24 January 2020

ASX ANNOUNCEMENT

NOTICE OF EXTRAORDINARY GENERAL MEETING

Admedus Ltd Extraordinary General Meeting will be held at 10:00 AM AEST on Wednesday, 26 February 2020 at:

Jones Day
Riverside Centre, Level 31
123 Eagle Street
BRISBANE, QUEENSLAND

The Notice of Meeting and Explanatory Memorandum, Voting Form and Independent Expert's Report (in relation to 2 – Approval to issue Shares to Sio Partners, LP) is being mailed to all shareholders. A copy of these documents follows this announcement and they can be viewed on the Admedus website at www.admedus.com.au.

ENDS

For and on behalf of the Board

Stephen Denaro
Company Secretary

About Admedus Limited (ASX: AHZ)

Admedus Ltd is a structural heart company delivering clinically superior solutions that help healthcare professionals create life-changing outcomes for patients. Its focus is on developing next generation technologies with world class partners.

Authorisation and Additional information

This announcement was authorised by Mr Steve Denaro, Company Secretary.

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ADMEDUS LTD
ACN 088 221 078

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

AND

EXPLANATORY MEMORANDUM

TO BE HELD AT 10:00 AM AEST ON WEDNESDAY, 26 FEBRUARY 2020

AT

JONES DAY, LEVEL 31, RIVERSIDE CENTRE
123 EAGLE ST
BRISBANE, QUEENSLAND

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter, please do not hesitate to contact the Company Secretary by telephone on +61 (0)7 3152 3200

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that an Extraordinary General Meeting of Admedus Ltd ACN 088 221 078 (the **Company**) will be held at Jones Day, Level 31, Riverside Centre, 123 Eagle St Brisbane on 26 February 2020 at 10.00 am AEST (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice. The directors of the Company (the **Directors**) have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on 24 February 2020 at 7:00 pm AEDT.

AGENDA

1. Resolution 1 – Consolidation of Securities

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"*That, in accordance with section 254H of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Company to consolidate its issued capital on the following basis:*

(a) *all the fully paid ordinary Shares be consolidated on the basis that every one hundred (100) Shares be consolidated into one (1) Share;*

(b) *all Options be consolidated on the basis that every one hundred (100) Options be consolidated in to one (1) Option and adjusted in accordance with the Listing Rules;*

(c) *all Warrants be consolidated on the basis that every one hundred (100) Warrants be consolidated into one (1) Warrant and adjusted in accordance with the Listing Rules; and*

(d) *where the number of Securities held by a Securityholder as a result of the consolidation effected by paragraphs (a) to (c) of this Resolution includes a fraction of a Security, the Company be authorised to round that fraction up to the nearest whole Security,*

with effect from 7:00 pm (AEST time) on 27 February 2020 (or such other date that is notified on ASX by the Company) and on the terms and conditions set out in the Explanatory Memorandum."

2. Resolution 2 – Approval to issue Shares to Sio Partners, LP

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, for the purposes of section 611 item 7 of the Corporations Act, Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of 61,969,857 new Shares to SIO Partners, LP (and/or its nominees) (**SIO**) (on a pre-Consolidation basis) in consideration for the repayment of the Accrued Loan Balance, at an issue price of A$0.02 per New Share and on the terms and conditions in the Explanatory Memorandum."*

3. Approval to issue Options to Mr Wayne Paterson

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue to Mr Wayne Paterson of a total of 35.0 million Options exercisable at 11.2 cents per Share (on a pre-Consolidation basis) subject to the achievement of performance hurdles and otherwise on the terms and conditions set out in the Explanatory Memorandum.

4. Approval to issue Options to Mr John Seaberg

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue to Mr John Seaberg of a total of 6.0 million Options exercisable at 11.2 cents per Share (on a pre-Consolidation basis) subject to the achievement of performance hurdles and otherwise on the terms and conditions set out in the Explanatory Memorandum.

5. Approval to issue Options to Mr Stephen Denaro

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue to Mr Stephen Denaro of a total of 2.5 million Options exercisable at 11.2 cents per Share (on a pre-Consolidation basis) subject to the achievement of performance hurdles and otherwise on the terms and conditions set out in the Explanatory Memorandum.

BY ORDER OF THE BOARD

Stephen Denaro

Director and Company Secretary

Dated: 24 January 2020

ADMEDUS LTD ACN 088 221 078 EXPLANATORY MEMORANDUM

This Explanatory Memorandum and the attachments to it (including the Proxy Form) are important documents. They should be read carefully. Other than the information set out in this Notice, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolutions 1 to 5 (inclusive).

RESOLUTION 1: CONSOLIDATION OF SECURITIES

The Company proposes to consolidate its issued capital by converting every one hundred (100) existing Securities on issue into one (1) Security (the **Consolidation**). Pursuant to section 254H of the Corporations Act , a company may consolidate its shares if approved by an ordinary resolution of shareholders at a general meeting. The Board considers the consolidation of its Securities through the Consolidation is important and necessary as part of its restructuring plans for the Company. The Board does not believe that any material disadvantage will arise for Securityholders as a result of the proposed consolidation of the Securities. While the Consolidation will have no effect on the underlying value of the Company, the effect on the Company's Share price at the time of Consolidation should (all things being equal) be to trade at one hundred (100) times the price at which the Shares previously traded. The Share price will continue to be influenced by other factors and there can be no assurances as to the level and price that the Shares will trade following the Consolidation. The Consolidation will not result in any change to the rights and obligations of Securityholders, and the Company's balance sheet will remain unaltered as a result of the Consolidation.

If the Consolidation is approved, the number of Securities will be reduced approximately as shown in Table 1.

Table 1 – Effect of Consolidation on Securities

	Pre-Consolidation	Post-Consolidation#
Fully paid ordinary Shares on issue in the Company	590,842,817	5,908,429
Listed Options capable of conversion to Shares at an exercise price of A$8.00 per listed Option	237,050,750	2,370,508
Unlisted Options capable of conversion to Shares at the exercise prices listed in Table 2 below	12,216,436	122,165
Warrants capable of conversion to Shares at the exercise price listed in Table 3 below	10,568,799	105,688
New shares which will be issued to Sio Partners, LP if Resolution 2 below is approved	61,969,857	619,699

These are approximate numbers only. The actual numbers will depend on the number of Securities held by each Securityholder as at 27 February 2020 and the effects of rounding.

Table 2 – Effect of Consolidation on unlisted Options

Pre-Consolidation Class	Post-Consolidation Class
1,300,000 unlisted Options exercisable at $1.17 on or before 30 June 2020	13,000 unlisted Options exercisable at $117 on or before 30 June 2020
635,000 unlisted Options exercisable at $1.44 on or before 21 July 2020	6,350 unlisted Options exercisable at $144 on or before 21 July 2020
200,000 unlisted Options exercisable at $1.39 on or before 10 December 2020	2,000 unlisted Options exercisable at $139 on or before 10 December 2020
425,000 unlisted Options exercisable at $0.83 on or before 10 December 2020	4,250 unlisted Options exercisable at $83 on or before 10 December 2020
50,000 unlisted Options exercisable at $0.30 on or before 24 June 2021	500 unlisted Options exercisable at $30 on or before 24 June 2021
66,667 unlisted Options exercisable at $0.34 on or before 18 November 2021	667 unlisted Options exercisable at $34 on or before 18 November 2021
100,000 unlisted Options exercisable at $0.34 on or before 23 March 2022	1,000 unlisted Options exercisable at $34 on or before 23 March 2022

675,000 unlisted Options exercisable at $0.26 on or before 22 September 2022	6,750 unlisted Options exercisable at $26 on or before 22 September 2022
250,000 unlisted Options exercisable at $0.22 on or before 15 December 2022	2,500 unlisted Options exercisable at $22 on or before 15 December 2022
491,670 unlisted Options exercisable at $0.30 on or before 31 December 2027	4,917 unlisted Options exercisable at $30 on or before 31 December 2027
3,172,598 unlisted Options exercisable at $0.37 on or before 31 December 2027	31,726 unlisted Options exercisable at $37 on or before 31 December 2027
3,188,831 unlisted Options exercisable at $0.059 on or before 15 May 2029	31,889 unlisted Options exercisable at $5.90 on or before 15 May 2029
100,000 unlisted Options exercisable at $0.036 on or before 2 April 2028	1,000 unlisted Options exercisable at $3.60 on or before 2 April 2028
100,000 unlisted Options exercisable at $0.036 on or before 10 April 2028	1,000 unlisted Options exercisable at $3.60 exercisable on or before 10 April 2028
33,334 unlisted Options exercisable at $0.036 on or before 2 May 2028	334 unlisted Options exercisable at $3.60 on or before 2 May 2028
150,000 unlisted Options exercisable at $0.036 on or before 16 May 2028	1,500 unlisted Options exercisable at $3.60 on or before 16 May 2028
100,000 unlisted Options exercisable at $0.036 on or before 29 May 2028	1,000 unlisted Options exercisable at $3.60 on or before 29 May 2028
125,000 unlisted Options exercisable at $0.036 on or before 2 June 2028	1,250 unlisted Options exercisable at $3.60 on or before 2 June 2028
66,668 unlisted Options exercisable at $0.036 on or before 3 January 2029	667 unlisted Options exercisable at $3.60 on or before 3 January 2029
686,668 unlisted Options exercisable at $0.068 on or before 12 July 2029	6,867 unlisted Options exercisable at $6.80 on or before 12 July 2029
300,000 unlisted Options exercisable at $0.068 on or before 1 September 2029	3,000 unlisted Options exercisable at $6.80 on or before 1 September 2029

Table 3 – Effect of Consolidation on Warrants

Pre-Consolidation Class	Post-Consolidation Class
5,250,000 Warrants exercisable at $0.79 on or before 18 December 2020	52,500 Warrants exercisable at $79 on or before 18 December 2020
380,000 Warrants exercisable at $0.79 on or before 23 December 2020	3,800 Warrants exercisable at $79 on or before 23 December 2020
4,938,799 Warrants exercisable at $0.25 on or before 26 October 2024	49,388 Warrants exercisable at $25 on or before 26 October 2024

The Consolidation will apply to all Securityholders equally and they will be reduced in the same ratio as the total number of Securities (subject only to rounding of fractions). The Consolidation will have no material effect on the percentage interest of each individual Securityholder.

> **EXAMPLE:** Prior to the Consolidation, Shareholder A holds 1,000,000 Shares, representing 0.1692% of the Company's 590,842,817 issued Shares. If the Consolidation is approved, Shareholder A will hold 10,000 Shares, still representing the same 0.1692% of the Company's 5,908,429 issued Shares. Similarly, the aggregate value of Shareholder A's holding (and the Company's market capitalisation) should not materially change solely as a result of the Consolidation, other than minor changes as a result of rounding.

Where the consolidation of a Securityholder's holding results in an entitlement to a fraction of a Security, the fraction will be rounded up to the nearest whole number of Securities.

> **EXAMPLE:** Prior to the Consolidation, Shareholder B holds 85,436 Shares. Following the Consolidation, the number of Shares held by Shareholder B will be rounded up to 855 (i.e. rounded up to the nearest whole number of Shares from 854.36).

In accordance with Listing Rules 7.21 and 7.22.1, the Consolidation will result in the number of Options and Warrants being consolidated in the same ratio as Shares and the exercise price of each Option and Warrant being amended in the inverse proportion to that ratio.

> **EXAMPLE:** Prior to the Consolidation, Optionholder A holds 100,000 Options with an exercise price of $0.08. Following the Consolidation, the number of Options held by Optionholder A will be 1,000 with an exercise price of $8.00.

If the Company reasonably believes that a Securityholder has been a party to the division of a security holding in an attempt to obtain an advantage from treatment of fractions, the Company may take appropriate action, having regard as appropriate to the terms of the Company's constitution and the ASX Listing Rules. In particular, the Company reserves the right to disregard the division for the purposes of dealing with fractions so as to round up any fraction to the nearest whole number of Securities that would have been received but for the division.

It is generally expected that there will not be any Australian income tax consequences for Securityholders arising from the Consolidation. However, the Company strongly recommends that Securityholders seek and obtain their own specific advice (taking into account their particular circumstances) in relation to the proposed Consolidation. Neither the Company, the Directors, nor the Company's advisers accept any responsibility for any individual Securityholder's taxation consequences of the Consolidation.

The indicative timetable for the Consolidation is set out below. The dates are estimates only and will be updated by the Company once confirmed:

Event	**Date**
Meeting and confirmation of Consolidation (if approved by Shareholders by ordinary resolution)	26 February 2020
Effective date of consolidation as specified in resolution approving consolidation	27 February 2020
Last day for trading in pre-Consolidation Securities	28 February 2020
Trading commences in post-Consolidation Securities on a deferred settlement basis	2 March 2020
Record date	3 March 2020
Company begins updating its register and despatching holdings statements to shareholders reflecting post-consolidation securities held	4 March 2020
Company completes updating its register and despatching holding statements to shareholders reflecting post-consolidation securities held End of deferred settlement trading	10 March 2020
Normal T + 2 trading in post-consolidation securities commences	11 March 2020
First settlement of trades conducted on a deferred settlement basis and on a normal T + 2 basis	13 March 2020

The Directors recommend that Shareholders vote in favour of Resolution 1.

The Chairman intends to vote all undirected proxies in favour of Resolution 1.

RESOLUTION 2: APPROVAL TO ISSUE SHARES TO SIO PARTNERS, LP

As announced on 8 May 2019, the Company has entered into a facility agreement with SIO Partners, LP (**SIO**) (**Facility Agreement**) for a secured debt facility of A$1,000,000 (the **Loan**). The term of the Loan is 18 months, with the Company paying a one-off A$125,000 facility fee (capitalised to the Loan) and 12% interest compounding monthly on the accrued balance of the Loan outstanding.

Pursuant to the terms of the Facility Agreement, SIO may, subject to shareholder approval, elect by notice to the Company no later than three (3) months prior to maturity of the Loan to convert the outstanding balance under the Facility Agreement to ordinary Shares in the Company at the lesser of:

(a) A$0.02 per Share; and

(b) 80% of the volume weighted average market price for ordinary shares calculated over 5 trading days immediately before the date on which the Shares are to be issued.

At the time of entering into the Facility Agreement, SIO and its nominees held more than 20% of the Company's issued Shares. Section 606 of the Corporations Act precludes SIO from acquiring more Shares in the Company and increasing its total percentage shareholding unless one of the stated exceptions apply, one being approval by the Company's Shareholders. To satisfy the requirements of section 611, item 7 of the Corporations Act, and also ASX Listing Rule 7.1, the Company seeks approval for the right to issue Shares to SIO on the terms outlined above.

The Company has received notice from SIO electing to convert the Accrued Loan Balance to ordinary Shares in the Company on 4 November 2019. As at 27 February 2020 (being the date that the conversion will occur if this Resolution 2 is approved), the Accrued Loan Balance will be $A1,239,397.

If Resolution 2 is approved:

(a) the Accrued Loan Balance will convert to Shares, the maximum number to be issued being the Accrued Loan Balance divided by A$0.02 per Share;

(b) the Shares will be issued to SIO or its nominee(s);

(c) the Shares to be issued on conversion will all be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and will have no options attached; and

(d) no further funds will be raised by the Company from the conversion.

Company update and rationale for conversion

Since initiating a restructure of the Company's business in 2016, the Company has been working towards its long-term strategic plan that focuses on the potential of the Company's Adapt® tissue technology. The objective is to create a company that focuses on the structural heart area, by leveraging the Company's ADAPT® science.

In May 2019, the Company completed the divestment of part of its Infusion business (including the exclusive rights to ambIT® range of infusion pumps from Summit Medical Products for Australia and New Zealand) to BTC Health Limited for $A6.3 million. Subsequently, the Company received notice from arcomed ag of its intention to terminate the distribution arrangement with the Company for arcomed branded products in Australia and New Zealand and the Company is working with affected customers to ensure that there is no impact to patient care.

The Company has previously announced a strategic vision to focus on its' structural heart initiatives and as such the Company's recent efforts have been to complete transactions that deliver better outcomes for the customers of the Company's infusion business and their patients.

In October 2019, the Company completed the sale of its CardioCel® and VascuCel® end market product range to LeMaitre Vascular Inc. for $A36.2 million[1] (including all earnouts). The transaction will enable the Company to focus on advancing its Transcatheter Aortic Valve Replacement (**TAVR**) programme and other potential ADAPT® products. As previously advised to the market, the Company has commenced early stage discussions in relation to a strategic partnership for its TAVR project.

The Company has recently successfully concluded an animal study for a single piece aortic valve using its ADAPT® tissue technology and received positive interim results. The valve is an integral part of the TAVR device's design, which is being finalised by Admedus' advisory board of TAVR Physicians and engineers. The positive results suggest that normal valvular function can be achieved postoperatively with the 3D valve and that it was easy to implant. During the study, there was no regurgitation and no material or surgical failures. The results also suggest that similar effects could be expected in humans. The Company is preparing to move towards first-in-human studies.

To continue with the Company's stated focus requires a suitable capital structure, and the conversion of SIO's debt to equity will assist in consolidating the required capital structure and further align SIO's interests with that of the Company.

Increase in Relevant Interest

As at the date of this Notice, Sio Capital Management LLC holds a 22.2% interest in the Company's Shares as the investment manager to SIO and entities to which SIO has sold Shares. Included in this amount, SIO Partners LP holds a 7.3% relevant interest in the Company's Shares. In addition, Sio Capital Management LLC holds 130,557,835 Options with an exercise price of $0.08 that expire on 18 December 2021.

The maximum extent to which SIO and Sio Capital Management LLC's voting power in the Company will increase as a result of the issue depends on the conversion price. The Company's shares closed at 12.0 cents on the business day one week immediately prior to the date of this Notice. If the Company's volume weighted average market price for ordinary shares calculated over 5 trading days immediately before the date on which the Shares are to be issued remains above A$0.02 per Share, the conversion price will be A$0.02 per Share which will result in SIO being issued 61,969,857 new Shares and, combined with its existing holding, will have a relevant interest in 193,077,958 Shares (approximately a 29.6% relevant interest in the Company's voting securities).

If the conversion price is intended to occur other than at A$0.02, the Company will issue a supplementary notice of Meeting detailing the relevant interests that SIO and Sio Capital Management, LLC will acquire.

Date of issue

If Resolution 2 is passed, the Company intends to issue the Shares the subject of Resolution 2 within 5 business days of the Meeting. If Resolution 1 is passed, it is intended that the issue will occur prior to the Consolidation taking effect.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 2 by a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of those persons.

However, this does not apply to a vote case in favour of Resolution 2 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with directions given to the proxy or attorney to vote on Resolution 2 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with a direction given to the chair to vote on Resolution 2 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 2; and
  - the holder votes on Resolution 2 in accordance with directions given by the beneficiary to the holder to vote in that way.

[1] Based on $US0.67/$A1 exchange rate.

The Chairman intends to vote all undirected proxies in favour of Resolution 2]

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the approval sought by Resolution 2 under section 611, item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of Resolution 2 to the non-associated Shareholders. The Independent Expert has determined that the issue of Shares to SIO is not fair, and not reasonable to the non-associated Shareholders.

The Independent Expert has valued Shares prior to the issue of Shares to SIO on a controlling interest basis as between $0.0289 and $0.1045. The Independent Expert has valued Shares post the issue of Shares to SIO on a minority interest basis of $0.0218 and $0.0771. As the value of a Share on a minority interest basis post the issue of Shares to SIO is less than the value of a Share on a controlling interest basis prior to the issue of Shares to SIO, the Independent Expert has determined that the issue of Shares to SIO at $0.02 is not fair to the non-associated Shareholders. The Independent Expert has also determined that the issue of Shares to SIO is not reasonable. Section 2.3 of the Independent Expert's Report sets out the Independent Expert's assessment of reasonableness. The Independent Expert has outlined the following factors as advantages of the issue of Shares to SIO:

- results in further alignment between the Company and SIO;
- provides the Company with the ability to settle the Loan with Shares rather than out of cash reserves, which the Company can then use to pursue growth opportunities;
- a cleaner and more flexible capital structure, allowing the Company to facilitate future equity and/or debt capital raisings, including by releasing the security currently held by SIO under the terms of the Facility Agreement;
- no further interest will accrue on the Loan;
- removes the risk of an accelerated repayment of the Loan;
- provides certainty on the price at which the Loan can be converted;
- does not result in the non-associated Shareholders losing control of the Company**.**

The Independent Expert has outlined the following factors as disadvantages of the issue of Shares to SIO:

- the conversion is not fair to the non-associated Shareholders;
- the issue price of shares to SIO is below the Company's asset based valuation and recent share prices;
- dilution of the non-associated Shareholders; and
- forgoing the opportunity to pursue alternative options for the repayment of the Loan.

A copy of the Independent Expert's Report accompanies this Notice.

The Directors recommend that all Shareholders read the Independent Expert's Report in full.

Directors' recommendation

On the basis of the advantages and disadvantages of the issue of Shares to SIO as outlined in the Independent Expert's Report and notwithstanding the Independent Expert's conclusion that the issue of Shares to SIO is not fair, and not reasonable to the non-associated Shareholders, the Directors (excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution 2) recommend that Shareholders vote in favour of Resolution 2.

The Facility Agreement was executed at a time of heightened credit risk for the Company prior to the sale of part of the Infusion segment to BTC Health Limited in May 2019 referred to above. At the time the Facility Agreement was executed, there were limited sources of credit available to the Company and the Facility Agreement was undertaken on commercial terms commensurate with the risk of the transaction which allowed the Company to continue pursuing its strategic and operational pursuits, including the sale of the Infusion business. The Directors recognise the benefits to the Company of obtaining this Facility Agreement, continue to support the terms of this transaction and believe that the conversion the subject of this Resolution 2 will further strengthen the alignment of SIO's interests with the interests of all other Shareholders.

RESOLUTION 3: ISSUE OF OPTIONS TO MR WAYNE PATERSON

General

The Board (with Mr Paterson abstaining and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) have recommended and resolved that Mr Paterson be issued with a total of 35.0 million Options exercisable at 11.2 cents per Share representing the VWAP of Shares in the 20 trading days leading up to 16 January 2020. The Options expire five years after the grant date subject to the achievement of certain financial performance hurdles and all required Shareholder approvals being obtained. Each Option entitles Mr Paterson to one new Share on exercise.

Mr Paterson was appointed to the role of Chief Executive Officer of the Company on 15 March 2017 after serving as Acting Chief Executive Officer since May 2016.

His existing contract as Chief Executive Officer includes a long term incentive plan that provides the opportunity for Mr Paterson to receive equity based on a Monte-Carlo simulation valuation to an amount up to 40% of his base salary without any post award performance hurdles or consideration. If the full 40% is awarded this equates to approximately 4.7 million options each year or a total of 9.4 million options over two years with each set vesting in three equal tranches over three years without any performance hurdles. The proposed grant of options replaces the existing Long Term Incentive Plan for the Chief Executive Officer over the next two years. The new incentive plan is more aligned with shareholder interests by including significant performance hurdles that require the Company's share price to increase by 50% (Tranche 1), 100% (Tranche 2) and 200% (Tranche 3) before each of those tranches vest. The proposed grant aims to reward the Chief Executive Officer for achieving significant increases in the Company's value as determined by the market price of shares resulting in further alignment between Chief Executive Officer's reward and Shareholder return. The Company has sought the advice of an independent remuneration consultant and has undertaken a benchmarking process against peers based in Australia and overseas in determining this long term incentive plan.

