Appendix 4E (Rule 4.3a)

Name of entity

Admedus Ltd

ABN

35 088 221 078

Financial year ended ("current period")

31 December 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(Comparisons to the prior corresponding period refer to the 12 months ended 31 December 2018)

	12 months to 31 December 2019 $'000	12 months to 31 December 2018 $'000	Change $'000	Change %
Revenues from ordinary activities	17,075	25,601	(8,526)	(33%)
Loss from ordinary activities after tax	(6,181)	(24,699)	18,518	75%
Loss for the period attributable to members	(5,820)	(24,217)	18,397	76%

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

	31 December 2019	**31 December 2018**
Net Tangible Asset Backing	2.1 cents	2.7 cents

Refer to the Directors' report for a review of operations.

Entities over which control has been gained or lost during the period

The subsidiary company Admedus Vaccines Pty Limited was placed into administration on 23 April 2019 and the Group subsequently lost control of the subsidiary. The contribution of Admedus Vaccines Pty Limited to the Group was a loss for the period of $2,920,634 (2018: loss of $1,775,638) taking into account the impairment of intangible assets, partly offset by a gain on derecognition of assets and liabilities from the Group's balance sheet.

Annual General Meeting

The Annual General Meeting is proposed to be held in Brisbane on 15 May 2020.

Audit

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

ADMEDUS LTD

ABN 35 088 221 078

FINANCIAL REPORT
31 DECEMBER 2019

CORPORATE DIRECTORY

Directors

John Seaberg	- Chairman
Wayne Paterson	- Chief Executive Officer and Managing Director
Stephen Denaro	- Non-Executive Director
Dr Wenyi Gu	- Non-Executive Director
Dr Yanheng Wu	- Non-Executive Director

Lishan Zhang was a director from the beginning of the financial year until her resignation on 30 May 2019.

Company Secretary

Stephen Denaro

Company and Registered Office

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

Auditors

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

Solicitors

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

Bankers

ANZ
77 St Georges Terrace
Perth, Western Australia 6000

Share Registry

Computershare Investor Services Pty Limited
Level 1, 200 Mary Street
Brisbane, Queensland 4000

T: 1300 850 505 (within Australia)
T: +61 3 9415 4000 (outside Australia)
F: 1800 783 447 (within Australia)
F: +61 3 9473 2555 (outside Australia)

Securities Exchange Listing

ASX code: AHZ (ordinary shares)

CONTENTS

DIRECTORS' REPORT

Your Directors present their report on Admedus Limited ("the Company") and the consolidated entity (referred to hereafter as the Group) for the period ended 31 December 2019.

DIRECTORS

The Directors of the Company in office during the period ended 31 December 2019 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

- John Seaberg
- Wayne Paterson
- Stephen Denaro
- Dr Wenyi Gu
- Dr Yanheng Wu
- Lishan Zhang (resigned 30 May 2019)

PRINCIPAL ACTIVITIES

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

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

As part of the Company's planned strategy, during the year the Group divested part of the infusion solutions business and sold the distribution rights to the CardioCel® and VascuCel® product range.

In addition the immunotherapies business was placed into administration then liquidation. Further information in relation to these transactions are included in the Operating and Financial Review.

OPERATING RESULT

The operating result for the period was as follows:

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
Revenue	**17,075,383**	25,601,097
Loss for the period	**(6,181,382)**	(24,698,678)

DIVIDENDS

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

SHARE CAPITAL

590,842,803 ordinary shares, 237,050,764 listed options, 12,216,436 unlisted options and 10,568,799 unlisted warrants were on issue as at 31 December 2019.

OPERATING AND FINANCIAL REVIEW

Group Overview

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.

Admedus executed on its strategy to create a singularly focused company operating in the structural heart area. In May 2019, Admedus divested part of its Infusion business to BTC Speciality Health Pty Ltd for $6.3M. In October 2019, the Company announced the sale of its CardioCel® and VascuCel® patch business to US based LeMaitre Vascular Inc. realising the value from these products and positioning itself for the next phase of growth.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Review of Operations

Revenues from ordinary activities for the year ended 31 December 2019 were $17,075,383 (2018: $25,601,097). The overall change was driven by the part divestment of the Infusion business in May 2019 and the sale of the distribution rights of the CardioCel® and VascuCel® product range in October 2019.

ADAPT® revenues were $10,205,310 for 2019 compared to $11,068,761 for 2018. This change principally reflects the sale of the distribution rights of CardioCel® and VascuCel® to LeMaitre Vascular Inc. in October 2019 and compares 10 months of sales in 2019 versus 12 months for 2018. Prior to the completion of this transaction, there was continued growth in ADAPT® sales as well as higher contract manufacturing sales under the 4C Technology Partnership Agreement. This performance was achieved despite a reduction in the North American sales force over the prior corresponding period.

The Infusion business delivered sales of $6,870,073 for 2019 compared to $14,532,336 for 2018. The change reflects the part divestment of the Infusion business in May 2019 and the conclusion of the Group's relationship with GO Medical Industries Pty Ltd in June 2018.

Gross profit for the Group for the year was $8,302,812 (2018: $12,438,499) representing a gross margin of 49% (2018: 49%).

Selling, general and administrative expenses were $32,393,425 for the year ended 31 December 2019 (2018: $34,291,462), primarily driven by lower employee costs as well as travel and conference costs associated with the significant reduction in global headcount partially offset by an increase in marketing costs.

The loss for the Group after providing for income tax for the 2019 year was $6,181,382 (2018: $24,698,678) and included gains from the sale of the CardioCel® and VascuCel® distribution rights plus the part divestment of the Infusion business. During the year the Company continued its focus on executing strategic initiatives to drive the business on a more sustainable path.

- *Sale of CardioCel® and VascuCel® distribution rights*

On 14 October 2019, Admedus announced to the ASX that it had sold the distribution rights for its CardioCel® and VascuCel® product range to LeMaitre Vascular Inc. The Group received a cash upfront payment of $21.2M, plus two instalments of $1.0M each which will be received after 12 months and 36 months from the transaction date. Additional earn-out payments are subject to achievement of certain milestones. Admedus will continue to manufacture the CardioCel® and VascuCel® products for up to three years with a 20% margin above cost while retaining the entire intellectual property portfolio for ADAPT®. The gain on sale of $20,287,867 reflects the proceeds less the net assets transferred to LeMaitre Vascular Inc. which primarily included inventory.

- *Infusion part divestment*

On 13 May 2019, the Group announced to the ASX that it had entered into an agreement to sell part of its Infusion business to BTC Speciality Health Pty Ltd, a wholly owned subsidiary of BTC Health Limited (ASX: BTC) for $6,300,000. The sale was completed on 31 May 2019. The gain on sale of $4,626,403 reflects the proceeds less the net assets and liabilities transferred to BTC. Assets and liabilities transferred included inventory, IT equipment and employee entitlements.

- *Deconsolidation of Admedus Vaccines*

Following the termination of the share sale agreement for Admedus Vaccines in April 2019, and with no other immediate source of funding available for ongoing operations, and the Board's ongoing view that the technology was dated and not commercially viable, the Admedus Vaccines Pty Limited board of directors appointed an administrator pursuant to section 436A of the Corporations Act 2001. Admedus Vaccines was subsequently placed into liquidation in June 2019. Admedus Ltd is deemed to have lost control of Admedus Vaccines at the time the administrator was appointed, and consequently it was deconsolidated. The Admedus Vaccines intangibles were impaired (profit and loss impact of $3,442,134) and the remaining assets and liabilities derecognised from the Group's balance sheet.

Financial Position

The closing cash position for the year was $8,968,389 plus a further $7,136,740 is held on term deposit (disclosed in trade receivables and other financial assets) giving a total cash balance of $16,105,129. This compares to a closing cash balance of $12,036,301 at 31 December 2018.

In May 2019, the Company entered into a $1,000,000 facility agreement with Sio Partners, LP (Sio) to fund general working capital and operational costs. The loan is for an 18-month term and forms part of the Company's overall recapitalisation plan. The outstanding balance may be converted to ordinary shares in the Company if shareholder approval is obtained. This was considered by shareholders on 26 February 2020. Refer events since the end of the financial period.

Net working capital (current assets less current liabilities) decreased by $869,332 during the year and includes the additional borrowing discussed above and a decline in inventory reflecting the divestment of part of the Infusion business and CardioCel® and VascuCel® products.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Cash Flow

The net cash outflow during the period was $3,067,912 reflecting:

- Net operating cash outflows of $22,867,298 including $3,315,324 for research and development programmes, largely related to the TAVR project.
- Net investing cash inflows of $20,573,015 primarily reflecting proceeds received from the part divestment of the Infusion business and the sale of distribution rights for the CardioCel® and VascuCel® product range partly offset by the transfer of cash and cash equivalents into term deposits (disclosed in trade receivables and other financial assets).
- Net financing cash inflows of $8,735 reflecting proceeds from new borrowings offset by share transaction costs relating to the 2018 rights issue and payment of lease liabilities.

