
Mr David St Dennis - Chief Operating Officer
Ms Catherine Costello - Chief Financial Officer (until 16 November 2018)
Mr Ben Jensen - Chief Human Resources and Technology Officer (until 1 July 2018)

C Principles Used to Determine the Nature and Amount of Remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered and set to attract and retain suitably qualified and experienced candidates. Remuneration levels are competitively set to attract qualified and experienced directors and senior executive officers, in the context of prevailing market conditions.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

C Principles Used to Determine the Nature and Amount of Remuneration (continued)

The Company embodies the following principles in its remuneration framework:

- the Board seeks independent advice on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for Directors; and
- in determining remuneration, advice is sought from external consultants on current market practices for similar roles, the level of responsibility, performance and potential of the individual and performance of the Group.

In accordance with best practice corporate governance, the structure of Non-Executive and Executive remuneration is separate and distinct. Remuneration Committee responsibilities were carried out during the year ending 31 December 2018 by John Seaberg, Stephen Denaro (from 7 December 2018), Wenyi Gu (from 7 December 2018), Simon Buckingham (until 4 October 2018) and Mathew Ratty (until 20 May 2018).

Non-Executive Director Remuneration Policy

Fees and payments to the Non-Executive Directors reflect the demands which are made on and the responsibilities of the Directors. The Non-Executive Chairman's fees are determined based on competitive roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

The Non-Executive Directors' fees and payments are reviewed by the remuneration committee to ensure they were appropriate and in line with the market. The Chairman currently receives a fixed fee for his services as a Director.

The Company's Non-Executive Directors' remuneration package contains the following key element:

- primary benefits – monthly director's fees including superannuation in the case of Australian based directors only.
- equity – share options under the Admedus Share Option Incentive Plan (as approved by shareholders at the Annual General Meeting on 13 November 2015).

The Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$700,000 per annum and was approved by shareholders at the 2014 Annual General Meeting.

No retirement benefits are provided other than compulsory superannuation.

Executive Remuneration Policy

The Company's Executive Director and other Executives remuneration packages contain the following key elements:

- primary benefits – Base salary, short term incentives, superannuation or pension contributions and in the case of US based executives a health benefit plan.
- equity – share options under the Admedus Share Option Incentive Plan (as approved by shareholders at the Annual General Meeting on 13 November 2015 and the Admedus Long Term Incentive Plan approved by Shareholders at the Annual General Meeting on 16 November 2017).

The combination of these components comprises the Executive Directors' and Executive's total remuneration.

External remuneration information provides benchmark information to ensure remuneration is set to reflect the market for a comparable role. Base fees are reviewed annually to ensure the level is competitive with the market. There is no guaranteed salary increase included in any contracts.

There are no performance conditions on options issued to directors and employees under the 2015 and 2017 Plans.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

C Principles Used to Determine the Nature and Amount of Remuneration (continued)

Consolidated Entity Performance and Link to Remuneration

Remuneration for individuals is directly linked to the performance of the consolidated entity as well as the performance of the individual. Incentive payments are dependent on defined corporate and individual key performance indicators being met. Incentive payments are at the discretion of the Remuneration Committee.

The Remuneration Committee believes the setting of key corporate and individual key performance targets which are aligned to the corporate strategy, will drive the development, performance and position of the Company. This will drive increased shareholder wealth over the coming years.

The following chart sets out the executives' target remuneration mix in the current year. The short term and long term incentives are provided at target levels.

		Fixed remuneration	At risk	
			Short term incentive	Long term incentive
Chief Executive Officer	Wayne Paterson	50%	30%	20%
Chief Operating Officer	David St Denis	57%	29%	14%
Chief Medical Officer	Kiran Bhirangi	61%	24%	15%
Interim Chief Financial Officer	Matthew McDonnell	83%	17%	N/A
<i>Former Key Management Personnel</i>				
Chief Financial Officer	Catherine Costello	65%	19%	16%
Chief Human Resources and Technology Officer	Ben Jensen	65%	19%	16%

D Remuneration Governance

The Remuneration Committee is a committee of the Board. The purpose of the Committee to review and make recommendations to the Board in relation to the overall remuneration policy for the Company and, specifically:

- Non-Executive Director remuneration;
- Executive Director and Senior Executive remuneration;
- the implementation of, and amendment of, any executive long term incentive plans;
- executive remuneration changes and contractual amendments not required to be recommended to the Board; and
- the establishment of any new, and amendment of the terms of any existing, long term incentive plans for employees below Senior Executive level.

The Corporate Governance Statement provides further information on this committee, which can be viewed at <https://admedus.com/about/corporate-governance>.

E Use of Remuneration Consultants

The Company's objective is to ensure that remuneration policies are fair and competitive and aligned with the long-term interests of the Company. In response to feedback received from shareholders at the AGM in May 2018, the Remuneration Committee sought advice from an independent remuneration consultant to benchmark wages for key executive roles.

The benchmarking and review of market practices in place at comparable companies resulted in no changes to the framework for 2018. The Company continues to review and refine the remuneration framework, to align with strategic imperatives and the expectation of broader stakeholders.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

F Service Agreements

Non-Executive Directors

On appointment, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter outlines the Board's policies and terms, including remuneration.

Directors fees cover all board activities including membership of any board committees. The base fee for the Chairperson from 1 November 2018 is US\$140,000. Base fees for other directors is \$110,000. Two directors, Ms Lishan Zhang and Dr Yanheng Wu have currently elected not to receive directors' fees.

Executives

The Company has also entered into service agreements with other executives as noted below, which contain standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and intellectual property provisions. These agreements may be terminated by notice by either party, or earlier in the event of certain breaches of the terms and conditions. Specific terms and conditions of the service agreements of the executives at the end of the financial period are summarised for each member each of the KMP below. These executives will receive a termination entitlement if they are terminated or resign equivalent to their salary over their respective notice period.

The key remuneration arrangements included in the service agreements for each member of the KMP are set out below.

CEO and Managing Director – Wayne Paterson

- Base salary of US\$624,750.
- 401k pension employer contribution of 3%.
- Short term incentive opportunity at target of 60% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- Long term incentive opportunity at target of 40% of base salary.
- Health Insurance.
- The term of this agreement is 3 years, expiring 14 March 2020. There is a notice period of 3 months by either party.

Chief Operating Officer – David St Denis

- Base salary of US\$396,000.
- 401k pension employer contribution of 3%.
- Short term incentive opportunity at target of 50% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- Long term incentive opportunity at target of 25% of base salary.
- Health Insurance.
- There is no fixed term for this agreement. There is a notice period of 12 months by either party.

Chief Medical officer – Kiran Bhirangi

- Base salary of US\$325,000.
- 401k pension employer contribution of 3%.
- Short term incentive opportunity at target of 40% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- Long term incentive opportunity at target of 25% of base salary.
- Health Insurance.
- There is no fixed term for this agreement. There is a notice period of 1 month by either party.

Interim Chief Financial officer – Matthew McDonnell

- Base salary of A\$360,000, including superannuation.
- Short term incentive opportunity at target of 20% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- The term of this agreement is 6 months, expiring 23 May 2019. There is currently a notice period of 1 month by either party (previously 2 weeks).

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

F Service Agreements (continued)

Former key management personnel: Chief Human Resources and Technology officer – Ben Jensen

- Base salary of \$359,900, including superannuation.
- Short term incentive opportunity at target of 30% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- Long term incentive opportunity at target of 25% of base salary.

Former key management personnel: Chief Financial officer – Catherine Costello

- Base salary of \$370,650, including superannuation.
- Short term incentive opportunity at target of 30% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- Long term incentive opportunity at target of 25% of base salary.

G Details of Remuneration

Short term incentives – 2018

Details of short term bonuses achieved or forfeited in the current reporting period are as follows ⁽ⁱ⁾:

Name	31 DECEMBER 2018		31 DECEMBER 2017	
	Awarded ⁽ⁱⁱ⁾ %	Forfeited ⁽ⁱⁱⁱ⁾ %	Awarded ⁽ⁱⁱ⁾ %	Forfeited ⁽ⁱⁱⁱ⁾ %
Wayne Paterson	53%	47%	104.9%	Nil
Kiran Bhirangi ^(iv)	n/a	n/a	n/a	n/a
Matthew McDonnell ^(iv)	n/a	n/a	n/a	n/a
David St Denis	53%	47%	104.9%	Nil
Catherine Costello ^(v)	n/a	n/a	n/a	n/a
Ben Jensen ^(v)	n/a	n/a	104.9%	Nil

⁽ⁱ⁾ Budgeted revenue, cost targets, EBITDA and capital raisings are the main financial performance targets when setting short-term incentives

⁽ⁱⁱ⁾ The percent achieved is based on the maximum short-term incentive for each executive and includes stretch targets

⁽ⁱⁱⁱ⁾ The amounts forfeited are due to the performance of service criteria not being met in relation to the current year

^(iv) Mr Bhirangi and Mr McDonnell were not entitled to a short-term incentive for the current period as both Executives had not been employed for the minimum period to trigger an entitlement.

^(v) Catherine Costello and Ben Jensen resigned prior to the assessment of bonus payments.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

G Details of Remuneration (continued)

Details of the remuneration of the Directors and other Key Management Personnel of the Group is set out below. The disclosure for 2018 represents a full year of remuneration with the comparative period being six months.

	Short-term benefits					Post-employment benefits		Share based benefits	Total	Percentage remuneration consisting of shares/options	Performance related
	Directors fees	Salary ¹	Bonus ²	Non-monetary benefits	Leave ³	Super-annuation	Termination benefits	Equity shares/options		%	%
12 months to 31 December 2018	\$	\$	\$	\$	\$	\$	\$	\$	\$		
<i>Non-Executive Director⁴</i>											
J. Seaberg	149,022	-	-	-	-	-	-	5,402	154,424	3%	-
S. Denaro ⁵	16,667	8,333	-	-	-	1,667	-	-	26,667	-	-
W. Gu ⁶	16,667	-	-	-	-	1,667	-	-	18,334	-	-
Y. Wu ⁷	-	-	-	-	-	-	-	-	-	-	-
L. Zhang ⁸	-	-	-	-	-	-	-	-	-	-	-
S. Buckingham ⁹	76,075	-	-	-	-	7,608	-	-	83,683	-	-
M. Ratty ¹⁰	41,667	-	-	-	-	4,167	-	-	45,834	-	-
<i>Executive Directors</i>											
W. Paterson	-	835,070	281,483	29,954	765	7,708	-	77,780	1,232,760	6%	23%
Total directors' compensation (Group)	300,098	843,403	281,483	29,954	765	22,817	-	83,182	1,561,702		
<i>Other Key Management Personnel</i>											
K. Bhirangi ¹¹	-	34,789	-	-	2,569	-	-	313	37,671	1%	-
M. McDonnell ¹²	-	34,825	-	-	(2,701)	3,483	-	-	35,607	-	-
D. St Denis	-	529,312	148,682	27,431	925	12,390	-	57,945	776,685	7%	19%
C. Costello ¹³	-	299,967	-	-	(4,420)	25,383	237,903	80,257	639,090	13%	-
B. Jensen ¹⁴	-	164,501	-	-	(39,178)	23,675	330,873	54,311	534,182	10%	-
Total key management personnel compensation (Group)	-	1,063,394	148,682	27,431	(42,805)	64,931	568,776	192,826	2,023,235		
TOTAL	300,098	1,906,797	430,165	57,385	(42,040)	87,748	568,776	276,008	3,584,937		

(1) Remuneration contracts are denominated in USD for the following KMP based in the USA/Europe:

W. Paterson (base salary USD 624,750)
D. St Denis (base salary USD 396,000)
K. Bhirangi (base salary USD 325,000)

(2) The bonus figures disclosed for KMP relates to amounts accrued for the year as determined under the STI scheme.