There has been no change to Mr Paterson's base salary.

Listing Rule 10.11

In accordance with Listing Rule 10.11, the Company must obtain Shareholder approval in order to issue securities (including options) to Mr Paterson (and/or his nominee), given he is a related party of the Company.

For the purposes of Listing Rule 10.13, the Company advises as follows:

(a) The Options will be issued to Mr Paterson (and/or his nominee).

(b) Mr Paterson is subject to Listing Rule 10.11 by virtue of him being a related party of the Company given he is a director of the Company;

(c) The maximum number of options to be issued to Mr Paterson (and/or his nominee) is 35.0 million, which can be exercised for 35.0 million new Shares.

(d) The options will be issued in three tranches of 11,650,000 options (tranche 1), 11,650,000 options (tranche 2) and 11,700,000 options (tranche 3).

(e) Each tranche of options has separate financial hurdles which must be achieved before they vest as set out in Schedule 1.

(f) If Resolution 3 receives Shareholder approval, the Options are intended to be issued to Mr Paterson (and/or his nominee) as soon as practicable following the Meeting, but in any event, within one month of the date of the Meeting.

(g) The Options are being issued for nil consideration and otherwise on the terms set out in Schedule 1.

(h) No funds will be raised from the issue of the Options as they are being issued for nil cash consideration.

(i) Any Shares issued on the exercise of the Options will rank equally in all respects with existing Shares on issue.

(j) Mr Paterson has an interest in Resolution 3 and therefore believes it is appropriate to abstain from making a recommendation. A voting exclusion statement for Resolution 3 is set out below.

(k) As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

Listing Rule 10.13.8

The key remuneration arrangements included in the service agreement for Mr Paterson are:

- Base salary of US$624,750 per annum.
- 401k pension employer contribution of 3% ($US18,743).
- Short term incentive opportunity up to 60% of base salary ($US374,850). This short term incentive opportunity is assessed in light of corporate and individual key performance metrics and milestones for the financial year.
- Health Insurance.

As noted above Mr Paterson is also eligible to participate in a Long term incentive plan up to 40% of base salary ($US 249,900) which is assessed based on corporate and individual key performance metrics. It is proposed that this long term incentive will be replaced in both 2020 and 2021 by the granting of options including performance hurdles linked to share price increase, and subject to shareholder approval. If Resolution 3 is approved by shareholders, Mr Paterson will not be eligible for the long term incentive of up to 40% of base salary in the current year.

A valuation of the options proposed to be issued has been performed using a Monte Carlo Simulation valuation model. The value attributed to those options and the accounting period that they relate to are as follows:

	Allocation of accounting expense by year			**Total value**
	2020	**2021**	**2022**	
Tranche 1	$846,955	-	-	$846,955
Tranche 2	$396,683	$396,683	-	$793,366
Tranche 3	$235,560	$235,560	$235,560	$706,680
	$1,479,198	$632,243	$235,560	$2,347,001

In addition to the above, Mr Paterson was granted options as part of the long term inventive plan approved by shareholders at the 2018 Annual General Meeting. The value of those options and the allocation of the accounting expense by year is set out below.

	Allocation of accounting expense by year		Total value
	2020	**2021**	
Tranche 1	-	-	-
Tranche 2	$18,814	-	$18,814
Tranche 3	$27,436	$11,965	$39,401
	$46,250	$11,965	$58,215

In addition to the above, Mr Paterson was granted options as part of the long term inventive plan approved by shareholders at the 2019 Annual General Meeting. The value of those options and the allocation of the accounting expense by year is set out below.

	Allocation of accounting expense by year		Total value
	2020	**2021**	
Tranche 1	-	-	-
Tranche 2	$26,522	-	$26,522
Tranche 3	$18,131	$18,131	$36,262
	$44,653	$18,131	$62,784

The total remuneration for 2020 for Mr Paterson if shareholder approval for the above options are granted is set out below.

	$A	
Share based payment expense	$1,570,101	
Salary ($US 624,750)	$906,091	*
Pension ($US18,743)	$27,183	*
Short term incentive (Max: $US374,850)	$543,655	*
	$3,047,030	

*: Converted at exchange rate of 1 AUD = 0.6895 USD

Chapter 2E of the Corporations Act

Mr Paterson is a related party of the Company. Under Chapter 2E of the Corporations Act, a public company cannot give a financial benefit to its related parties unless an exception applies or shareholders have, in a general meeting, approved the giving of that financial benefit to the related party.

The Directors (excluding Mr Paterson and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) consider that the issue of Options constitutes reasonable remuneration and does not require shareholder approval under Chapter 2E of the Corporations Act as the exemption in section 211(1) of the Corporations Act applies.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 3 by the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of those persons.

However, this does not apply to a vote case in favour of Resolution 3 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with directions given to the proxy or attorney to vote on Resolution 3 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with a direction given to the chair to vote on Resolution 3 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - o the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 3; and
    - o the holder votes on Resolution 3 in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution 3 must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and:

(a) it is cast by the person as proxy for a person who is entitled to vote (in accordance with directions on the Proxy Form); or

(b) it is cast by the Chairman as proxy for a person who is entitled to vote (in accordance with a direction on the Proxy Form to vote as the proxy decides).

The Directors (excluding Mr Wayne Paterson and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) unanimously recommend that Shareholders vote in favour of Resolution 3.

The Chairman intends to vote all undirected proxies in favour of Resolution 3.

RESOLUTION 4: ISSUE OF OPTIONS TO MR JOHN SEABERG

General

The Board (with Mr Seaberg abstaining and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) have recommended and resolved that Mr Seaberg be issued with a total of 6.0 million Options exercisable at 11.2 cents per Share representing the VWAP of Shares in the 20 trading days leading up to 16 January 2020. The Options expire five years after the grant date subject to the achievement of certain financial performance hurdles and all required Shareholder approvals being obtained. Each Option entitles Mr Seaberg to one new Share on exercise.

Mr Seaberg was appointed to the role of non-executive director of the Company on 10 October 2014.

The Board (with Mr Seaberg abstaining and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) has determined it is appropriate to grant the Options with performance conditions aligned to those of the Chief Executive Officer in light of the required heightened involvement of the Chairman in a number of strategic and market facing activities which are designed to significantly enhance shareholder returns through an increase in share price over the coming years and in that context align his reward and commitment with the interests of other security holders. The Board acknowledges the grant of Options with performance hurdles to Mr Seaberg is inconsistent with Recommendation 8.3 of The Corporate Governance Principles and Recommendations as published by the ASX Corporate Governance Council, however has determined to impose the performance hurdles based on the advice received from an independent remuneration consultant and the context of Mr Seaberg's role and responsibilities within the Company.

Listing Rule 10.11

In accordance with Listing Rule 10.11, the Company must obtain Shareholder approval in order to issue securities (including options) to Mr Seaberg (and/or his nominee), given he is a related party of the Company.

For the purposes of Listing Rule 10.13, the Company advises as follows:

(a) The Options will be issued to Mr Seaberg (and/or his nominee).

(b) Mr Seaberg is subject to Listing Rule 10.11 by virtue of him being a related party of the Company given he is a director of the Company;

(c) The maximum number of options to be issued to Mr Seaberg (and/or his nominee) is 6 million, which can be exercised for up to 6 million new Shares.

(d) The options will be issued in three tranches of 2,000,000 options.

(e) Each tranche of options has separate financial hurdles which must be achieved before they vest as set out in Schedule 1.

(f) If Resolution 4 receives Shareholder approval, the Options are intended to be issued to Mr Seaberg (and/or his nominee) as soon as practicable following the Meeting, but in any event, within one month of the date of the Meeting.

(g) The Options are being issued for nil consideration and otherwise on the terms set out in Schedule 1.

(h) No funds will be raised from the issue of the Options as they are being issued for nil cash consideration.

(i) Any Shares issued on the exercise of the Options will rank equally in all respects with existing Shares on issue.

(j) Mr Seaberg has an interest in Resolution 4 and therefore believes it is appropriate to abstain from making a recommendation. A voting exclusion statement is Resolution 4 is set out below.

(k) As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

Listing Rule 10.13.8

Mr Seaberg currently receives a base salary of US$140,000 per annum.

A valuation of the options proposed to be issued to Mr Seaberg has been performed using a Monte Carlo Simulation valuation model. The value attributed to those options and the accounting period that they relate to are as follows:

	Allocation of accounting expense by year			Total value
	2020	**2021**	**2022**	
Tranche 1	$145,400	-	-	$145,400
Tranche 2	$68,100	$68,100	-	$136,200
Tranche 3	$40,267	$40,267	$40,267	$120,801
	$253,767	$108,367	$40,267	$402,401

The total remuneration for 2020 for Mr Seaberg if shareholder approval for the above options are granted is

	$A	
Share based payment expense	$253,767	
Directors fees ($US 140,000)	$203,046	*
	$456,813	

*: Converted at exchange rate of 1 AUD = 0.6895 USD

Chapter 2E of the Corporations Act

Mr Seaberg is a related party of the Company. Under Chapter 2E of the Corporations Act, a public company cannot give a financial benefit to its related parties unless an exception applies or shareholders have, in a general meeting, approved the giving of that financial benefit to the related party.

The Directors (excluding Mr Seaberg and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) consider that the issue of Options constitutes reasonable remuneration and does not require shareholder approval under Chapter 2E of the Corporations Act as the exemption in section 211(1) of the Corporations Act applies.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 4 by the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of those persons.

However, this does not apply to a vote case in favour of Resolution 4 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with directions given to the proxy or attorney to vote on Resolution 4 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with a direction given to the chair to vote on Resolution 4 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 4; and
  - the holder votes on Resolution 4 in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution 4 must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and:

(a) it is cast by the person as proxy for a person who is entitled to vote (in accordance with directions on the Proxy Form); or

(b) it is cast by the Chairman as proxy for a person who is entitled to vote (in accordance with a direction on the Proxy Form to vote as the proxy decides).

The Directors (excluding Mr John Seaberg) unanimously recommend that Shareholders vote in favour of Resolution 4. The Chairman intends to vote all undirected proxies in favour of Resolution 4.

RESOLUTION 5: ISSUE OF OPTIONS TO MR STEPHEN DENARO

General

The Board (with Mr Denaro abstaining and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) have recommended and resolved that Mr Denaro be issued with a total of 2.5 million Options exercisable at 11.2 cents per Share representing the VWAP of Shares in the 20 trading days leading up to 16 January 2020. The Options expire five years after the grant date subject to the achievement of certain financial performance hurdles and all required Shareholder approvals being obtained. Each Option entitles Mr Denaro to one new Share on exercise.

Mr Denaro was appointed to fill a casual vacancy in the role of non-executive director of the Company on 31 October 2018 and was appointed as a non-executive director following the general meeting of the Company held on 14 May 2019.

The Board (with Mr Denaro abstaining and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) has determined that it is appropriate to grant Options with performance conditions aligned to those of the Chief Executive Officer to Mr Denaro in light of his additional role as Company Secretary providing primary oversight of corporate governance issues arising from the current ASX listing of the Group and to significantly enhance shareholder returns through an increase in share price over the coming years and in that context align his reward and commitment with the interests of other security holders. The Board acknowledges the grant of Options with performance hurdles to Mr Denaro is inconsistent with Recommendation 8.3 of The Corporate Governance Principles and Recommendations as published by the ASX Corporate Governance Council, however has determined to impose the performance hurdles based on the advice received from an independent remuneration consultant and the context of Mr Denaro's role and responsibilities within the Company.

Listing Rule 10.11

In accordance with Listing Rule 10.11, the Company must obtain Shareholder approval in order to issue securities (including options) to Mr Denaro (and/or his nominee), given he is a related party of the Company.

For the purposes of Listing Rule 10.13, the Company advises as follows:

(a) The Options will be issued to Mr Denaro (and/or his nominee).

(b) Mr Denaro is subject to Listing Rule 10.11 by virtue of him being a related party of the Company given he is a director of the Company;

(c) The maximum number of options to be issued to Mr Denaro (and/or his nominee) is 2.5 million, which can be exercised for up to 2.5 million new Shares.

(d) The options will be issued in three tranches of 825,000 options (tranche 1), 825,000 options (tranche 2) and 850,000 options (tranche 3)

(e) Each tranche of options has separate financial hurdles which must be achieved before they vest as set out in Schedule 1.

(f) If Resolution 5 receives Shareholder approval, the Options are intended to be issued to Mr Denaro (and/or his nominee) as soon as practicable following the Meeting, but in any event, within one month of the date of the Meeting.

(g) The Options are being issued for nil consideration and otherwise on the terms set out in Schedule 1.

(h) No funds will be raised from the issue of the Options as they are being issued for nil cash consideration.

(i) Any Shares issued on the exercise of the Options will rank equally in all respects with existing Shares on issue.

(j) Mr Denaro has an interest in Resolution 5 and therefore believes it is appropriate to abstain from making a recommendation. A voting exclusion statement is Resolution 5 is set out below.

(k) As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

Listing Rule 10.13.8

The key remuneration arrangements included in the service agreement for Mr Denaro are:

- Base salary of AU$100,000 plus superannuation contribution of 10% ($10,000).
- A Company affiliated with Mr Denaro, Trio Business Intermediaries Pty Ltd is paid $50,000 per annum for Company secretarial services.

A valuation of the options proposed to be issued has been performed using a Monte Carlo Simulation valuation model. The value attributed to those options and the accounting period that they relate to are as follows:

	Allocation of accounting expense by year			Total value
	2020	**2021**	**2022**	
Tranche 1	$59,978	-	-	$59,978
Tranche 2	$28,091	$28,091	-	$56,182
Tranche 3	$17,113	$17,113	$17,113	$51,339
	$105,182	$45,204	$17,113	$167,499

The total remuneration for 2020 for Mr Denaro and his affiliated entity is if shareholder approval for the above options are granted is

	$A
Share based payment expense	$105,182
Directors fees	$100,000
Superannuation	$10,000
Company secretary fees	$50,000
	$265,182

Chapter 2E of the Corporations Act

Mr Denaro is a related party of the Company. Under Chapter 2E of the Corporations Act, a public company cannot give a financial benefit to its related parties unless an exception applies or shareholders have, in a general meeting, approved the giving of that financial benefit to the related party.

The Directors (excluding Mr Denaro and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) consider that the issue of Options constitutes reasonable remuneration and does not require shareholder approval under Chapter 2E of the Corporations Act as the exemption in section 211(1) of the Corporations Act applies.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 3 by the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of those persons.

However, this does not apply to a vote case in favour of Resolution 3 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with directions given to the proxy or attorney to vote on Resolution 3 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with a direction given to the chair to vote on Resolution 3 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 3; and
    - the holder votes on Resolution 3 in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution 5 must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and:

(a) it is cast by the person as proxy for a person who is entitled to vote (in accordance with directions on the Proxy Form); or

(b) it is cast by the Chairman as proxy for a person who is entitled to vote (in accordance with a direction on the Proxy Form to vote as the proxy decides).

The Directors (excluding Mr Stephen Denaro and excluding Yanheng Wu who was absent from the board meeting held to consider the recommendation to Shareholders on this Resolution) unanimously recommend that Shareholders vote in favour of Resolution 5.

The Chairman intends to vote all undirected proxies in favour of Resolution 5.

DEFINITIONS

In this Notice, including this Explanatory Memorandum:

Accrued Loan Balance	means the outstanding balance under the Facility Agreement, including accrued interest and facility fee, as at the conversion date.
Chairman	means the person appointed to chair the Meeting, or any part of the Meeting, convened by this Notice.
Closely Related Party	has the meaning given in section 9 of the Corporations Act.
Corporations Act	means the *Corporations Act 2001* (Cth).
Independent Expert	means BDO Corporate Finance (QLD) Ltd.
Independent Expert's Report	means the report prepared by the Independent Expert for the purposes of Resolution 2.
Key Management Personnel	means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly, including any Director (whether executive or otherwise) of the Company.
Notice	means this notice of meeting and the accompanying explanatory memorandum.
Option	means a listed or unlisted option issued by the Company that is convertible into a Share.
Optionholder	means the registered holder of an Option.
Security	means a Share, an Option, or a Warrant.
Securityholder	means a holder of a Security.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the registered holder of a Share.
SIO	means SIO Partners, LP.
Warrant	means an unlisted warrant issued by the Company that is convertible into a Share.
Warrantholder	means the registered holder of a Warrant.

Schedule 1 – Terms of Options

Capitalised terms used in this Schedule 1 which have not been defined have the meaning given in the Notice.

The terms and conditions of the Options to be issued pursuant to Resolutions 3, 4 and 5 are as follows:

1. Consideration payable

No consideration is payable on the issue of the Options.

2. Exercise

(a) The Options are exercisable in whole or in part at any time during the exercise period. Options are exercisable by notice in writing to the Board and payment of the exercise price in cleared funds.

(b) The exercise price is 11.2 cents per Share for all options across the three tranches. This represents the rounded 20 day Volume Weighted Average Price of the closing share price of Admedus shares up to 16 January 2020.

(c) Exercised Options may be satisfied, at the discretion of the Board, in cash rather than Shares, by payment to the holder of the cash equivalent value, net of applicable taxes and other withholdings, less any exercise price that would have been payable by the holder (and no exercise price is required to be paid by the holder).

3. Vesting and Financial hurdles

The Options will not vest unless the following share price hurdles are achieved.

Tranche one: options will only vest following the completion of at least 12 months service and if the closing price of the Company's shares was at least 16.8 cents representing a 50% increase in the exercise price on at least 10 days in any 20 sequential trading days during the 12 month period.

Tranche two: options will only vest following the completion of at least 18 months service and if the closing price of the Company's shares was at least 22.4 cents representing a 100% increase in the exercise price on at least 10 days in any 20 sequential trading days during the 18 month period.

Tranche three: options will only vest following the completion of at least 24 months service and if the closing price of the Company's shares was at least 33.6 cents representing a 200% increase in the exercise price on at least 10 days in any 20 sequential trading days during the 24 month period.

If the share price hurdles have not been achieved within a period of at least 36 months, the Board of Directors can exercise discretion to extend this for an additional period of up to 12 months.

4. Expiry date and lapse

The Options will lapse five years after the grant date, if not exercised prior.

5. Unlisted

The Company will not apply for official quotation on ASX of the Options. The Company will make an application for official quotation on ASX of new Shares allotted on exercise of the Options. Shares issued upon the exercise of the Options will rank equally in all respects with existing Shares on issue.

6. Transferability

The grant of the Options is personal and is only transferable:

(a) with the consent of the Board; or

(b) by force of law upon death to a legal personal representative or upon bankruptcy to a trustee in bankruptcy.

7. Prohibition against dealing and hedging

Dealing in the Options is not permitted (other than in accordance with the above transferability provisions in paragraph 4) nor can the holder enter into any scheme, arrangement or agreement (including options and derivative products) under which the economic benefit to be derived from any Options may be affected, irrespective of future changes in the market price of Shares.

8. Forfeiture

Where the holder deals in the Options, or transfers the Options, or purports to enter, into any scheme, arrangement or agreement described in paragraph 5, the Board may determine that the relevant dealing does not take effect or that the Options immediately lapse or are forfeited, as applicable.

9. Entitlements

A holder shall not be entitled to vote, receive dividends, or have any other rights of a Shareholder in respect of the Options until the underlying Shares are issued following exercise of the Options.

10. Variation in share capital

Appropriate adjustment will be made to the number of Options in accordance with the Listing Rules in the event of a Variation of Capital Event.

A Variation of Capital Event means an event where one of the following occurs:

(a) any reorganisation (including consolidation, subdivision, reduction, return or special dividend) in relation to the issued capital of the Company;

(b) Shares are issued to the Company's Shareholders by way of a bonus issue; or

(c) Shares are offered to the Company's Shareholders by way of a rights issue.

11. Pro rata issue of securities or bonus issue

If there is a pro-rata issue or bonus issue of new Shares to Shareholders:

(a) the holder of the Options may not participate in the new issue until (and to the extent that) the Options have been exercised and the underlying Shares are issued by the record date for the new issue; and

(b) the exercise price, or number of Shares over which the Options may vest or may be exercised, as applicable, will, in the case of a pro-rata issue, be adjusted in accordance with Listing Rule 6.22.2 (or any replacement rule) and, in the case of a bonus issue, be adjusted in accordance with Listing Rule 6.22.3 (or any replacement rule).

12. Reorganisation of capital

In the event of a reorganisation of the capital of the Company, the rights of the holder of the Options will be changed to the extent necessary to comply with the Listing Rules at the time of the reorganisation.

13. Accelerated vesting upon a change of control

Notwithstanding any other terms and conditions of the Options, if a Change of Control Event occurs in relation to the Company, any unvested Options on issue will vest. The vesting will occur immediately prior to the effective date of the Change of Control Event so as to permit the holder of the Options to participate in the Change of Control Event, or as otherwise determined by the Board.

A **Change of Control Event** means:

(a) a bona fide takeover bid (as defined in the Corporations Act) is declared unconditional and the bidder has acquired a Relevant Interest in at least 50.1% of the Company's issued Shares;

(b) a Court approves a proposed compromise or arrangement a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies under section 411(4)(b) of the Corporations Act;

(c) a person obtains voting power (as defined in the Corporations Act) in the Company which the Board determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board; or

(d) the occurrence of the sale of all or a majority of the Company's main undertaking.

ADMEDUS LIMITED

Independent Expert's Report and Financial Services Guide

20 JANUARY 2020

FINANCIAL SERVICES GUIDE

Dated: 20 January 2020

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the *Corporations Act 2001* (Cth) ('the Corporations Act') and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance Ltd, Australian Business Number ('ABN') 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investment schemes, superannuation, and government debentures, stocks and bonds; and

b) Arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide an independent expert's report to the non-associated shareholders of Admedus Limited ('Admedus' or 'the Company') in relation to the proposed conversion of the accrued balance on a term loan facility ('the Facility') held by SIO Partners, LP ('Sio') into 61,969,857 fully paid ordinary shares in the Company ('the Proposed Conversion').

Further details of the Proposed Conversion are set out in Section 4.0. The scope of this Report is set out in detail in Section 3.3. This Report provides an opinion on whether or not the Proposed Conversion is 'Fair and Reasonable' and has been prepared to provide information to the Admedus shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Conversion. Other important information relating to this Report is set out in more detail in Section 3.0.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote in favour of or against the Proposed Conversion is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, Commissions and Other Benefits We May Receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Conversion or the opinion expressed in this Report.

We note we were initially engaged by Admedus to prepare an independent expert's report in June 2019. Our fee for the preparation of this initial independent expert's report was approximately $100,000 plus goods and services tax ('GST'). Prior to this initial report being completed however, we note Admedus announced the termination of the distribution agreement with Arcomed AG ('Acromed') and the transaction with LeMaitre Vascular Inc ('LeMaitre'). As these announcements are material to Admedus' business, we have updated our initial independent expert's report to reflect the impact of these transactions ('this Report'). Our estimated fee for preparing this Report will be approximately $40,000 plus GST.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDOCF. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and Relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO has previously provided independent valuation services to Admedus for financial reporting and tax purposes.