Material Business Risks

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

Commercial risk

As part of the agreement of the sale of the distribution rights of ADAPT®'s product portfolio, the Group has retained the manufacturing rights of those products for up to three years and will continue to manufacture at its Malaga facility for LeMaitre Vascular Inc. and receive a 20% margin over production costs. Therefore, there remains a commercial risk that end customers will not use the CardioCel® and VascuCel® products and impact the Group's profitability. However, this agreement has resulted in a reduced commercial risk for Admedus given LeMaitre Vascular Inc. has placed an initial order for 12,500 units which exceeds Admedus' sales over the prior 12 months. They will also now be responsible for building market penetration and customer awareness for these product lines.

Based on its scientifically and commercially validated ADAPT® platform, Admedus has numerous ongoing Research and Development (R&D) projects as well as product innovations led by the TAVR programme in multibillion dollar markets.

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

Clinical trial risk

The development of innovative products in the biomedical and healthcare industries will always have an element of risk associated with it. Admedus continues to develop products from its ADAPT® platform technology (including its key focus on the TAVR programme). With these ongoing activities there is an inherent risk associated with clinical studies and R&D and it is subject to many factors beyond the Company's control. The Company monitors the progress of these studies and aims to manage these risks.

Competition

Admedus actively monitors its markets and the activities of potential competing products. Admedus believes that its platform technologies and products have clear advantages over other technologies and products and continues to undertake activities to further illustrate and explore these advantages and benefits.

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

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

Financial performance

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

OPERATING AND FINANCIAL REVIEW (continued)

Intellectual property

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

Staff

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

Likely Developments

Outlook

During 2019 the Company continued with the delivery of several key initiatives and increased investment in long-term strategic projects. We look forward to leveraging these developments and building on this momentum.

In 2020 we are committed to:

- Concluding partnership deals for supply of ADAPT® tissue
- Concluding partnership deals for TAVR development
- Continued product innovation led by the TAVR programme and other large market opportunities that are at varying stages of design development, regulatory clearance and user evaluation.
- Continuous improvement of our manufacturing operation to improve efficiency, reduce costs and maximise margins and yields.

Business Strategies

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

- Actively seeking co-development partners for our TAVR device, ideally with global cardiac device companies.
- Technology enablement programs to enable and equip management with timely, accurate and insightful information.
- Continue to develop the patient-centric narrative around the ADAPT® proprietary technology message and its advantages for patients and surgeons.
- Apply a disciplined approach to expenditure relative to its operational performance.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

On 26 February 2020 the Company held an Extraordinary General Meeting at which shareholders passed a resolution for the consolidation of every 100 securities into one new security. Further resolutions were passed for the approval to issue 35.0 million Share Options to Wayne Paterson, 6.0 million Share Options to John Seaberg and 2.5 million Share Options to Steve Denaro. These awards are exercisable at 11.2 cents per Share (on a pre-consolidation basis) and are subject to the achievement of performance hurdles and will only vest on the completion of at least 12, 18 and 24 months service and corresponding increases in the Company's share price to 16.8 cents, 22.4 cents and 33.6 cents respectively. If share price hurdles have not been achieved within at least 36 months, the Board of Directors can exercise discretion to extend this for an additional period of up to 12 months. Shareholders did not approve the resolution to issue 61,969,857 new shares at an issue price of $0.02 per share to Sio Partners in consideration for the repayment of the loan.

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

ENVIRONMENTAL REGULATIONS

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

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

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

INFORMATION ON DIRECTORS

The name of the Directors holding office during the period ended 31 December 2019 are set out below, together with details of Directors' experience, qualifications, special responsibilities and other listed company directorships during the past three financial years.

Mr Wayne Paterson - Executive Director - Chief Executive Officer		
Experience and expertise	Mr Paterson has been a Director of Admedus since 10 October 2014. Mr Paterson has held numerous senior positions in multi-national pharmaceutical companies and has lived in seven countries during the past 25 years. Throughout his career, he has been responsible for building and managing multi-billion dollar businesses throughout the world, including mergers, integrations, acquisitions and major restructures as President and CEO. From 2005 to 2013 Mr Paterson held senior positions at Merck Kgaa, most recently as President of Europe, Canada and Australia. Prior to this, Mr Paterson was President of Emerging Markets, President of Japan and Global Head of Cardiovascular Medicine. Between 1999 and 2005, Mr Paterson served at Roche Pharmaceuticals where he was most recently Head of Pharmaceuticals in Roche's South Korean operation. He also served as Head of Commercial Operations for Roche China based in Shanghai. Mr Paterson is an Australian national and resides in Minneapolis, Minnesota, United States of America.	
Qualifications	MBA, University of Southern Queensland and Business Studies from the Queensland University of Technology.	
Listed Company Directorships in last three years	Cepheid Inc (NASDAQ:CHPD) from April 2015 to November 2016.	
Special responsibilities	Chief Executive Officer	
Interests in shares and options	Ordinary shares in Admedus Ltd	916,667
	Unlisted options over ordinary shares in Admedus Ltd	4,724,461
	Listed options over ordinary shares in Admedus Ltd	700,000

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

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

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

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

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

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Ms Lishan Zhang - Non-Executive Director (Resigned as Director 30 May 2019)	
Experience and expertise	Ms Zhang was appointed to the Board of Directors as Nominee Non-Executive Director of Star Bright Holding Ltd on 12 December 2018. Lishan Zhang is a successful businessperson and entrepreneur and has extensive executive experience across strategy, development and financial oversight. She currently serves as the Chair of Constellation International Group Holdings Ltd. and as Vice-Chair of Guangzhou Hearty-Care Biotechnology Ltd. Constellation International Group Holdings Ltd. is a medical technology holding company that focusses on several areas, including vaccines technology, biological immunotherapy, nanotechnology, biomedical materials and minimally invasive tumour treatments. Ms Zhang's business interests are primarily global asset and equity investments. She is also the owner of Star Bright, a Hong Kong based private investment company with interests in the medical and healthcare industry, and a mission to support the long-term development of global medical care to help patients in need. Ms Zhang is a resident of Hong Kong.
Listed Company Directorships in last three years	None.
Interests in shares and options	Direct interests: Nil. Indirect interests: Refer to section J of the Remuneration Report.

COMPANY SECRETARY

Mr Stephen Denaro was appointed as Company Secretary on 31 October 2018. Mr Denaro combines the company secretarial duties with his role as Non-Executive Director. Mr Denaro is a Chartered Accountant and Registered Tax Agent with more than 30 years of senior level and Board level experience across publicly-listed companies; serving as Chief Financial Officer, Company Secretary and Director. He brings a depth of experience in managing compliance with finance and accounting regulatory requirements.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the period ended 31 December 2019 is set out below. The first column represents the number of meetings attended by each Director whilst in office:

Directors[1]	**Board of Directors**	**Audit and Risk Management Committee**	**Remuneration Committee**
Mr Wayne Paterson	14/14	n/a	n/a
Mr John Seaberg	14/14	3/3	3/3
Mr Stephen Denaro	14/14	3/3	3/3
Dr Wenyi Gu	11/14	2/3	3/3
Dr Yanheng Wu	1/14	n/a	n/a
Ms Lishan Zhang	1/7	n/a	n/a

[1] Excludes circular resolutions.

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

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

REMUNERATION REPORT (Audited)

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

A Introduction

B Key Management Personnel

C Principles Used to Determine the Nature and Amount of Remuneration

D Remuneration Governance

E Use of Remuneration Consultants

F Service Agreements

G Details of Remuneration

H Share-based Compensation

I Additional Information

J Additional Disclosures Relating to Key Management Personnel

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

A Introduction

The Company has continued to review and refine our remuneration framework and associated practices following previous feedback from stakeholders. In late 2019 the Remuneration Committee engaged a remuneration consultant to benchmark director and executive remuneration. A report outlining the consultant's recommendations was received in early 2020 which will be used to update our director and executive remuneration framework.

B Key Management Personnel

For the purposes of this report personnel deemed Key Management Personnel (KMP) at any time during the period to 31 December 2019 are:

Board of Directors

Non-Executive Directors
Mr John Seaberg
Mr Stephen Denaro
Dr Wenyi Gu
Dr Yanheng Wu
Ms Lishan Zhang (until 30 May 2019)

Executive Directors
Mr Wayne Paterson

Other KMP

Dr Kiran Bhirangi - Chief Medical Officer
Mr Matthew McDonnell - Chief Financial Officer
Mr David St Denis - Chief Operating Officer
Ms Martha Engel – General Counsel (from 19 March 2019)
Ms Angela Frisinger – Global Head of Human Resources (from 1 April 2019 until 21 November 2019)

C Principles Used to Determine the Nature and Amount of Remuneration

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

REMUNERATION REPORT (continued)

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

The Company embodies the following principles in its remuneration framework:

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

In accordance with best practice corporate governance, the structure of Non-Executive and Executive remuneration is separate and distinct. Remuneration Committee responsibilities were carried out during the year ended 31 December 2019 by John Seaberg, Stephen Denaro and Wenyi Gu.