(3) Leave represents the movement in annual leave and long service leave provision balances. The accounting value may be negative, for example when a KMP has taken more leave than accrued during the year.

(4) There are no termination or retirement benefits for Non-Executive Directors (other than statutory superannuation).

(5) S. Denaro was appointed as Non-Executive Director and Company Secretary on 31 October 2018. Remuneration payments commenced from 1 November 2018.

(6) W. Gu was appointed as Non-Executive Director on 4 October 2018. Remuneration payments commenced from 1 November 2018.

(7) Y. Wu was appointed as Non-Executive Director on 12 December 2018.

(8) L. Zhang was appointed as Non-Executive Director on 12 December 2018.

(9) S. Buckingham resigned as Non-Executive Director on 4 October 2018.

(10) M. Ratty resigned as Non-Executive Director on 20 May 2018.

(11) K. Bhirangi was appointed as Chief Medical Officer on 3 December 2018.

(12) M. McDonnell was appointed as Interim Chief Financial Officer on 23 November 2018.

(13) C. Costello resigned as Director on 27 October 2018 and Chief Financial Officer on 16 November 2018.

(14) B. Jensen resigned as Chief Human Resources and Technology Officer on 1 July 2018.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

G Details of Remuneration (continued)

	Short-term benefits			Post-employment benefits		Share based benefits	Total	Percentage remuneration consisting of shares/options for the year	Performance related
	Directors fees	Salary	Bonus	Non-monetary benefits	Super-annuation	Termination benefits \$	Equity shares/options \$	%	%
6 months to 31 December 2017	\$	\$	\$	\$	\$	\$	\$		
<i>Non-Executive Director¹</i>									
J. Seaberg	70,000	-	-	-	-	-	6,672	9%	-
S. Buckingham	50,000	-	-	-	5,000	-	-	-	-
M. Ratty	50,000	-	-	-	5,000	-	-	-	-
<i>Executive Directors</i>									
W. Paterson	-	381,960	663,384	12,741	-	-	6,672	-	62%
Total directors' compensation (Group)	170,000	381,960	663,384	12,741	10,000	-	13,344		
<i>Key Management Personnel</i>									
J. Chick ²	-	27,170	-	-	6,286	100,560	402	-	-
C. Costello ³	-	55,201	20,000	-	4,745	-	1,668	2%	-
B. Jensen ⁴	-	165,536	103,222	-	14,046	-	2,414	1%	36%
D. St Denis ⁵	-	231,101	126,781	11,806	6,400	-	9,019	2%	33%
M. Ziirsén ⁶	-	124,023	-	-	5,923	177,695	(2,141)	(1%)	-
Total key management personnel compensation (Group)	-	603,031	250,003	11,806	37,400	278,255	11,362		
TOTAL	170,000	984,991	913,387	24,547	47,400	278,255	24,706	-	-

(1) There are no termination or retirement benefits for Non-Executive Directors (other than statutory superannuation).

(2) J Chick resigned as Chief Operating Officer on 31 July, 2017

(3) C Costello was appointed as Chief Financial Officer on 7 November, 2017

(4) B Jensen, Chief Human Resources and Technology Officer was deemed KMP from 1 July 2017

(5) D St Denis was appointed as Chief Operating Officer on 1 July, 2017

(6) M Ziirsén resigned as Chief Financial Officer on 6 November, 2017

(7) Admedus has adopted a formal STI scheme which allows KMP bonuses for the calendar year to be finalised prior to the signing of the financial statements. The bonus figures disclosed for KMP relates to bonuses accrued for the 6 months to 31 December 2017. Note W Paterson's bonus also includes a cash payment for the achievement of set targets in the previous year. Moving forward the bonus disclosed in the remuneration report will only relate to amounts accrued for that year as determined under the STI scheme.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

H Share-based Compensation

Options

Set out below are summaries of the number of options granted by Admedus Limited to directors and other key management personnel:

Grant date	Expiry date	Exercise price \$	Balance at start of the period	Granted during the period	Commenced as KMP	Ceased as KMP	Balance at end of the period	Fair Value at grant date per option \$
21/05/2014	21/05/2019	1.70	200,000	-	-	(200,000)	-	0.75
30/06/2015	30/06/2020	1.17	100,000	-	-	(100,000)	-	0.43
10/12/2015	10/12/2020	1.39	200,000	-	-	-	200,000	0.52
23/12/2015	23/12/2020	0.79	190,000 ⁽¹⁾	-	-	(190,000)	-	-
22/09/2017	22/09/2022	0.26	400,000	-	-	-	400,000	0.15
17/11/2017	15/12/2022	0.22	200,000	-	-	(200,000)	-	0.13
08/06/2018	31/12/2027	0.37	-	2,777,865 ⁽²⁾	-	(799,350)	1,978,515	0.17
18/12/2018	18/12/2021	0.08	-	1,400,000 ⁽³⁾	-	-	1,400,000	-
Total			1,290,000	4,177,865	-	(1,489,350)	3,978,515	

(1) M. Ratty received warrants via participation in a Placement prior to becoming a Non-Executive Director.

(2) Options granted as compensation under Tranche H of the Long Term Incentive Plan. KMP did not receive options under Tranche G.

(3) J. Seaberg and W. Paterson participated in the rights issue on 18 December 2018 and both Directors hold 700,000 listed options with an exercise price of \$0.08 and an expiry date of 18 December 2021. These options were not granted as compensation and are therefore shown in a separate column in the table below.

Option holdings

The number of options over ordinary shares in the Company held during the financial period by each director of Admedus Limited, including their personally related parties, and other KMP are set out below:

Option holder	Balance at the start of the period	Granted as compensation	Commenced as KMP	Other net changes	Ceased as KMP	Expired/ Exercised	Balance at the end of the period	Unvested	Vested and exercisable
1 January 2018 - 31 December 2018									
Directors of Admedus Limited									
J. Seaberg	100,000	-	-	700,000	-	-	800,000	-	800,000
W. Paterson	100,000	1,435,630	-	700,000	-	-	2,235,630	1,435,630	800,000
S. Denaro	-	-	-	-	-	-	-	-	-
W. Gu	-	-	-	-	-	-	-	-	-
Y. Wu	-	-	-	-	-	-	-	-	-
L. Zhang	-	-	-	-	-	-	-	-	-
S. Buckingham	-	-	-	-	-	-	n/a	-	-
M. Ratty	190,000	-	-	-	(190,000)	-	n/a	-	-
Other key management personnel of the Group									
K. Bhirangi	-	-	-	-	-	-	-	-	-
M. McDonnell	-	-	-	-	-	-	-	-	-
D. St Denis	400,000	542,885	-	-	-	-	942,885	809,552	133,333
C. Costello	200,000	418,817	-	-	(618,817)	-	n/a	-	-
B. Jensen	300,000	380,533	-	-	(680,533)	-	n/a	-	-

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

H Share-based Compensation (continued)

Fair Value of Options Granted

The assessed fair value at grant date of options granted during the period ended 31 December 2018 was 17.0 cents per option for Tranche G, and 18.0 cents per option for Tranche H. The fair value at grant date is determined using a Black-Scholes option pricing model that considers the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the period ended 31 December 2018 included:

	Tranche G	Tranche H
<i>Exercise price:</i>	\$0.37	\$0.30
<i>Grant date:</i>	8 June 2018	8 June 2018
<i>Expiry date:</i>	31 December 2027	31 December 2027
<i>Share price at grant date:</i>	\$0.26	\$0.26
<i>Expected price volatility of the Company's shares:</i>	70%	70%
<i>Risk-free interest rate:</i>	2.18%	2.18%

All Tranches of options are granted for no consideration and vest based on the holder still being employed by Admedus Limited over a three-year period. Vested options are exercisable for a period up to the expiry date.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

I Additional Information

The earnings of the consolidated entity for the five and a half years to 31 December 2018 are summarised below:

	Financial year ending 31 December 2018 \$	Six months to 31 December 2017 \$	Financial year ending 30 June 2017 \$	Financial year ending 30 June 2016 \$	Financial year ending 30 June 2015 \$	Financial year ending 30 June 2014 \$
Sales revenue	25,601,097	11,305,079	22,324,145	14,150,521	10,133,460	7,940,622
SG&A*	(34,291,462)	(14,541,863)	(24,451,028)	(33,370,182)	(26,032,059)	(16,131,311)
EBITDA	(20,691,421)	(7,717,524)	(10,913,923)	(28,220,840)	(23,120,891)	(8,559,638)
Profit/(Loss) after tax	(24,698,678)	(8,828,576)	(12,676,211)	(25,130,409)	(26,799,970)	(9,048,843)

(*) Selling, general and administration expenses (SG&A) include employee benefits expense, consultancy and legal fees, travel and conference expenses, research and development costs, share based payments expense and other expenses.

The factors that are considered to affect total shareholder return ('TSR') are summarised below:

	Financial year ending 31 December 2018 \$	Six months to 31 December 2017 \$	Financial year ending 30 June 2017 \$	Financial year ending 30 June 2016 \$	Financial year ending 30 June 2015 \$	Financial year ending 30 June 2014 \$
Share price at year/period end (\$A)	0.06	0.30	0.27	0.33	0.70	1.35
Total dividends declared (cents per share)	-	-	-	-	-	-
Basic loss per share (cents per share)	(7.93)	(3.39)	(4.83)	(12.58)	(16.48)	(6.22)

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

J Additional Disclosure Relating to Key Management Personnel

Shareholding

The number of shares in the Company held during the year by each director and other KMP of the consolidated entity, including their personally related parties, is set out below. There were no shares granted during the reporting or comparative period as compensation.

Ordinary shareholders	Balance at the start of the year	Received during the year on exercise of options	Other changes during year	Commenced / ceased as KMP during the year	Balance at the end of the year
1 January 2018 - 31 December 2018					
Directors of Admedus Limited					
J. Seaberg	19,036	-	866,667	-	885,703
W. Paterson	50,000	-	866,667	-	916,667
S. Denaro	-	-	-	-	-
W. Gu	-	-	-	-	-
Y. Wu	-	-	-	-	-
L. Zhang	-	-	-	-	-
S. Buckingham	-	-	-	-	-
M. Ratty	10,434,373	-	-	(10,434,373)	-
Other key management personnel of the Group					
K. Bhirangi	-	-	-	-	-
M. McDonnell	-	-	-	-	-
D. St Denis	-	-	-	-	-
C. Costello	-	-	-	-	-
B. Jensen	12,572	-	-	(12,572)	-

Indirect interests

Name of holder	Nature of interest	Number of class and securities	Ordinary Shares	Quoted options*
Y. Wu	Indirect - entities controlled/ has an interest in	113,228,348 ordinary shares and 47,178,461 quoted options represented by:		
		Constellation Immunotherapy Limited	40,209,208	16,753,837
		Constellation Int'l (Group) Holdings Limited	73,019,140	30,424,624
L. Zhang	Indirect - entities controlled/ has an interest in	133,453,435 ordinary shares and 62,897,248 quoted options represented by:		
		Carron Services Limited	2,857,144	1,190,477
		Star Bright Holding Limited	17,367,943	14,528,310
		Constellation Immunotherapy Limited	40,209,208	16,753,837
		Constellation Int'l (Group) Holdings Limited	73,019,140	30,424,624

(*) The quoted options were received from participation in the rights issue on 18 December 2018 and have an exercise price of \$0.08 and an expiry date of 18 December 2021.

Other transactions with Key Management Personnel

As part of the renounceable rights issue on 18 December 2018 two Directors of the Company, Chairman John Seaberg and Executive Director and CEO Wayne Paterson, agreed to take up their respective entitlements and underwrite the entitlement offer for a total amount of \$50,000 each. The Directors were not paid a fee for their underwriting.