The signatories to this Report do not hold any shares in Admedus and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use information sourced from research facilities to which we subscribe or which are publicly available. This Report references our sources of information, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Australian Financial Complaints Authority. Any complaint about our service should be in writing and sent to BDO Corporate Finance Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Australian Financial Complaints Authority. They can be contacted on 1800 931 678. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission ('ASIC') also has an infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Compensation Arrangements

BDOCF and its related entities hold professional indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the *Corporations Act 2001* (Cth). These arrangements and the level of cover held by BDOCF satisfy the requirements of section 912B of the *Corporations Act 2001* (Cth).

Contact Details

BDO Corporate Finance Ltd

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CONTENTS

GLOSSARY

Reference	Definition
A$, AUD, or $	Australian dollars
AAA	Abdominal aortic aneurysm
ABN	Australian business number
ABV	Asset-based valuation
Admedus	Admedus Limited
APES 225	Accounting Professional and Ethical Standard for Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited
Arcomed	Arcomed AG
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BDO Persons	BDOCF, BDO Services Pty Ltd or any of its partners, directors, agents or associates
BDOCF, we, us, our	BDO Corporate Finance Ltd
BSA	Business sale agreement
BTC	BTC Specialty Health Pty Ltd
CAD	Carotid artery disease
CAGR	Compound annual growth rate
CHD	Congenital heart disease
CME	Capitalisation of Maintainable Earnings
Company, the	Admedus Limited
Corporations Act, the	The Corporations Act 2001 (Cth)
CVL	Creditors voluntary liquidation
DCF	Discounted cash flow
Directors, the	The non-associated directors of Admedus Limited
E.g.	For example
EGM, the	The extraordinary general meeting for the Admedus shareholders proposed to be held on or around 26 February 2020
Facility Agreement, the	The facility agreement between Sio and Admedus as announced to the ASX on 8 May 2019
Facility, the	The term loan facility held by Sio, and the subject of the Proposed Conversion, with an estimated outstanding balance as at 27 February 2020 of approximately $1.2 million
FSG	Financial Services Guide
FY	The 12-month financial year ended 31 December
GST	Goods and services tax
HPV	Human papillomavirus
HSV-2	Herpes simplex virus type 2
ISO	International Organization for Standardization
Jingang Medicine	Jingang Medicine (Australia) Pty Ltd
LeMaitre	LeMaitre Vascular Inc.
Management	The management of Admedus
MBV	Market-based valuation
Notice of Meeting, the	Notice of extraordinary general meeting and explanatory memorandum prepared for the EGM dated on or around 20 January 2020
PAD	Peripheral arterial disease
P A Lucas & Co	P A Lucas & Co Pty Ltd
PFG	Partners for Growth
Proposed Conversion, the	The proposed conversion of the accrued balance on the Facility held by Sio into 61,969,857 fully paid ordinary shares in the Company on, or around 27 February 2020
QLD	Queensland

Reference	Definition
R&D	Research and development
Regulations, the	The Corporations Regulations 2001
Report, this	This independent expert's report prepared by BDOCF and dated 20 January 2020
RG 111	Regulatory Guide 111: Content of Expert Report, issued by ASIC
RGs	Regulatory guides published by ASIC
ROCAP	Report on company activities and property
Sio	Sio Partners, LP
Sio Capital	Sio Capital Management, LLC
TAVR	Transcatheter aortic valve replacement
TGA	Therapeutic Goods Administration
U.S.	United States of America
USD	U.S. Dollars
VWAP	Volume-weighted average price

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PART I: ASSESSMENT OF THE PROPOSED TRANSACTION

Non-Associated Shareholders
C/- Non-Associated Directors
Admedus Limited
Level 3, 9 Sherwood Road
TOOWONG QLD 4066

20 January 2020

Dear Shareholders,

1.0 Introduction

BDO Corporate Finance Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the non-associated shareholders of Admedus Limited ('Admedus' or 'the Company') in relation to the proposed conversion of the balance on a term loan facility ('the Facility') held by Sio Partners, LP ('Sio'). Under the proposed conversion, Admedus is to issue 61,969,857 fully paid ordinary shares to Sio resulting in an increase in Sio's relevant interest in Admedus from 22.2% to 29.6% ('Proposed Conversion'). The issue price of the shares under the Proposed Conversion is $0.02.

Section 4 of this Report provides a more detailed description of the Proposed Conversion.

Section 606 of the *Corporations Act 2001* (Cth) ('Corporations Act') prohibits transactions involving the issue or transferring of securities where an acquirer's voting power in the company increases from a starting point that is above 20% and below 90%, unless one of the exemptions set out in the Corporations Act s611 is met. Section 611 item 7 states that an acquisition is exempt from the prohibition in subsection 606(2) if the acquisition proposal is approved by a requisite majority of shareholders not associated with the person making the proposal or their associates by passing a resolution at a general meeting.

The non-associated directors of Admedus ('Directors') have commissioned this Report to provide information to the non-associated shareholders voting on the Proposed Conversion. Non-associated shareholders may vote in favour of or against the Proposed Conversion at the extraordinary general meeting, to be held on or around 26 February 2020 ('the EGM').

This Report provides our opinion on whether the Proposed Conversion is 'fair and reasonable' to the non-associated shareholders. Sections 3.3 and 3.4 respectively detail the scope and purpose of this Report.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to shareholders, including the notice of meeting and attached explanatory memorandum prepared by Admedus for the EGM ('the Notice of Meeting').

2.0 Assessment of the Proposed Conversion

This section is set out as follows:

- Section 2.1 sets out the methodology for our assessment of the Proposed Conversion;
- Section 2.2 sets out our assessment of the fairness of the Proposed Conversion;
- Section 2.3 sets out our assessment of the reasonableness of the Proposed Conversion; and
- Section 2.4 provides our assessment of whether the Proposed Conversion is fair and reasonable to the non-associated shareholders.

2.1 Basis of Evaluation

ASIC have issued Regulatory Guide 111: Content of Expert Reports ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

Under RG 111, an offer will be considered 'fair' if the value of the consideration to be received by shareholders is equal to or greater than the value of the shares that are the subject of the offer. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the offer. This includes comparing the likely advantages and disadvantages if the offer is approved with the position of shareholders if the offer is not approved.

We have assessed the fairness and reasonableness of the Proposed Conversion in Sections 2.2 and 2.3 below.

2.2 Assessment of Fairness

2.2.1 Basis of Assessment

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject to an offer in a control transaction the expert should consider this value inclusive of a control premium and assume a 100% ownership interest.

In our view, it is appropriate to assess the fairness of the Proposed Conversion to the non-associated shareholders, in accordance with RG 111, as follows:

a) Determine the value of a share in Admedus on a controlling interest basis prior to the Proposed Conversion;

b) Determine the value of a share in Admedus on a minority interest basis post the Proposed Conversion; and

c) Compare the value of a) above with the value of b) to determine if the Proposed Conversion is fair.

In accordance with the requirements of RG 111, the Proposed Conversion can be considered fair to the non-associated shareholders if the value determined in b) above is equal to or greater than the value determined in a) above.

2.2.2 Value of an Admedus Share Prior to the Proposed Conversion

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of **$0.0289 to $0.1045** per Admedus share prior to the Proposed Conversion on a controlling interest basis. In forming our view we considered valuation methodologies as follows:

- A market based valuation ('MBV') methodology, which has reference to capital raising activities and Australian Securities Exchange ('ASX') trading data. For completeness, we note the high end of the valuation range of $0.1045 is based on a VWAP from 14 October 2019 to 10 January 2020 of $0.0804, adjusted for a 30% control premium. Share trading from 18 November 2019 to 10 January 2020 has generally exceeded the VWAP of $0.0804 and Admedus shares have traded as high as $0.1300 in the period to 10 January 2020, albeit on limited liquidity; and
- An asset based valuation ('ABV') methodology, which has reference to the value of the assets and liabilities held by Admedus. Our ABV does not include any value for intangible assets not capitalised into the balance sheet while the market's view of these intangible assets is incorporated into the MBV. The ABV can be viewed as a floor value in the circumstance Admedus is unable to realise material value from the Company's currently held intangible assets.

Our valuation of an Admedus share prior to the Proposed Conversion is set out in Section 8 of this Report.

2.2.3 Value of an Admedus Share Post the Proposed Conversion

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of **$0.0218 to $0.0771** per Admedus share post the Proposed Conversion on a minority interest basis.

In forming this view, we have adopted a per share value consistent with Section 2.2.2 above and made appropriate adjustments to reflect the impact of the Proposed Conversion.

Our valuation of an Admedus share post the Proposed Conversion is set out in Section 8 of this Report.

2.2.4 Assessment of the Fairness of the Proposed Conversion

In order to assess the fairness of the Proposed Conversion, in accordance with RG 111, it is appropriate to compare the value of an Admedus share prior to the Proposed Conversion on a controlling interest basis with the value of an Admedus share post the Proposed Conversion on a minority interest basis.

Table 2.1 below summarises our assessment of the fairness of the Proposed Conversion.

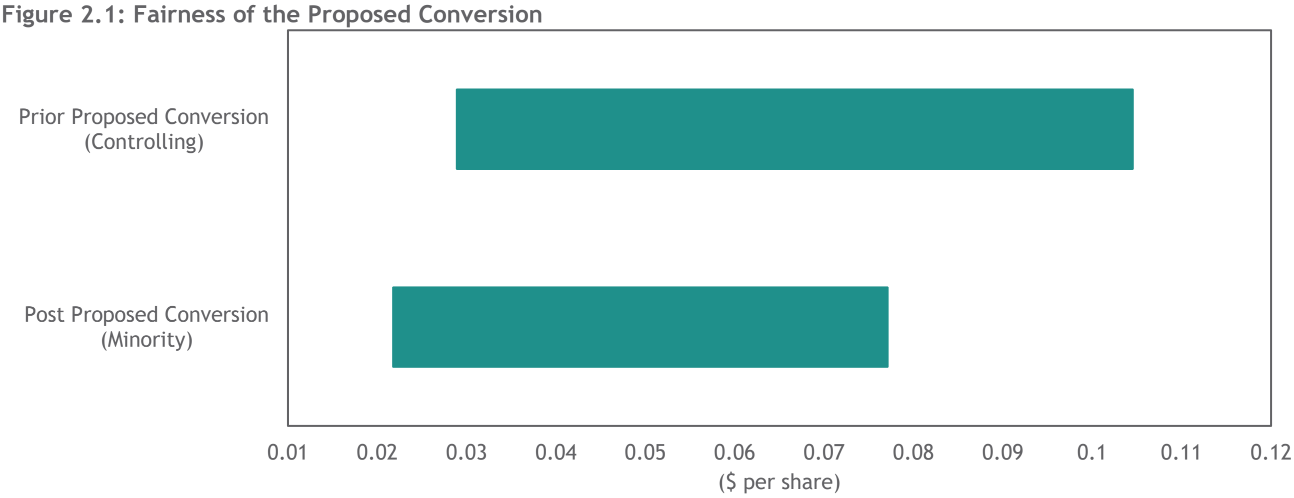
Table 2.1: Assessment of the Fairness of the Proposed Conversion

	Low ($ per share)	High ($ per share)
Value of an Admedus share prior to the Proposed Conversion on a controlling interest basis	0.0289	0.1045
Value of an Admedus share post the Proposed Conversion on a minority interest basis	0.0218	0.0771

Source: BDOCF analysis

Figure 2.1 summarises our assessment of the fairness of the Proposed Conversion, setting out a graphical comparison of our valuation of an Admedus share prior to the Proposed Conversion on a controlling interest basis and our valuation of an Admedus share post the Proposed Conversion on a minority interest basis.

Figure 2.1: Fairness of the Proposed Conversion



Source: BDOCF analysis

With reference to Table 2.1 and Figure 2.1, we note the range of values for an Admedus share post the Proposed Conversion on a minority interest basis overlaps with the range of values for an Admedus share prior to the Proposed Conversion on a controlling interest basis. There is a decline in value comparing the low value pre conversion to the low value post conversion and comparing the high value pre conversion to the high value post conversion. As at 10 January 2020, the Admedus share price was in excess of the high end of our valuation range and shareholders that expect this to persist may prefer to make reference to the decline in value at the high end of the range.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that the Proposed Conversion is **Not Fair** to the non-associated shareholders as at the date of this Report.

2.3 Assessment of Reasonableness

2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if the interests of the non-associated shareholders are reasonably balanced after considering other significant factors.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Proposed Conversion is 'reasonable' we consider it appropriate to examine other significant factors to which the non-associated shareholders may give consideration prior to forming a view on whether to vote in favour of or against the Proposed Conversion. This includes comparing the likely advantages and disadvantages of approving the Proposed Conversion with the position of the non-associated shareholders if the Proposed Conversion is not approved, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Proposed Conversion is set out as follows:

- Section 2.3.2 sets out the potential advantages and disadvantages of the Proposed Conversion to the non-associated shareholders;

- Section 2.3.3 sets out the position of the non-associated shareholders if the Proposed Conversion is not approved; and
- Section 2.3.4 provides our opinion on the reasonableness of the Proposed Conversion to the non-associated shareholders.

2.3.2 Potential Advantages and Disadvantages of the Proposed Conversion

Table 2.2 below outlines the potential advantages of the Proposed Conversion to the non-associated shareholders.

Table 2.2: Potential Advantages of the Proposed Conversion

Advantage	Details
Results in further alignment between Sio and Admedus	The Directors' consider Sio to be a supportive cornerstone investor that provided funds when Admedus required them. If the Proposed Conversion is approved, Admedus' cornerstone investor, Sio, will increase its shareholding in the Company from 22.2% to 29.6%. Accordingly, the interests of Admedus and Sio will be further aligned. It is of note that the Facility was entered into following an undersubscribed capital raise[1]. Sio was a lender of last resort, and enabled Admedus to continue as a going concern at a time when this was immediately uncertain. In lieu of the Facility Agreement, it is unclear whether Admedus would have remained solvent at that point in time. Cornerstone investors can often assist a company in a range of ways, including assisting to secure future funding and/or stimulating investor demand by enhancing the credibility of the company. The greater Sio's shareholding in the Company, the more incentivised it will be to assist the Company with achieving its objectives.
Provides the Company with the ability to settle the Facility with scrip rather than cash	If the Proposed Conversion is approved, the Company will have gained the ability to settle the Facility with scrip rather than cash. To the extent the funds that would otherwise have been needed to repay the Facility are not required to retire or support other debt facilities or for working capital, the Company can use them to pursue growth opportunities that have the potential to enhance shareholder value.
Results in a cleaner capital structure and increased flexibility	If approved, the Proposed Conversion will result in a cleaner capital structure and increase the flexibility of the Company, as the outstanding balance on the Facility will be extinguished and fully paid ordinary shares will be issued. The security currently held by Sio over the assets of the Company will also be released. The cleaner capital structure and increased flexibility of the Company as a result of the Proposed Conversion may make it easier for the Company to facilitate future equity and/or debt capital raisings. For completeness we note Admedus' current cash balance allows the Company to repay the Facility in full immediately, and achieve the same result.
No further interest will accrue on the Facility	The Facility accrues interest at the rate of 12% per annum, compounded monthly and accrued daily. If the Proposed Conversion is approved, the outstanding balance on the Facility will be extinguished and no further interest will accrue. For completeness we note Admedus' current cash balance allows the Company to repay the Facility in full immediately, and achieve the same result.
Removes the risk of an accelerated repayment of the Facility	If Admedus breaches certain non-financial covenants (including having its shares removed from the official list of the ASX or suspended from trading for five consecutive business days or longer, excluding any period of suspension which commenced prior to the establishment of the Facility) or triggers an event of default (as defined under the Facility's legal agreement ('Facility Agreement')), Sio may cancel its commitments under the Facility Agreement and declare the accrued balance on the Facility immediately due and payable by providing 30 days' notice to Admedus. If Admedus is unable the fund the accelerated repayment of the Facility as and when it falls due, the Company may be placed into administration. If the Proposed Conversion is approved, however, the risk of an accelerated repayment of the Facility will be removed. For completeness, we note that Admedus currently has sufficient cash reserves to repay the Facility following the completion of the LeMaitre transaction (refer Section 5.1.2.4). Admedus currently has the ability to avoid the above situation by repaying the facility if an event of default occurs.
Provides certainty on the price which the Sio Facility can be converted	The conversion price under the Proposed Conversion is $0.02. If Sio elects to convert the Facility at a later date, we note it is possible that the conversion price may be less than two cents per share, depending on the prevailing volume weighted average market price ('VWAP') of Admedus shares at the time. It's possible that the prevailing VWAP will be less than two cents per share if investor sentiment towards Admedus shares is negative. For completeness, we note that Admedus' shares have traded in the range of $0.0560 to $0.1300 over the period 14 October 2019 to 10 January 2020 following reinstatement to official quotation.

[1] The Facility was entered into on 8 May 2019 following the undersubscribed rights issue on 28 November 2018. The rights issue raised approximately $19.0 million, with approximately $5.4 million raised from subscribers and approximately $13.6 million raised from underwriters. Refer to Section 5.5.3 of this Report, and Admedus' 14 December 2018 announcement for more information.

Advantage	Details
Does not result in the non-associated shareholders losing control of the Company	The non-associated shareholders will collectively hold a 70.40% interest in the Company post the Proposed Conversion, assuming it is approved. As such, the non-associated shareholders will collectively continue to hold a controlling interest in the Company if the Proposed Conversion is approved.

Source: BDOCF analysis

Table 2.3 below outlines the potential disadvantages of the Proposed Conversion to the non-associated shareholders.

Table 2.3: Potential Disadvantages of the Proposed Conversion

Disadvantage	Details
The Proposed Conversion is Not Fair	As set out in Section 2.2.4, the Proposed Conversion is Not Fair to the non-associated shareholders as at the date of this Report.
The issue price of shares under the Proposed Conversion is below the ABV and recent share prices	Following the completion of the LeMaitre transaction (refer Section 5.1.2.4), we have calculated an ABV of Admedus attributable to ordinary shareholders on a controlling basis as at 29 February 2020 of approximately \$17.1 million, which equates to a value of \$0.0289 per share on a controlling interest basis (assuming approximately 591 million ordinary shares on issue) (refer to Section 8.3 of this Report for more information). Following reinstatement to official quotation on 14 October 2019, Admedus' shares have traded in the range of \$0.0560 to \$0.1300 over the period to 10 January 2020. The issue price of shares under the Proposed Conversion of \$0.02 is below both the ABV per share and the price of recent share trades.
Dilution of non-associated shareholders	Prior to the Proposed Conversion, the non-associated shareholders collectively owned 77.80% of Admedus' ordinary shares. If the Proposed Conversion is approved, non-associated shareholders will collectively hold a 70.40% ownership interest in Admedus, which represents a dilution of their interest. Further, we note Sio's 29.6% interest will provide it with increased control of the Company, including the ability to block special resolutions (which require the approval of 75% of shareholders in order to be approved) in circumstances where it is entitled to vote. However, we note non-associated shareholders will continue to retain collective control of the Company post the Proposed Conversion.
Forgo the opportunity to pursue alternative options for the repayment of the Facility	The Facility does not need to be repaid until November 2020. As noted in Section 2.3.3, there are alternative options that may be available to the Company for the repayment of the Facility. Although there is no guarantee, it is possible that one or more of these alternative options may provide a more favourable outcome to the non-associated shareholders when compared to the Proposed Conversion. Refer to Section 2.3.3 below for further information on the position of the non-associated shareholders if the Proposed Conversion is not approved.

Source: BDOCF analysis

2.3.3 Position of Shareholders if the Proposed Conversion in Not Approved

If the Proposed Conversion is not approved, the Facility will not be converted into fully paid ordinary shares in the Company. The accrued balance on the Facility will remain due and payable on the maturity date in November 2020 (assuming there are no breaches of the Facility Agreement or events of default and the accrued balance on the Facility is not declared immediately due and payable). Further, Sio's 22.2% ownership interest in the Company will remained unchanged for any impacts arising from the Proposed Conversion.

If the Proposed Conversion is not approved, the Company may pursue a number of alternative options for repaying the Facility. Table 2.4 sets out the various options available to the Company if the Proposed Conversion is not approved.

Table 2.4: Options Available to Shareholders for the Repayment of the Facility if the Proposed Conversion is Not Approved

Position of Shareholders	Details
Repay the Facility out of existing cash reserves	The Directors advise that it is appropriate to assume an estimated cash balance for Admedus of approximately \$13.1 million as at 29 February 2020[2]. The Directors are of the view that Admedus will have sufficient cash reserves to repay the Facility when it matures in November 2020.

[2] Refer to Section 8.3.1 for a details regarding Admedus' of estimated cash position as at 29 February 2020.

Position of Shareholders	Details
Allow Sio to convert the Facility at a later date, subject to Sio's agreement	As the Facility does not expire until November 2020, shareholders may consider allowing Sio to convert the Facility at a later date, subject to Sio providing notice that it wishes to convert the Facility. If the Proposed Conversion is not approved, however, we note that Sio is under no obligation to convert the Facility at a later date and may simply request that Admedus repay the Facility (including any capitalised interest) in full on the maturity date. Alternatively, if Sio does elect to convert the Facility at a later date, we note it is possible that the conversion price may be less than two cents per share (depending on the prevailing share price at the time). In addition, we note that a greater amount of interest will have accrued on the Facility, increasing the amount of shares that will need to be issued, and therefore the dilutive effect of a conversion, in the event the Facility is converted.

Source: BDOCF analysis

For completeness, we note that if the Proposed Conversion is not approved, Admedus will not be able to recover the costs incurred in relation to the Proposed Conversion.

2.3.4 Assessment of the Reasonableness of the Proposed Conversion

In our opinion, after considering the advantages, disadvantages and other considerations set out in this Report, it is our view that the Proposed Conversion is **Not Reasonable** to the non-associated shareholders as at the date of this Report.

2.4 Our Opinion

After considering the above assessments, it is our view that, in the absence of any other information, the Proposed Conversion is **Not Fair and Not Reasonable** to the non-associated shareholders as at the date of this Report.

Before forming a view on whether to vote in favour of or against the Proposed Conversion, we strongly recommend shareholders:

- Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 3.0;
- Consult their own professional advisers; and
- Consider their specific circumstances.

3.0 Important Information

3.1 Read this Report, and Other Documentation, in Full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Shareholders should read all other information provided in conjunction with this Report, including the Notice of Meeting.

3.2 Shareholders' Individual Circumstances

We have completed our analysis and expressed our conclusions at an aggregate level having regard to shareholders as a whole. BDOCF has not considered the impact of the Proposed Conversion on the particular circumstances of individual shareholders. Individual shareholders may place a different emphasis on certain elements of the Proposed Conversion relative to the emphasis placed in this Report. Accordingly, individual shareholders may reach different conclusions as to whether or not the Proposed Conversion is fair and reasonable in their individual circumstances.

It is likely the particular circumstances of an individual shareholder will influence the decision to vote in favour of or against the Proposed Conversion. Accordingly, we advise shareholders to consider their own circumstances and seek their own independent advice.

Voting in favour of or against the Proposed Conversion is a matter for each individual based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider all information provided to them. Shareholders who are in doubt as to the action they should take in relation to the Proposed Conversion should consult their professional adviser.