Non-Executive Director Remuneration Policy

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

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

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

- primary benefits – monthly director's fees including superannuation in the case of Australian-based directors only.
- equity – share options under the Admedus Employee Incentive Plan (as approved by shareholders at the 2017 Annual General Meeting. This superseded the 2015 Employee Incentive Plan which was approved by shareholders at the 2015 Annual General Meeting).

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

No retirement benefits are provided other than compulsory superannuation.

A revision of the option plans for the Chief Executive Officer, the Chairman and the Company Secretary was approved at the Extraordinary General Meeting (EGM) on 26 February 2020.

Executive Remuneration Policy

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

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

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

External remuneration information provides benchmark information to assess the remuneration of comparable roles. Base fees are reviewed annually to ensure the level is competitive with the market. There is no guaranteed salary increase included in any contracts.

There are no performance conditions on options issued to directors and employees under the 2015 and 2017 Plans other than remaining under the employment of the Group until the vesting date, generally over a three-year period.

REMUNERATION REPORT (continued)

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

Consolidated Entity Performance and Link to Remuneration

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

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

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

			At risk	
		Fixed remuneration	Short term incentive	Long term incentive
Chief Executive Officer	Wayne Paterson	50%	30%	20%
Chief Operating Officer	David St Denis	67%	33%	N/A[1]
Chief Medical Officer	Kiran Bhirangi	71%	29%	N/A[1]
Chief Financial Officer	Matthew McDonnell	71%	29%	N/A[1]
General Counsel	Martha Engel	71%	29%	N/A[1]
Global Head of Human Resources	Angela Frisinger	83%	17%	N/A[1]

1) Apart from Wayne Paterson, other KMPs service contracts do not specify a target long-term incentive percentage for the current financial year. Their entitlement to long-term incentives are subject to an annual review of Company performance and key performance criteria.

The Board has discretion to adjust targets to take into account acquisition or divestment or other significant items during a year where appropriate for linking remuneration reward to corporate performance.

D Remuneration Governance

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

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

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

E Use of Remuneration Consultants

The Company's objective is to ensure that remuneration policies are fair and competitive and aligned with the long-term interests of the Company. In 2019 the Remuneration Committee engaged Egan Associates Pty Limited, a remuneration consultant to benchmark director and executive remuneration, including wages, fees and equity as well as provide advice on reward strategies at a cost of $46,830 (excluding GST).

The Company continues to review and refine the remuneration framework, to align with strategic imperatives and the expectation of broader stakeholders.

REMUNERATION REPORT (continued)

F Service Agreements

Non-Executive Directors

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

Directors fees cover all board activities including membership of any board committees. The base fee for the Chairperson is US$140,000. Base fees for other directors is $110,000. Two directors, Ms Lishan Zhang (until resignation on 30 May 2019) and Dr Yanheng Wu elected not to receive directors' fees.

Executives

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

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

CEO and Managing Director – Wayne Paterson

- Base salary of US$624,750.
- 401k pension employer contribution of 3%.
- Short term incentive opportunity at target of 60% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- Long term incentive opportunity at target of 40% of base salary. 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 tenure. Options are exercisable at 11.2 cents and will vest in three tranches following the completion of at least 12, 18 and 24 months service with an increase in the closing share price to 16.8 cents, 22.4 cents and 33.6 cents respectively. If 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.
- Health Insurance.
- There is no fixed term for this agreement. There is a notice period of 3 months by either party plus nine months base salary after separation if terminated by the Company.

Chief Operating Officer – David St Denis

- Base salary of US$396,000.
- 401k pension employer contribution of 3%.
- Short term incentive opportunity at target of 50% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- 400,000 sign-on share options (2017 issuance, vesting over 3 years).
- In 2018 542,885 options were awarded under the long-term incentive programme which vest over 3 years.
- Health Insurance.
- There is no fixed term for this agreement. There is a notice period of 12 months by either party.

Chief Medical Officer – Kiran Bhirangi

- Base salary of US$325,000.
- 401k pension employer contribution of 3%.
- Short term incentive opportunity at target of 40% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- 200,000 sign-on share options (2019 issuance, vesting over 3 years).
- Health Insurance.
- There is no fixed term for this agreement. There is a notice period of 1 month by either party.

Chief Financial Officer – Matthew McDonnell

- Base salary of A$360,000, including superannuation.
- Short term incentive opportunity at target of 40% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- 200,000 sign-on share options (2019 issuance, vesting over 3 years).
- There is no fixed term for this agreement. There is a notice period of 3 months by either party.

REMUNERATION REPORT (continued)

F Service Agreements (continued)

General Counsel - Martha Engel

- Base salary of US$175,000 (30 hour week).
- Short term incentive opportunity at target of 40% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- 401k pension employer contribution of 3%.
- 150,000 sign-on share options (2019 issuance, vesting over 3 years).
- Health Insurance.
- There is no fixed term for this agreement. There is a notice period of 1 month by either party.

Global Head of Human Resources - Angela Frisinger (resigned 21 November 2019)

- Base salary of US$170,000.
- Short term incentive opportunity at target of 20% of base salary. This target is based on financial performance against budgeted revenue and costs targets, an EBITDA target and a capital raising target.
- 401k pension employer contribution of 3%.
- 150,000 sign-on options (2018 and 2019 issuance, vesting over 3 years).
- Health Insurance.
- There was no fixed term for this agreement. There was a notice period of 1 month by either party.

G Details of Remuneration

Short term incentives – 2019

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

	31 DECEMBER 2019	
Name	**Awarded (ii) %**	**Forfeited %**
Wayne Paterson	100%	0%
Kiran Bhirangi	80%	20%
Matthew McDonnell	100%	0%
David St Denis	80%	20%
Martha Engel	100%	0%
Angela Frisinger(iii)	N/A	N/A

(i) Budgeted revenue, EBITDA, capital position, transformation plan and strategic plan are the performance targets when setting short-term incentives
(ii) The percent achieved is based on the maximum short-term incentive for each executive and includes stretch targets
(iii) Ms Frisinger joined Admedus in 2018 and was promoted to the Executive Management Board on 1 April 2019 and prior to this was not considered to be Key Management Personnel. Ms Frisinger left Admedus on 21 November 2019 and was not entitled to a short-term incentive for the year ended 31 December 2019.

The percentages set out above exclude short-term bonuses awarded to Wayne Paterson, Matthew McDonnell, David St Denis, Martha Engel and Angela Frisinger to take into account the achievement of specific corporate capital management milestones and strategic objectives achieved during the year.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

G Details of Remuneration (continued)

Details of the remuneration of the Directors and other Key Management Personnel of the Group is set out below.

	Short-term benefits					Post-employment benefits	Share based benefits	Total	Percentage remuneration consisting of shares/options	Performance related
12 months to 31 December 2019	**Directors fees $**	**Salary[1] $**	**Bonus[2,9,10] $**	**Non-monetary benefits $**	**Leave[3] $**	**Super-annuation $**	**Equity shares/options[8] $**	**$**	**%**	**%**
Non-Executive Director [4]										
J. Seaberg	201,323	-	-	-	-	-	-	201,323	-	-
S. Denaro	100,000	50,000	-	-	-	10,000	-	160,000	-	-
W. Gu	100,000	-	-	-	-	10,000	-	110,000	-	-
Y. Wu	-	-	-	-	-	-	-	-	-	-
L. Zhang[5]	-	-	-	-	-	-	-	-	-	-
Executive Directors										
W. Paterson	-	898,404	711,605	35,069	505	13,145	242,369	1,901,097	13%	37%
Total directors' compensation (Group)	401,323	948,404	711,605	35,069	505	33,145	242,369	2,372,420		
Other Key Management Personnel										
K. Bhirangi	-	467,357	149,554	28,870	33,115	12,079	2,988	693,963	<1%	22%
M. McDonnell	-	327,273	254,000	735	11,592	32,727	3,301	629,628	<1%	40%
D. St Denis	-	569,456	270,923	32,011	320	12,079	59,635	944,424	6%	29%
M. Engel[6]	-	198,419	187,278	7,459	-	7,881	1,479	402,516	<1%	47%
A. Frisinger[7]	-	163,603	71,901	15,544	(6,546)	7,462	1,061	253,025	<1%	28%
Total key management personnel compensation (Group)	-	1,726,108	933,656	84,619	38,481	72,228	68,464	2,923,556		
TOTAL	**401,323**	**2,674,512**	**1,645,261**	**119,688**	**38,986**	**105,373**	**310,833**	**5,295,976**		

(1) Remuneration contracts are denominated in USD for the following KMP based in the USA/Europe:
- W. Paterson (base salary USD 624,750)
- D. St Denis (base salary USD 396,000)
- K. Bhirangi (base salary USD 325,000)
- M. Engel (base salary USD 175,000, 30 hour week)
- A. Frisinger (base salary USD 170,000)

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

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

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

(5) L. Zhang resigned as Non-Executive Director on 30 May 2019.