Loans to Key Management Personnel

No loans have currently been provided to key management personnel.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

DIRECTORS' REPORT (continued)

SHARES UNDER OPTION/WARRANT

Unissued ordinary shares of Admedus Limited under option/warrant as at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of options \$	Number under option
28/03/2014	01/02/2019	2.45	200,000
21/05/2014	21/05/2019	1.70	800,000
05/11/2014	05/11/2019	2.10	210,000
30/06/2015	30/06/2020	1.17	1,575,000
21/07/2015	21/07/2020	1.44	795,000
10/12/2015	10/12/2020	0.83	475,000
10/12/2015	10/12/2020	1.39	150,000
18/12/2015	18/12/2020	0.79	5,250,000
23/12/2015	23/12/2020	0.79	380,000
24/06/2016	24/06/2021	0.30	100,000
18/11/2016	18/11/2021	0.34	66,667
23/03/2017	23/03/2022	0.34	450,000
22/09/2017	22/09/2022	0.26	750,000
25/10/2017	26/10/2024	0.25	4,938,799
17/11/2017	15/12/2022	0.22	450,000
08/06/2018	31/12/2027	0.30	2,125,000
08/06/2018	31/12/2027	0.37	4,167,548
18/12/2018	18/12/2021	0.08	237,052,479*
Total			259,935,493

* On 18 December 2018, a renounceable rights issue of shares was undertaken at an issue price of \$0.08 per share, with an attaching listed option for each share issued. As at 31 December 2018, none of the listed options had been exercised.

No option/warrant holder has any right under the options/warrants to participate in any other share issue of the Company or any other entity. The options/warrants are exercisable at any time after vesting or before the expiry date.

During the year ended 31 December 2018, 4,371,922 unlisted options were cancelled (six-month period to 31 December 2017: 858,333 options cancelled).

INSURANCE OF OFFICERS

During the period to 31 December 2018, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and any subsidiary against a liability incurred as a Director or Officer to the extent permitted by the *Corporations Act 2001*. Due to a confidentiality clause in the policy, the amount of the premium has not been disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties, where the auditors' expertise and experience with the Company are important.

No non-audit services were provided by the auditor (HLB Mann Judd) during the year ended 31 December 2018 (six months to 31 December 2017: Nil).

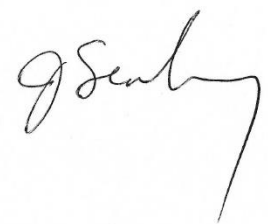
AUDITOR

In accordance with s327C of the *Corporations Act 2001*, HLB Mann Judd (WA Partnership) continues in office.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

This report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'J Seaberg', with a long horizontal stroke extending to the right.

John Seaberg
Chairman

Dated 28 February 2019

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Admedus Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
28 February 2019



M R Ohm
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CORPORATE GOVERNANCE STATEMENT

The Board and management of Admedus Limited are committed to achieving and demonstrating the highest standards of corporate governance. Admedus Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The corporate governance statement reflects the corporate governance practices in place throughout the financial year. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement, which can be viewed at <https://admedus.com/about/corporate-governance>.

CONTENTS

Consolidated Statement of Profit or loss	25
Consolidated Statement of Other Comprehensive Income	26
Consolidated Statement of Financial Position	27
Consolidated Statement of Changes in Equity	28
Consolidated Statement of Cash Flows	29
Group Performance	
1. Basis of Preparation	30
2. Segment Reporting	32
3. Revenue and Other Income	34
4. Expenses	35
5. Income Tax	36
Assets and Liabilities	
6. Financial Assets and Liabilities	39
7. Non-Financial Assets and Liabilities	43
8. Fair Value Measurement	48
Capital Structure and Risk Management	
9. Contributed Equity	49
10. Equity - Reserves	50
11. Loss per Share	51
12. Financial Risk Management	52
Group Composition	
13. Controlled Entities	55
14. Non-Controlling Interest	55
15. Parent Entity Information	56
Unrecognised items	
16. Commitments	57
17. Contingent Liabilities	58
18. Events Occurring After the Reporting Period	58
Other Information	
19. Share Based Payments	58
20. Related Party Transactions	60
21. Dividends	61
22. Remuneration of Auditors	61
23. Summary of Accounting Policies	62
Directors' Declaration	64
Independent Auditor's Report	65

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	CONSOLIDATED	
		12 MONTHS TO 31 DECEMBER	6 MONTHS TO 31 DECEMBER
		2018 \$	2017 \$
Revenue from continuing operations	3	25,601,097	11,305,079
Cost of sales		(13,162,598)	(4,636,699)
Gross profit		12,438,499	6,668,380
Other income	3	428,621	406,972
Employee benefits	4	(23,513,819)	(10,644,514)
Consultancy and legal fees		(2,985,980)	(992,577)
Travel and conference expenses		(2,504,491)	(1,247,121)
Research and development costs		(3,372,965)	(597,557)
Share based payments	4	(8,957)	(355,073)
Depreciation and amortisation expense	4	(1,410,776)	(897,941)
Financing costs	4	(2,638,323)	(252,782)
Fair value movement of warrant		774,763	(211,342)
Other expenses		(1,905,250)	(705,021)
Loss before income tax from continuing operations		(24,698,678)	(8,828,576)
Income tax (expense)/benefit	5	-	-
Loss after income tax for the period/year		(24,698,678)	(8,828,576)
Total loss is attributable to:			
Equity holders of Admedus Limited		(24,217,169)	(8,631,786)
Non-controlling interest		(481,509)	(196,790)
		(24,698,678)	(8,828,576)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		Cents	Cents
Basic loss per share	11	(7.93)	(3.39)
Diluted loss per share	11	n/a	n/a

The Company is reporting on the full year ended 31 December 2018. The comparative accounting period is for the six-month period from 1 July 2017 to 31 December 2017, in line with the previously released financial report.

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	CONSOLIDATED	
		12 MONTHS TO	6 MONTHS TO
		31 DECEMBER	31 DECEMBER
		2018	2017
		\$	\$
Loss for the period/year		(24,698,678)	(8,828,576)
Items that may be reclassified to profit or loss:			
FX translation		(469,115)	(568,921)
Other comprehensive income		-	-
Total comprehensive loss		(25,167,793)	(9,397,497)
Total comprehensive loss is attributable to:			
Equity holders of Admedus Limited		(24,686,284)	(9,200,707)
Non-controlling interest		(481,509)	(196,790)
		(25,167,793)	(9,397,497)

The Company is reporting on the full year ended 31 December 2018. The comparative accounting period is for the six-month period from 1 July 2017 to 31 December 2017, in line with the previously released financial report.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		CONSOLIDATED	
		31 DECEMBER	31 DECEMBER
	Note	2018	2017
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6(a)	12,036,301	8,254,823
Trade and other receivables	6(b)	4,191,545	4,718,096
Inventories	7(a)	6,691,857	5,553,620
Total Current Assets		22,919,703	18,526,539
Non-Current Assets			
Property, plant & equipment	7(b)	3,474,732	3,680,744
Intangibles	7(c)	5,465,674	5,913,774
Deferred asset		-	248,944
Total Non-Current Assets		8,940,406	9,843,462
TOTAL ASSETS		31,860,109	28,370,001
LIABILITIES			
Current Liabilities			
Trade and other payables	6(c)	6,782,664	5,448,470
Provisions	7(d)	1,586,998	875,651
Borrowings	6(e)	-	4,766,449
Financial liability - warrant	6(f)	832,879	248,766
Deferred consideration	6(d)	400,000	400,000
Total Current Liabilities		9,602,541	11,739,336
Non-Current Liabilities			
Provisions	7(d)	-	553,631
Deferred consideration	6(d)	778,409	1,150,619
Total Non-Current Liabilities		778,409	1,704,250
TOTAL LIABILITIES		10,380,950	13,443,586
NET ASSETS		21,479,159	14,926,415
EQUITY			
Contributed equity	9	137,737,211	106,025,631
Reserves	10	(2,941,388)	(2,481,230)
Accumulated losses		(113,678,373)	(89,461,204)
		21,117,450	14,083,197
Capital and reserves attributable to equity holders of Admedus			
Non-controlling interest	14	361,709	843,218
TOTAL EQUITY		21,479,159	14,926,415

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital \$	Share-based payments reserve \$	Other Reserves \$	Foreign currency translation reserve \$	Accumulated Losses \$	Total \$	Non-controlling Interest \$	Total Equity \$
Balance at 1 July 2017	106,025,631	4,612,335	(7,243,027)	363,310	(80,829,418)	22,928,831	1,040,008	23,968,839
Loss for the period	-	-	-	-	(8,631,786)	(8,631,786)	(196,790)	(8,828,576)
Exchange translation differences				(568,921)	-	(568,921)	-	(568,921)
Total comprehensive loss	-	-	-	(568,921)	(8,631,786)	(9,200,707)	(196,790)	(9,397,497)
Transactions with owners in their capacity as owners								
Options issued during the period	-	355,073	-	-	-	355,073	-	355,073
Balance at 31 December 2017	106,025,631	4,967,408	(7,243,027)	(205,611)	(89,461,204)	14,083,197	843,218	14,926,415
Loss for the year					(24,217,169)	(24,217,169)	(481,509)	(24,698,678)
Exchange translation differences	-	-	-	(469,115)	-	(469,115)	-	(469,115)
Total comprehensive loss	-	-	-	(469,115)	(24,217,169)	(24,686,284)	(481,509)	(25,167,793)
Transactions with owners in their capacity as owners								
Shares issued during the year	35,410,796	-	-	-	-	35,410,796	-	35,410,796
Capital raising costs	(3,699,216)	-	-	-	-	(3,699,216)	-	(3,699,216)
Options issued during the year	-	8,957	-	-	-	8,957	-	8,957
Balance at 31 December 2018	137,737,211	4,976,365	(7,243,027)	(674,726)	(113,678,373)	21,117,450	361,709	21,479,159

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 2018

		CONSOLIDATED	
		12 MONTHS TO 31 DECEMBER	6 MONTHS TO 31 DECEMBER
	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		28,132,581	11,383,314
Payments to suppliers and employees		(49,888,332)	(17,914,986)
Interest paid		(525,493)	(109,340)
Interest received		75,931	14,705
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	6(g)	(22,205,313)	(6,626,307)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(611,218)	(782,109)
Payments for intangible assets		-	(361,866)
Payments to acquire investments		(400,000)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,011,218)	(1,143,975)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share or options issues		35,410,796	816
Share issue transaction costs		(3,068,680)	-
Proceeds from borrowings		5,000,000	5,000,000
Repayment of borrowings		(10,000,000)	-
Term facility transaction costs		(192,856)	(497,888)
NET CASH INFLOW FROM FINANCING ACTIVITIES		27,149,260	4,502,928
NET (DECREASE)/INCREASE IN CASH HELD		3,932,729	(3,267,354)
CASH AT BEGINNING OF THE PERIOD		8,254,823	11,260,657
Exchange rate adjustments		(151,251)	261,520
CASH AT END OF THE PERIOD	6(a)	12,036,301	8,254,823

The Company is reporting on the year ended 31 December 2018. The comparative accounting period is for the six-month period from 1 July 2017 to 31 December 2017, in line with the previously released financial report.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION

The consolidated financial statements comprise Admedus Limited (Company) and its controlled entities. The consolidated financial statements are general purpose financial statements and are presented in Australian dollars, unless otherwise stated. The consolidated entity is a for-profit entity.

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value through profit or loss.

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 15.