With respect to taxation implications of the Proposed Conversion, we strongly recommend that shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

This Report provides our opinion on whether the Proposed Conversion is fair and reasonable to shareholders.

This Report has been prepared at the request of the Directors for the sole benefit of shareholders entitled to vote, to assist them in their decision to vote in favour of or against the Proposed Conversion. This Report is to accompany the Notice of Meeting proposed to be sent to shareholders to consider the Proposed Conversion and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Directors and shareholders without our written consent. We accept no responsibility to any person other than the Directors and shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Notice of Meeting. Apart from this Report, we are not responsible for the contents of the Notice of Meeting or any other document associated with the Proposed Conversion. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures do not include verification work nor do they constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report, we considered the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides ('RGs') and commercial practice.

We have made certain assumptions in forming our opinion and outline these in this Report, including:

- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- All information which is material to a shareholders' decision on the Proposed Conversion has been provided and is complete, accurate and fairly presented in all material respects;
- ASX announcements and other publicly available information relied on by us is accurate, complete and not misleading;
- If the Proposed Conversion is approved, that it will be approved in accordance with the stated terms;
- The legal mechanism to implement the Proposed Conversion is correct and effective;
- There are no undue changes to the terms and conditions of the Proposed Conversion or complex issues unknown to us; and

- Other assumptions, as outlined in this Report.

This report does not provide any taxation, legal or other advice of a similar nature in relation to the Proposed Conversion. We understand other advisers have provided advice on those matters to Admedus in relation to the Proposed Conversion.

Admedus has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Board, executives and management of all the entities.

3.4 Purpose of this Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act, the Corporation Regulations 2001 ('the Regulations'), the RGs published by ASIC and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 3.4.1 and 3.4.2 below.

3.4.1 Requirements of the Corporations Acts

Section 606 of the Corporations Act states that, subject to the exceptions set out in Section 611, a 'relevant interest' in issued voting shares in a listed company cannot be increased from 20% or below to more than 20%, or increasing from a starting point that is above 20% and below 90%. Broadly, a 'relevant interest' is defined as an interest giving the holder the power to control the right to vote or dispose of shares.

If the Proposed Conversion is approved, Sio will be issued 61,969,857 fully paid ordinary Admedus shares. Following the Proposed Conversion, Sio's relevant interest in Admedus will increase from 22.2% to 29.6%. In these circumstances, an exemption from section 606 must be sought under item 7 of section 611 of the Corporations Act.

Item 7 of section 611 allows a party to gain a relevant interest in shares of a public company that would otherwise be prohibited under subsection 606(2) of the Corporations Act if the Proposed Conversion is approved in advance by a resolution passed at a general meeting of the company, and:

- No votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares; and
- There was full disclosure of all information known by both the party proposing to make the acquisition, their associates and the company in relation to the transaction which was material to a decision on how to vote on the resolution.

ASIC RG 74: *Acquisitions approved by members* states that the obligation to supply shareholders with all material information can be satisfied by the non-associated Directors of Admedus by either:

- Undertaking a detailed examination of the Proposed Conversion themselves, if they consider that they have sufficient expertise; or
- Commissioning an independent expert's report.

We have been requested to prepare this independent expert's report to provide additional information to shareholders to assist them to form a view on whether to vote in favour of or against the Proposed Conversion.

3.4.2 Listing Requirements

This Report has not been prepared to assist shareholders to vote on the Proposed Conversion in accordance with the requirements of ASX Listing Rules.

3.5 Current Market Conditions

Our opinion and the analysis set out in this Report is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision.

In circumstances where we become aware of and believe that a change in these conditions, prior to the EGM, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Admedus. BDOCF is not responsible for updating this Report following the EGM or in the event that a change in prevailing circumstance does not meet the above conditions.

We note the value of Admedus in this Report may change materially in short periods with changes in economic, market and other conditions. It will be important for Admedus to keep shareholders abreast of developments that affect Admedus.

3.6 Reliance on Information

Admedus recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO Services Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Admedus, its management ('Management'), and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. We evaluated the information provided through analysis and inquiry to form an opinion as to whether or not the Proposed Conversion is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

We understand that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of Management, the information was evaluated through analysis and inquiry to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information we have relied on. However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Directors represent and warrant to us, for the purpose of this Report, that all information and documents furnished by Admedus (either by Management directly or through advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Admedus has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('$') references in this Report are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This Report is prepared from information obtained from various sources, including:

- Admedus annual report for the periods ended 30 June 2016, 30 June 2017, 31 December 2017, 31 December 2018, as well as 30 June 2019 half year report;
- Admedus management financial balances as at 30 November 2019;
- Admedus ASX announcements;
- Admedus Notice of Meeting for the EGM dated on or about 20 January 2020;
- The Facility Agreement;
- P A Lucas & Co Pty Ltd administrator and liquidator reports;
- Financial models provided by Management for the ADAPT® and Infusion businesses;
- Various distribution and supply contracts relevant to the Infusion business;
- S&P Capital IQ;
- IBISWorld;
- Consensus Economics;
- Other research publications and publicly available data as referenced throughout this Report; and
- Other discussions and correspondence with Management and their advisers.

3.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional and Ethical Standards Board professional standard APES 225 Valuation Services ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time'.

We have prepared this Valuation Engagement in accordance with the requirements set out in APES 225.

3.10 Forecast Information

Any forecast financial information referred to in this Report has originated from Management and been adopted by the Directors in order to provide us with a guide to the potential financial performance of Admedus. Notwithstanding, in certain circumstances we have adjusted the forecast assumptions provided by Management for use in our valuation work. Forecasts we have adopted for our valuation work may not be the same as forecasts provided by Management.

Preparing forecasts involves a considerable degree of subjective judgement due to event(s) and transaction(s) that may or may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and forecasts may be material.

Forecasts rely on assumptions relating to future event(s) and/or transaction(s) expected to occur and actions that Management expect to take which are subject to uncertainties and contingencies, which are often outside the control of Admedus. Evidence may be available to support assumptions forming the basis of the forecast, however, such evidence is generally future-oriented and therefore speculative in nature.

BDOCF cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of Management, that all material information concerning the prospects and proposed operations of Admedus have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Chris Catanzaro and Mark Whittaker have prepared this Report with the assistance of staff members. Mr Catanzaro, BCom (Hons), BBusMan, CA, CFA, and Mr Whittaker, BCom (Hons), CA, CFA, are directors of BDOCF and have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Catanzaro and Mr Whittaker have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance Ltd

Chris Catanzaro
Director

Mark Whittaker
Director

PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED CONVERSION

4.0 Overview of the Facility Agreement and Proposed Conversion

This section sets out an overview of the Facility Agreement and the Proposed Conversion:

- Section 4.1 provides a brief description of the Facility Agreement;
- Section 4.2 provides a brief description of the Proposed Conversion; and
- Section 4.3 details the Directors' strategic rationale for the Proposed Conversion.

This section is a summary only and is not a complete description of the Facility Agreement and the Proposed Conversion. Shareholders should refer to the Notice of Meeting for detailed and additional information relating to the Proposed Conversion.

4.1 Summary of the Facility Agreement

On 8 May 2019, Admedus announced on the ASX that it had entered into the Facility Agreement with Sio for a secured debt facility of $1.0 million.

Sio is part of a group of companies that includes Sio Capital Management LLC ('Sio Capital'), a global hedge fund operating in the healthcare sector. Sio Capital is a strategic investor with a structured process of portfolio oversight, with various investments in biotechnology, pharmaceutical and health care supply companies.

Admedus secured the Facility to fund general working capital and operational costs. The key terms of the Facility Agreement are:

- An 18-month term commencing in May 2019 and ending in November 2020;
- A 12% interest rate compounding monthly (accrued daily);
- A one-off $125,000 facility fee;
- Interest expense and the facility fee are capitalised to the loan balance and repayable at maturity;
- If Admedus launches a rights issue while the Facility remains on foot, Sio may elect to offset all or part of the outstanding balance of the Facility against its entitlement and any underwriting commitment;
- If shareholder approval is obtained, the outstanding balance may, at Sio's election by notice provided to Admedus no later than three months prior to maturity, be converted into fully paid ordinary shares in Admedus at the lesser of:
  - $0.02 per share; and
  - 80% of the VWAP for ordinary shares calculated over five trading days immediately before the date on which the shares are to be issued;
- The security granted for the loan is limited to an amount equivalent to $1.0 million;
- If Admedus breaches certain non-financial covenants (including having its shares removed from the official list of the ASX or suspended from trading for five consecutive business days or longer, excluding any period of suspension which commenced prior to the establishment of the Facility) or triggers an event of default (as defined in the Facility Agreement), Sio may cancel its commitments under the Facility Agreement and declare the accrued balance on the Facility immediately due and payable at 30 days' notice to Admedus; and
- Admedus is prevented from establishing a new debt facility without first obtaining Sio's approval and providing Sio with a first right of refusal to participate in any new debt raising.

4.2 Summary of the Proposed Conversion

Outlined below is a summary of the various steps in the Proposed Conversion:

- Sio provided a conversion notice to Admedus requesting shareholder approval for Admedus to issue shares to extinguish the accrued balance on the Facility Agreement;
- Following receipt of the conversion notice from Sio, Admedus arranged the EGM to obtain approval to satisfy the requirements of s611 item 7 of the Corporations Act;
- If the Proposed Conversion is approved, Admedus will issue 61,969,857 fully paid ordinary shares at $0.02 per share to Sio within five business days of the EGM; and
- Following the Proposed Conversion, Sio's relevant interest in Admedus will increase from 22.2% to 29.6%.

4.3 Strategic Rationale for the Proposed Conversion

Under the terms of the Facility Agreement, the Directors are required to seek shareholder approval upon receipt of a conversion notice.

Notwithstanding, the Directors' consider Sio to be a supportive Cornerstone investor that provided funds when Admedus required them. If the Proposed Conversion is approved, Sio will increase its shareholding in the Company from 22.2% to 29.6%. Accordingly, Sio's interests will be further aligned with those of Admedus. Cornerstone investors can often assist a company in a range of ways, including assisting to secure future funding and/or stimulating investor demand by enhancing the credibility of the company. The greater Sio's shareholding in the Company, the more incentivised it will be to assist the Company with achieving its objectives.

5.0 Background of Admedus

This section is set out as follows:

- Section 5.1 sets out an overview of Admedus;
- Section 5.2 sets out the equity structure of Admedus;
- Section 5.3 examines the share performance of Admedus; and
- Section 5.4 sets out a summary of the historical financial information of Admedus.

5.1 Overview of Admedus

5.1.1 Background

Based in Brisbane, Australia, Admedus is a healthcare company that develops and commercialises a range of medical technologies and devices. The Company was born out of the merger between Allied Medical Ltd and bioMD Ltd in 2011, subsequently changing its ASX ticker to 'AHZ' and its name to Admedus Limited in 2013. Following the merger, Admedus continued to experience growth through expansion into offshore markets, underpinned by strategic investment in research and development, and the continuous refinement of manufacturing processes.

Following the sale of its CardioCel® and VascuCel® patch business to U.S. based LeMaitre Vascular Inc. (NASDAQ: LMAT, 'LeMaitre'), Admedus' company strategy is focused on product innovation led by the transcatheter aortic valve replacement ('TAVR') programme and other large market opportunities based on its scientifically and commercially validated ADAPT® platform.

Admedus' business units are summarised below.

5.1.2 ADAPT®

5.1.2.1 Summary

The ADAPT® business unit manufactures, distributes, and sells tissue scaffold products for use in various cardiovascular repair applications. Invented by Admedus' Vice President of Cardiovascular Science, Professor Leon Neethling, the ADAPT® technology delivers tissue repair with long-term durability that enables native cells to grow and differentiate without calcification or toxicity.

Admedus manufactures all products in Perth, Australia. The Company's products are ultimately distributed, via a wholesaler, to more than 200 healthcare centres across the U.S., Canada, Europe, and South-East Asia.

5.1.2.2 Technology

The manufacturing process of the proprietary ADAPT® technology is summarised as follows:

- Animal pericardium tissue is used as the basis of ADAPT® products, and is treated to remove any living cell remnants, RNA, and DNA, leaving behind a completely acellular collagen bioscaffold;
- The bioscaffold is then cross-linked to ensure durability in high pressure environments within the body;
- It is then cut to size to fit product requirements;
- Then the bioscaffold is detoxified to remove any residual chemicals (resulting in zero residual toxicity) to ensure safety and the enablement of a reparative healing environment; and
- Finally, the bioscaffold is sterilised using a proprietary method, packaged in a proprietary storage solution, and shipped ready for surgical use.

5.1.2.3 Product Suite

The ADAPT® business unit manufactures and sells biological implants that fall into two product lines, CardioCel® and VascuCel®. CardioCel® products are used to repair congenital heart deformities and complex heart defects as well as reconstruct dysfunctional heart valves and valve leaflets. Whereas the VascuCel® product is a vascular scaffold used in cardiac repairs and reconstructions as a patch in great vessel repair, peripheral vascular reconstruction, and suture line buttressing. Products offered by the ADAPT® business unit include:

- **CardioCel®**: a bio-scaffold material used to repair heart defects and reconstruct dysfunctional heart valves and leaflets;
- **CardioCel®3D**: a three-dimensional edition of CardioCel® that enables physicians to access an arch reconstruction solution with a non-antigenic response and calcification resistance;
- **CardioCel® Neo**: a thinner CardioCel® patch designed for new born babies and other applications where thinner material is desired; and
- **VascuCel®**: a collagen scaffold used as a patch in great vessel repairs, peripheral vascular reconstructions, and suture line buttressing.

5.1.2.4 Distribution Rights for CardioCel® and VascuCel® Product Range[3]

On 14 October 2019, Admedus announced that it had sold its CardioCel® and VascuCel® patch business to U.S based LeMaitre, for up to $34.5 million ($21.2 million upfront) in cash payments. LeMaitre is a global provider of implants and devices for the treatment of peripheral vascular diseases.

Under the agreement terms, Admedus received $21.2 million upfront followed by deferred payments of $1 million each at 12 months and at 36 months respectively. Additionally, Admedus may receive up to $11.4 million in earn-out payments as follows:

- $3.0 million on obtaining certain regulatory approvals under European Medical Devices Directorate Regulation;
- $0.7 million on Admedus completing all testing and documentation to extend the shelf life of the CardioCel® and VascuCel® products from 36 months to at least 60 months in the United States;
- Up to $3.7 million if gross revenue from LeMaitre CardioCel® and VascuCel® product sales exceed $29.4 million in the first 12 months or $1.8 million if gross revenue from product sales exceed $22.1 million in the first 12 months;
- Up to $3.7 million if gross revenue from LeMaitre CardioCel® and VascuCel® product sales exceed $44.1 million in the second 12 months or $1.8 million if gross revenue from product sales exceed $33.1 million in the second 12 months; and
- $0.4 million for completion of reporting procedures by 31 October 2019. As per the release of ADAPT carve-out financial statements published on the ASX as at 31 October 2019, Management advise the Company has satisfied all obligation under the contingent consideration and payment is expected to be received from LeMaitre within the next month.

Admedus retains manufacturing rights for up to three years (minimum one year) and will continue manufacturing CardioCel® and VascuCel® at its Malaga facility in Western Australia for LeMaitre. The manufacturing agreement allows Admedus a 20% margin over cost. During this period, LeMaitre is obligated to make a minimum order of 12,524 units from Admedus.

Admedus retains sole-control on all intellectual property for the underlying ADAPT® technology platform/process, including its breakthrough TAVR device and single-piece 3D aortic valve.

The completion date for the transaction was 11 October 2019.

5.1.2.5 Geographic Presence

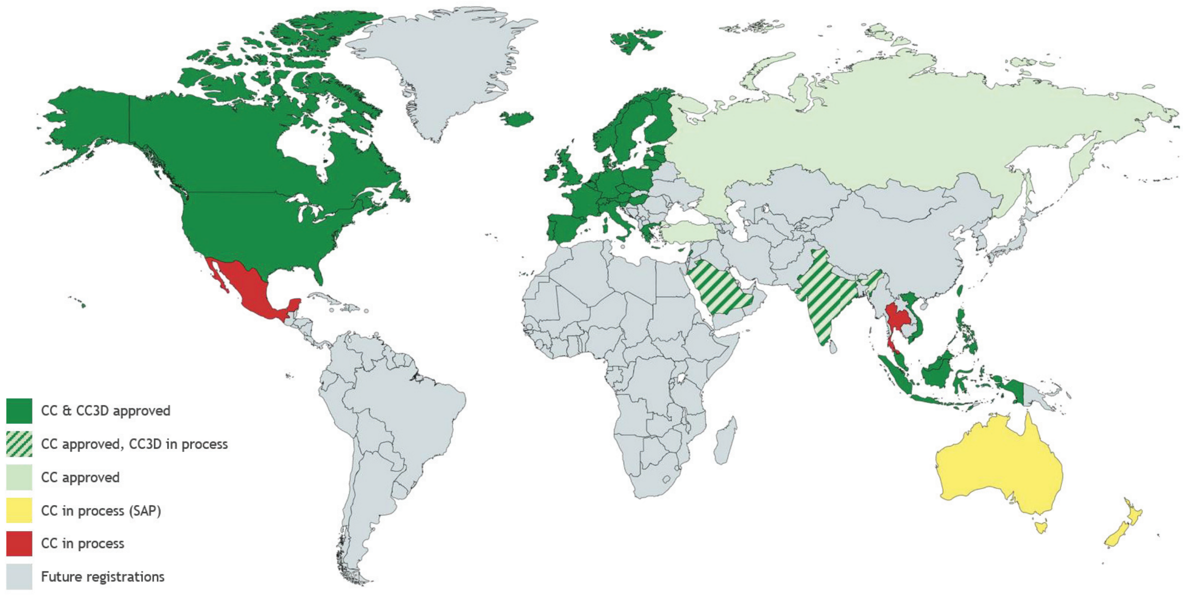
The ADAPT® business unit has a global presence with product penetration across North America, Europe, Southeast Asia, India, and the Middle East. In FY2018, the ADAPT® business unit derived 69% of its sales from North America, 20% from Europe, and 11% from various emerging markets.

5.1.2.6 Regulatory Processes

Figures 5.1 below outlines the status of regulatory approvals for CardioCel® and CardioCel®3D products. CardioCel® and CardioCel®3D products have obtained regulatory approval in the U.S., Canada, all of Central Europe, most of Western Europe and Scandinavia, as well as several Eastern European and South-East Asian countries. CardioCel® products are also approved in Russia and Turkey and are currently going through approval processes in Mexico, Thailand, Australia, and New Zealand. Lastly, CardioCel®3D products are going through approval processes in Saudi Arabia and India following successful approvals for CardioCel® products. CardioCel® products have recently gained approval for distribution in Israel (refer to announcement on 4 September 2019).

[3] Deferred and contingent payments are denoted in USD and are subject to currency movements. The total consideration of $34.5 million (including deferred and contingent payments) assumes an AUD/USD exchange rate of USD 0.68 / AUD 1. Performance hurdles are denoted in USD and are additionally subject to currency movements.

Figure 5.1: Regulatory approval processes for CardioCel® and CardioCel®3D by country

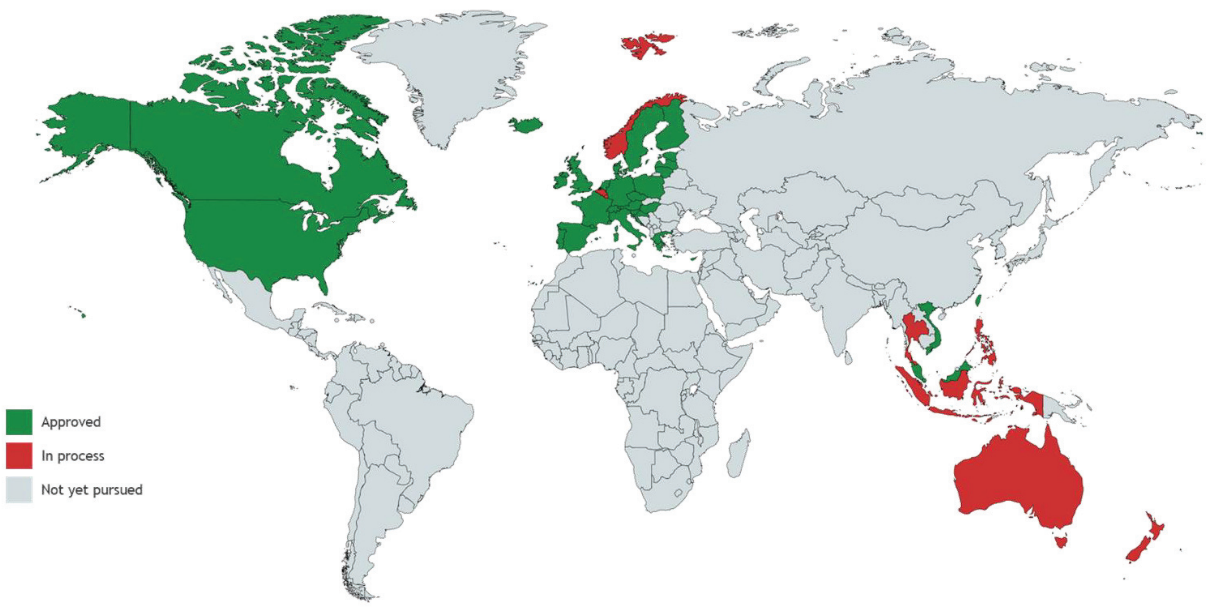


Source: *2019 AGM presentation and Admedus Management*

Note Since the date of the figure above, Admedus has received approval for CardioCel®3D to be distributed in Israel as announced during September 2019

Figure 5.2 below provides an overview of the regulatory approval processes for VascuCel® products. VascuCel® products are approved in the U.S., Canada, Central Europe, most of Western Europe and Scandinavia as well as several Eastern European and South-East Asian countries. Whereas VascuCel® products are currently going through regulatory approval processes in Belgium, Norway, Thailand, Indonesia, Philippines, Australia, and New Zealand.

Figure 5.2: Regulatory approval processes for VascuCel® by country



Source: *2019 AGM presentation*

5.1.2.7 Growth Initiatives

Admedus aims to grow the ADAPT® business through enhancing the ADAPT® product range through targeting separate segments of the cardiovascular market. The long-term growth initiative in the ADAPT® business unit stems from the encouraging results of the TAVR project and the potential for innovations in product quality and efficiency. Management are of the view that the TAVR project represents an opportunity to enter a market they expect to be worth USD 12.0 billion by 2025.

5.1.2.8 TAVR

Leveraging the ADAPT® technology, Admedus has developed a novel process to package and ship TAVR components that preserves valve integrity and sterilises the catheter, allowing surgeons to use the product in a single step. Additionally, Admedus plans to reduce the labour-intensity of the TAVR manufacturing process by creating a three dimensional, single-piece moulded valve that uses three leaflets in a single scaffold and securely attaches to a stent with minimal sutures. The development progression of the TAVR project follows in Table 5.1.