(6) M. Engel was appointed as General Counsel on 19 March 2019.

(7) A. Frisinger was appointed Global Head of Human Resources on 1 April 2019 and resigned as Global Head of Human Resources on 21 November 2019. The amounts in the table above represent the period she was part of the Key Management Personnel.

(8) Includes contractual sign-on options.

(9) Includes discretionary bonuses linked to the achievement of Strategic objectives.

(10) Includes post-employment benefits associated with bonus payments.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

G Details of Remuneration (continued)

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

(1) Remuneration contracts are denominated in USD for the following KMP based in the USA/Europe:
W. Paterson (base salary USD 624,750)
D. St Denis (base salary USD 396,000)
K. Bhirangi (base salary USD 325,000)

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

H Share-based Compensation

Fair Value of Options Granted

The fair value at grant date is determined using a Black-Scholes option pricing model that considers the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted to key management personnel (as noted at the bottom of this page) during the period ended 31 December 2019 included:

	Tranche O	Tranche P	Tranche Q	Tranche R
Exercise price:	$0.04	$0.06	$0.07	$0.07
Grant date:	28-Feb-19	14-May-19	14-Jun-19	30-Aug-19
Expiry date:	3-Jan-29	15-May-29	12-Jul-29	1-Sep-29
Share price at grant date:	$0.03	$0.068	$0.068	$0.068
Expected price volatility of the Company's shares:	85%	85%	85%	85%
Risk-free interest rate:	1.97%	2.10%	1.27%	0.71%
Fair value at grant date:	$0.02	$0.05	$0.05	$0.05

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

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

Options

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

Grant date	Expiry date	Exercise price $	Balance at start of the period	Balance when joining as KMP	Granted during the period	Ceased as KMP	Balance at end of the period	Fair Value at grant date per option $
10/12/2015	10/12/2020	1.39	200,000	-	-	-	200,000	0.52
22/09/2017	22/09/2022	0.26	400,000	-	-	-	400,000	0.15
08/06/2018	31/12/2027	0.37	1,978,515	100,000(1)	-	(100,000)(2)	1,978,515	0.17
18/12/2018	18/12/2021	0.08	1,400,000(3)	-	-	-	1,400,000	-
28/02/2019	03/01/2029	0.036	-	-	50,000(4)	(50,000)(2)	-	0.02
14/05/2019	15/05/2029	0.059	-	-	3,188,831(5)	-	3,188,831	0.05
14/06/2019	12/07/2029	0.068	-	-	400,000(6)	-	400,000	0.05
30/08/2019	01/09/2029	0.068	-	-	150,000(7)	-	150,000	0.05
Total			**3,978,515**	**100,000**	**3,788,831**	**(150,000)**	**7,717,346**	

(1) A Frisinger was appointed to a new role as Global Head of Human Resources on 1 April 2019 at which point she was considered to be KMP.
(2) A. Frisinger ceased to be KMP on resignation as Global Head of Human Resources on 21 November 2019.
(3) J. Seaberg and W. Paterson participated in the rights issue on 18 December 2018 and both Directors hold 700,000 listed options with an exercise price of $0.08 and an expiry date of 18 December 2021. These options were purchased by J Seaberg and W Paterson and were not granted as compensation.
(4) Options granted to A. Frisinger as compensation under Tranche O of the Employee Incentive Plan.
(5) Options granted to W. Paterson at 2019 AGM as compensation under Tranche P of the Employee Incentive Plan for the 2018 calendar year.
(6) Options granted to K. Bhirangi (200,000) and M. McDonnell (200,000) as sign-on options under Tranche Q of the Employee Incentive Plan.
(7) Options granted to M. Engel as compensation under Tranche R of the Employee Incentive Plan.

DIRECTORS’ REPORT (continued)

REMUNERATION REPORT (continued)

H Share-based Compensation (continued)

Option holdings

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

Option holder	Balance at the start of the period	Granted as compensation	Commenced as KMP	Other net changes	Ceased as KMP	Expired/ Exercised	Balance at the end of the period	Unvested	Vested and exercisable
1 January 2019 - 31 December 2019									
Directors of Admedus Ltd									
J. Seaberg	800,000	-	-	-	-	-	800,000	-	800,000
W. Paterson	2,235,630	3,188,831	-	-	-	-	5,424,461	2,604,430	2,820,031
S. Denaro	-	-	-	-	-	-	-	-	-
W. Gu	-	-	-	-	-	-	-	-	-
Y. Wu	-	-	-	-	-	-	-	-	-
L. Zhang	-	-	-	-	-	-	n/a	-	-
Other key management personnel of the Group									
K. Bhirangi	-	200,000	-	-	-	-	200,000	200,000	-
M. McDonnell	-	200,000	-	-	-	-	200,000	200,000	-
D. St Denis	942,885	-	-	-	-	-	942,885	495,256	447,629
M. Engel	-	150,000	-	-	-	-	150,000	150,000	-
A. Frisinger	-	50,000	100,000	-	(150,000)	-	n/a	-	-

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

I Additional Information

The earnings of the consolidated entity for the five and a half years to 31 December 2019 are summarised below:

	Financial year ending 31 December 2019 $	Financial year ending 31 December 2018 $	Six months to 31 December 2017 $	Financial year ending 30 June 2017 $	Financial year ending 30 June 2016 $	Financial year ending 30 June 2015 $
Sales revenue	17,075,383	25,601,097	11,305,079	22,324,145	14,150,521	10,133,460
SG&A*	(32,393,425)	(34,291,462)	(14,541,863)	(24,451,028)	(33,370,182)	(26,032,059)
EBITDA	(4,097,536)	(20,691,421)	(7,717,524)	(10,913,923)	(28,220,840)	(23,120,891)
Profit/(Loss) after tax	(6,181,382)	(24,698,678)	(8,828,576)	(12,676,211)	(25,130,409)	(26,799,970)

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

The factors that are considered to affect total shareholder return are summarised below:

	Financial year ending 31 December 2019 $	Financial year ending 31 December 2018 $	Six months to 31 December 2017 $	Financial year ending 30 June 2017 $	Financial year ending 30 June 2016 $	Financial year ending 30 June 2015 $
Share price at year/period end ($A)	0.10	0.06	0.30	0.27	0.33	0.70
Total dividends declared (cents per share)	-	-	-	-	-	-
	cents	**cents**	**cents**	**cents**	**cents**	**cents**
Basic loss per share (cents per share)	(0.99)	(7.93)	(3.39)	(4.83)	(12.58)	(16.48)

REMUNERATION REPORT (continued)

J Additional Disclosure Relating to Key Management Personnel

Shareholding

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

Ordinary shareholders	Balance at the start of the year	Received during the year on exercise of options	Other changes during year	Commenced / ceased as KMP during the year	Balance at the end of the year
1 January 2019 - 31 December 2019					
Directors of Admedus Ltd					
J. Seaberg	885,703	-	-	-	885,703
W. Paterson	916,667	-	-	-	916,667
S. Denaro	-	-	-	-	-
W. Gu	-	-	-	-	-
Y. Wu	-	-	-	-	-
L. Zhang	-	-	-	-	-
Other key management personnel of the Group					
K. Bhirangi	-	-	-	-	-
M. McDonnell	-	-	-	-	-
D. St Denis	-	-	-	-	-
M. Engel	-	-	-	-	-
A. Frisinger	-	-	-	-	-

Indirect interests

Name of holder	Nature of interest	Number of class and securities	Ordinary Shares	Quoted options*
Y. Wu	Indirect - entities controlled/ has an interest in	113,228,348 ordinary shares and 47,178,479 quoted options represented by:		
		Constellation Immunotherapy Limited	40,209,208	16,753,837
		Constellation Int'l (Group) Holdings Limited	73,019,140	30,424,642

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

Loans to Key Management Personnel

No loans have currently been provided to key management personnel.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

DIRECTORS' REPORT (continued)

SHARES UNDER OPTION/WARRANT

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

Date options granted	Expiry date	Exercise price of options/warrants $	Number under option/warrants
30/06/2015	30/06/2020	1.17	1,300,000
21/07/2015	21/07/2020	1.44	635,000
10/12/2015	10/12/2020	0.83	425,000
10/12/2015	10/12/2020	1.39	200,000
18/12/2015	18/12/2020	0.79	5,250,000
23/12/2015	23/12/2020	0.79	380,000
24/06/2016	24/06/2021	0.30	50,000
18/11/2016	18/11/2021	0.34	66,667
23/03/2017	23/03/2022	0.34	100,000
22/09/2017	22/09/2022	0.26	675,000
25/10/2017	26/10/2024	0.25	4,938,799
17/11/2017	15/12/2022	0.22	250,000
08/06/2018	31/12/2027	0.30	491,670
08/06/2018	31/12/2027	0.37	3,172,598
18/12/2018	18/12/2021	0.08	237,050,764*
28/02/2019	2/04/2028	0.036	100,000
28/02/2019	10/04/2028	0.036	100,000
28/02/2019	2/05/2028	0.036	33,334
28/02/2019	16/05/2028	0.036	150,000
28/02/2019	29/05/2028	0.036	100,000
28/02/2019	2/06/2028	0.036	125,000
28/02/2019	3/01/2029	0.036	66,668
14/05/2019	15/05/2029	0.059	3,188,831
14/06/2019	12/07/2029	0.068	686,668
30/08/2019	1/09/2029	0.068	300,000
Total			**259,835,999**

* On 18 December 2018, a renounceable rights issue of shares was undertaken at an issue price of $0.08 per share, with an attaching listed option for each share issued.