At the end of the 2017 calendar year, the Company changed its financial year-end from 30 June to 31 December. This change more closely aligned Admedus' reporting period with its global business sales cycles, assisting with forecasting, cash flow management and investment decisions. Consequently, for the current consolidated financial statements, the comparative accounting period is the 6-month period from 1 July 2017 to 31 December 2017, in line with the previous released financial report.

The Group's accounting policies have been consistently applied to all of the periods presented unless otherwise stated.

(a) Going concern

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

As disclosed in the financial statements, the Group incurred a net loss of \$24,698,678 and had net cash outflows from operating activities of \$22,205,313 for the financial year ended 31 December 2018. As at that date, the Group had a cash balance of \$12,036,301 and net working capital of \$13,317,162.

The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- Continued growth in the ADAPT® and Infusion business.
- New product lines to be launched such as CardioCel® 3D Stage 1 Arch, Half Pipe Conduit, Adult AV Leaflets and RVOT Hood and TAP that are at varying stages of design development, regulatory clearance and user evaluation.
- New markets for the Groups ADAPT® products including Taiwan, Australia (post TGA approval), Indonesia, Israel, Nordics and Japan.
- The planned partial divestiture of the immunotherapies business, which will provide funding directly to that entity.
- The possible divestment of non-core assets.
- New possible partnerships and alliances for ADAPT® and TAVR products.
- Monitoring, containing and if required deferring operational costs, including R&D costs, and capital expenditures.
- The Company has an established track record of successfully raising new capital and debt facilities.

Notwithstanding the above factors, should the options above not be subsequently available to the Company, there are material uncertainties as to whether the Company and the Group will be able to continue as a going concern and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company and Group not continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION (continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Admedus Limited as at 31 December 2018 and the results of all subsidiaries for the year then ended. Admedus Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. Control is achieved when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and statement of other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interests in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it de-recognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed in the following notes.

Note 19(e)	Share-based payment transactions
Note 7(a)	Allowance for impairment of inventories
Note 7(c)	Goodwill and other intangible assets
Note 7(c)	Impairment of non-financial assets other than goodwill and other intangible assets
Note 5(e)	Income tax
Note 7(d)(ii)	Lease make good provision

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SEGMENT REPORTING

(a) Description of segments

Segment information is presented using a management approach, i.e. segment information is provided on the same basis as information as used for internal reporting purposes by the chief operating decision maker (CODM, being the CEO that makes key strategic decisions). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Management has determined that there are four identifiable reportable segments as follows:

- Disposable medical product and medical devices distribution (Infusion Business);
- Bio implant operations – inclusive of sales, distribution and manufacturing (ADAPT Business);
- Regenerative medicine R&D - ADAPT technology; and
- Immunotherapies R&D.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Segment information					
	Infusion Business \$	ADAPT Business \$	Regenerative medicine R&D \$	Immunotherapies R&D \$	Total \$
12 MONTHS TO					
31 DECEMBER 2018					
Total segment revenue	14,532,336	11,068,761	-	-	25,601,097
Segment profit/(loss)	127,740	(11,880,962)	(5,799,826)	(1,775,638)	(19,328,686)
Segment assets	5,134,737	9,036,271	2,167,588	3,485,212	19,823,808
Segment liabilities	1,412,874	5,406,976	1,512,842	1,215,379	9,548,071
Acquisition of non-current assets	203,534	410,595	69,617	-	683,746
Depreciation & amortisation	108,510	812,270	324,368	165,628	1,410,776
6 MONTHS TO					
31 DECEMBER 2017*					
Total segment revenue	7,508,488	3,796,591	-	-	11,305,079
Segment profit/(loss)	(631,465)	(3,658,887)	(1,586,935)	(809,588)	(6,686,875)
Segment assets	5,327,670	8,313,826	2,233,635	3,991,103	19,866,234
Segment liabilities	2,646,139	3,743,697	1,828,486	210,049	8,428,371
Acquisition of non-current assets	260,933	1,424,140	228,649	2,410	1,916,132
Depreciation & amortisation	117,140	293,206	233,553	254,042	897,941

* At the commencement of the 2018 year, the internal reporting structures were changed with certain corporate and administration expenses no longer allocated to divisional results. The comparative figures have been updated to reflect this reporting restructure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SEGMENT REPORTING (continued)

(b) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. Segment revenue reconciles to total revenue from continuing operations as follows:

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
Segment revenue	25,601,097	11,305,079
Total revenue from continuing operations	25,601,097	11,305,079

(ii) Segment result

Performance is measured based on segment result before tax.

The reconciliation of segment information to loss before income tax from continuing operations is as follows:

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
Segment loss	(19,328,686)	(6,686,875)
Unallocated:		
Corporate and administration expenses	(5,369,992)	(2,141,701)
Loss before income tax from continuing operations	(24,698,678)	(8,828,576)

(iii) Segment assets and liabilities

Segment assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

Segment assets include all assets used by the segment and consist primarily of cash and cash equivalents, trade and other receivables, property, plant and equipment and intangible assets.

Segment liabilities consist primarily of trade and other creditors and provisions.

Reportable segment assets reconciled to total assets as follows:

	CONSOLIDATED	
	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$
Segment assets	19,823,808	19,866,234
Intersegment eliminations		
Unallocated:		
Cash and cash equivalents	12,036,301	8,254,823
Deferred Asset	-	248,944
Total assets per the statement of financial position	31,860,109	28,370,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SEGMENT REPORTING (continued)

Reportable segment liabilities reconciled to total liabilities as follows:

	CONSOLIDATED	
	31 DECEMBER 2018	31 DECEMBER 2017
	\$	\$
Segment liabilities	9,548,071	8,428,371
Intersegment eliminations	-	-
Unallocated:		
Borrowings	-	4,766,449
Financial liability - warrant	832,879	248,766
Total liabilities per the statement of financial position	10,380,950	13,443,586

(c) Geographic segments revenue

The main geographic segments from which the Group derives its revenue are Australia of \$14,704,884 (6 months to December 2017 \$7,303,110) and the United States of \$7,627,679 (6 months to December 2017 \$2,629,812).

(d) Major customers

Revenues of approximately \$7,185,058 are derived from two external customers (31 December 2017: \$2,877,686 of revenue derived from two external customers). These revenues are attributed to the Infusion Business segment

3. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018	6 MONTHS TO 31 DECEMBER 2017
	\$	\$
Revenue from continuing operations		
Sale of goods		
<i>At a point in time</i>		
Infusion Business - Capital sales	659,628	82,546
Infusion Business - Consumable sales	13,872,708	7,425,942
ADAPT Business - Direct sales	6,840,352	2,038,728
ADAPT Business - Agent & distributor sales	4,228,409	1,757,863
	25,601,097	11,305,079
Other income		
Interest income	41,843	39,671
Grant income	62,500	365,336
Foreign exchange gains	317,678	-
Sundry income	6,600	1,965
Total other income	428,621	406,972

Recognition and Measurement

Sale of goods

Revenue from the sale of goods for the Infusion and ADAPT business units is recognised when control of goods transfers to the customer. Revenue is recognised at an amount which reflects the consideration to which the Group expects to be entitled in exchange for those goods. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable amount may occur when the uncertainties around its measurement are removed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3. REVENUE AND OTHER INCOME (continued)

Recognition and Measurement (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government Grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of profit and loss over the period necessary to match them with the costs that they are intended to compensate.

4. EXPENSES

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
Depreciation and amortisation		
Depreciation	962,676	430,015
Amortisation	448,100	467,926
	1,410,776	897,941
Employment expenses		
Remuneration and on-costs	21,420,198	9,485,196
Superannuation expense	1,032,088	381,746
Other employee benefits	1,061,533	777,572
	23,513,819	10,644,514
Share based payments	8,957	355,073
Operating lease rental expense	742,162	297,736
Finance costs		
Interest and finance charges paid/payable	565,245	119,896
Amortisation of loan transactions costs	675,350	15,392
Warrant	1,358,876	36,608
Unwind of discount on non-current liabilities	38,852	80,886
	2,638,323	252,782

Depreciation

Refer Note 7(b) for details on depreciation.

Employee Benefits

Refer Note 7(d) for details on employee provisions and employee superannuation and Note 19 for details on share based payments.

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses and accounted for on a straight line basis in the periods in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. INCOME TAX

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
(a) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	(24,698,678)	(8,828,576)
Tax expense/(benefit) at the Australian tax rate of 27.5% (Six-month period to 31 December 2017: 27.5%)	(6,792,136)	(2,427,859)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Share based payments	2,463	96,873
Non-deductible expenses - warrant	406,033	-
Sundry items - net non-deductible	702,334	181,446
Subtotal	(5,681,306)	(2,149,540)
Adjustment for difference in foreign tax rates	676,969	47,974
Total tax expense/(benefit)	(5,004,337)	(2,101,566)
Deferred tax – current period benefits not recognised	(5,004,337)	(1,503,576)
Deferred tax – reversal of prior period temporary differences	-	(597,990)
Income tax expense/(benefit)	-	-

Further legislation was passed by the Australian Government in October 2018 to accelerate the planned reduction in the corporate tax rate from 30% to 25% for small and medium business over a 5-year period. Admedus Limited expects to benefit from the reduced corporate tax rates as a base rate entity with Australian turnover expected to be under the aggregated turnover threshold in the foreseeable future. No change has been made to the 27.5% effective tax rate used for the measurement of the Australian deferred tax balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. INCOME TAX (continued)

(b) Deferred Tax Assets

The composition and movement of deferred assets is as follows:

	Balance 1 July 2017 \$	Recognised in profit or loss \$	Recognised in equity \$	Balance 31 December 2017 \$	Recognised in profit or loss \$	Recognised in equity \$	Balance 31 December 2018 \$
Provisions	442,614	(56,066)	-	386,548	6,684	-	393,232
Accruals	97,385	680,633	-	778,018	(515,661)	-	262,357
Share issue costs through equity	1,192,676	(889,803)	-	302,873	-	769,695	1,072,568
Property, plant and equipment	(492,574)	63,766	-	(428,808)	82,999	-	(345,809)
Intangible assets	(1,305,435)	1,697,211	-	391,776	(438,580)	-	(46,804)
Sundry - other	-	26,091	-	26,091	(26,091)	-	-
Sub-total	(65,334)	1,521,832	-	1,456,498	890,649	769,695	1,335,544
Unrecognised net deferred tax assets	65,334	(1,521,832)	-	(1,456,498)	(890,649)	(769,695)	(1,335,544)
Tax assets	-	-	-	-	-	-	-

Deferred tax assets are attributable to the following:

	Assets		Liabilities		Net	
	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$
Provisions	393,232	386,548	-	-	393,232	386,548
Accruals	262,357	778,018	-	-	262,357	778,018
Share issue costs through equity	1,072,568	302,873	-	-	1,072,568	302,873
Property, plant and equipment	-	-	(345,809)	(428,808)	(345,809)	(428,808)
Intangible assets	-	391,776	(46,804)	-	(46,804)	391,776
Sundry - other	-	26,091	-	-	-	26,091
Sub-total	1,728,157	1,885,306	(392,613)	(428,808)	1,335,544	1,456,498
Set off deferred tax liabilities	(392,613)	(428,808)	-	-	-	-
Unrecognised net deferred tax assets	(1,335,544)	(1,456,498)	-	-	(1,335,544)	(1,456,498)
Tax assets	-	-	-	-	-	-

(c) Tax losses

	CONSOLIDATED	
	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$
Unused tax losses for which no deferred tax assets have been recognised		
Australian losses	44,271,983	41,853,035
Foreign losses	37,850,651	30,251,390
Sub-total	82,122,634	72,104,425
Potential tax benefit	20,423,951	18,125,932