Table 5.1: Admedus' TAVR Project Progression

Year	TAVR activity
2016	▸ Began brainstorming and exploring unmet design needs in the TAVR space; and ▸ TAVR prototype development commenced.
2017	▸ Filed two patent applications, one for each innovation; ▸ Established the permanent TAVR Advisory Board; and ▸ Unveiled prototype.
2018	▸ Achieved the durability benchmark of 200 million cycles, passing the International Organization for Standardization ('ISO') 5840-2:2015 standard; ▸ Submitted multiple new patent applications; ▸ Commenced animal trials; ▸ Achieved the durability benchmark of 400 million cycles; and ▸ Appointed a Chief Medical Officer to lead the TAVR project.
2019	▸ Promising results from animal trials, suggesting that human trials may begin ahead of schedule; and ▸ Achieved "concept lock"

Source: ASX announcements

5.1.2.9 4C Technology Partnership Agreement

Admedus maintains a separate manufacturing contract under the 4C Technology Partnership Agreement. The manufacturing contract entered into under the terms of the 4C Technology Partnership Agreement does not form part of the agreement entered into with LeMaitre. The forecast contract manufacturing sales under the 4C Technology Partnership Agreement are assumed to continue indefinitely post the end of the manufacturing contract Admedus has recently entered into with LeMaitre.

5.1.3 Infusion

5.1.3.1 Summary

The Infusion business unit engaged in the sale, distribution, maintenance, and implementation of a range of infusion solutions to two hospitals in Australia and New Zealand.

5.1.3.2 Divestment to BTC Speciality Health Pty Ltd

After flagging the potential for non-core divestments in 2018, Admedus announced it had entered into an agreement to sell part of the Infusion segment to BTC Speciality Health Pty Ltd ('BTC') for $6.3 million on 13 May 2019. The Company cited an increased focus on the ADAPT® business, improved working capital management, reduced cash burn, and decreased employee headcount as its rationale for the sale. The transaction was completed on 31 May 2019 and included the eight-year agreement with Summit Medical Products for the exclusive distribution of ambIT® infusion pumps in Australia and New Zealand.

5.1.3.3 Termination of Arcomed AG Distribution Agreement

On 8 August 2019 Admedus announced that it had received notice from Arcomed AG ('Arcomed') of its intention to terminate the distribution agreement with Admedus for the supply of Arcomed branded products in Australia and New Zealand.

5.1.4 Immunotherapies

5.1.4.1 Summary

The Immunotherapies business unit investigated therapeutic vaccines for the treatment and prevention of a range of infectious diseases and cancers. Specifically, the business unit focused on the development of vaccines for herpes simplex virus type 2 ('HSV-2'), human papillomavirus ('HPV'), and ribonucleic acid viruses. Given the progress of development had not reached commercialisation for any products, this business unit did not record revenues and primarily consisted of research and development expenses. This business unit recorded a $1.8m loss in 2018.

5.1.4.2 Failed Divestment and Subsequent Liquidation

In April 2019, Admedus announced its plans to establish a separate company for the Immunotherapies business unit to secure a substantial investment to fund research into HSV-2 and HPV head and neck cancer vaccines. The share sale agreement relating to the creation of this new company involved an $18.0m investment from Constellation Therapeutics Limited (in which Sun Bright Holdings (HK) Industrial Limited, an associated entity of Star Bright Group, holds a 60% interest) in exchange for a 60.00% shareholding. Under the agreement, Admedus and other existing shareholders retained 29.13% and 10.87% shareholdings, respectively. Two weeks after the announcement of a signed share sale agreement in April 2019, the buyer terminated the transaction. The Directors appointed administrators shortly following the termination of the transaction due to the lack of available funding.

On 4 June 2019, Admedus Vaccines Pty Ltd (the subsidiary representing Admedus' immunotherapies business unit) was placed into a creditors voluntary liquidation ('CVL') in accordance with the administrator's, P A Lucas & Co Pty Ltd ('P A Lucas & Co'), recommendation. Although the liquidation process continues, P A Lucas & Co estimate a shortfall in recoverable amounts with unsecured creditors expected to receive a dividend of less than $0.11 per dollar owed. No surplus is expected to be returned to Admedus or its shareholders.

5.2 Equity Structure of Admedus

5.2.1 Ordinary Shares

Table 5.2 below sets out the top ten ordinary shareholders of Admedus as at 10 January 2020. These figures are on a per entity basis and are not consolidated for related parties. The holdings below may not be representative of an entity's ultimate relevant interest in the Company as defined under the Corporations Act. Further, the figures below do not consider changes in shareholding arising from the Proposed Conversion.

Table 5.2: Admedus' Top Ten Shareholders by Number of Shares

#	Shareholders	Number of Shares (#)	Percentage Holding (%)
1	Constellation Intl Holdings Limited	73,019,140	12.36%
2	HSBC Custody Nominees (Australia) Limited - A/C 2	65,195,398	11.03%
3	Constellation Immunotherapy Limited	40,209,208	6.81%
4	National Nominees Limited	37,322,739	6.32%
5	HSBC Custody Nominees (Australia) Limited - GSCPO ECA	28,914,871	4.89%
6	Merrill Lynch (Australia) Nominees Pty Limited	19,576,163	3.31%
7	Star Bright Holdings Limited	17,367,943	2.94%
8	Citicorp Nominees Pty Limited	7,706,806	1.30%
9	J P Morgan Nominees Australia Pty Limited	7,544,852	1.28%
10	Mr Patrick Chew	6,240,000	1.06%
	Top Ten Shareholders	**303,097,120**	**51.30%**
	Other Shareholders	287,745,697	48.70%
	Total	**590,842,817**	**100.00%**

*Source: **ComputerShare** shareholder registry as at 10 January 2020, as provided by Admedus Management*

Having regard to the information set out in Table 5.2 above, we note:

- As at 10 January 2020, the Company has 590,842,817 fully paid ordinary shares outstanding, of which the top ten shareholders hold 51.30%; and
- Although the above table is presented on an individual entity basis, we understand the Star Bright Group, and Sio Capital Management are Admedus' only substantial shareholders, holding a relevant interest of approximately 22.6%, and 22.2% of the issued shares in Admedus respectively[4].

5.2.2 Options and Warrants on Issue

5.2.2.1 PFG Warrant

Admedus entered into an agreement with Partners for Growth ('PFG') for a secured debt facility of up to $10.0 million in October 2017. In conjunction with the loan facility, Admedus issued a 7-year warrant for the issue of 4,938,799 ordinary shares in the Company at an exercise price of $0.2531 per share, expiring on 26 October 2024. The holder of

[4] Refer to Admedus' FY18 annual report for more details. Note Admedus has a 31 December financial year end. Management have confirmed Star Bright Group and Sio's holdings as at 16 January 2020.

this warrant also has the option to put the warrant to the Company for $1.5 million on expiry or on the occurrence of certain events.

5.2.2.2 Other Options and Warrants Outstanding

Admedus has 237,050,750 listed options on issue, issued under an entitlement offer. The listed options have an exercise price of $0.08, expire on 18 December 2021, and are thinly traded.

In addition, the company has 12,216,436 unlisted options and 5,630,000 warrants outstanding, with weighted-average exercise prices of $0.407 and $0.790, respectively. Table 5.3 below provides an outline of Admedus' unlisted options and other warrants.

Table 5.3: Admedus' Unlisted Options and Warrants

Expiration	Number of Shares (#)	Exercise Price ($)
Unlisted Options		
30 June 2020	1,300,000	1.17
21 July 2020	635,000	1.44
10 December 2020	200,000	1.39
10 December 2020	425,000	0.83
24 June 2021	50,000	0.3
18 November 2021	66,667	0.34
23 March 2022	100,000	0.34
22 September 2022	675,000	0.26
15 December 2022	250,000	0.22
31 December 2027	491,670	0.3
31 December 2027	3,172,598	0.37
2 April 2028	100,000	0.036
10 April 2028	100,000	0.036
2 May 2028	33,334	0.036
16 May 2028	150,000	0.036
29 May 2028	100,000	0.036
2 June 2028	125,000	0.036
3 January 2029	66,668	0.036
15 May 2029	3,188,831	0.059
12 July 2029	686,668	0.068
1 September 2029	300,000	0.068
Total Unlisted Options	**12,216,436**	**0.407**[1]
Other Warrants		
18 December 2020	5,250,000	0.790
23 December 2020	380,000	0.790
Total Other Warrants	**5,630,000**	**0.790**[1]

Source: Appendix 3B ASX announcement as at 13 January 2020
1 Weighted average exercise price.

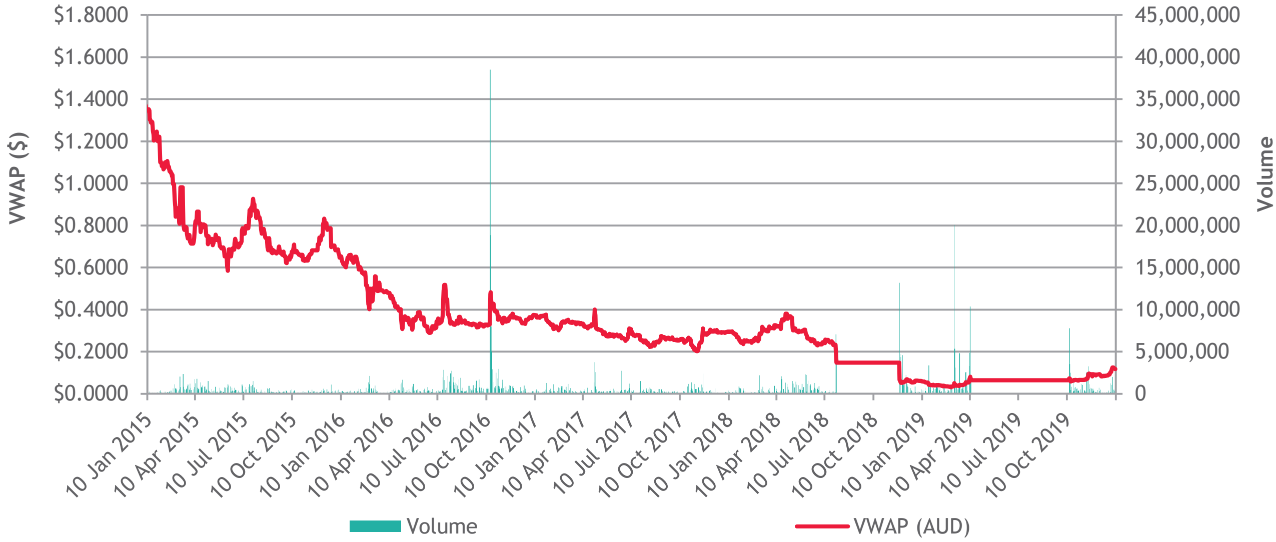
Based on Admedus' recent share trading prices (refer to Section 5.3.1) since reinstatement to quotation on 14 October 2019, all of the listed options, all of the warrants, and most of the unlisted options are 'out-of-the-money'. There are several tranches of long dated unlisted options (expiry during 2028 and 2029) that are currently 'in-the-money' based on the closing price on 10 January 2020 of $0.1150.

5.3 Share Performance of Admedus

5.3.1 Share Price Performance

Figure 5.3 displays the daily VWAP and daily volume of Admedus shares traded on the ASX over the most recent five-year period from 10 January 2015 to 10 January 2020.

Figure 5.3: Daily VWAP and Volume of Admedus Shares Traded from 10 January 2015 to 10 January 2020



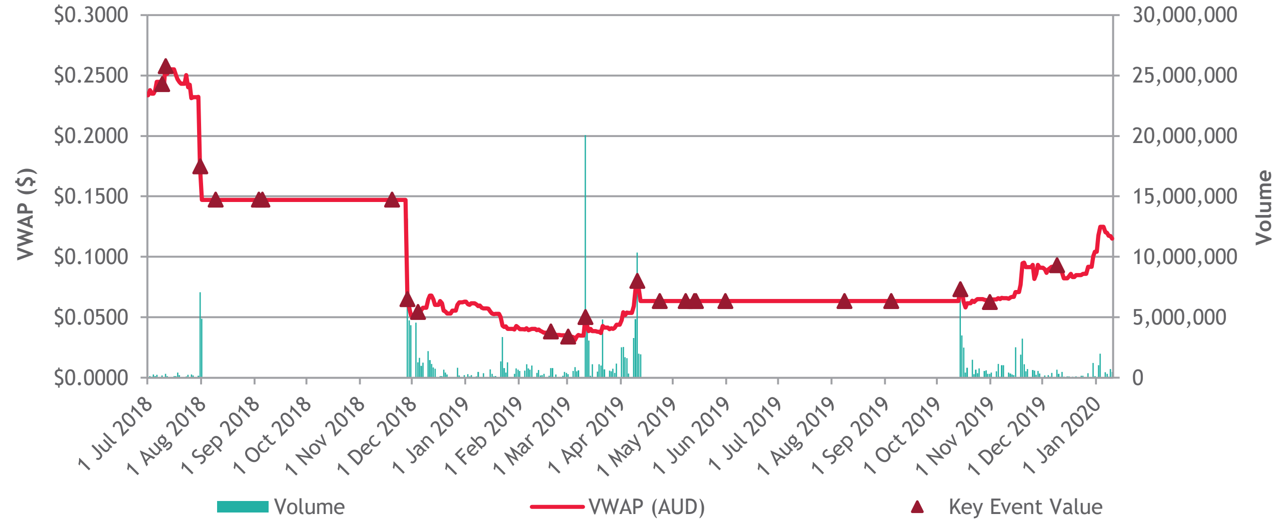
Source: Capital IQ as at 10 January 2020

Over the period graphed in Figure 5.3 above, Admedus' daily VWAP displays a period low of $0.0312 on 5 March 2019, and a period high of $1.3520 on 12 January 2015.

We note Admedus was suspended from official quotation on the ASX for prolonged periods over the last five years. Admedus most recently resumed trading on 14 October 2019 after a period of approximately seven months without activity.

Figure 5.4 displays the daily VWAP and daily volume of Admedus shares traded on the ASX over the period from 30 June 2018 to 10 January 2020.

Figure 5.4: Daily VWAP and Volume of Admedus Shares Traded from 30 June 2018 to 10 January 2020



Source: Capital IQ as at 10 January 2020

Over the more recent period graphed in Figure 5.4 above, Admedus' daily VWAP displays a period low of $0.0312 on 5 March 2019 and a period high of $0.2567 on 11 July 2018.

To assist readers in understanding the possible reasons for the movement in Admedus' share price over the last twelve months, we have provided share price and volume data over this period in Figure 5.5, as well as additional information in Table 5.4 below. The selected ASX announcements referenced in Table 5.5 below correspond to those displayed in Figure 5.4 above.

Table 5.4: Admedus ASX Announcement Extracts from 1 July 2018 to 10 January 2020

Date	Announcement
9 July 2018	An agreement was signed with Medical Instruments S.p.A. for the exclusive distribution of the CardioCel® product in Italy. Medical Instruments have more than 40 years of experience in the Italian medical device industry.
11 July 2018	Admedus announced that a major milestone had been achieved for the TAVR project with the official commencement of animal trials. The initial trial period will last for five months involving multiple animals before extending tests to larger animals.
31 July 2018	The Company released its results for the quarter ended 30 June 2018, revealing Management's downgraded 2018 revenue guidance from $34 million to $25-27 million. The downward revision came on the back of the terminated agreement with GO Medical Industries, gaps in the new European sales team, and delays in regulatory approvals in Europe and Australia.
9 August 2018	Admedus renewed its infusion distribution agreement with Summit Medical Products for a further eight years. The agreement makes Admedus the exclusive distributor of Summit's ambit® infusion products in Australia and New Zealand until 2026.
3 September 2018	Admedus announced the issuance of a $4.26m equity placement to Star Bright for 42,599,866 shares at $0.10 per share. The transaction took place on 22 August 2018 and represents an opportunity for Star Bright to assist Admedus with the establishment of a commercial base in China.
5 September 2018	The Company announced the completion of an equity placement of 26,289,636 shares to Star Bright at $0.1303 per share, raising $3.43 million. The transaction takes Star Bright's total equity interest in Admedus to 19.99%.
19 November 2018	Chief Financial Officer Catherine Costello resigned on 16 November 2018, sparking a restructure of the Australian management team amid the company's planned recapitalisation.
28 November 2018	Admedus announced an entitlement offer for 252,063,292 new shares and options, giving eligible shareholders the opportunity to subscribe for five new shares for every seven held at an issue price of $0.08 per share. Each new share includes one free attaching new option with an exercise price of $0.08 that expires on 18 December 2021.
4 December 2018	The Company appointed Kiran Bhirangi as Chief Medical Officer, who will be responsible for accelerating the research projects that will generate new product launches. Dr Bhirangi will also take a lead role in driving the TAVR project as well as other catheter-based projects related to ADAPT® products.
19 February 2019	Interim data from the TAVR animal study indicates the potential for safe implantation and meaningful clinical benefits. Management confirmed that human trials may take place earlier than initially expected.
1 March 2019	Admedus released the Preliminary Final report for the year ended 31 December 2018. The Company reported a 20% increase in annual revenues to $25.6 million and gross profit of $12.4 million, representing a 49% gross margin.
11 March 2019	Admedus has obtained CE Mark regulatory approval from the European regulator for its CardioCel®3D and VascuCel® product portfolios. The Company will now commence the first phase of product launches by working with selected European opinion leaders.
10 April 2019	Admedus' wholly owned subsidiary, Admedus Investments Pty Ltd, entered into a share sale agreement with Constellation Therapeutics Limited on 22 March 2019. On completion, Admedus' immunotherapies business, Admedus Vaccines, will be a wholly-owned subsidiary of Constellation. Admedus, other current Admedus Vaccines shareholders, and Sun Bright Holdings (HK) Industrial Limited will hold a 29.13%, 10.80%, and 60.00% shareholding in Constellation, respectively. The share sale agreement is conditional upon AHZ shareholder approval and entry into the subscription agreement by Admedus Vaccines' existing shareholders, along with other conditions.
15 April 2019	Admedus enters a trading halt pending an announcement to the market. On 17 April 2019 Admedus was suspended from official quotation pending an announcement on the Immunotherapies Transaction. Admedus remained in suspension from trading until resuming official quotation on 14 October 2019, after the company announced the LeMaitre transaction and subsequent recapitalisation.
23 April 2019	Constellation Therapeutics Limited has terminated the share sale agreement for Admedus' immunotherapies subsidiary. Following the termination, Admedus appointed administrators for the subsidiary due to the lack of available funding to support ongoing operations.
8 May 2019	Admedus announced that it entered into a $1.0 million executed a debt facility agreement with SIO Partners LP to fund working capital and operational costs (refer to in this Report as 'the Facility Agreement'). The Facility has an 18-month term, a 12.0% interest rate, and a one-off $125,000 facility fee to be capitalised into the loan along with interest payments. Pending shareholder approval, the creditor may elect to convert the outstanding balance into AHZ shares no later than three months before maturity. The conversion price is the lesser of $0.02 per share and 80% of the VWAP over the five trading days before issuance.

Date	Announcement
13 May 2019	The Company announced that BTC Speciality Health Pty Ltd has entered into an agreement to acquire Admedus' hospital Infusion business for $6.3 million as part of Admedus' recapitalisation plan. The acquisition includes the novation of an 8-year exclusive distribution agreement with Summit Medical Products for the ambIT® range of infusion pumps in Australia and New Zealand. BTC plans to fund the purchase through a two-tranche private placement and a share purchase plan. Admedus will retain the distribution rights for Arcomed and Leventon infusion pumps.
14 May 2019	Shareholders carried the resolutions for the approval of two private placements to Star Bright Holding Ltd, a warrant issuance to Mr Wayne Paterson, and a 10% private placement facility at the 2019 Annual General Meeting.
31 May 2019	Admedus completed the $6.3 million partial sale of its Infusion business to BTC Speciality Health Pty Ltd, a wholly owned subsidiary of BTC Health Limited (ASX: BTC).
8 August 2019	Admedus receives notice from Arcomed of its intention to terminate the distribution agreement with Admedus for the supply of Arcomed branded products in Australia and New Zealand.
4 September 2019	Admedus announced CardioCel®3D received regulatory approval for sales in Israel.
14 October 2019	Admedus announced the sale of the Company's CardioCel®3D and VascuCel® patch business to LeMaitre for $21.2 million upfront cash payment and deferred payments, and a further $11.4 million contingent payments (total potential $36.2 million). Refer to Section 5.1.2.4 of this Report for more information.
14 October 2019	Post finalising the transaction with LeMaitre, Admedus is reinstated to official quotation and resumes trading.
31 October 2019	Admedus releases ADAPT carve-out financial statements for the twelve month period ended 31 December 2018 and the nine month period ended 30 September 2019, as a requirement of the transaction with LeMaitre. Admedus confirms the release of the financial statements satisfies all of Admedus' obligations for the reporting contingent consideration, and payment is to be received within the following month.
9 December 2019	Admedus announces an update regarding the manufacturing agreement with LeMaitre. LeMaitre have placed an order of approximately 12,500 CardioCel® and VascuCel® units (inclusive of the order made at the time of the transaction) for delivery over the following twelve month period.

Source: Admedus ASX Announcements

5.3.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in the value of either the equity instruments or a shift in the value of the company to which the equity instruments relate as a whole.

Table 5.5 summarises the monthly liquidity of Admedus shares from 1 July 2018 to 10 January 2020 as traded on the ASX. Liquidity has been summarised by considering the following:

- Volume of Admedus share trades per month;
- Value of total trades in Admedus shares per month;
- Number of Admedus shares traded per month as a percentage of the average Admedus shares outstanding at the end of the month; and
- Volume weighted average price per month.

Table 5.5: Liquidity and Placements of Admedus Shares on the ASX

Month	Volume (#)	Turnover ($)	Average Shares Outstanding (#)	Volume per Shares Outstanding (%)	Monthly VWAP ($)
January 2020 (to 10th)	5,132,160	618,408	590,842,800	0.87%	0.1205
December 2019	5,271,680	476,941	590,842,800	0.89%	0.0905
November 2019	18,035,700	1,437,737	590,761,848	3.05%	0.0797
October 2019	20,509,110	1,402,299	590,742,800	3.47%	0.0684
September 2019[1]	-	-	589,942,800	-	-
August 2019[1]	-	-	589,942,800	-	-
July 2019[1]	-	-	589,942,800	-	-
June 2019[1]	-	-	589,942,800	-	-
May 2019[1]	-	-	589,942,800	-	-
April 2019	31,243,950	2,100,291	589,942,800	5.30%	0.0672
March 2019	44,448,700	1,990,223	589,942,719	7.53%	0.0448
February 2019	9,736,850	377,036	589,941,090	1.65%	0.0387
January 2019	12,111,170	568,731	589,941,090	2.05%	0.0470
December 2018	19,177,730	1,115,954	452,700,181	4.24%	0.0582
November 2018	22,267,850	1,358,562	352,888,610	6.31%	0.0610
October 2018[1]	-	-	283,999,110	-	-
September 2018[1]	-	-	283,999,110	-	-
August 2018	4,892,950	719,802	283,999,110	1.72%	0.1471
July 2018	10,759,840	2,133,311	283,999,110	3.79%	0.1983
ASX Trading Total	**203,587,690**	**14,299,293**	**532,709,750**	**38.22%**	**0.0702**

Source: ASX trading date sourced from Capital IQ as at 10 January 2020
1 Admedus was suspended from trading for the entirety of this month.