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

During the year ended 31 December 2019, 5,181,610 unlisted options were cancelled (31 December 2018: 4,371,922 options cancelled).

INSURANCE OF OFFICERS

During the period to 31 December 2019, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and any subsidiary against a liability incurred as a Director or Officer to the extent permitted by the *Corporations Act 2001*. Due to a confidentiality clause in the policy, the amount of the premium has not been disclosed.

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES

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

Other assurance services in relation to the transaction with LeMaitre Vascular of $9,000 were provided by the auditor (HLB Mann Judd) during the year ended 31 December 2019 (31 December 2018: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

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

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

John Seaberg
Chairman

Dated 28 February 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Admedus Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
28 February 2020

M R Ohm
Partner

hlb.com.au

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CORPORATE GOVERNANCE STATEMENT

The Board and management of Admedus Ltd are committed to achieving and demonstrating the highest standards of corporate governance. Admedus Ltd has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

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

CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

		CONSOLIDATED	
	Note	**12 MONTHS TO 31 DECEMBER 2019 $**	12 MONTHS TO 31 DECEMBER 2018 $
Revenue from continuing operations	3	**17,075,383**	25,601,097
Cost of sales		**(8,772,571)**	(13,162,598)
Gross profit		**8,302,812**	12,438,499
Other income	3	**25,490,296**	110,943
Foreign exchange gain	3	**-**	317,678
Employee benefits	4	**(20,583,366)**	(23,513,819)
Consultancy and legal fees		**(3,609,780)**	(2,985,980)
Travel and conference expenses		**(1,815,653)**	(2,504,491)
Research and development costs		**(3,315,324)**	(3,372,965)
Share-based payments	4	**(360,799)**	(8,957)
Depreciation and amortisation expense	4	**(1,616,448)**	(1,410,776)
Financing costs	4	**(533,058)**	(2,638,323)
Fair value movement of warrant		**(170,546)**	774,763
Write-down of inventory	7(a)	**(304,422)**	(188,799)
Impairment of property, plant & equipment	7(b)	**(1,036,515)**	-
Impairment of intangible assets	7(d)	**(3,442,134)**	-
Marketing and promotional expenses		**(1,471,495)**	(925,846)
Foreign exchange loss		**(782,364)**	-
Other expenses		**(932,586)**	(790,605)
Loss before income tax from continuing operations		**(6,181,382)**	(24,698,678)
Income tax (expense)/benefit	5	**-**	-
Loss after income tax for the year		**(6,181,382)**	(24,698,678)
Total loss is attributable to:			
Equity holders of Admedus Ltd		**(5,819,673)**	(24,217,169)
Non-controlling interest		**(361,709)**	(481,509)
		(6,181,382)	(24,698,678)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		**Cents**	Cents
Basic loss per share	11	**(0.99)**	(7.93)
Diluted loss per share	11	**n/a**	n/a

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**CONSOLIDATED**	
		12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
Loss for the year		**(6,181,382)**	(24,698,678)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(143,835)**	(469,115)
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss		**(6,325,217)**	(25,167,793)
Total comprehensive loss is attributable to:			
Equity holders of Admedus Ltd		**(5,963,508)**	(24,686,284)
Non-controlling interest		**(361,709)**	(481,509)
		(6,325,217)	(25,167,793)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	CONSOLIDATED 31 DECEMBER 2019 $	31 DECEMBER 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	6(a)	**8,968,389**	12,036,301
Trade receivables and other financial assets	6(b)	**9,801,933**	4,191,545
Inventories	7(a)	**1,812,485**	6,691,857
Total Current Assets		**20,582,807**	22,919,703
Non-Current Assets			
Property, plant & equipment	7(b)	**1,590,132**	3,474,732
Right-of-use assets	7(c)	**1,401,798**	-
Intangible assets	7(d)	**1,699,391**	5,465,674
Other receivables	6(b)	**729,681**	-
Total Non-Current Assets		**5,421,002**	8,940,406
TOTAL ASSETS		**26,003,809**	**31,860,109**
LIABILITIES			
Current Liabilities			
Trade and other payables	6(c)	**4,921,154**	6,782,664
Provisions	7(e)	**528,099**	1,586,998
Lease liabilities	7(f)	**340,204**	-
Deferred consideration	6(d)	**400,000**	400,000
Borrowings	6(e)	**1,112,641**	-
Total Current Liabilities		**7,302,098**	8,769,662
Non-Current Liabilities			
Lease liabilities	7(f)	**1,164,372**	-
Financial liability - warrant	6(f)	**1,003,425**	832,879
Provisions	7(e)	**602,691**	-
Deferred consideration	6(d)	**396,165**	778,409
Total Non-Current Liabilities		**3,166,653**	1,611,288
TOTAL LIABILITIES		**10,468,751**	10,380,950
NET ASSETS		**15,535,058**	21,479,159
EQUITY			
Contributed equity	9	**137,757,528**	137,737,211
Reserves	10	**(2,724,424)**	(2,941,388)
Accumulated losses		**(119,498,046)**	(113,678,373)
Capital and reserves attributable to equity holders of Admedus		**15,535,058**	21,117,450
Non-controlling interest	14	**-**	361,709
TOTAL EQUITY		**15,535,058**	21,479,159

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital $	Share-based payments reserve $	Other Reserves $	Foreign currency translation reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 January 2018	106,025,631	4,967,408	(7,243,027)	(205,611)	(89,461,204)	14,083,197	843,218	14,926,415
Loss for the year					(24,217,169)	(24,217,169)	(481,509)	(24,698,678)
Exchange translation differences	-	-	-	(469,115)	-	(469,115)	-	(469,115)
Total comprehensive loss	-	-	-	(469,115)	(24,217,169)	(24,686,284)	(481,509)	(25,167,793)
Transactions with owners in their capacity as owners								
Shares issued during the year	35,410,796	-	-	-	-	35,410,796	-	35,410,796
Capital raising costs	(3,699,216)	-	-	-	-	(3,699,216)	-	(3,699,216)
Options issued during the year	-	8,957	-	-	-	8,957	-	8,957
Balance at 31 December 2018	**137,737,211**	**4,976,365**	**(7,243,027)**	**(674,726)**	**(113,678,373)**	**21,117,450**	**361,709**	**21,479,159**
Loss for the year	-	-	-	**-**	**(5,819,673)**	**(5,819,673)**	**(361,709)**	**(6,181,382)**
Exchange translation differences	-	-	-	**(143,835)**	-	**(143,835)**	-	**(143,835)**
Total comprehensive loss	-	-	-	**(143,835)**	**(5,819,673)**	**(5,963,508)**	**(361,709)**	**(6,325,217)**
Transactions with owners in their capacity as owners								
Shares issued during the year	**61,337**	-	-	-	-	**61,337**	-	**61,337**
Capital raising costs	**(41,020)**	-	-	-	-	**(41,020)**	-	**(41,020)**
Options issued during the year	**-**	**360,799**	-	-	-	**360,799**	-	**360,799**
Balance at 31 December 2019	**137,757,528**	**5,337,164**	**(7,243,027)**	**(818,561)**	**(119,498,046)**	**15,535,058**	**-**	**15,535,058**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	CONSOLIDATED	
		12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**18,435,828**	28,132,581
Payments to suppliers and employees		**(41,085,267)**	(49,888,332)
Interest paid		**(265,396)**	(525,493)
Interest received		**47,537**	75,931
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	6(g)	**(22,867,298)**	(22,205,313)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		**(67,162)**	(611,218)
Payments to acquire investments		**(400,000)**	(400,000)
Proceeds from partial sale of Infusion business including working capital receipts		**6,655,842**	-
Proceeds from sale of distribution rights		**21,517,675**	-
Transfer to term deposits[1]		**(7,136,740)**	-
Proceeds from sale of property, plant and equipment		**3,400**	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**20,573,015**	(1,011,218)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share or options issues		**137**	35,410,796
Share issue transaction costs		**(640,562)**	(3,068,680)
Proceeds from borrowings		**1,000,000**	5,000,000
Repayment of borrowings		**-**	(10,000,000)
Payment of lease liabilities		**(289,617)**	-
Borrowings transaction costs		**(61,223)**	(192,856)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**8,735**	27,149,260
NET (DECREASE)/INCREASE IN CASH HELD		**(2,285,548)**	3,932,729
CASH AT BEGINNING OF THE PERIOD		**12,036,301**	8,254,823
Effect of exchange rate movements on cash		**(782,364)**	(151,251)
CASH AT END OF THE PERIOD	6(a)	**8,968,389**	12,036,301

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

(1) USD 5,000,000 is held on term deposit for a 6 month period, maturing 27 May 2020 and does not meet the AASB definition of cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

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

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

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

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

(a) Going concern

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

As disclosed in the financial statements, the Group incurred a net loss of $6,181,382 and had net cash outflows from operating activities of $22,867,298 for the financial year ended 31 December 2019. As at that date, the Group had a cash balance of $8,968,389 plus term deposits of $7,136,740. The net working capital at 31 December 2019 was $13,280,709.