All unused tax losses were incurred by Australian and foreign entities that are not likely to generate taxable income in the foreseeable future. They can be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. INCOME TAX (continued)

(d) Recognition and Measurement

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Tax Consolidation

Admedus Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. The parent entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the parent entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(e) Critical accounting estimates

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

6. FINANCIAL ASSETS AND LIABILITIES

Financial assets	Notes	31 DECEMBER 2018 \$			31 DECEMBER 2017 \$		
		Current	Non-current	Total	Current	Non-current	Total
Cash and cash equivalents							
Cash at bank	6(a)	6,624,040	-	6,624,040	3,146,060	-	3,146,060
Short term deposits	6(a)	5,412,261	-	5,412,261	5,108,763	-	5,108,763
Total Cash and cash equivalents		12,036,301	-	12,036,301	8,254,823	-	8,254,823
Trade and other receivables							
Trade receivables	6(b)	3,187,280	-	3,187,280	4,076,555	-	4,076,555
Other receivables	6(b)	1,004,265	-	1,004,265	641,541	-	641,541
Total Trade and other receivables		4,191,545	-	4,191,545	4,718,096	-	4,718,096
Deferred asset		-	-	-	-	248,944	248,944
Total financial assets		16,227,846	-	16,227,846	12,972,919	248,944	13,221,863

Financial liabilities	Notes	31 DECEMBER 2018 \$			31 DECEMBER 2017 \$		
		Current	Non-current	Total	Current	Non-current	Total
Trade and other payables							
Trade payables	6(c)	2,468,431	-	2,468,431	1,256,823	-	1,256,823
Other payables	6(c)	4,314,233	-	4,314,233	4,191,647	-	4,191,647
Total Trade and other payables		6,782,664	-	6,782,664	5,448,470	-	5,448,470
Deferred consideration							
Provision for deferred settlement	6(d)	400,000	778,409	1,178,409	400,000	1,150,619	1,550,619
Total Deferred consideration		400,000	778,409	1,178,409	400,000	1,150,619	1,550,619
Financial liabilities							
Borrowings	6(e)	-	-	-	4,766,449	-	4,766,449
Total Financial liabilities		-	-	-	4,766,449	-	4,766,449
Financial Instruments							
Warrant	6(f)	832,879	-	832,879	248,766	-	248,766
Total Financial instruments		832,879	-	832,879	248,766	-	248,766
Total financial liabilities		8,015,543	778,409	8,793,952	10,863,685	1,150,619	12,014,304

6(a) Cash and cash equivalents

Recognition and measurement

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Cash at Bank

These are interest bearing accounts held at bank with average interest rates of 1.34% (31 December 2017: 0.15%).

Short term deposits

These represent interest bearing short term deposits held at bank with average interest rate of 1.85% (31 December 2017: 2.34%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

6. FINANCIAL ASSETS AND LIABILITIES (continued)

6(b) Trade and other receivables

Recognition and measurement

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are subject to the expected credit loss model. The Company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period greater than 120 days past due. Impairment losses on trade receivables are presented within operating profit. Subsequent recoveries on amounts previously written off are credited against the same line item.

Other receivables are recognised at amortised cost, less any expected loss allowance.

Critical accounting estimates

The allowance for impairment of receivables assessment requires a degree of estimation and judgement. The level of allowance is assessed by considering the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Refer to Note 12 for information on the risk management policy of the Group.

Other receivables

Other receivables include prepayments and security deposits for rental of corporate offices.

Past due but not impaired

As at 31 December 2018, trade receivables of \$73,258 (31 December 2017: \$407,356) were past due but not impaired. These relate to customers for whom there is no recent history of default. A significant portion of these trade receivables past due but not impaired have been subsequently paid post 31 December 2018. The ageing analysis of these trade receivables is as follows:

	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$
Over 90 days	73,258	407,356

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the history of these other classes, it is expected that these amounts will be received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

6. FINANCIAL ASSETS AND LIABILITIES (continued)

6(c) Trade and other payables

Recognition and measurement

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Refer to Note 12 for information on the risk management policy of the Group.

6(d) Deferred consideration

The deferred consideration balance relates to the acquisition by Admedus Ltd of the remaining 11.13% of the shares in Regen Pty Ltd and the settlement of associated Federal Court proceedings. As a result of the settlement, the Group owns 100% of Admedus' regenerative tissue technology ADAPT®. The present value of the remaining deferred consideration is \$1,178,409, which is payable in 3 equal instalments to January 2021.

6(e) Financial liabilities - borrowings

	CONSOLIDATED	
	31 DECEMBER 2018	31 DECEMBER 2017
	\$	\$
Borrowings - current	-	5,000,000
Capitalised borrowing costs	-	(233,551)
	-	4,766,449

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

In October 2017, Admedus Limited entered into an agreement with Partners for Growth (PFG) for a secured debt facility of up to AUD \$10 million. PFG was granted a first-ranking security for the loans on all assets of the Company and most wholly-owned group companies.

In August 2018, Admedus Limited entered into a \$5 million unsecured loan facility with Star Bright Holding Ltd ("Star Bright"). The purpose of the loan was to repay the existing term loan from PFG. The PFG loan was fully repaid on 28 August 2018 and the security granted under the loan was released.

In December 2018 the loan from Star Bright was repaid in full, through use of funds received from the renounceable rights issue of shares. Refer to note 9(f) for further detail on the rights issue.

6(f) Financial liabilities - warrant

Recognition and measurement

The warrant is a derivative with changes in fair value recognised in the profit or loss. Refer below for the method and assumptions used in determining fair value of the derivative.

In conjunction with receiving the loan facility from PFG in October 2017, Admedus issued PFG a 7-year warrant for the issue of 4,938,799 ordinary shares in the Company at an exercise price of AUD\$0.25 per share. The warrant expires on 26 October 2024. The holder of the warrant also has the option to put the warrant to the Company for AUD\$1,500,000 on expiry or on the occurrence of certain events. Both these components need to be considered when determining the valuation of the warrant.

The value of the call option component of the warrant in relation to the issue of the shares has been determined using a Black Scholes pricing model that incorporates a share price hurdle. The share price hurdle reflects the fact the call option will only be exercised in circumstances where the value that can be derived from exercising the call option exceeds the value that can be derived from the put option. The value of the put option is determined having regard to a discounted cash flow ('DCF') methodology to calculate its risk-adjusted present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

6. FINANCIAL ASSETS AND LIABILITIES (continued)

6(g) Cash flow information

Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018	6 MONTHS TO 31 DECEMBER 2017
	\$	\$
Loss for the period/year	(24,698,678)	(8,828,576)
Adjustments for		
Depreciation and amortisation expense	1,410,776	897,941
Non-cash share expense - share based payments	8,957	355,073
Non-cash interest expense	1,943,079	132,886
Fair value of movement of warrant	(774,763)	211,342
Reclassification of software licenses	-	(398,480)
Foreign exchange differences	(317,678)	(261,520)
Sundry	(657,229)	(503,374)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	526,551	(562,587)
(Increase)/decrease in inventories	(1,138,237)	(1,386,056)
(Decrease)/increase in creditors	1,334,193	3,580,847
(Decrease)/increase in other provisions	157,716	136,197
Net cash outflow from operating activities	(22,205,313)	(6,626,307)

Non-cash investing and financing activities

The Group has no non-cash investing and financing activities.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018	6 MONTHS TO 31 DECEMBER 2017
	\$	\$
Opening balance - Borrowings	4,766,449	-
Changes from financing cash flows		
Proceeds from borrowings	5,000,000	5,000,000
Repayment of borrowings	(10,000,000)	-
Term facility transaction costs	(192,856)	(497,888)
Total changes from financing cash flows	(5,192,856)	4,502,112
Other changes		
Deferred asset - term facility transaction costs	-	248,944
Non-cash interest expense	426,407	15,393
Interest expense	525,493	109,340
Interest paid	(525,493)	(109,340)
Total other changes	426,407	264,337
Closing balance - Borrowings	-	4,766,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7. NON-FINANCIAL ASSETS AND LIABILITIES

Non-Financial assets	Notes	31 DECEMBER 2018 \$			31 DECEMBER 2017 \$		
		Current	Non-current	Total	Current	Non-current	Total
Inventory	7(a)	6,691,857	-	6,691,857	5,553,620	-	5,553,620
Property, plant and equipment	7(b)	-	3,474,732	3,474,732	-	3,680,744	3,680,744
Intangible assets	7(c)	-	5,465,674	5,465,674	-	5,913,774	5,913,774
Total non-financing assets		6,691,857	8,940,406	15,632,263	5,553,620	9,594,518	15,148,138

Financial liabilities	Notes	31 DECEMBER 2018 \$			31 DECEMBER 2017 \$		
		Current	Non-current	Total	Current	Non-current	Total
Provisions							
Employee benefit provisions	7(d)(i)	1,022,305	-	1,022,305	875,651	-	875,651
Lease make good provisions	7(d)(ii)	564,693	-	564,693	-	553,631	553,631
Total Provisions		1,586,998	-	1,586,998	875,651	553,631	1,429,282
Total non-financing liabilities		1,586,998	-	1,586,998	875,651	553,631	1,429,282

7(a) Inventories

	CONSOLIDATED	
	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$
Raw materials – at cost	150,430	184,099
Work in progress – at cost	514,642	500,611
Finished goods – at cost	6,230,445	4,883,771
	6,895,517	5,568,481
Provision for impairment of inventory	(203,660)	(14,861)
	6,691,857	5,553,620

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2018 amounted to \$265,880 (Six months to 31 December 2017: \$9,097).

Recognition and measurement

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average cost formula. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Critical accounting estimates

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of allowance is assessed by considering the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7(b) Property, plant and equipment

	CONSOLIDATED					
	31 DECEMBER 2018			31 DECEMBER 2017		
	Plant and equipment \$	Software \$	Total \$	Plant and equipment \$	Software \$	Total \$
Plant & equipment						
Cost	5,379,366	1,754,014	7,133,380	4,954,668	1,401,595	6,356,263
Accumulated depreciation	(3,199,393)	(459,255)	(3,658,648)	(2,604,608)	(70,911)	(2,675,519)
Net book amount	2,179,973	1,294,759	3,474,732	2,350,060	1,330,684	3,680,744
Reconciliation						
Opening net book amount	2,350,060	1,330,684	3,680,744	2,355,996	-	2,355,996
Additions	406,167	277,579	683,746	353,168	1,401,595	1,754,763
Disposals	-	-	-	-	-	-
Depreciation charge	(585,919)	(376,757)	(962,676)	(359,104)	(70,911)	(430,015)
Exchange rate differences	9,665	63,253	72,918	-	-	-
Closing net book amount	2,179,973	1,294,759	3,474,732	2,350,060	1,330,684	3,680,744

Recognition and measurement

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Software	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is de-recognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation reserve relating to the item disposed of is transferred directly to retained profits.

Costs incurred in developing software products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services and direct payroll related costs of employees' time spent on the project.

Software development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Critical accounting estimates

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly because of technical innovations or some other event. The depreciation and amortization charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(c) Intangibles

	CONSOLIDATED	
	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$
Patents	328,725	362,740
Intellectual property	1,653,640	1,903,025
Technology Licence	1,894,016	2,058,716
Goodwill	1,589,293	1,589,293
	5,465,674	5,913,774
Reconciliation - Patents		
Opening net book value	362,740	279,582
Additions - acquisitions	-	161,369
Amortisation	(34,015)	(78,211)
Closing net book value	328,725	362,740
Reconciliation – Intellectual property		
Opening net book value	1,903,025	2,027,721
Amortisation	(249,385)	(124,696)
Closing net book value	1,653,640	1,903,025
Reconciliation – Technology Licence		
Opening net book value	2,058,716	2,323,732
Amortisation	(164,700)	(265,016)
Closing net book value	1,894,016	2,058,716
Reconciliation – Goodwill		
Opening net book value	1,589,293	1,589,293
Closing net book value	1,589,293	1,589,293

Critical accounting estimates

The consolidated entity tests goodwill and other indefinite life intangible assets annually, or more frequently if events or changes in circumstances indicate impairment. The recoverable amounts of cash-generating units are determined based on either value-in-use calculations or fair value less cost of disposal. Value-in-use calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate several key estimates and assumptions.