Assuming a daily average number of shares on issue of 532,709,750, approximately 38.22% of the shares on issue were traded from 1 July 2018 to 10 January 2020 (approximately 18.5 months). In our view, this indicates that Admedus shares display a low to moderate level of liquidity overall, however, when considering liquidity in individual months where trading was occurring, we would consider the liquidity moderate.

Throughout the period considered above, Admedus was suspended from ASX quotation between 2 August 2018 to 28 November 2018, and between 15 April 2019 to 14 October 2019.

For completeness, we note Admedus additionally trades ordinary shares on the Chi-X exchange (ticker 'AHZ'), as well as various over-the-counter trades facilitated through the US and German exchanges, Pink Sheets LLC and Deutsche Boerse AG respectively. Excluding trades undertaken through Chi-X, we consider the liquidity in other markets immaterial. Trade volume commenced via Chi-X for Admedus shares during March 2019. Between 1 March 2018 to 10 January 2020, approximately 6.45% of Admedus' shares on issue have been traded on the exchange.

5.3.3 Equity Raises

Table 5.6 sets out summary information on recent share issues completed by Admedus.

Table 5.6: Admedus Equity Raises

Announcement Date	Capital Raised ($)	Shares Issued (#)	Issue Price ($)
28 November 2018 Rights Issue	18,964,198	237,052,479	0.0800/ 0.0546[1]
4 September 2018 Share Placement	3,425,540	26,289,636	0.1303
22 August 2018 Share Placement	4,259,987	42,599,866	0.1000
16 May 2018 Share Placement	6,000,000	20,000,000	0.3000
16 May 2018 Share Purchase Plan	2,761,072	9,203,573	0.3000
Total	**35,410,797**	**335,145,554**	**$0.0877[2]**

Source: Capital IQ as at 31 July 2019 and Admedus announcements

1 *Under the Rights Issue, new shares were issued at an issue price of $0.0800 per share with an attached three year option exercisable at $0.08/option. An implied price per share (excluding the value of the option) has been calculated as $0.0546 share. This value has been calculated by subtracting the value of the attaching option from the issue price, having regard to a Black-Scholes valuation of the options. The attaching option was valued at $0.0254 using the Black-Scholes formula (exercise price = $0.0800, time to maturity = 3 years, risk-free rate = 2.08%, volatility = 85%, and dividend yield = 0%).*

2 *Represents the weighted average using the proportion of shares issued in each raising to the total shares issued from all raisings in Table 5.7.*

5.4 Historical Financial Information of Admedus

This section sets out the historical financial information of Admedus. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Admedus' annual reports, including the full statements of profit or loss and other comprehensive income, statements of financial position, and statements of cash flows.

Admedus' financial statements were audited by HLB Mann Judd. BDOCF has not performed any audit or review of any type on the historical financial information of Admedus and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

The Company's 31 December 2018 annual report states that Admedus' ability to continue as a going concern is dependent upon the Company being successful in:

- 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; and
- Continuing support from current shareholders if Admedus does not receive the forecast cash inflows and additional funding.

We recommend that readers of this Report refer to Admedus' 31 December 2018 annual report for further information on Admedus' ability to continue operating as a going concern.

5.4.1 Statement of Profit or Loss and Other Comprehensive Income

Table 5.7 summarises the statement of comprehensive income of Admedus for the 12 months ended 30 June 2016, 30 June 2017 and 31 December 2018, and the six months ended 31 December 2017.

Table 5.7: Summarised Admedus' Statement of Comprehensive Income

	12 Months Ended 30 June 2016 Audited ($'000)	12 Months Ended 30 June 2017 Audited ($'000)	6 Months Ended 31 December 2017[1] Audited ($'000)	12 Months Ended 31 December 2018 Audited ($'000)
Revenue				
Revenues from continuing operations	14,151	22,324	11,305	25,601
Other income	4,730	3,410	407	429
Total income	**18,881**	**25,734**	**11,712**	**26,030**
Expenses				

	12 Months Ended 30 June 2016 Audited ($'000)	12 Months Ended 30 June 2017 Audited ($'000)	6 Months Ended 31 December 2017[1] Audited ($'000)	12 Months Ended 31 December 2018 Audited ($'000)
Cost of sales	(9,028)	(11,592)	(4,637)	(13,163)
Employee benefit expense	(15,071)	(14,846)	(10,645)	(23,514)
Research and development costs	(4,806)	(1,757)	(598)	(3,373)
Consultancy and legal fees	(3,538)	(1,894)	(993)	(2,986)
Travel and conference expenses	(3,879)	(2,404)	(1,247)	(2,504)
Share-based payments	(1,519)	(777)	(355)	(9)
Asset write-downs	5	(450)	–	–
Depreciation and amortisation expense	(1,544)	(1,857)	(898)	(1,411)
Financing costs	(74)	(66)	(253)	(2,638)
Other expenses	(4,557)	(2,769)	(705)	(1,905)
Fair value movement of warrant	–	–	(211)	775
Tax expense	–	–	–	–
Total expenses	**(44,011)**	**(38,410)**	**(20,541)**	**(50,728)**
Net income	**(25,130)**	**(12,676)**	**(8,829)**	**(24,699)**
Foreign exchange translation	544	(101)	(569)	(469)
Total comprehensive income / (loss)	**(24,587)**	**(12,777)**	**(9,397)**	**(25,168)**

Source: Admedus FY2017 and FY2018 Annual Reports

1 Admedus changed its financial year end from 30 June to 31 December in 2017.

With reference to Table 5.7 above, we note the following:

- Admedus' has undergone three major transactions since 31 December 2018 financial statements were released; the LeMaitre transaction, the divestment of the Infusion business and the liquidation of the Immunotherapies business. Collectively these transactions have resulted in a significant change to the Company's business model, and ongoing operations;
- Other income decreased from $4.73 million in FY2016 to $3.4 million in FY2017 due to a lower research and development ('R&D') tax incentive;
- Other income further decreased to $0.43 million in FY2018 as Admedus exceeded the $320 million aggregate turnover threshold and is no longer eligible for the refundable R&D tax incentive. Admedus continues to receive a non-refundable tax offset which may be carried forward to offset tax payable in future periods;
- Financing costs increased due to higher borrowings including the PFG loan and the subsequent Star Bright loan, a $0.68 million charge for the amortisation of loan transaction costs, and $1.36 million relating to changes in the fair value of warrants on issue; and
- Employee benefits expense rose significantly from $14.85 million in the 12 months to 30 June 2017 to $21.42 million in FY2018 due to an increased head count across the business.

5.4.2 Statement of Financial Position

Table 5.8 summarises Admedus' statement of financial position as at 30 June 2016, 30 June 2017, 31 December 2017, and 31 December 2018.

Table 5.8: Summarised Admedus' Statements of Financial Position

	As at 30 June 2016 Audited ($'000)	As at 30 June 2017 Audited ($'000)	As at 31 December 2017[1] Audited ($'000)	As at 31 December 2018 Audited ($'000)
Assets				
Current assets				
Cash and cash equivalents	8,813	11,261	8,255	12,036
Trade and other receivables	4,218	4,286	4,718	4,192
Inventories	3,591	4,454	5,554	6,692
Total current assets	**16,622**	**20,001**	**18,527**	**22,920**
Long-term assets				
Property, plant, and equipment	2,696	2,356	3,681	3,475
Intangibles	7,461	6,220	5,914	5,466
Deferred assets	–	–	249	–
Total long term assets	**10,157**	**8,576**	**9,843**	**8,940**
Total assets	**26,779**	**28,577**	**28,370**	**31,860**
Liabilities				
Current liabilities				
Trade and other payables	2,600	1,963	5,448	6,783
Employee benefits provisions	1,073	754	876	1,587
Borrowings	–	–	4,766	–
Financial liability - warrant	–	–	249	833
Deferred consideration	–	400	400	400
Total current liabilities	**3,673**	**3,117**	**11,739**	**9,603**
Long-term liabilities				
Lease make good provision	467	473	554	–
Deferred consideration	–	1,018	1,151	778
Total long-term liabilities	**467**	**1,491**	**1,704**	**778**
Total liabilities	**4,140**	**4,608**	**13,444**	**10,381**
Net assets	**22,640**	**23,969**	**14,926**	**21,479**
Shareholder's equity				
Contributed equity	87,888	106,026	106,026	137,737
Reserves	1,378	(2,267)	(2,481)	(2,941)
Accumulated losses	(68,517)	(80,829)	(89,461)	(113,678)
Non-controlling interest	1,891	1,040	843	362
Total stockholder's equity	**22,640**	**23,969**	**14,926**	**21,479**

Source: Admedus FY2017 and FY2018 Annual Reports

1 Admedus changed its financial year end from 30 June to 31 December in 2017.

With reference to the information set out in Table 5.8 above, we note the following:

- The relatively high level of borrowings as at 31 December 2017 relates to the $5.0 million PFG loan entered into in October 2017, which was repaid on 28 August 2018 with funds received from the Star Bright loan. Funds received in the November 2018 rights issue were used to repay the Star Bright loan;
- The financial liability relating to warrants as at December 2017 and 2018 refers to the fair value of Admedus' outstanding warrants. In conjunction with the PFG loan, Admedus issued PFG a 7-year warrant for the issue of 4,938,799 ordinary shares at an exercise price of $0.2500 and expiring on 26 October 2024, with a put option for $1.5 million on expiry or the occurrence of certain events;

- Deferred consideration balances from 2017 onwards refer to Admedus' acquisition of the remaining 11.13% of the shares in Regen Pty Ltd and the settlement of associated Federal Court proceedings. The present value of remaining deferred consideration is $1.18 million payable in three equal instalments to January 2021;
- Accumulated losses have expanded from $68.52 million as at 30 June 2016 to $113.68 million as at 31 December 2018 as Admedus continues to report operating losses; and
- The contributed equity balance has grown from $87.9 million as at 30 June 2016 to $137.7 million as at 31 December 2018 following multiple capital raisings to fund Admedus' loss-making operations.

5.4.3 Statement of Cash Flows

Table 5.9 summarises Admedus' statement of cash flows for the 12 months ended 30 June 2016, 30 June 2017 and 31 December 2018, and the six months ended 31 December 2017.

Table 5.9: Admedus' Summarised Statements of Cash Flows

	12 Months Ended 30 June 2016 Audited ($'000)	12 Months Ended 30 June 2017 Audited ($'000)	6 Months Ended 31 December 2017[1] Audited ($'000)	12 Months Ended 31 December 2018 Audited ($'000)
Cash flow from operating activities				
Receipts from customers	13,462	20,279	11,383	28,133
Payments to suppliers	(38,791)	(37,340)	(17,915)	(49,888)
R&D tax refund	3,296	4,493	–	–
Interest paid	(74)	(60)	(109)	(525)
Interest received	166	160	15	76
Operating cash flow	**(21,941)**	**(12,468)**	**(6,626)**	**(22,205)**
Cash flow from investing activities				
Payments for property, plant. and equipment	(280)	(194)	(782)	(611)
Payment for intangible assets	(106)	(75)	(362)	–
Additional shares acquired in subsidiary	–	(2,400)	–	–
Payment to acquire investments	–	–	–	(400)
Investing cash flow	**(386)**	**(2,669)**	**(1,144)**	**(1,011)**
Cash flow from financing activities				
Proceeds from issue of shares or option	7,728	18,307	1	35,411
Share issue transaction costs	(609)	(1,193)	–	(3,069)
Proceeds from borrowings	–	–	5,000	5,000
Repayment of borrowings	–	–	–	(10,000)
Term facility transaction costs	–	–	(498)	(193)
Financing cash flow	**7,119**	**17,115**	**4,503**	**27,149**
Total increase in cash and cash equivalents	(15,207)	1,978	(3,267)	3,933
Exchange rate adjustments	**(6)**	**470**	**262**	**(151)**

Source: Admedus Annual Report FY2017 and FY2018

1 Admedus changed its financial year end from 30 June to 31 December in 2017.

With reference to Table 5.9 above, we note:

- During 2017, Admedus acquired $2.4 million of shares in its subsidiary, Regen Pty Ltd, increasing the total holding to 100%; and

- Admedus' persistently negative operating and investing cash flows must be offset by financing cash flows for the Company to remain a going concern. Over the past three years, Admedus has been successful in securing sufficient financing cash inflows through a combination of private share placements, public equity offerings, and short-term debt financing.

6.0 Industry Overview

This section outlines the cardiovascular tissue engineering industries in the U.S. and Canada, Europe[5], South-East Asia[6] and Australia.

6.1 Cardiovascular Tissue Engineering Industry

6.1.1 Summary

The cardiovascular tissue engineering industry refers to the engineering and processing of tissue for use in the repair and reconstruction of organs, tissue, and veins/arteries. Products developed in this industry are used for the correction of birth defects as well as the treatment of various cardiovascular issues. In particular, engineered tissue is often used in the surgical treatment of congenital heart disease ('CHD'), peripheral arterial disease ('PAD'), abdominal aortic aneurysm ('AAA'), and carotid artery disease ('CAD').

The cardiovascular tissue engineering market is expected to grow from USD 3.9 billion in 2018 to USD 5.8 billion in 2025, representing a compound annual growth rate ('CAGR') of 10.6%. This growth is underpinned by ageing populations and the rising prevalence of cardiovascular diseases stemming from increasing rates of lifestyle disorders. However, industry growth is constrained by strict regulatory approval processes and the long duration of tissue development.

The cardiovascular segment is expected to exhibit the highest rate of growth in the broader tissue engineering industry, driven by the rising prevalence of obesity, diabetes, and sedentary lifestyles as well as technological advancements such as the development of 3D engineered heart tissue.

6.1.2 Key Drivers

Tissue engineering is driven by a number of key external factors. Table 6.1 outlines these factors contributing to the growth (or otherwise) in this industry.

Table 6.1: Key Drivers in the Cardiovascular Tissue Engineering Industry

Key External Drivers	
Incidence of diseases requiring tissue implants	▸ CHD surgery often requires engineered tissue implants in the form of vascular scaffolds, heart valves, and other heart components; ▸ PAD, AAA, and CAD can require implanted scaffolds to keep arteries open; and ▸ A higher prevalence of heart conditions requiring surgery increases the demand for engineered tissue implants.
Prevalence of contributing health conditions	▸ Vascular and cardiac conditions have many common risk factors including diabetes, obesity, high blood pressure, high cholesterol, low physical activity, and smoking; and ▸ If the prevalence of these underlying contributing factors increase, the incidence of vascular and cardiac conditions will rise and thus, the demand for engineered tissue implants will increase.
Proportion of adults aged 65+	▸ Older individuals have a higher likelihood of developing health issues requiring surgery, increasing the demand for engineered tissue implants.

Source: National Heart, Lung, and Blood Institute; Society for Vascular Surgery

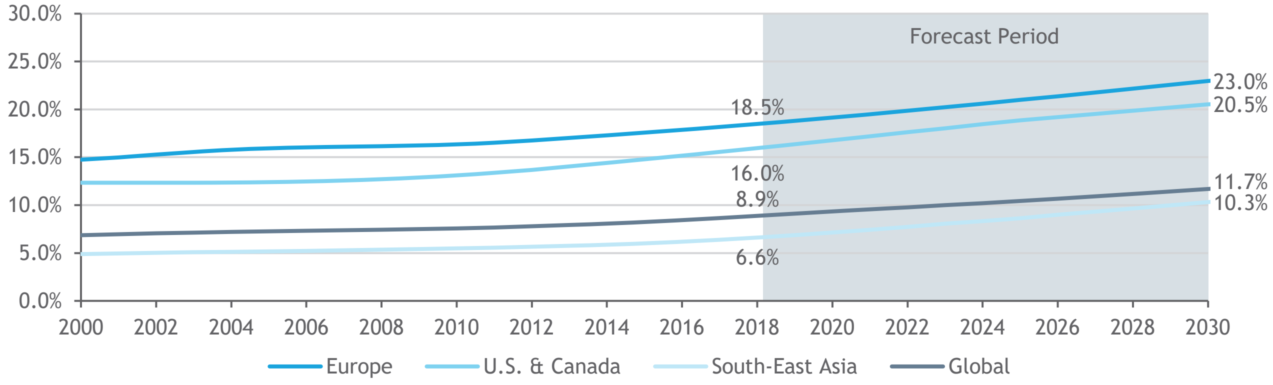
Figure 6.1 below depicts both the historic and forecast population trends in the U.S. and Canada, Europe, and South-East Asia, using global trends as a comparative benchmark. With regard to Figure 6.1, we note:

- All regions analysed have exhibited growth in the 65+ demographic over the past decade;
- Europe has the highest proportion of people aged 65+ among the regions assessed, however, it is currently growing at the slowest pace among the regions examined;
- South-East Asia's proportion of 65+ year olds is below the world average, although it is growing at the fastest rate of all the regions assessed, a trend which is expected to continue over the forecast period; and
- Forecasts indicate a global trend of falling growth in the 65+ population segment, beginning in the mid-2020s.

[5] For the purpose of this Report, the Europe region comprises Albania, Austria, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Channel Islands, Croatia, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, and United Kingdom.

[6] For the purpose of this Report, the South-East Asia region consists of Bangladesh, Bhutan, Brunei, Cambodia, India, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, and Vietnam.

Figure 6.1: Proportion of People Aged 65+ from 2000 with Forecasts[1] to 2030



Source: *United Nations*

1 Forecast data from 2020 to 2030 has been linearly smoothed as observations are only available every fifth year.

6.1.3 Industry Products, Competitive Landscape, and Barriers to Entry

A paediatric or cardiac surgeon is faced with multiple options when preparing for complex surgery where heart tissue must be replaced or repaired, including the following:

- **Autologous pericardium**: tissue from the patient;
- **Synthetic material**: non-organic tissue;
- **Homograft**: tissue from a donor;
- **Acellular bioscaffold**: bioengineered and treated tissue; and
- **Generic bovine pericardium**: pericardium tissue from animals.

Admedus' Management estimate that about 50% of relevant procedures use autologous pericardium or synthetic material, while the other half of procedures are split evenly between homograft, acellular bioscaffold, and generic bovine pericardium. Management advise that surgeons tend to view autologous pericardium or synthetic materials as low-cost options, while the high usage of homograft may occur because surgeons are typically trained on it. Further, management state that generic bovine pericardium is another low-cost option with higher usage rates in Asia-Pacific due to increased price sensitivity. Since homograft is regularly unavailable, Management notes that surgeons are exploring other products similar to CardioCel® as the body of scientific work continues to expand.

The major competitors in the global tissue engineering industry include CryoLife, CorMatrix, Edwards Lifesciences Corporation, and Baxter International. Edwards Lifesciences Corporation and Baxter International focus on supply generic bovine pericardium, whereas CorMatrix supplies acellular bioscaffold, and CryoLife focuses on both homograft and acellular bioscaffold products. Key competition to Admedus' CardioCel® product includes CryoLife's Photofix and CorMatrix's CorMatrix, who effectively hold oligopolistic positions in this industry segment.

Management believes that key barriers to entry in the tissue engineering industry include:

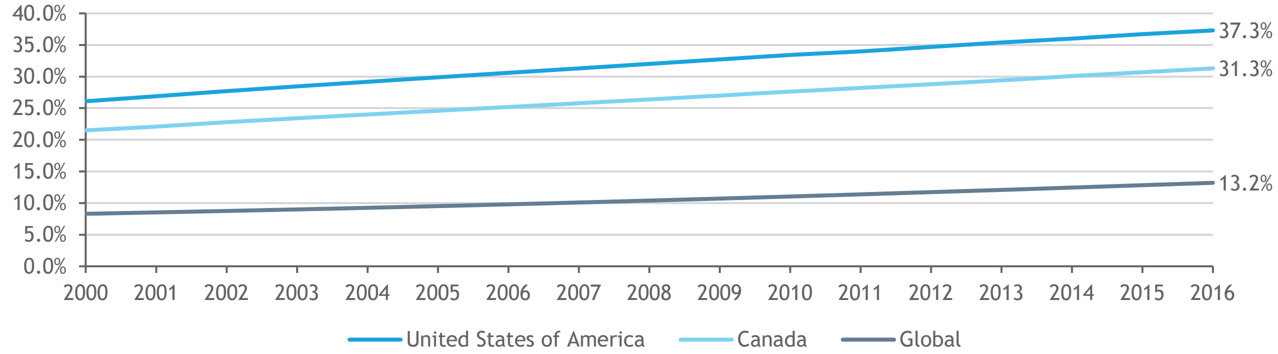
- Existing relationships between the implanter and the company;
- The need for a broad portfolio offering in a segmented demand market, limiting the ability for single product companies to appeal to and service the large number of customers that use tissue;
- Clinical trials with particular companies block out procedures and the use of new products; and
- Obtaining relevant and robust scientific data to convince surgeons to consider a new technique or material.

6.1.4 U.S. and Canada

The U.S. and Canada cardiovascular tissue engineering industry is expected to be worth $695 million by 2022, growing at a CAGR of 12.5% from 2018. Strong industry growth is underpinned by an ageing population, technological advancements, increasing awareness of new treatment options, and the rising prevalence of cardiovascular diseases.

Approximately 0.5% to 1.1% of children in the U.S. and approximately 1.0% in Canada are born with CHD, increasing for mild types of CHD but remaining stable for others. Further driving the industry, PAD currently affects 8-12 million people in the U.S., and 800,000 in Canada, while 200,000 people in the U.S. and 20,000 people in Canada are diagnosed with AAA annually. Moreover, CAH causes approximately one third of the 795,000 annual strokes in the U.S. and the roughly 40,000 annual strokes in Canada.

Figure 6.2: Prevalence of Obesity in U.S. and Canadian Adults from 2000 to 2016



Source: World Health Organization

The increasing prevalence of lifestyle disorders is a causal factor behind the rising incidence of cardiovascular issues. As seen above in Figure 6.2, 37% of adults were obese[7] in the U.S. in 2016, rising from 34% in 2011. However, the proportion of Americans who exercised in the past month slightly increased from 73.8% in 2011 to 74.3% in 2017, partially offsetting the impacts of rising obesity levels. Driven by the increasing prevalence of obesity and low levels of physical activity relative to recommended standards, the proportion of Americans with diabetes grew from 9.5% in 2011 to 10.5% in 2017. Canadian obesity levels are much lower than the U.S. but are following the same increasing trend, rising from 28% in 2011 to 31% in 2016 of the Canadian population. In line with U.S. trends, 19.4% of Canadians met the Canadian physical activity guidelines in 2017, increasing from 16.0% in 2011[8]. Despite the increase in physical activity levels, the proportion of Canadians with diabetes increased from 6.9% in 2015 to 7.1% in 2018[9].