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

- Funds received in October 2019 from the sale of distribution rights to LeMaitre.
- Retention of the manufacturing rights of ADAPT®'s CardioCel® and VascuCel® products for up to three years which includes a 20% margin over production costs.
- Continued product innovation led by the TAVR programme and other large market opportunities that are at varying stages of design development, regulatory clearance and user evaluation.
- New possible partnerships and alliances for TAVR products.
- Monitoring, containing and if required deferring operational costs, including R&D costs and capital expenditures.
- The Company has an established track record of successfully raising new capital and debt facilities.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION (continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Admedus Ltd as at 31 December 2019 and the results of all subsidiaries for the year then ended. Admedus Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

(c) Critical accounting estimates and judgements

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

Note 5(e)	Income tax
Note 7(a)	Net realisable value of inventories
Note 7(d)	Impairment of intellectual property and patents
Note 7(e)(ii)	Lease make good provision
Note 7(f)	Lease liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SEGMENT REPORTING

(a) Description of segments

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

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

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

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

Segment information

	Infusion Business $	**ADAPT® Business $**	**Regenerative medicine R&D $**	**Total $**
12 MONTHS TO				
31 DECEMBER 2019				
Total segment revenue[(1)]	**6,870,073**	**10,205,310**	**-**	**17,075,383**
Segment profit/(loss)	**2,114,201**	**7,954,885**	**(8,057,531)**	**2,011,555**
Segment assets	**791,730**	**7,195,577**	**1,911,373**	**9,898,680**
Segment liabilities	**380,754**	**6,743,728**	**1,228,203**	**8,352,685**
Acquisition of non-current assets	**-**	**27,013**	**40,149**	**67,162**
Impairment	**148,494**	**888,021**	**-**	**1,036,515**
Depreciation & amortisation	**103,228**	**1,131,631**	**340,226**	**1,575,085**
12 MONTHS TO				
31 DECEMBER 2018				
Total segment revenue	14,532,336	11,068,761	-	25,601,097
Segment profit/(loss)	127,740	(11,880,962)	(5,799,826)	(17,553,048)
Segment assets	5,134,737	9,036,271	2,167,588	16,338,596
Segment liabilities	1,412,874	5,406,976	1,512,842	8,332,692
Acquisition of non-current assets	203,534	410,595	69,617	683,746
Depreciation & amortisation	108,510	812,270	324,368	1,245,148

(1) ADAPT® segment revenue was earned in the following regions: North America $7,092,234 (2018: $7,547,126), Europe: $1,731,594 (2018: $2,230,949) and Emerging Markets: $1,381,482 (2018: $1,290,686)

The company has previously reported the Immunotherapies business (Admedus Vaccines) as a separate segment. Following the termination of the share sale agreement for Admedus Vaccines in April 2019, and with no other immediate source of funding available for ongoing operations, the Admedus Vaccines Pty Limited board of directors appointed an administrator pursuant to section 436A of the Corporation Act 2001. Admedus Vaccines was subsequently placed into liquidation in June 2019. Consequently, it is deemed Immunotherapies no longer meets the definition of a reportable segment. The amounts reported for Immunotherapies in the current and prior period have been included in the reconciliations below.

2. SEGMENT REPORTING (continued)

(b) Other segment information

(i) Segment revenue

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

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
Segment revenue	**17,075,383**	25,601,097
Total revenue from continuing operations	**17,075,383**	25,601,097

(ii) Segment result

Performance is measured based on segment result before tax.

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

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
Segment profit/(loss)	**2,011,555**	(17,553,048)
Unallocated:		
Corporate and administration expenses	**(5,272,303)**	(5,369,992)
Immunotherapies	**(2,920,634)**	(1,775,638)
Loss before income tax from continuing operations	**(6,181,382)**	(24,698,678)

(iii) Segment assets and liabilities

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

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

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

Reportable segment assets reconciled to total assets as follows:

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Segment assets	**9,898,680**	16,338,596
Intersegment eliminations		
Unallocated:		
Cash and cash equivalents	**8,968,389**	12,036,301
Term deposits (disclosed in trade receivables and other financial assets)	**7,136,740**	-
Immunotherapy assets	**-**	3,485,212
Total assets per the statement of financial position	**26,003,809**	31,860,109

2. SEGMENT REPORTING (continued)

(iii) Segment assets and liabilities (continued)

Reportable segment liabilities reconciled to total liabilities as follows:

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Segment liabilities	**8,352,685**	8,332,692
Intersegment eliminations	**-**	-
Unallocated:		
Borrowings	**1,112,641**	-
Immunotherapy liabilities	**-**	1,215,379
Financial liability - warrant	**1,003,425**	832,879
Total liabilities per the statement of financial position	**10,468,751**	10,380,950

(iv) Depreciation and amortisation

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
Segment depreciation and amortisation	**(1,575,085)**	(1,245,148)
Unallocated:		
Immunotherapies	**(41,363)**	(165,628)
Total depreciation and amortisation per statement of profit or loss	**(1,616,448)**	(1,410,776)

(c) Geographic segments revenue

The main geographic segments from which the Group derives its revenue are Australia of $7,626,358 (31 December 2018: $14,704,884) and the United States of $7,092,234 (31 December 2018: $7,627,679).

(d) Major customers

Revenues of approximately $4,544,495 are derived from two external customers (31 December 2018: $7,185,058 of revenue derived from two external customers). These revenues are attributed to the Infusion Business segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
Revenue from continuing operations		
Sale of goods		
At a point in time		
Infusion Business	**6,870,073**	14,532,336
ADAPT® Business	**10,205,310**	11,068,761
	17,075,383	25,601,097
Foreign exchange gain	-	317,678
Other income		
Gain on sale of distribution rights(1)	**20,287,867**	-
Gain on sale of part of Infusion business(2)	**4,626,403**	-
Investment fee(3)	**500,000**	-
Interest income	**65,660**	41,843
Grant income	**-**	62,500
Sundry income	**10,366**	6,600
Total other income	**25,490,296**	110,943

(1) Admedus sold the distribution rights to its CardioCel® and VascuCel® patch business to US based LeMaitre Vascular Inc. The gain on sale reflects the proceeds less the net assets transferred to LeMaitre Vascular Inc. Assets transferred primarily included inventory. Refer note 16 for further details.

(2) Admedus sold part of its Infusion business to BTC Speciality Health Pty Ltd, a wholly owned subsidiary of BTC Health Limited for $6.3 million including working capital proceeds. The sale was completed on 31 May 2019. The gain on sale reflects the proceeds less the net assets and liabilities transferred to BTC. Assets and liabilities transferred included inventory, IT equipment and employee entitlements.

(3) Non-refundable fee paid by Star Bright Holding Ltd in return for a six-month exclusivity period with Admedus Vaccines. Refer Note 14 for details.

Recognition and Measurement

Sale of goods

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. REVENUE AND OTHER INCOME (continued)

Recognition and Measurement (continued)

Interest

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

Other revenue

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

Government Grants

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

4. EXPENSES

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
Depreciation and amortisation		
Depreciation of Property, Plant and Equipment	**899,435**	962,676
Depreciation of Right-of-Use Assets	**392,864**	-
Amortisation	**324,149**	448,100
	1,616,448	1,410,776
Employment expenses		
Remuneration and on-costs	**19,404,438**	21,420,198
Superannuation expense	**869,936**	1,032,088
Other employee benefits	**308,992**	1,061,533
	20,583,366	23,513,819
Share-based payments	**360,799**	8,957
Operating lease rental expense	**177,865**	742,162
Foreign exchange loss	**782,364**	-
Finance costs		
Interest and finance charges paid/payable	**179,454**	565,245
Interest expense on lease liabilities	**243,347**	-
Amortisation of loan transaction costs	**82,766**	675,350
Warrant	**-**	1,358,876
Unwind of discount on non-current liabilities	**27,491**	38,852
	533,058	2,638,323

Depreciation

Refer Note 7(b) for details on depreciation.