Impairment assessment of technology licence and goodwill

The value of the technology licence and goodwill from the Admedus Vaccines transaction were subject to impairment testing at 31 December 2018 with no impairment arising as the recoverable amount was in excess of the associated cash generating unit. The impairment test was performed by determining a value for the Admedus Vaccines' assets based on the announced proposed funding arrangement with Star Bright Holding Ltd. Under the executed Memorandum of Understanding, Admedus will hold 29.1% of a new company which will own Admedus Vaccines, and Star Bright will contribute \$18 million to the new company for 60% of the equity in this company.

As at 31 December 2017, the Company performed a review of the key assumptions applied for the 30 June 2017 impairment test performed by Glasshouse Advisory (independent IP valuers), as detailed below. As there were found to be no material changes to these assumptions or the composition of the cash generating unit, the previous outcome of no impairment was determined to be accurate for the current reporting period end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(c) Intangibles (continued)

Impairment assessment of technology licence and goodwill (continued)

The fair value assessment at 30 June 2017 by Glasshouse Advisory used an income approach and Risk Adjusted Discounted Cash Flow method. A licensing business model was assumed, with the Company's forecast earnings stream based on royalty income received from a hypothetical licensee. This methodology is commonly used to value pre-revenue companies and, despite the uncertainty inherent to development technology, it is the method of investors in pharmaceutical and biotech start-up and pre-revenue companies. The discount rate applied to cash flow projections was 24.7% (2016: 24.6%) and cash flows were calculated using Implied Peak Sales of \$2.3B to \$2.5B for HSV-2 (2016: HSV-2 \$2.0B to \$3.8B and HPV \$1.2B) using a cumulative probability of success of 23.7% HSV-2 (2016: 24% HSV-2 and 14% HPV) and royalty of 5% (2016: 4.75%).

Impairment assessment of intellectual property and patents

The value of the intellectual property and patents for the ADAPT business were subject to impairment testing at 31 December 2018 with no impairment arising as the recoverable amount was in excess of the associated cash generating unit. The impairment test was performed by performing a discounted cashflow valuation methodology calculation. These calculations use cash flow projections based on financial forecasts determined by management. Terminal cash flows are extrapolated using an estimated growth rate of 2.5%. In performing these calculations, the Group has applied a post-tax discount rate of 20% (equivalent to a pre-tax discount rate of 22%). The values assigned to the key assumptions represent management's assessment of future trends in the industry and were based on both external and internal sources.

As at 31 December 2017 the Group assessed whether any indicators of impairment existed at reporting date for the intellectual property and patents for the ADAPT business. No indicators were identified at this point in time.

Recognition and measurement

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised, up to the stage of commercialization, when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity can use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of up to 20 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(d) Provisions

(i) Employee benefits

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. Long service leave covers all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

(ii) Lease make good

The lease make good provision relates to the removing of lease hold improvements including laboratories and clean rooms in accordance with the lease agreements. The provision is based on an independent valuation.

Critical accounting estimate

The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

(iii) Recognition and measurement

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation due to a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

8. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Consolidated – 31 December 2018				
<i>Liabilities</i>				
Warrant	-	832,879	-	832,879
Total liabilities	-	832,879	-	832,879
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Consolidated – 31 December 2017				
<i>Liabilities</i>				
Warrant	-	248,766	-	248,766
Total liabilities	-	248,766	-	248,766

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Recognition and measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Critical accounting estimates

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

9. CONTRIBUTED EQUITY

	SHARES		\$	
	31 DECEMBER 2018	31 DECEMBER 2017	31 DECEMBER 2018	31 DECEMBER 2017
(a) Share Capital				
Ordinary shares				
Fully paid	589,941,088	254,795,534	137,737,211	106,025,631
	Date	Notes	No. shares	Issue Price
				\$
(b) Movements in Ordinary Share Capital				
Details				
Balance	30/06/17		254,795,534	106,025,631
Nil movement			-	-
Balance	31/12/17		254,795,534	106,025,631
Share Placement to new investors	(b)		17,666,667	0.30
Share Placement to Directors	(c)		2,333,333	0.30
Share Purchase Plan	(d)		9,203,573	0.30
Share Placement - Star Bright	(e)		42,599,866	0.10
Share Placement - Star Bright	(e)		26,289,636	0.1303
Rights Issue	(f)		237,052,479	0.08
Transaction costs			-	(3,699,216)
Balance	31/12/18		589,941,088	137,737,211

(a) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

(b) Share Placement to new investors

On 16 May 2018, new investors made an investment in the Group of 17,666,667 shares at \$0.30 per share.

(c) Share Placement to Directors

On 28 June 2018, a further 2,333,333 shares at \$0.30 were subscribed to Directors following shareholder approval at an Extraordinary General Meeting.

(d) Share Purchase Plan

All shareholders were invited to participate in a Share Purchase Plan, resulting in a subscription of 9,203,573 shares at \$0.30 per share on 4 June 2018.

(e) Share placement – Star Bright

Star Bright Holding Ltd (“Star Bright”) made additional investments in the Group, structured as follows:

- Placement of 42,599,866 shares at a place of \$0.10 per share, issued on 22 August 2018.
- Placement of 26,289,636 shares at a price of \$0.1303 per share, issued on 4 September 2018.

(f) Rights Issue

On 18 December 2018, a renounceable rights issue of shares was undertaken at an issue price of \$0.08 per share, with an attaching listed option for each share issued. The total number of listed options issued was 237,052,479.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

9. CONTRIBUTED EQUITY (continued)

(g) Recognition and measurement

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) Capital Risk Management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders and to maintain capital structure to reduce the cost of capital.

The Board of Directors monitors capital as part of each Board meeting or more frequently as required. No formal targets are in place for return on capital or gearing ratios as the Group has not derived any income from the developing technology. The Group defines capital as equity and net debt.

10. EQUITY – RESERVES

		CONSOLIDATED		
		31 DECEMBER 2018 \$	31 DECEMBER 2017 \$	
(a)	Reserves			
	Share based payments	4,976,365	4,967,408	
	Other reserve	(7,243,027)	(7,243,027)	
	Foreign currency translation reserve	(674,726)	(205,611)	
		(2,941,388)	(2,481,230)	
Reconciliation - Share based payment		Date	No. options/ warrants	Valuation \$
				\$
Balance		01/07/2017	15,003,340	4,612,335
Unlisted options issued			1,150,000	0.15
Unlisted options issued			500,000	0.13
Unlisted options cancelled			(858,333)	
Share based payments expense				335,566
Balance		31/12/2017	15,795,007	4,967,408
Unlisted options issued			4,371,130	0.17
Unlisted options issued			2,150,000	0.18
Unlisted options cancelled			(4,371,922)	
Share based payments expense				(395,362)
Balance		31/12/2018	17,944,215	4,976,365

Note: In addition to the options and warrants noted above, Admedus issued PFG a 7-year warrant for the issue of 4,938,799 ordinary shares in the Company at an exercise price of AUD\$0.25 per share in October 2017. Refer to note 6(f) for further information on this warrant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. EQUITY – RESERVES (continued)

	CONSOLIDATED	
	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$
Reconciliation – Foreign currency translation reserve		
Opening balances	(205,611)	363,310
Foreign exchange on subsidiaries	(469,115)	(568,921)
Closing balance	(674,726)	(205,611)

(b) Nature and purpose

The share-based payments reserve is used to recognise the change in equity associated with a share based payment.

The other reserve reflects the additional consideration paid by the Company to acquire a portion of the remaining non-controlling interests of a subsidiary.

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars, in addition to exchange differences on an entity's net investment in foreign operations.

11. LOSS PER SHARE

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018 Number	6 MONTHS TO 31 DECEMBER 2017 Number
(a) Weighted Average Number of Shares Used as the Denominator		
Weighted average number of ordinary shares used in the denominator in calculating basic loss per share	305,513,354	254,795,534
Adjustment for calculation of diluted loss per share:		
Options	-	-
Weighted average number of ordinary shares used in the denominator in calculating diluted loss per share	n/a	n/a
	\$	\$
(b) Loss Used in Calculating Loss Per Share	(24,217,169)	(8,631,786)
	Cents	Cents
Basic loss per share	(7.93)	(3.39)
Diluted loss per share	n/a	n/a

(c) Information concerning classification of securities

Options:

No listed or unlisted options of Admedus Limited have been included in the determination of basic loss per share because all options on issue have an exercise price above the market share price of the Company as at period end.

Details relating to options granted under the Admedus Employee Share Option Plan (ESOP) are outlined in Note 19(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks (including interest rate risk, credit risk and liquidity risk). The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, ageing analysis for credit risk and review of foreign exchange risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. Interest rate risk is managed for financial assets by investing in higher yielding term deposits with large financial institutions. Credit risk is monitored by regular age analysis of debtors as well as the initial assessment of the credit worthiness of counterparties.

The Group and the Company hold the following financial instruments:

	CONSOLIDATED	
	31 DECEMBER 2018	31 DECEMBER 2017
	\$	\$
Financial assets		
Cash and cash equivalents	12,036,301	8,254,823
Trade and other receivables	4,191,545	4,718,096
Deferred asset	-	248,944
	16,227,846	13,221,863
Financial liabilities		
Trade and other payables	6,782,664	5,448,470
Deferred consideration	1,178,409	1,550,619
Borrowings	-	4,766,449
Warrant	832,879	248,766
	8,793,952	12,014,304
Net financial assets	7,433,894	1,207,559

The Group's principal financial instruments comprise cash and short-term deposits.

The main purpose of the financial instruments is to fund the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group are cash flow (interest rate risk, liquidity risk and credit risk). The Board reviews and agrees policies for managing each of these risks and they are summarised as follows:

(a) Market Risk

Cash flow and interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the Group to cash flow interest rate risk. The Company does not consider this to be material to the Group and has therefore not undertaken any further analysis of risk exposure.

The following sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods:

	Note	Weighted average interest rate	Total \$
31 December 2018 Consolidated			
Financial assets			
Cash and cash equivalents	6(a)	1.57%	<u>12,036,301</u>
31 December 2017 Consolidated			
Financial assets			
Cash and cash equivalents	6(a)	1.45%	<u>8,254,823</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Cash flow and interest rate risk (continued)

Sensitivity

At 31 December 2018, if interest rates had increased by 50 basis points or decreased by 50 basis points from the period end rates with all other variables held constant, the impact on post-tax loss for the period based on the average cash balance would have been \$50,728 lower/\$50,728 higher (31 December 2017 changes 50 basis points: \$48,789 lower/ \$48,789 higher), mainly because of higher/lower interest income from cash and cash equivalents.

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, considering its financial position, experience and other factors. Individual risk limits are set in accordance with Company policy. The compliance with credit limits by wholesale customers is regularly monitored by line management.

For some receivables in Note 6 the Group obtained deposits to cover the cost of defaults by customers. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(c) Foreign currency risk management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

The Group regularly monitors the level of foreign currency exposure and where appropriate, considers the use of foreign exchange contracts to manage significant exposures. There were no foreign exchange contracts entered at 31 December 2018 (31 December 2017: nil).