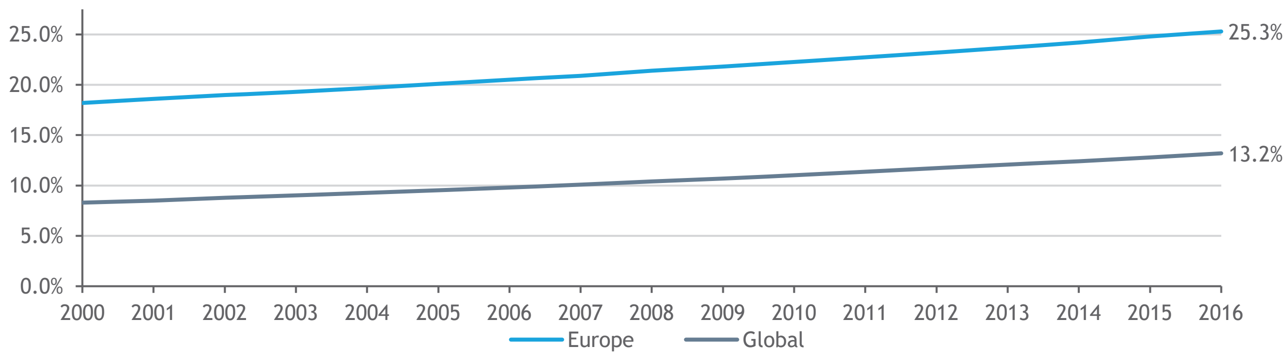
The U.S. and Canadian population aged 65+ years old is expected to grow at a CAGR of 3.0% from 58.1 million people in 2018 to 71.6 million in 2025. This is compared to a CAGR of 0.6% over the same period for the total U.S. and Canadian population. Following this growth, people aged 65+ will account for 18.8% of the total population by 2025, up from 16.0% in 2018. The demographic trends in the U.S. and Canada are expected to drive increased demand for engineered cardiovascular tissue. The regulatory body for the approval of drugs and medical products is the Food and Drug Administration and Health Canada for the U.S. and Canada, respectively.

6.1.5 Europe

The European cardiovascular tissue engineering industry is estimated to be worth $579 million in 2022, growing at a CAGR of 11.8% from 2018. The industry is underpinned by the prevalence of cardiovascular issues, while the strong growth expectations are supported by the global trend of ageing populations and the increasing prevalence of cardiovascular medical conditions stemming from lifestyle disorders.

To begin with, 0.8% of Europeans are born with CHD and PAD affects 1.3% of Western Europeans. Reductions in the prevalence of smoking has contributed to the decreased incidence of AAA from 2.4% in 1990 to 2.3% in 2010. Contemporary evidence in the British and Swedish screening programs of 65 year-old men recorded prevalence rates of 1.3% and 2.3%, respectively. Moreover, approximately 1.4 million strokes occur annually in Europe, of which approximately 25% are caused by thromboembolisms from the internal carotid artery or the middle cerebral artery, with 2.5% of the European population being diagnosed with CAD.

Figure 6.3: Proportion of European Adults that were Obese from 2000 to 2016



Source: World Health Organization

[7] Obese is defined as having a BMI greater than or equal to 30 throughout this Report.
[8] Only includes Canadians aged 5 to 79 years old.
[9] Only includes Canadians aged over 12 years old.

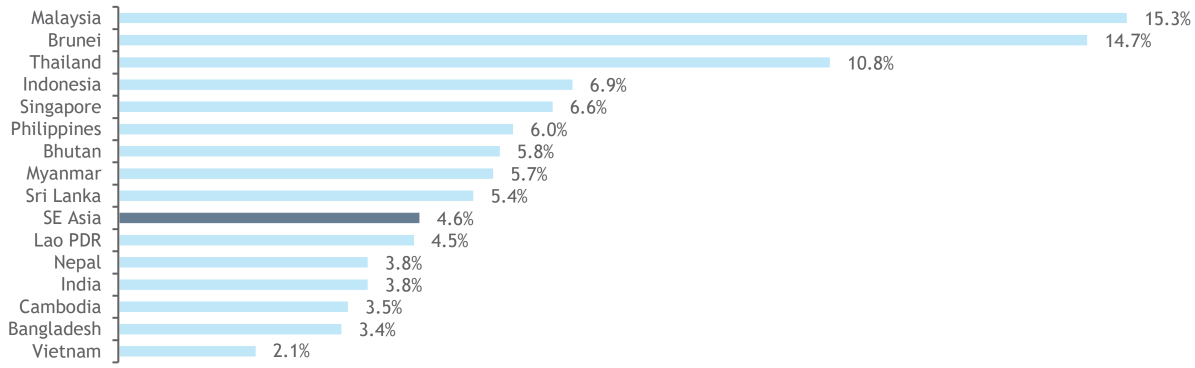
Lifestyle disorders are one of the underlying factors partially driving the incidence of cardiovascular issues. As depicted in Figure 6.3 above, European obesity levels have risen from 22.3% of the adult population in 2010 to 25.3% in 2016. In addition, less than half of the European population meets physical activity guidelines, a figure that is continuing to fall. Partially driven by the increasing trend in lifestyle disorders, 9.4% of European[10] adults had diabetes in 2017.

European populations are ageing slightly slower than U.S. and Canada. The proportion of people aged 65 years or older is expected to increase from 18.5% in 2018 to 21.0% in 2025, taking the demographic to more than a fifth of the total European population. The 65+ years old demographic is expected to grow from 137.9 to 156.5 million people, while the total population is expected to decrease to 745.8 million people in 2025 from 746.4 in 2018.

The European regulatory setting for medical products is unique and complex, comprising a network of approximately 50 domestic regulators, the European Commission, and the European Medicines Agency.

6.1.6 South-East Asia

Figure 6.4: Proportion of South-East Asian Adults that were Obese in 2016



Source: *World Health Organization*

Note Taiwan is excluded as it had no obesity data in the WHO database

South-East Asia has the second highest prevalence of birth defects among the World Health Organization regions comprising of more than 1.1 million cases annually, of which CHD is the most common. A range of studies over the past three decades examining births in Bangladesh, India, Indonesia, Nepal, and Thailand found that approximately 1.4% of all newborns had congenital malformation, with an average of 0.8%[11] relating to cardiac malformations.

However, the South-East Asian demand for engineered cardiovascular tissue is constricted by the relatively low rates of lifestyle disorders such as obesity and low physical activity. As seen above in Figure 6.4, 4.6% of South-East Asian adults were obese in 2016, with 30.0% failing to undertake sufficient physical activity. The relatively low rates of these disorders contributes to a relatively low prevalence of diabetes, with just 8.1% of the South-East Asian population having the condition.

Supporting the cardiovascular tissue engineering industry, South-East Asia is not immune to the trend of ageing populations experienced in Europe, the U.S., and Canada. The region is expected to age faster than both Europe and U.S. and Canada through to 2025. People aged over 65 comprised 6.6% of the total South-East Asian population in 2018, expected to grow to 8.6% by 2025. This growth will take the 65+ demographic from 43.3 million in 2018 to 60.4 million 2025 at a 4.9% CAGR, compared to just 0.9% for the total population.

The complex regulatory environment in South-East Asia has long approval processes that inhibit the growth prospects. Each country has its own regulatory authority with varying levels of sophistication, scrutiny, and barriers to entry.

6.1.7 Australia

The Australian cardiovascular tissue engineering industry is underpinned by the prevalence of cardiovascular issues, technological advancements, an ageing Australian population, and high rates of lifestyle disorders such as obesity and low physical activity. The increasing prevalence of lifestyle disorders is a causal factor behind the rising incidence of cardiovascular issues in Australia.

[10] Excludes Bosnia and Herzegovina, Denmark, Ireland, Montenegro, Netherlands, and United Kingdom due to a lack of membership with the International Diabetes Federation, the source of data on diabetes.

[11] Average of two studies in Bangladesh and Thailand.

Further supporting the cardiovascular tissue engineering industry in Australia is the alarming level of obesity in Australia's adult population is forecast to reach 69.0% by 2020, a 1.9% increase on the previous year. Empirical studies show obesity is known to increase blood pressure leading to strokes and increase risks in cardiovascular diseases and issues. CHD is Australia's single leading cause of death. CHD prevalence increases with age, with 5.0% of Australians aged between 55-64 reporting a long-term CHD condition, increasing to 17% for Australians aged 75 and over. In 2015 approximately 643,000 Australian adults had been diagnosed with CHD. PAD Prevalence of AAA increases sharply for Australian's aged over 65 years with 4-7% of men and 1-2% of women affected.

Australia's ageing population further supports the cardiovascular tissue engineering industry. In 2017 Australian adults aged 65 years and over made up 15% (3.8 million) of Australia's population.

The regulatory body for the approval of medicines and medical devices in Australia is the Therapeutic Goods Administration ('TGA'), which is a part of the Australian Government Department of Health and Ageing.

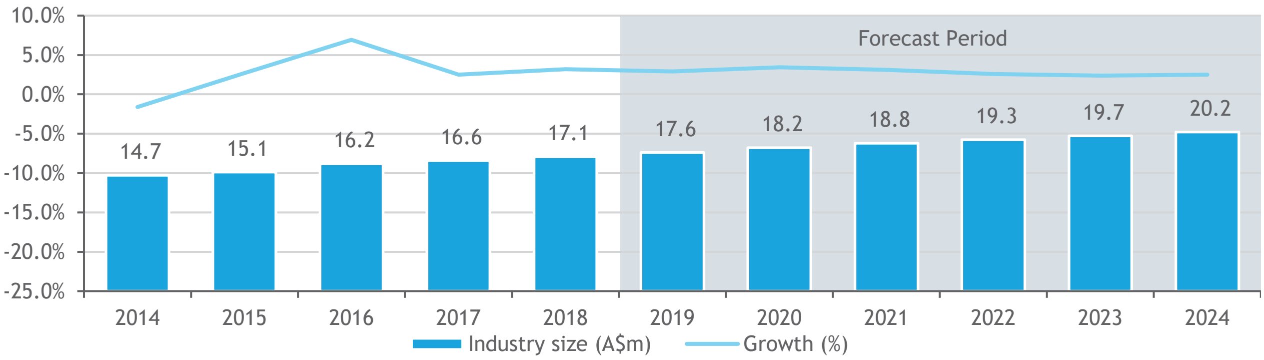
6.2 Medical and Scientific Device Distribution in Australia

6.2.1 Summary

The medical and scientific device distribution industry involves the sale of various medical and scientific devices to health centres, hospitals, the mining industry, and research organisations. The industry is characterised by low competitive concentration, slim margins, moderate barriers to entry, and a high degree of globalisation.

The industry has experienced substantial growth over the past five years on the back of rising demand from the healthcare sector and increased government funding as the Australian population ages. Demand for industry products is anticipated to remain high as the Australian economy continues to expand and the population ages. Industry profitability is expected to rise as consolidation drives down costs and the projected appreciation of the Australian dollar reduces import prices.

Figure 6.5: Total Industry Revenue and Growth from 2014 with Forecasts to 2024



Source: IBISWorld Industry Report F3491

As depicted in Figure 6.5 above, industry revenue grew from $14.7 million in 2014 to $17.1 million in 2018, growing at a CAGR of 3.9%. Overall industry growth is expected to slow over the next five years, with industry revenue expected to reach $20.2 million by 2024 at a CAGR of 2.4%.

6.2.2 Key Drivers

Medical and scientific device distribution operations are affected by several external drivers. Table 6.2 outlines the factors that will contribute to the growth (or otherwise) in this industry.

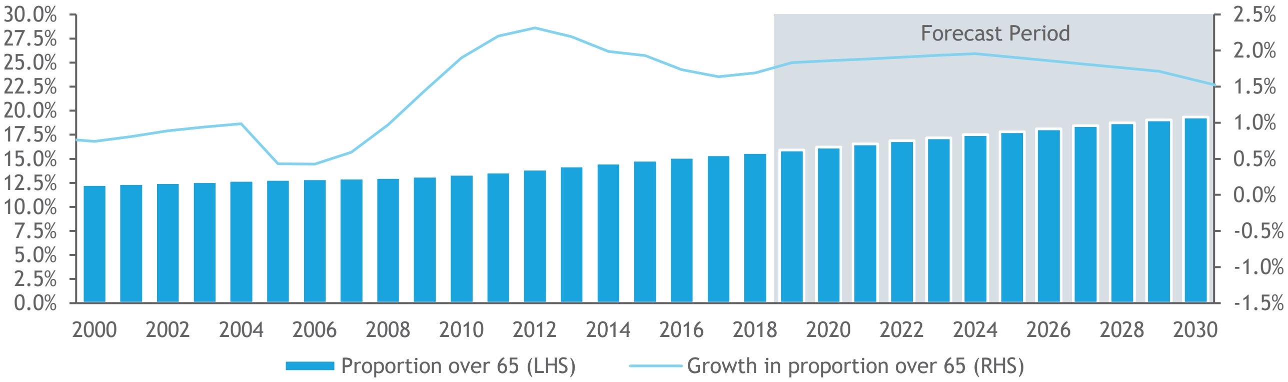
Table 6.2: Key Drivers in the Medical and Scientific Device Distribution Industry

Key External Drivers	
Adults aged 65+	▸ Older individuals experience more healthcare issues, increasing the use of and the demand for medical devices; and ▸ The median age of the Australian population is expected to increase in the short to medium-term.
Government healthcare expenditure	▸ Government healthcare expenditure drives the demand for medical devices; and ▸ Healthcare funding as a proportion of total government expenditure is expected to remain stable with the current government following an increasing trend over the past five years.
Foreign exchange rates	▸ Since imports account for a large portion of supply into the industry, domestic distributors are vulnerable to decreases in the purchasing power of the Australian dollar; and ▸ However, appreciation of the currency relative to major supplier currencies will reduce the purchasing prices of domestic distributors and increase profitability.

Source: IBISWorld Industry Report F3491

The primary driver of industry growth stems from Australia's ageing population. As displayed below in Figure 6.6, the proportion of Australians aged over 65 experienced a high-growth period between 2006 and 2012. Since 2012, the demographic's proportion of the total population has continued to increase, but at a slower rate. The proportion of the population aged over 65 is expected to continue to increase over the next decade, predicted to reach 19.3% in 2030.

Figure 6.6: Proportion of Australian People Aged 65+ and its Growth from 2000 to 2030



Source: United Nations

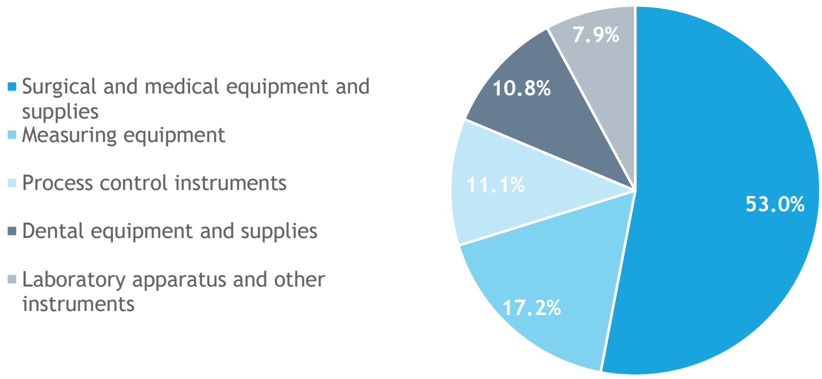
With regard to Figure 6.6 above, we note that forecast data from 2020 to 2030 has been linearly smoothed as forecast observations are only available every fifth year.

6.2.3 Industry Segmentation and Competitive Landscape

The industry supplies a range of equipment, instruments, and consumables to the healthcare sector including surgical and medical equipment and supplies, measuring equipment, and process control instruments. As displayed below in Figure 6.7, the largest product segment is the surgical and medical equipment and supplies, expected to account for 53.0% of total industry revenue in 2019.

Typical products in the surgical and medical equipment and supplies segment include X-ray machines, irradiation apparatus, medical monitoring equipment, and medical consumables[12]. This product segment has maintained a stable share of industry revenue over the past five years due to the opposing forces of higher supply volumes from Asian distributors and favourable technological developments driving price inflation.

Figure 6.7: Total Industry Revenue Split by Product Segment

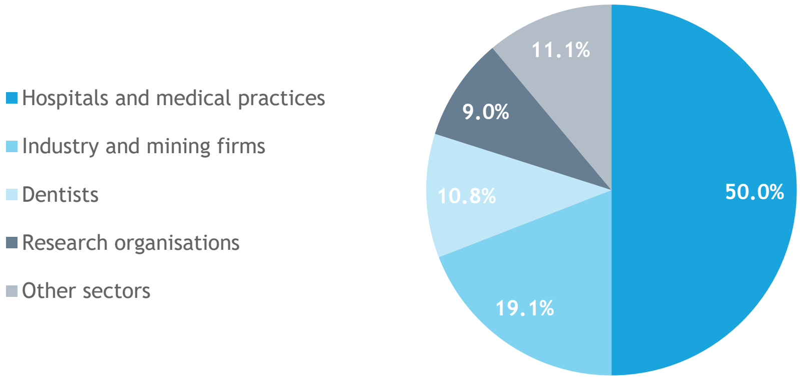


Source: IBISWorld Industry Report F3491

Demand market segments for the industry's products include hospitals and medical practices, industry and mining firms, dentists, and research organisations.

[12] Excluding pharmaceuticals.

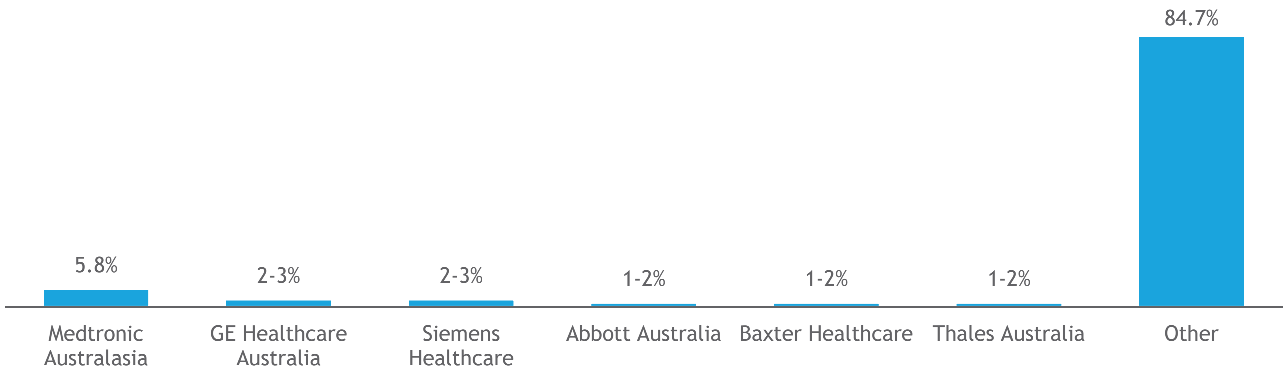
Figure 6.8: Total Industry Revenue Split by Market Segment



Source: IBISWorld Industry Report F3491

As depicted in Figure 6.8 above, the largest market segment is hospitals and medical practices, with public and private facilities expected to account for 25.5% and 24.5% in 2019 respectively. The public hospitals sub-segment has fallen as a share of industry revenue on the back of slowed admissions growth and public hospitals purchasing directly from manufacturers. However, the private facilities sub-segment has increased as a share of industry revenue following the influx of admissions shifting from public facilities and the increased number of private hospitals.

Figure 6.9: Competitive Landscape in the Australian Medical and Scientific Devices Industry



Source: IBISWorld Industry Report F3491

As seen above in Figure 6.9, few major companies operate in the industry with the leading firm, Medtronic Australasia Pty Ltd, holding a 5.8% market share. Other major distributors in the industry include GE Healthcare Australia Pty Ltd and Siemens Healthcare Pty Ltd. The majority of the market is split between a plethora of smaller firms, operating in niche product, demand market, and geographic segments.

7.0 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

We have set out a description of commonly adopted valuation methodologies below.

7.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

7.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

7.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

7.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

7.5 Industry Based Metrics

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to alternative measures of value.

8.0 Valuation of Admedus Limited

This section sets out our valuation of the shares in Admedus as follows:

- Section 8.1 sets out an overview of our valuation approach;
- Section 8.2 sets out our MBV of Admedus prior to the Proposed Conversion;
- Section 8.3 sets out our ABV of Admedus prior to the Proposed Conversion;
- Section 8.4 sets out our overall conclusion on an appropriate value to adopt for Admedus prior to the Proposed Conversion on a controlling interest basis; and
- Section 8.5 sets out our valuation of Admedus post the Proposed Conversion on a minority interest basis.

8.1 Valuation Approach

In our view, it is appropriate to apply the MBV and ABV valuation methodologies as our primary valuation methodologies in this Report. In forming this view we considered:

- Admedus is a listed company and we consider it appropriate to have regard to an MBV methodology in arriving at a conclusion on value. In forming this view we have had regard to the latest available share price information available for Admedus, including the Company's capital raising activities;
- Admedus has recently completed a material cash transaction in relation to ADAPT® (refer Section 5.1.2.4). In our view, it is appropriate to have regard to an ABV. We have been provided with Admedus unaudited balance sheet as at 30 November 2019. We have made enquiries of the Management of Admedus in order to identify any items recorded on the balance sheet which may require an adjustment to reflect market value;
- We have completed DCF valuation calculations having regard to forecast financial information provided by Admedus management. Admedus management have however instructed us to keep the cash flow assumptions confidential and we have not set our calculations out in this Report. In any event, we consider it more appropriate to have greater regard to the ABV and MBV relative to the DCF (noting a number of assumptions in relation to TAVR, in particular, are higher level); and
- A CME valuation approach is not appropriate as Admedus does not have any business units generating earnings suitable for a CME valuation calculation.

8.2 MBV of Admedus Prior to the Proposed Conversion

In our view it is appropriate to consider an MBV for Admedus, with the caveat that:

- The Company was in a trading halt between 12 April 2019 and 13 October 2019;
- Admedus' top two shareholders hold in excess of 44% of the shares on issue, constricting stock liquidity. We consider Admedus shares to display a low to moderate level of liquidity; and
- Since the equity raisings set out in Section 5.3.3 above, there has been many changes in Admedus' business including:
  - The termination of the Admedus Vaccines share sale agreement and its subsequent/ongoing liquidation;
  - Admedus entering into the Facility, as a result of an undersubscribed equity raising;
  - The partial sale of the Infusion business unit and the announcement regarding the termination of the Arcomed distribution agreement; and
  - The LeMaitre transaction (refer Section 5.1.2.4).

In our view, the most relevant information available to calculate the MBV is Ademdus share trades over the period from 14 October 2019 (when Admedus was reinstated to official quotation) to 10 January 2020. Over this period of time we note:

- The highest share price was $0.1300 and the lowest share price was $0.0560;
- The VWAP over the period was $0.0804;
- The total number of shares sold was approximately 49.0 million, representing approximately 8.3% of the total number of shares on issue.

We note the trading data referred to above may be considered representative of the value of a minority interest holding in Admedus. Adopting a 30% control premium, the high and low share prices imply a value for Admedus on a controlling interest basis prior to the trading halt within the range of $0.0728 to $0.1690 per share and the VWAP over the period implies a controlling value for Admedus of $0.1045.

8.3 ABV of Admedus Prior to the Proposed Conversion

8.3.1 Net Asset Value

We have been provided with Admedus' unaudited balance sheet as at 30 November 2019. We have considered the carrying values recorded in Admedus' unaudited balance sheet as at 30 November 2019 and have made enquiries of the Directors and Management of Admedus. Based on our enquiries, we have made a number of adjustments to the balance sheet to estimate the fair market value of Admedus' assets and liabilities for the purposes of our ABV analysis in this Report.

Table 8.1 sets out our ABV of Admedus, having regard to our view of the appropriate values to adopt for Admedus' assets and liabilities as at 29 February 2020.