4. EXPENSES (continued)

Employee Benefits
Refer Note 7(e) for details on employee provisions and employee superannuation and Note 20 for details on share based payments.

Leases
Under AASB 16 Leases amounts that were previously reported as payments under operating leases have been capitalised as Right-of-Use Assets and a corresponding Lease Liability created. The rental expense of $177,865 represents payments made in the period on low value or short-term leases that do not meet the criteria for creation of Right-Of-Use assets under AASB 16 Leases. The comparative for 2018 includes amounts paid for leases that fall within the scope of Right-Of-Use Assets in 2019. Refer note 24(f) for details of the policy and transitional arrangements.

5. INCOME TAX

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
(a) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	**(6,181,382)**	(24,698,678)
Tax expense/(benefit) at the Australian tax rate of 27.5% (31 December 2018: 27.5%)	**(1,699,880)**	(6,792,136)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Share based payments	**116,050**	2,463
Non-deductible expenses - warrant	**-**	406,033
Other assessable income	**284,471**	-
Impairments	**953,706**	-
Sundry items - net non-deductible	**240,791**	702,334
Recognition of previously unrecognised losses	**(2,109,609)**	-
Subtotal	**(2,214,471)**	(5,681,306)
Adjustment for difference in foreign tax rates	**558,184**	676,969
Total tax expense/(benefit)	**(1,656,287)**	(5,004,337)
Deferred tax – current period benefits not recognised	**(1,656,287)**	(5,004,337)
Deferred tax – reversal of prior period temporary differences	**-**	-
Income tax expense/(benefit)	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. INCOME TAX (continued)

(b) Deferred Tax Assets

The composition and movement of deferred assets is as follows:

	Balance 1 January 2018 $	Recognised in profit or loss $	Recognised in equity $	Balance 31 December 2018 $	Recognised in profit or loss $	Recognised in equity $	Balance 31 December 2019 $
Provisions	**386,548**	6,684	-	**393,232**	119,207	-	**512,439**
Accruals	**778,018**	(515,661)	-	**262,357**	205,981	-	**468,338**
Share issue costs through equity	**302,873**	-	769,695	**1,072,568**	-	(359,810)	**712,758**
Property, plant and equipment	**(428,808)**	82,999	-	**(345,809)**	104,091	-	**(241,718)**
Intangible assets	**391,776**	(438,580)	-	**(46,804)**	1,008,832	-	**962,028**
Sundry - other	**26,091**	(26,091)	-	**-**	-	-	**-**
Sub-total	**1,456,498**	(890,649)	769,695	**1,335,544**	1,438,111	(359,810)	**2,413,845**
Unrecognised net deferred tax assets	**(1,456,498)**	890,649	(769,695)	**(1,335,544)**	(1,438,111)	359,810	**(2,413,845)**
Tax assets	**-**	-	-	**-**	-	-	**-**

Deferred tax assets are attributable to the following:

	Assets		Liabilities		Net	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $	**31 DECEMBER 2019 $**	31 DECEMBER 2018 $	**31 DECEMBER 2019 $**	31 DECEMBER 2018 $
Provisions	**512,439**	393,232	**-**	-	**512,439**	393,232
Accruals	**468,338**	262,357	**-**	-	**468,338**	262,357
Share issue costs through equity	**712,758**	1,072,568	**-**	-	**712,758**	1,072,568
Property, plant and equipment	**18,012**	-	**(259,730)**	(345,809)	**(241,718)**	(345,809)
Intangible assets	**962,028**	-	**-**	(46,804)	**962,028**	(46,804)
Sub-total	**2,673,575**	1,728,157	**(259,730)**	(392,613)	**2,413,845**	1,335,544
Set off deferred tax liabilities	**(259,730)**	(392,613)	**-**	-	**-**	-
Unrecognised net deferred tax assets	**2,413,845**	(1,335,544)	**-**	-	**(2,413,845)**	(1,335,544)
Tax assets	**-**	-	**-**	-	**-**	-

(c) Tax losses

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Unused tax losses for which no deferred tax assets have been recognised		
Australian losses	**40,637,384**	44,271,983
Foreign losses	**45,263,784**	37,850,651
Sub-total	**85,901,168**	82,122,634
Potential tax benefit	**20,596,193**	20,423,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. INCOME TAX (continued)

(d) Recognition and Measurement

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

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

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

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

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

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

Tax Consolidation

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

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

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

(e) Critical accounting estimates

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

In determining the allocation of proceeds received from LeMaitre re sale of distribution rights for ADAPT® the Group estimated the geographic allocations considering key factors including location of intellectual property, inventory and sales.

Recovery of deferred tax assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

6. FINANCIAL ASSETS AND LIABILITIES

		31 DECEMBER 2019 $			31 DECEMBER 2018 $		
Financial assets	**Notes**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Cash and cash equivalents							
Cash at bank	6(a)	4,577,066	-	4,577,066	6,624,040	-	6,624,040
Short term deposits	6(a)	4,391,323	-	4,391,323	5,412,261	-	5,412,261
Total Cash and cash equivalents		8,968,389	-	8,968,389	12,036,301	-	12,036,301
Trade receivables and other financial assets							
Trade receivables	6(b)	612,905	-	612,905	3,187,280	-	3,187,280
Term deposits	6(b)	7,136,740	-	7,136,740	-	-	-
Other receivables	6(b)	2,052,288	729,681	2,781,969	1,004,265	-	1,004,265
Total Trade receivables and other financial assets		9,801,933	729,681	10,531,614	4,191,545	-	4,191,545
Total financial assets		18,770,322	729,681	19,500,003	16,227,846	-	16,227,846

		31 DECEMBER 2019 $			31 DECEMBER 2018 $		
Financial liabilities	**Notes**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade and other payables							
Trade payables	6(c)	1,125,609	-	1,125,609	2,468,431	-	2,468,431
Other payables	6(c)	3,795,545	-	3,795,545	4,314,233	-	4,314,233
Total Trade and other payables		4,921,154	-	4,921,154	6,782,664	-	6,782,664
Deferred consideration							
Provision for deferred settlement	6(d)	400,000	396,165	796,165	400,000	778,409	1,178,409
Total Deferred consideration		400,000	396,165	796,165	400,000	778,409	1,178,409
Borrowings							
Borrowings	6(e)	1,112,641	-	1,112,641	-	-	-
Total Borrowings		1,112,641	-	1,112,641	-	-	-
Financial Instruments							
Warrant	6(f)	-	1,003,425	1,003,425	-	832,879	832,879
Total Financial instruments		-	1,003,425	1,003,425	-	832,879	832,879
Total financial liabilities		6,433,795	1,399,590	7,833,385	7,182,664	1,611,288	8,793,952

6(a) Cash and cash equivalents

Recognition and measurement

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

Cash at Bank

These are interest bearing accounts held at bank with average interest rates of 0.02% (31 December 2018: 1.34%).

Short term deposits

These represent interest bearing short term deposits held at bank with average interest rate of 1.86% (31 December 2018: 1.85%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

6. FINANCIAL ASSETS AND LIABILITIES (continued)

6(b) Trade receivables and other financial assets

Recognition and measurement

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

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

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

Critical accounting estimates

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

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

Term deposits

At 31 December 2019 the Group held $7,136,740 (2018: $nil) on deposit maturing more than 3 months after the reporting date at an interest rate of 1.92%. The balance represents USD 5,000,000 maturing 27 May 2020.

Other receivables

Other receivables include $1,729,681 due from LeMaitre Vascular Inc. in two instalments in October 2020 and October 2022 relating to the sale agreement of distribution rights (refer Note 16), prepayments and security deposits for rental of corporate offices.

Past due but not impaired

As at 31 December 2019, trade receivables of $176,677 (31 December 2018: $73,258) were more than 60 days past due but not impaired. These relate to customers for whom there is no recent history of default. A portion of these trade receivables past due but not impaired have been subsequently paid post 31 December 2019 with the remainder still expected to be paid. The ageing analysis of these trade receivables is as follows:

	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Less than 30 days	**106,506**	771,849
Between 30 and 60 days	**94,419**	182,302
Between 60 and 90 days	**100,539**	47,981
Over 90 days	**76,138**	25,277
Total	**377,602**	1,027,409

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

During the year a provision of $125,301 was created for doubtful debts (2018: $4,279). The opening provision for debts as at 1 January 2019 was fully utilised in the year and these amounts written off.