The following table includes the financial assets and liabilities denominated in currencies other than the functional currency of the respective entities and presents the Group's exposure to foreign exchange risk at the end of the reporting period, expressed in Australian Dollars. The Group's manufacturing facilities are based in Australia and the sales for the ADAPT Business to the markets in the USA, Europe and Asia creates an AUD denominated foreign exchange risk in the respective entities.

At 31 December 2018	Cash and cash equivalents	Trade and other receivables	Trade and other payables	Related party payables	Total
	\$	\$	\$	\$	\$
USD	8,854	184,911	(134,627)	-	59,138
GBP	478	115,523	(563)	-	115,438
CHF	6,831	3,252	(10,862)	-	(779)
AUD	-	-	-	(7,246,795)	(7,246,795)
Total	16,163	303,686	(146,052)	(7,246,795)	(7,072,998)

Based on the 2018 balances, a 10% stronger/(weaker) Australian dollar against the currencies held, would result in a Profit & Loss impact of \$643,000/ (\$787,820).

At 31 December 2017	Cash and cash equivalents	Trade and other receivables	Trade and other payables	Related party payables	Total
	\$	\$	\$	\$	\$
USD	85,060	224,729	(411,463)	-	(101,674)
GBP	76,210	97,259	-	-	173,469
CHF	18,415	10,804	-	-	29,219
EUR	-	-	(32,504)	-	(32,504)
AUD	-	-	-	(3,065,858)	(3,065,858)
Total	179,685	332,792	(443,967)	(3,065,858)	(2,997,348)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity and debt funding.

The Group's exposure to the risk of changes in market interest rates relates primarily to cash assets and floating interest rates. The Group does not have significant interest-bearing liabilities and is not materially exposed to changes in market interest rates.

The Directors monitor the cash-burn rate of the Group on an ongoing basis against budget. As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non-interest bearing and were due within the normal terms of creditor payments. The Company has also issued a warrant which expires on 26 October 2024. The holder has the ability to convert the warrant to shares or to put that warrant to the Company for \$1,500,000.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months \$	6-12 months \$	1-2 years \$	2-5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount (assets)/ liabilities \$
Group – At 31 December 2018							
Non-derivatives							
Trade and other payables	6,782,664	-	-	-	-	6,782,664	6,782,664
Borrowings	-	-	-	-	-	-	-
Deferred consideration	400,000	-	400,000	400,000	-	1,200,000	1,178,409
Total non-derivatives	7,182,664	-	400,000	400,000	-	7,982,664	7,961,073
Derivatives							
Warrant	-	-	-	-	1,500,000	1,500,000	832,879
Total derivatives	-	-	-	-	1,500,000	1,500,000	832,879
Group – At 31 December 2017							
Non-derivatives							
Trade and other payables	5,448,470	-	-	-	-	5,448,470	5,448,470
Borrowings	795,382	1,300,278	2,595,660	1,947,153	-	6,638,473	6,638,473
Deferred consideration	400,000	-	400,000	800,000	-	1,600,000	1,550,619
Total non-derivatives	6,643,852	1,300,278	2,995,660	2,747,153	-	13,686,943	13,637,562
Derivatives							
Warrant	-	-	-	-	1,500,000	1,500,000	248,766
Total derivatives	-	-	-	-	1,500,000	1,500,000	248,766

(e) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

The consolidated entity's principal financial instruments consist of cash and deposits with banks, accounts receivable, trade payables and loans payable. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy.

Name of entity	Class of share	Country of Incorporation	Equity Holding		Cost to Company	
			31 December	31 December	31 December	31 December
			2018	2017	2018	2017
			%	%	\$	\$
Accounting Parent Entity						
Admedus Investments Pty Limited		Australia	100	100	30,263,471	30,263,471
Legal Parent Entity						
Admedus Limited	Ordinary	Australia	-	-	-	-
Controlled Entities						
Admedus (NZ) Limited	Ordinary	New Zealand	100	100	1	1
Admedus (Australia) Pty Limited	Ordinary	Australia	100	100	892,989	892,989
Admedus Regen Pty Limited	Ordinary	Australia	100	100	16,347,175	16,347,175
Admedus Corporation	Ordinary	USA	100	100	104	104
Admedus Vaccines Pty Limited	Ordinary	Australia	72.8	72.8	13,000,049	13,000,049
Admedus Sarl	Ordinary	Switzerland	100	100	23,151	23,151
Admedus Biomanufacturing Pty Ltd	Ordinary	Australia	100	100	1	1
Admedus (Singapore) Pte. Ltd.	Ordinary	Singapore	100	100	1	1

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

14. NON-CONTROLLING INTEREST

	CONSOLIDATED	
	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$
Interest in:		
Share Capital	-	-
Reserves	7,243,027	7,243,027
Accumulated Retained Earnings	(7,604,736)	(8,086,245)
	(361,709)	(843,218)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Admedus Vaccines Pty Ltd	
	31 December 2018 \$	31 December 2017 \$
Current assets	650,742	1,192,505
Current liabilities	1,215,379	147,131
Current net assets	(564,637)	1,045,374
Non-current assets	1,895,918	2,058,116
Non-current liabilities	-	-
Non-current net assets	1,895,918	2,058,116
Net assets	1,331,281	3,103,490
Accumulated non-controlling interests	361,709	843,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

14. NON-CONTROLLING INTEREST (continued)

	Admedus Vaccines Pty Ltd	
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
Revenue	-	-
Loss for the period/Total comprehensive loss	(1,766,577)	(724,291)
Loss allocated to non-controlling interests	(481,509)	(196,790)
Cash flows from operating activities	(123,142)	(860,910)
Cash flows from investing activities	-	1,087
Cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(123,142)	(859,823)

(a) Transactions with non-controlling interests

There were no transactions with non-controlling interests in the year ending 31 December 2018 (Six-month period to 31 December 2017: Nil).

15. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, Admedus Limited, at 31 December 2018. The information presented here has been prepared using consistent Admedus' accounting policies.

	THE COMPANY	
	31 DECEMBER 2018 \$	31 DECEMBER 2017 \$
Current assets	11,602,078	6,673,558
Non-current assets	15,129,987	18,038,170
Total assets	26,732,065	24,711,728
Current liabilities	(4,485,246)	(8,265,249)
Non-current liabilities	(778,409)	(2,079,828)
Total liabilities	(5,263,655)	(10,345,077)
Contributed equity	162,308,789	130,384,683
Reserves	(8,268,495)	5,495,491
Accumulated losses	(132,571,884)	(121,513,523)
Total equity	21,468,410	14,366,651
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
Statement of comprehensive income	\$	\$
Loss for the period/year	(11,058,361)	(5,926,210)
Other comprehensive loss for the period/year	-	-
Total comprehensive loss for the period/year	(11,058,361)	(5,926,210)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. PARENT ENTITY INFORMATION (continued)

Contingent liabilities of the parent entity

There were no contingent liabilities in relation to the current reporting period.

Commitments of the parent entity

Total expenditure commitments at reporting date not provided for in the financial statements:

	CONSOLIDATED	
	31 DECEMBER 2018	31 DECEMBER 2017
	\$	\$
Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	78,477	157,282
Later than one year but no later than five years	55,878	29,369
Later than five years	-	-
	134,355	186,651

The Company leases office space in Brisbane under an operating lease that expires in January 2019 and has several leases for IT equipment.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements.

16. COMMITMENTS

Total expenditure commitments at reporting date not provided for in the financial statements

	CONSOLIDATED	
	31 DECEMBER 2018	31 DECEMBER 2017
	\$	\$
Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	451,846	519,492
Later than one year but no later than five years	1,074,545	581,438
Later than five years	-	-
	1,526,391	1,100,930

The Company leases office space in Brisbane under an operating lease that expires in January 2019 and has several leases for IT equipment.

Admedus Biomanufacturing Pty Ltd leases office and laboratory space under operating leases that expire in January 2019*, and photocopiers expiring August 2019.

Admedus Vaccines Pty Ltd leases office and lab space under an operating lease that expires January 2019.

Admedus Corporation leases office space in Minnesota USA under an operating lease that expires December 2022.

Admedus Sarl leases office space in Geneva, Switzerland under an operating lease that expires June 2023.

* A renewal of the lease was signed in January 2019 for 5 years with an additional 5 year option to extend the lease to January 2029.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

17. CONTINGENT LIABILITIES

There were no contingent liabilities in relation to the current reporting period.

18. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

19. SHARE BASED PAYMENTS

(a) Employee Share Option Plan

The Admedus Employee Share Option Plan (ESOP) was approved by shareholders at the 2017 Annual General Meeting. Eligible employees can participate in the Plan. The previous ESOP in place for the Company was approved by shareholders at the 2015 Annual General Meeting.

The key terms of both ESOP's include:

- Options are issued to selected Eligible Employees for nil cost;
- The allotment of options is at the discretion of the Board of Directors;
- Shares allotted on the exercise of the options are to be issued at an exercise price determined by the Board in its absolute discretion;
- Options expire 5 years after the grant date under the old plan, and 10 years under the new plan;
- Options are unlisted and not transferable unless the Directors in their absolute discretion agree to a transfer; and
- Options carry no dividend rights or voting rights.

The Company issued 6,521,130 staff options over ordinary shares in the Company under the new plan during the twelve months to 31 December 2018 (six months to 31 December 2017: 1,650,000). These were split as follows:

- On 8 June 2018, the Company issued 4,371,130 options to the executive director and employees under the ESOP (relating to the Long Term Incentive Scheme) at an exercise price of \$0.37 (Tranche G).
- On 8 June 2018, the Company issued 2,150,000 options to employees under the ESOP (relating to sign on options committed under the employment contracts) at an exercise price of \$0.30 (Tranche H).

Set out below are summaries of options granted by Admedus Limited:

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Forfeited during the period	Lapsed during the period	Balance at end of the period	Value at grant date
		\$	Number	Number	Number	Number	Number	\$
31 December 2018								
18/06/2013	18/06/2018	0.95	1,388,340	-	-	(1,388,340)	-	0.33
16/12/2013	16/12/2018	2.70	710,000	-	-	(710,000)	-	1.01
28/03/2014	01/02/2019	2.45	200,000	-	-	-	200,000	0.90
21/05/2014	21/05/2019	1.70	900,000	-	(100,000)	-	800,000	0.75
05/11/2014	05/11/2019	2.10	310,000	-	(100,000)	-	210,000	0.70
30/06/2015	30/06/2020	1.17	1,635,000	-	(60,000)	-	1,575,000	0.43
21/07/2015	21/07/2020	1.44	1,030,000	-	(235,000)	-	795,000	0.41
10/12/2015	10/12/2020	0.83	425,000	-	-	-	425,000	0.58
10/12/2015	10/12/2020	1.39	200,000	-	-	-	200,000	0.52
24/06/2016	24/06/2021	0.30	150,000	-	(50,000)	-	100,000	0.16
15/09/2016	15/09/2021	0.33	450,000	-	(450,000)	-	-	0.19
15/09/2016	15/09/2021	0.33	50,000	-	(50,000)	-	-	0.19
18/11/2016	18/11/2021	0.34	66,667	-	-	-	66,667	0.21
23/03/2017	23/03/2022	0.34	1,000,000	-	(550,000)	-	450,000	0.20
22/09/2017	22/09/2022	0.26	1,150,000	-	(400,000)	-	750,000	0.15
17/11/2017	15/12/2022	0.22	500,000	-	(50,000)	-	450,000	0.13
08/06/2018	31/12/2027	0.30	-	2,150,000	(25,000)	-	2,125,000	0.18
08/06/2018	31/12/2027	0.37	-	4,371,130	(203,582)	-	4,167,548	0.17
Total			10,165,007	6,521,130	(2,273,582)	(2,098,340)	12,314,215	
Weighted average exercise price			\$1.07	\$0.35	\$0.60	\$1.54	\$0.70	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