Table 8.1: ABV of Admedus

	As at 30-Nov-19 ($ million)	Adjustments ($ million)	As at 29-Feb-20 ($ million)
Assets			
Cash	19.0	(5.9)	13.1
Receivables	1.9	-	1.9
Inventory	1.9	(1.0)	0.9
Prepayments	0.4	-	0.4
Property, Plant and Equipment	4.1	(0.9)	3.2
Intangibles	1.7	-	1.7
Deferred Consideration – LeMaitre Transaction	-	1.8	1.8
Contingent Consideration – LeMaitre Transaction	-	4.4	4.4
Total Assets	**29.0**	**(1.5)**	**27.4**
Liabilities			
Payables	(3.8)	-	(3.8)
Suspense Account	(19.1)	19.1	-
Deferred Consideration – Regen Pty Ltd Acquisition	(0.8)	0.4	(0.4)
Provisions	(1.2)	-	(1.2)
Lease Liability	(1.5)	-	(1.5)
PFG Warrant	(0.8)	0.8	-
The Facility	(1.1)	(0.1)	(1.1)
Total Liabilities	**(28.4)**	**20.2**	**(8.2)**
Equity/Net Asset Value Attributable to Security Holders (Control Basis)	**0.6**	**18.7**	**19.3**

Source: Admedus' 30 November 2019 management accounts, BDOCF analysis

Regarding Table 8.1, we note:

- We have not attributed any value to the Infusion and Immunotherapies Business Units for the reasons set out in Sections 9 and 10 respectively;
- The approximate $5.9 million cash adjustment comprises of:
  - Estimated working capital and capital expenditure payments of approximately $5.5 million, or approximately $1.55 million per month, to maintain operations to 29 February 2020; and
  - An approximate $0.4 million deferred payment in relation to the Regen Pty Ltd acquisition;
- Write down of inventory in relation to Infusion stock due to discontinuing the business unit;
- Property, plant and equipment includes a right of use asset of approximately $1.5 million. A write down of approximately $0.9 million is expected in relation to ADAPT software. We understand the software was specifically designed to be used in the sale of CardioCel® and VascuCel® units, and no longer has any economic value subsequent to the LeMaitre transaction;
- Intangibles comprises of intellectual property and patents relating to the Company's ADAPT business unit. As the Company will continue to maintain ownership of the ADAPT intellectual property and patents (notwithstanding the LeMaitre transaction), we consider it appropriate to include this amount in our ABV analysis;

- We have not made any allowance for intellectual property associated with TAVR beyond what has been capitalised in the balance sheet;
- The fair value of the deferred consideration receivable under the LeMaitre transaction is estimated to be approximately $1.8 million as at 29 February 2020. To estimate the present value of the deferred consideration receivable under the LeMaitre transaction, we have:
  - Considered the expected amount and timing of the deferred consideration amounts receivable;
  - Discounted the expected deferred consideration amounts receivable to their present value using a discount rate of approximately 4.0%. We have determined the discount rate by having regard to the rates currently observed on BB-rated US corporate bonds with similar maturities to the deferred consideration (as the deferred consideration may be considered equivalent to a 'vendor loan' to LeMaitre). For completeness, we note LeMaitre did not have any interest bearing debt as at 30 September 2019; and
  - Adopted an AUD/USD exchange rate of 0.6873;
- The value of the contingent consideration receivable under the LeMaitre transaction is estimated to be approximately $4.4 million on a risk-adjusted basis as at 29 February 2020. To estimate the present value of the contingent consideration receivable under the LeMaitre transaction, we have:
  - Considered the expected amount and timing of the contingent consideration amounts receivable;
  - Discounted the expected deferred consideration amounts receivable to their present value using the rates currently observed on BB-rated debt with similar maturities to the contingent consideration (as per the deferred consideration);
  - Risk-adjusted the contingent consideration amounts based on our discussions with the Management of Admedus. In risk-adjusting the contingent consideration amounts, we have considered:
    - Admedus has satisfied all obligations regarding the Company's required reporting procedures under the LeMaitre transaction, while payment was made during November. The reporting consideration is reflected in Admedus' cash balance;
    - The previous revenues achieved by Admedus from the ADAPT business unit;
    - The current status of the EMDDR approval process; and
    - The current status of the Company's shelf-life testing process; and
  - Adopted an AUD/USD exchange rate of 0.6873;
  - As at November 2019, Admedus continues to undertake post-transaction accounting and tax work in relation to the LeMaitre transaction. All amounts have been temporarily capitalised within the suspense account while work is ongoing. It is anticipated that the majority of this value is attributable to gains on sale, and will hit the income statement on end of year reporting.
    - We note the amount recorded does not include any adjustments to potential capital gains tax on the sale. For completeness, consistent with the preliminary view of Admedus Management, we note it is assumed in this Report that Admedus can apply its available tax loss carry forwards to offset any tax payable on the consideration received from LeMaitre. Other than the tax loss carry forward amounts applied to the tax payable on the consideration received from LeMaitre, no further value is attributed to the tax loss carry forwards for the purposes of our ABV analysis in this Report;
- Admedus has a total of $0.8 million in deferred consideration for the acquisition of Regen Pty Ltd, with $0.4 million due in January 2020 and $0.4 million due in January 2021;
- Under the terms of the PFG Warrant, PFG holds the option to put the warrant to the Company for $1.5 million on expiry or on the occurrence of certain events. Admedus records a provision for this amount in the Company's accounts. We have excluded the item from above, and account for the PFG Warrant in whole in the following section of this Report; and
- The Facility has been adjusted to reflect the interest expense expected to accrue up to 27 February 2020.

We have also been informed by the Directors that there are no other material assets, liabilities, off-balance sheet assets and liabilities, or unrecognised liabilities as at the date of this Report that have not been included in the management accounts.

8.3.2 Valuation of Admedus' Outstanding Options and Warrants

8.3.2.1 PFG Warrant

Admedus issued a 7-year warrant for the issue of 4,938,799 ordinary shares in the Company at an exercise price of $0.2531 per share, expiring on 26 October 2024. PFG also has the option to put the warrant to the Company for $1.5 million on expiry or on the occurrence of certain events.

The call option component of the PFG warrant was valued using a Black-Scholes option pricing model that incorporates a share price hurdle, while the put component was valued using a DCF methodology. Assumptions used in the valuation of the PFG warrant include:

- Share price: As per the PFG warrant terms, the fair market value of a warrant share is equal to the highest closing sale price (in Australian dollars) reported for the Company's share price during the one-month period prior to valuation. For the purposes of this Report, we have calculated the share price on an iterative basis;
- Exercise price: We have adopted the exercise price of $0.2531 per share as per the terms of the PFG warrant;
- Share price hurdle: We have adopted a share price hurdle of $0.5568 per share, which is the price at which the payoff from exercising the call option exceeds the payoff from the exchange put price;
- Time to maturity: We have adopted a time to maturity of 4.66 years, which is calculated as the period of time from 29 February 2020 to the expiry of the Warrant;
- Volatility: We have considered the historic volatility of Admedus' shares and listed options, as well as the volatility of other comparable companies, over various time periods prior to the date of this Report. On the basis of our research and analysis, we consider it appropriate to adopt a volatility of 85% for the purpose of this Report;
- Risk free rate: We have considered the current value of Australian Government bonds of a comparable maturity to the PFG warrant as a proxy for the risk free rate. Based on the results of our analysis, we have adopted the risk free rate as the 5-year Australian Government bond rate as at 10 January 2020;
- Annual dividend yield: We have assumed a dividend yield of nil for the PFG warrant as Admedus currently pays no dividends and no dividends are expected to be paid in the foreseeable future;
- Exchange put price: We have adopted an exchange put price of $0.3037 per share, which has been calculated by dividing the $1.5 million total put option by the 4,938,799 ordinary shares the PFG warrant pertains to; and
- Exchange put price discount rate: We have adopted a discount rate of 14.75% as part of the DCF methodology in determining the present value of the $1.5 million payment from the exercise of the put option upon expiry of the PFG warrant. The discount rate adopted represents the average interest rate payable on certain loans provided by PFG to Admedus at the same time the Warrant was issued, incorporating both the time value of money and the credit risk associated with the $1.5 million payment.

8.3.2.2 Options and Other Warrants Outstanding

Admedus has 237,050,750 listed options on issue with an exercise price of $0.08 that expire on 18 December 2021. In addition, the company has 12,216,436 unlisted options and 5,630,000 other warrants outstanding, with exercise prices ranging from $0.036 to $1.440 and expirations ranging from 30 June 2020 to 12 July 2029.

To calculate the value of Admedus' options and other warrants outstanding, we have adopted a Black-Scholes option pricing methodology. In adopting this methodology for each option, we have made the following assumptions:

- Share price: We have estimated the value of an ordinary share in Admedus (on an iterative basis) prior to the Proposed Conversion;
- Exercise price: We have adopted the exercise price of each option, as per their terms;
- Time to maturity: The time to maturity for each option is calculated as the period of time from 30 November 2019 to the expiry of each option. We note that the listed options expire on 18 December 2021 and the unlisted options expire on dates varying between 30 June 2020 and 12 July 2029;
- Volatility: We have considered the historic volatility of Admedus' shares and listed options, as well as the volatility of other comparable companies, over various time periods prior to the date of this Report. On the basis of our research and analysis, we consider it appropriate to adopt a volatility of 85% for the purpose of this Report;
- Risk free rate: We have considered the current value of Australian Government bonds of a comparable maturity to the options as a proxy for the risk free rate. Based on the results of our analysis, we have adopted the risk free rates on the 2-year, 3-year, 5-year, and 10-year Australian Government bond yields as at 10 January 2020; and
- Annual dividend yield: We have assumed a dividend yield of nil for each option as Admedus currently pays no dividends and no dividends are expected to be paid in the foreseeable future.

8.3.3 Net Asset Value Per Share

Our ABV of an individual Admedus share prior to the Proposed Conversion on a controlling basis is set out in Table 8.2 below.

Table 8.2: Equity Value of Admedus Prior to the Proposed Conversion on a Controlling Interest Basis

	Reference	Value ($ million)
Equity Value Attributable to Security Holders - Control Basis	**Section 8.3.1**	**19.3**
Adjustment: PFG Warrant	Section 8.3.2.1	(0.8)
Adjustment: Options and Other Warrant Holders	Section 8.3.2.2	(1.4)
Equity Value Attributable to Ordinary Shareholders - Control Basis)		**17.0**
Shares Outstanding prior to the Proposed Conversion	Section 5.2	590,842,817
Equity Value per Ordinary Share - Control Basis ($ per share)		**0.0289**

Source: BDOCF analysis

Table 8.2 above shows that our equity value of Admedus using an ABV valuation methodology is **$0.0289 per share** prior to the Proposed Conversion on a controlling interest basis.

8.4 Conclusion on the Value of Admedus Prior to the Proposed Conversion on a Controlling Interest Basis

Having regard to the above, we consider it appropriate to adopt a value for Admedus prior to the Proposed Conversion on a controlling interest basis within the range of **$0.0289 to $0.1045 per share** for the purposes of the analysis set out in this Report. In relation to this valuation range we note:

- The low end of our value range is based on our ABV of $0.0289 per share (refer to Section 8.3);
- The high end of our value range has regard to our MBV, and specifically, the VWAP of trades between 14 October 2019 and 10 January 2020 ($0.0804 per share), adjusted for a 30% control premium; and
- We consider a relatively wide range appropriate having regard to the current stage of development of the TAVR, and other products, that comprise Admedus' research and development portfolio. Our ABV does not include any value for intangible assets not capitalised into the balance sheet while the market's view of these intangible assets is incorporated into the MBV.

For completeness, we note that a controlling interest value in the range of $0.0289 to $0.1045 per share equates to an equity value attributable to all security holders on a controlling interest basis of approximately $19.3 million to $76.1 million.

8.5 Valuation of Admedus Post the Proposed Conversion

The Proposed Conversion involves the conversion of the Facility into 61,969,857 fully paid ordinary shares in the Company. To calculate the value of an ordinary share in Admedus on a minority interest basis post the Proposed Conversion we have:

- Adopted the equity value calculated for Admedus on a controlling interest basis, as the starting point (refer to Section 8.4);
- Added back the $1.2 million liability related to the Facility, which assumes the Facility is converted (refer to Section 8.3.1);
- Calculated the equity value held by all equity holders on a minority interest basis by applying a minority interest discount of 23.08% (equivalent to the inverse of our assumed control premium of 30.00%). Our assumed control premium of 30.00% is based on the results of our research and analysis into control premiums in Australia (refer to Appendix A);
- Calculate (iteratively) and subtracted the value of the PFG warrant and Admedus' options and other warrants to calculate the equity value attributable to ordinary shareholders on a minority interest basis;
- Increased the number of shares on issue to 652,812,674 (or by 61,969,857) to reflect the impact of the Proposed Conversion; and
- Calculated the equity value per share on a minority interest basis by dividing the equity value attributable to ordinary shareholders by the number of shares outstanding post the Proposed Conversion.

Our valuation of Admedus following the Proposed Conversion is set out in Table 8.3 below.

Table 8.3: Equity Value of Admedus Post the Proposed Conversion on a Minority Interest Basis

	Reference	Low ($ million)	High ($ million)
Equity value attributable to all security holders on a controlling interest basis	**Section 8.4**	**19.3**	**76.1**
Plus: Adjustment for the conversion of the Facility	Section 8.3.1	1.2	1.2
Equity value post the Proposed Conversion - Controlling basis		**20.5**	**77.4**
Minus: Adjustment to remove control premium (%)[1]	Appendix A	76.92%	76.92%

	Reference	Low ($ million)	High ($ million)
Equity value post the Proposed Conversion - Minority basis		**15.8**	**59.5**
Minus: Adjustment for value attributable to the PFG warrant	Section 8.3.2.1	(0.8)	(0.9)
Minus: Adjustment for value attributable to option and other warrant holders	Section 8.3.2.2	(0.8)	(8.3)
Equity value attributable to ordinary shareholders on a minority interest basis		**14.2**	**50.3**
Shares outstanding prior to the Proposed Conversion (# shares)	Section 5.2	590,842,817	590,842,817
New shares issued as part of the Proposed Conversion (# shares)	Section 4.2	61,969,857	61,969,857
Total shares outstanding post the Proposed Conversion (# shares)		**652,812,674**	**652,812,674**
Equity value per share on a minority interest basis post the Proposed Conversion ($ per share)		**0.0218**	**0.0771**

Source: *BDOCF analysis and Admedus management*

1 Adjustment to remove control premium calculated as 1/(1+0.3), with the 0.3 input referring to the 30% control premium adopted.

Table 8.3 above shows that our equity value of Admedus post the Proposed Conversion on a minority interest basis is between **$0.0218 and $0.0771 per share.**

9.0 Valuation of Infusion Business Unit

9.1 Summary of the Current State of Affairs of the Infusion Business Unit

Infusion currently has two main contracts on foot: one with the Royal Adelaide Hospital and one with the Whanganui Hospital. The Royal Adelaide Hospital contract is due to expire in May 2021, but can be extended for a further two years (in 12 months instalments) at the discretion of Royal Adelaide Hospital. The Whanganui Hospital contract is due to expire in August 2023, but can be extended for a further two year period at the discretion of Admedus.

On 8 August 2019, Admedus announced that it has received notice from Arcomed of its intention to terminate its distribution agreement with Admedus for the supply of Arcomed branded products in Australia and New Zealand. As at the date of this Report, the process for terminating the distribution agreement between Arcomed and Admedus has not been finalised.

We understand that Admedus Management will likely wind down the operations of the Infusion business once the Royal Adelaide Hospital contract expires (if not earlier, depending on the terms agreed with Arcomed).

9.2 Valuation of Infusion

We have made enquires of Management in relation to the proposed transition arrangements with Arcomed and understand that they are expected to be finalised in the relatively near term. As part of the transition arrangements, it is expected that the current contracts with Royal Adelaide Hospital and Whanganui Hospital will be transferred across to Arcomed.

Management expect the transition arrangements with Arcomed will be largely finalised in the weeks following this Report and that there will be minimal ongoing cash flow impacts.

In our view, for the purpose of the analysis set out in this Report, it is appropriate to adopt a nominal value for the Infusion business. Given our nominal value, we have not attributed any value to the Infusion business in this Report, outside of the values recorded for the of the Infusion business unit remaining of Admedus' balance sheet.

10.0 Valuation of Immunotherapies Business Unit

10.1 Summary of the Current State of Affairs of the Immunotherapies Business Unit

As at the date of this Report, the Immunotherapies business is in liquidation.

As at 18 April 2019, P A Lucas & Co were appointed administrators of Admedus Vaccines Pty Ltd (the subsidiary representing Admedus' immunotherapies business unit). The appointment followed the termination of a proposed transaction regarding the business unit with Constellation Therapeutics Limited announced on 23 April 2019.

P A Lucas & Co recommended the subsidiary be placed in liquidation on 24 April 2019, which was subsequently approved by shareholders on 4 June 2019.

As at 3 September 2019, P A Lucas & Co (acting as liquidators) advise:

- Total amount outstanding to creditors of $716,886 (unsecured creditors $604,927);
- Estimated realisable value (excluding recovery actions) of $587,704;
- A dividend is expected to be declared to unsecured creditors prior to the company being wound up of greater than nil but less than $0.11 per amount owed to unsecured creditors.

As part of the liquidation process, P A Lucas & Co was able to execute a business sale agreement ('BSA') with Jingang Medicine (Australia) Pty Ltd ('Jingang Medicine') on 5 July 2019. As part of the BSA, the assets of the subsidiary were sold for:

- $300,000; plus
- An indemnity for any shortfall for trading liabilities and patents costs (approximately $60,000 at time of execution and continuing to accrue); plus
- Jingang Medicine to cover all outstanding employee entitlements regarding the two employees of Admedus Vaccines Pty Ltd whose employment agreements were to be transferred to Jingang Medicine (including leave entitlements). As the employment agreements were transferred, Admedus Vaccines Pty Ltd avoided termination and redundancy payouts for these two employees.

We note as at the date of the transaction with Jingang Medicine, Admedus Vaccines Pty Ltd recorded net assets of approximately $5.8 million, total assets of $6.3 million, and business and associated property of $6.1 million. Business and associated property largely represented capitalised research and development, and other intellectual property developed by Admedus Vaccines Pty Ltd.

We further note:

- Admedus Vaccines Pty Ltd is to be wound up post liquidation;
- P A Lucas & Co do not expect the full amount owed to creditors to be realised and repaid as a dividend;
- Admedus (as the parent entity) and its subsidiaries are not creditors to Admedus Vaccines Pty Ltd and, as such, are not eligible to receive a dividend as part of the wind up of Admedus Vaccines Pty Ltd.

10.2 Approaches to Valuing a Company in Liquidation

When a company is in liquidation, an open and unrestricted market for transacting in the company's securities does not exist. In these circumstances, the fair value of the company's securities is often determined having regard to other factors, including the expected return to the company's security holders from the liquidation process. There is usually no value to security holders of a company in liquidation, as by definition a company in liquidation is insolvent and is unable to pay its debts in full and consequently there is no equity for the security holders.

Liquidators appointed to a company prepare reports for distribution to the company's creditors. These reports provide information on the company's recoverable value, known and admitted creditor claims, liquidation fees, and likely dividends to creditors and shareholders (in the case of a surplus recoverable amount). The company's liquidator has a statutory obligation to report to creditors at certain times and lodge those reports with ASIC, making them publicly available. The liquidator must report to creditors and ASIC within ten days and then within three months of the liquidation date, when proofs of debts are being called and when a dividend is to be declared. The liquidator will make publicly available via lodgement with ASIC details of the liquidation date, the liquidators details, and will lodge reports completed by the directors; including, report on company activities and property ('ROCAP') and an annual report on the liquidation.

The estimated returns to the creditors and shareholders of a company in liquidation are often broad and are likely to differ from the final return that is ultimately realised for reasons which include the following:

- Uncertainty in relation to the value that will be realised from the sale of company assets, including whether an acquirer can be found and the timeframe it takes to find an acquirer;
- Uncertainty relating to potential recoveries from voidable transactions that a liquidator may pursue (e.g. uncommercial transactions and unfair preference claims);

- Uncertainty in relation to the total sum of claims against the company for moneys owing to creditors. Creditor claims often include accruals of outstanding interest charges. Liquidators may need to obtain relevant legal advice to conclude on the final amounts owing to company creditors;
- Uncertainty in relation to whether any other material matters may eventuate during the liquidation process that are not known by the liquidator at the time of preparing their estimates; and
- Uncertainty of final liquidator's fees. Liquidator's fees are paid prior to any return being provided to company creditors. Until the liquidation process is reasonably well advanced, the estimate of liquidation expenses is likely to be broad.

Notwithstanding the above difficulties, the information contained in the reports prepared by administrators/liquidators provide useful information on the value that may be realised from the liquidation process to shareholders as at the date of this Report.

10.3 Valuation of the Immunotherapies Business Unit

For the purposes of this Report, we consider it appropriate to determine the fair value of Admedus' interest in the Immunotherapies business by having regard to the expected return to Admedus from the liquidation process.

To estimate the return to Admedus from the liquidation of the Immunotherapies business, we have primarily referred to reports prepared P A Lucas & Co, as administrator and liquidator of Admedus Vaccines Pty Ltd.

We note:

- Admedus and its subsidiaries are not creditors to Admedus Vaccines Pty Ltd;
- P A Lucas & Co estimate a shortfall in the recoverable amount to unsecured creditors between nil and $0.11 per dollar outstanding (total outstanding amounts to unsecured creditors of $604,927); and
- P A Lucas & Co do not estimate any recoverable surplus amounts that may be distributed to Admedus as part of the liquidation and wind up of Admedus Vaccines Pty Ltd.

Having regard to the above, it is our view that the fair value of the immunotherapies business unit attributable to shareholders of Admedus is nil.

Appendix A: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with:

- Control over the strategic direction of the company;
- Control over the operating and financial decisions of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, a range of factors may affect control premiums, including:

- Specific acquirer premium and/or special value that may be applicable to the acquirer;
- Concentration of ownership in the target company already held by the acquirer;
- Market speculation about any impending transactions involving the target and/or the target sector;
- The presence of competing bids; and
- General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to Admedus for the purposes of this Report, we have considered:

- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice and our experience.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Proposed Conversion within the context of this Report. This implies a minority interest discount in the range of 16.7% to 28.6%, calculated as the inverse of the control premium[13].

[13] Minority interest discount = 1 – (1 / (1 + control premium))

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Admedus Ltd
ABN 35 088 221 078

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+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

AHZ

MR SAM SAMPLE
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123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (AEST) Monday 24 February 2020.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative
If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Appointment of Corporate Representative” prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form: XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark X to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Admedus Ltd hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Admedus Ltd to be held at Jones Day, Level 31, Riverside Centre, 123 Eagle St Brisbane, Queensland on Wednesday, 26 February 2020 at 10:00am (AEST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 3, 4 and 5 (except where I/we have indicated a different voting intention in step 2) even though Items 3, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 3, 4 and 5 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Consolidation of Securities			
2	Approval to issue Shares to Sio Partners, LP			
3	Approval to issue Options to Mr Wayne Paterson			
4	Approval to issue Options to Mr John Seaberg			
5	Approval to issue Options to Mr Stephen Denaro			

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

A H Z 1 2 3 4 5 6 A

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