19. SHARE BASED PAYMENTS (continued)

(a) Employee Share Option Plan (continued)

Grant date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Forfeited during the period Number	Lapsed during the year Number	Balance at end of the year Number	Value at grant date \$
31 December 2017								
18/06/2013	18/06/2018	0.95	1,388,340	-	-	-	1,388,340	0.33
16/12/2013	16/12/2018	2.70	710,000	-	-	-	710,000	1.01
28/03/2014	01/02/2019	2.45	200,000	-	-	-	200,000	0.90
21/05/2014	21/05/2019	1.70	900,000	-	-	-	900,000	0.75
05/11/2014	05/11/2019	2.10	310,000	-	-	-	310,000	0.70
30/06/2015	30/06/2020	1.17	1,635,000	-	-	-	1,635,000	0.43
21/07/2015	21/07/2020	1.44	1,030,000	-	-	-	1,030,000	0.41
10/12/2015	10/12/2020	0.83	425,000	-	-	-	425,000	0.58
10/12/2015	10/12/2020	1.39	200,000	-	-	-	200,000	0.52
24/06/2016	24/06/2021	0.30	150,000	-	-	-	150,000	0.16
15/09/2016	15/09/2021	0.33	475,000	-	-	(25,000)	450,000	0.19
15/09/2016	15/09/2021	0.33	50,000	-	-	-	50,000	0.19
18/11/2016	18/11/2021	0.33	200,000	-	-	(133,333)	66,667	0.21
23/03/2017	23/03/2022	0.34	1,700,000	-	-	(700,000)	1,000,000	0.20
22/09/2017	22/09/2022	0.26	-	1,150,000	-	-	1,150,000	0.15
17/11/2017	15/12/2022	0.22	-	500,000	-	-	500,000	0.13
Total			9,373,340	1,650,000	-	(858,333)	10,165,007	
Weighted average exercise price			\$1.15	\$0.25	-	\$0.34	\$1.07	

(b) Expenses Arising from Share Based Payment Transactions

Total expenses arising from share based payment transactions recognised during the period were as follows:

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
Options issued under employee share option plan	8,957	355,073
Total expenses from share-based transactions	8,957	355,073

The assessed fair value at grant date of options granted during the period ended 31 December 2018 was 17.0 cents per option for Tranche G, and 18.0 cents per option for Tranche H. The fair value at grant date is determined using a Black-Scholes option pricing model that considers the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the period ended 31 December 2018 included:

	Tranche G	Tranche H
Exercise price:	\$0.37	\$0.30
Grant date:	8 June 2018	8 June 2018
Expiry date:	31 December 2027	31 December 2027
Share price at grant date:	\$0.26	\$0.26
Expected price volatility of the Company's shares:	70%	70%
Risk-free interest rate:	2.18%	2.18%
Fair value at grant date:	\$0.17	\$0.18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

19. SHARE BASED PAYMENTS (continued)

(c) Fair Value of Options Granted

All Tranches of options are granted for no consideration and vest based on the holder still being employed by Admedus Limited over a three-year period. Vested options are exercisable for a period up to the expiry date.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(d) Recognition and measurement

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

20. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The parent entity within the Group is Admedus Limited.

(b) Subsidiary

Interests in subsidiaries are set out in Note 13.

(c) Key Management Personnel compensation

	31 December 2018 \$	31 December 2017 \$
Short-term employee benefits	2,652,405	2,092,925
Post-employment benefits	87,748	47,400
Termination benefits	568,776	278,255
Share based benefits	276,008	24,706
	3,584,937	2,443,286

Compensation of the Group's key management personnel includes salaries and non-cash benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

20. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with Related Parties

In April 2018, Admedus signed a Memorandum of Understanding with shareholder Star Bright Holding Limited ("Star Bright" for an investment of \$18 million in a new company who will own Admedus Vaccines Pty Limited, providing a 60% equity interest in this new company. As part of this arrangement Star Bright paid Admedus Vaccines \$1 million over two instalments which secured a twelve-month exclusivity period to finalise the terms of an agreement. If this agreement goes ahead the \$1 million will convert to capital forming part of the \$18 million investment.

On 18 December 2018, as part of the renounceable rights issue two Directors of the Company, Chairman John Seaberg and Executive Director and CEO Wayne Paterson, agreed to take up their respective entitlements and underwrite the entitlement offer for a total amount of \$50,000 each. The Directors were not paid a fee for their underwriting.

In addition, Star Bright agreed to take up its entitlement of \$4 million under the entitlement offer, and underwrite the entitlement offer for \$1 million. Star Bright received a fee of 3% on the underwritten amount of \$1 million. The Company used the proceeds to repay the \$5 million loan advanced by Star Bright during the period, as shown in note 20(e) below.

(e) Loans to/from Related Parties

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
Loan from Star Bright Holding Limited (shareholder)		
Beginning of the period	-	-
Loans advanced	5,000,000	-
Loan repayments made	(5,000,000)	-
Interest charged	82,192	-
Interest paid	(82,192)	-
End of the period	-	-

21. DIVIDENDS

No dividends have been declared or paid during the period.

Recognition and measurement

Dividends are recognised when declared during the financial period and no longer at the discretion of the company.

22. REMUNERATION OF AUDITORS

During the period, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2018 \$	6 MONTHS TO 31 DECEMBER 2017 \$
Audit Services		
HLB Mann Judd (WA Partnership)		
Audit and review of financial reports and other audit work under the Corporations Act 2001	87,000	45,000

It is the Group's policy to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB's and expertise and experience with the Group are important, but only if it would not compromise their independence.

No non-audit services were provided by HLB Mann Judd (WA partnership).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

23. SUMMARY OF ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated group which consists of Admedus Limited (Company) and its controlled entities. The Company is a listed, for profit, public company, incorporated and domiciled in Australia.

(a) Statement of compliance

The consolidated financial statements of the Group are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with the Australian equivalents to the International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial reporting, comprising of the financial statements and notes there to, complies with International Financial Reporting Standards ("IFRS"). The consolidated financial statements were authorised for issue on 28 February 2018.

(b) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity re-measures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at fair value on the acquisition-date. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(c) Foreign currency translation

The financial statements are presented in Australian dollars, which is Admedus Limited's functional and presentation currency. Figures presented in the financial report are rounded to the nearest dollar.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

23. SUMMARY OF ACCOUNTING POLICIES (continued)

(d) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when: it is expected to be realized or intended to be sold or consumed in normal operating cycle; it is held primarily for trading; it is expected to be realized within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(e) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

(f) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(g) New, revised or amending Accounting Standards and Interpretations adopted

Standards and Interpretations applicable to 31 December 2018

The Company has applied the following standards for the first time for their annual reporting period commencing 1 January 2018:

- AASB 9 *Financial Instruments*, which replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Company's trade receivables are subject to AASB 9's new expected credit loss model. The Company has adopted the simplified approach to measuring expected credit losses. Refer to note 6(b) for the new accounting policy. There was no material impact on the Company's results for the year ended 31 December 2018.
- AASB 15 *Revenue from Contracts with Customers*. AASB 15 supersedes AASB 118 *Revenue*. and is based on the principle of recognition of revenue from the sale of goods when control of goods transfers to the customer. The Company's new accounting policy for revenue has been disclosed within note 3. There has been no material impact on the Company's results for the year ended 31 December 2018.

Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Company.

The key new standard reviewed by the Company was AASB 16 *Leases*, which addresses the classification, measurement and recognition of leases. The changes will primarily affect the accounting by lessees and will result in almost all leases being recognised on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals. The exceptions are short-term and low value leases. The nature of expenses related to leases will change, because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. As at 31 December 2018, the Company had operating lease commitments of \$1.5 million, refer note 16.


The Group will apply the standard from its mandatory adoption date of 1 January 2019.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated income statement, consolidated statement of consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of cash flow, consolidated statements of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 31 December 2018 and of the performance for the financial year ended on that date of the consolidated entity;
 - (c) comply with International Financial Reporting Standards as disclosed in Note 23(a) to the financial statements.
2. 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.
3. The remuneration disclosures included in the Director's Report (as part of the Remuneration Report) for the period ended 31 December 2018, comply with section 300A of the *Corporations Act 2001*.
4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



John Seaberg
Chairman

Dated 28 February 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Admedus Limited

Report on the Audit of the Financial Report*Opinion*

We have audited the financial report of Admedus Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern*, we have determined the matters described below to be the key audit matters to be communicated in our report.

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Key Audit Matter	How our audit addressed the key audit matter
<p>Carrying value of intangible assets (Refer Note 7(c))</p> <p>As at 31 December 2018, the Group has an intangible assets balance of \$5.5 million which relates to patents, intellectual property, a technology licence and goodwill.</p> <p>Under AASB 136 <i>Impairment of Assets</i>, goodwill is subject to an annual impairment test and other finite life intangible assets are subject to an impairment test should indicators of impairment arise.</p> <p>A total of \$2.0 million of the intangible assets balance at 31 December 2018 relates to the ADAPT product portfolio. As impairment indicators were present, Management have allocated these intangible assets to a cash-generating unit and performed an impairment assessment using a fair value less costs of disposal approach.</p> <p>The remaining intangible assets balance of \$3.5 million relates to the HPV and HSV-2 vaccines (inclusive of goodwill). At 31 December 2018, management allocated these intangible assets to a cash generating unit and performed an impairment assessment using a fair value less costs of disposal approach.</p> <p>We consider the recoverable amount of intangible assets to be a key audit matter as it involves complex matters involving subjectivity and judgement, it is material to the users' understanding of the financial statements as a whole and it required significant auditor attention and communication with those charged with governance.</p>	<p>For the intangible assets which relate to the ADAPT product portfolio, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> - Consideration of any indicators of impairment, both internal and external, which would suggest that the cash generating unit's assets may be impaired; - Considering whether the assets comprising the cash generating unit had been correctly allocated; - Reviewing the valuation of ADAPT obtained by management from an independent expert and the valuation approach adopted; - Considering the ability to rely on the work of the independent expert; - Analysing the performance of the cash generating unit for the period and comparing this with budget expectations; - Comparing key assumptions in forecast cash flows to historical results and, where these were materially different, critically reviewing the basis for differing future expectations; - Critically assessing material inputs into the recoverable amount assessment; and - Assessing the appropriateness of the disclosures included in the relevant notes to the financial report. <p>For the intangible assets which relate to Vaccines, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> - Considering whether the assets comprising the cash generating unit had been correctly allocated; - Reviewing the valuation of Vaccines obtained by management from an independent expert and the valuation approach adopted; - Considering the ability to rely on the work of the independent expert; - Consideration of material assumptions and calculations such as the implied equity value and minority discount; - Review of management's paper in relation to recoverable amount and associated agreements; and

- Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

Accounting for the debt facility and warrant
(Refer Note 6(f))

<i>Description</i>	<i>Audit Approach</i>
<p>As at 31 December 2018, the Group has a balance of \$832,879 in relation to a warrant.</p> <p>This balance arose as a result of the company's former borrowing facility which was repaid during the financial year and, in relation to which, a 7-year warrant was issued over ordinary shares in the Company.</p> <p>We considered the accounting for this warrant to be a key audit matter as there is significant estimation involved with the valuation of the warrant.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - Review of the key terms of the warrant agreement entered into; - Review of the independent expert's valuation of the warrant at reporting date to ensure an appropriate methodology was applied and that the key inputs were correct; - Considering the ability to rely on the work of the independent expert; - Ensuring that the warrant has been correctly accounted for under accounting standards; - Assessing the appropriateness of the disclosures included in the relevant notes to the financial report

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Admedus Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 February 2019



M R Ohm
Partner