6. FINANCIAL ASSETS AND LIABILITIES (continued)

6(c) Trade and other payables

Recognition and measurement

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

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

6(d) Deferred consideration

The deferred consideration balance relates to the acquisition by Admedus Ltd of the remaining 11.13% of the shares in Regen Pty Ltd and the settlement of associated Federal Court proceedings. As a result of the settlement, the Group owns 100% of Admedus' regenerative tissue technology ADAPT®. The present value of the remaining deferred consideration is $796,165, which is payable in 2 equal instalments to January 2021.

6(e) Financial liabilities - borrowings

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Borrowings - current	**1,216,098**	-
Capitalised borrowing costs	**(103,457)**	-
	1,112,641	-

Recognition and measurement

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

On 8 May the Company entered into a facility agreement with Sio Partners, LP (Sio) for a secured debt facility of AUD$ 1 million. The facility runs for a term of 18 months and is charged an interest rate of 12% per annum, compounded on a monthly basis and added to the loan balance. The facility incurred a one-off fee of AUD$ 125,000 which has been capitalised to the loan. The principal interest and facility fee are all repayable on maturity of the loan. If shareholder approval is obtained, the outstanding balance may at Sio's election by notice provided to the Company no later than 3 months prior to maturity be converted to ordinary shares in the Company. Refer Note 19 for further details.

6(f) Financial liabilities - warrant

Recognition and measurement

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

6. FINANCIAL ASSETS AND LIABILITIES (continued)

6(g) Cash flow information

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

	CONSOLIDATED	
	31 DECEMBER 2019	31 DECEMBER 2018
	$	$
Loss for the year	**(6,181,382)**	(24,698,678)
Adjustments for		
Depreciation and amortisation expense	**1,616,448**	1,410,776
Impairment of Property, Plant & Equipment	**1,036,515**	-
Impairment of goodwill	**3,442,134**	-
Non-cash investment income	**(500,000)**	-
Non-cash share expense - share based payments	**360,799**	8,957
Non-cash interest expense	**201,662**	1,943,079
Fair value of movement of warrant	**170,546**	(774,763)
Foreign exchange differences	**782,364**	(317,678)
Gain on sale of distribution rights	**(20,287,867)**	-
Gain on sale of part of Infusion business	**(4,626,403)**	-
Transfer to term deposits reported in investing activities	**7,136,740**	-
Sundry	**(236,067)**	(657,229)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables(1)	**(5,204,896)**	526,551
Decrease/(increase) in inventories(1)	**2,034,096**	(1,138,237)
(Decrease)/increase in creditors(1)	**(2,255,546)**	1,334,193
(Decrease)/increase in other provisions(1)	**(356,441)**	157,716
Net cash outflow from operating activities	**(22,867,298)**	(22,205,313)

(1) Includes working capital adjustments for gains on sale of distribution rights and part sale of Infusion business.

Non-cash investing and financing activities

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

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

	CONSOLIDATED	
	31 DECEMBER 2019	31 DECEMBER 2018
	$	$
Opening balance - Borrowings	**-**	4,766,449
Changes from financing cash flows		
Proceeds from borrowings	**1,000,000**	5,000,000
Repayment of borrowings	**-**	(10,000,000)
Term facility transaction costs	**(61,223)**	(192,856)
Total changes from financing cash flows	**938,777**	(5,192,856)
Other changes		
Term facility transaction costs	**(125,000)**	-
Transaction costs accrued into borrowings	**125,000**	-
Non-cash interest expense	**82,766**	426,407
Interest expense	**91,098**	525,493
Interest paid	**-**	(525,493)
Total other changes	**173,864**	426,407
Closing balance - Borrowings	**1,112,641**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. NON-FINANCIAL ASSETS AND LIABILITIES

		31 DECEMBER 2019 $			31 DECEMBER 2018 $		
Non-Financial assets	**Notes**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Inventory	7(a)	1,812,485	-	1,812,485	6,691,857	-	6,691,857
Property, plant and equipment	7(b)	-	1,590,132	1,590,132	-	3,474,732	3,474,732
Right-of-use assets	7(c)	-	1,401,798	1,401,798	-	-	-
Intangible assets	7(d)	-	1,699,391	1,699,391	-	5,465,674	5,465,674
Total non-financing assets		1,812,485	4,691,321	6,503,806	6,691,857	8,940,406	15,632,263

		31 DECEMBER 2019 $			31 DECEMBER 2018 $		
Financial liabilities	**Notes**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Provisions							
Employee benefit provisions	7(e)(i)	528,099	28,263	556,362	1,022,305	-	1,022,305
Lease make good provisions	7(e)(ii)	-	574,428	574,428	564,693	-	564,693
Total Provisions		528,099	602,691	1,130,790	1,586,998	-	1,586,998
Lease Liabilities	7(f)	340,204	1,164,372	1,504,576	-	-	-
Total non-financing liabilities		868,303	1,767,063	2,635,366	1,586,998	-	1,586,998

7(a) Inventories

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Raw materials – at cost	**231,033**	150,430
Work in progress – at cost	**915,317**	514,642
Finished goods – at cost	**1,174,217**	6,230,445
	2,320,567	6,895,517
Provision for write-down of inventory	**(508,082)**	(203,660)
	1,812,485	6,691,857

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2019 amounted to $755,131 (31 December 2018: $265,880). Write-downs in 2019 were significantly increased on the prior year due to an increase of inventory reduced to its net realisable value following the company receiving notice from Arcomed ag of its intention to terminate the distribution agreement with Admedus for the supply of Arcomed branded pumps in Australia and New Zealand.

Recognition and measurement

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

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

Critical accounting estimates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7(b) Property, plant and equipment

	CONSOLIDATED					
	31 DECEMBER 2019			31 DECEMBER 2018		
	Plant and equipment $	**Software $**	**Total $**	Plant and equipment $	Software $	Total $
Plant & equipment						
Cost	**5,298,968**	**1,760,537**	**7,059,505**	5,379,366	1,754,014	7,133,380
Accumulated depreciation	**(3,588,218)**	**(844,640)**	**(4,432,858)**	(3,199,393)	(459,255)	(3,658,648)
Impairment	**(148,494)**	**(888,021)**	**(1,036,515)**	-	-	-
Net book amount	**1,562,256**	**27,876**	**1,590,132**	2,179,973	1,294,759	3,474,732
Reconciliation						
Opening net book amount	**2,179,973**	**1,294,759**	**3,474,732**	2,350,060	1,330,684	3,680,744
Additions	**67,162**	**-**	**67,162**	406,167	277,579	683,746
Disposals	**(22,876)**	**-**	**(22,876)**	-	-	-
Impairment	**(148,494)**	**(888,021)**	**(1,036,515)**	-	-	-
Depreciation charge	**(513,988)**	**(385,447)**	**(899,435)**	(585,919)	(376,757)	(962,676)
Exchange rate differences	**479**	**6,585**	**7,064**	9,665	63,253	72,918
Closing net book amount	**1,562,256**	**27,876**	**1,590,132**	2,179,973	1,294,759	3,474,732

Recognition and measurement

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

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

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

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

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

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

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

Critical accounting estimates

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

Impairment

The impairment of Plant and equipment relates to demonstration items used in the Infusion business which are no longer used following part divestment of the segment. The software impairment related to a digital sales platform that was used in the ADAPT® business. Post the sale of distribution rights (refer Note 16) this is considered to have no further value.

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(c) Right-of-Use Assets

Recognition and measurement

The Group has adopted AASB 16 *Leases* from 1 January 2019 which has resulted in almost all leases where Admedus is the lessee being recognised on the balance sheet and removes the former distinction between operating and finance leases. The new standard requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals. The exceptions are short-term leases (being those leases which have a term of 12 months or less or had a remaining term of less than 12 months at the adoption date) and low value leases (being those leases with a value of less than $5,000).

Critical accounting estimates

Extension and termination options are included in a number of property leases across the group and are an area of judgement. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

	CONSOLIDATED 31 DECEMBER 2019		
	Property $	**IT equipment** $	**Total** $
Right-of-Use Assets			
Cost	1,678,300	115,265	1,793,565
Accumulated depreciation	(342,635)	(49,132)	(391,767)
Net book amount	1,335,665	66,133	1,401,798
Reconciliation			
Opening net book value at 1 January 2019	1,681,606	97,040	1,778,646
Additions	-	27,028	27,028
Disposals	-	(6,977)	(6,977)
Depreciation charge	(343,691)	(49,173)	(392,864)
Exchange rate differences	(4,129)	94	(4,035)
Closing net book amount	1,333,786	68,012	1,401,798

AASB 16 *Leases* has been adopted during the period. Refer Note 24(f) for details including impact on Financial Statements as at 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(d) Intangibles

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Patents	**295,134**	328,725
Intellectual property	**1,404,257**	1,653,640
Technology Licence	**-**	1,894,016
Goodwill	**-**	1,589,293
	1,699,391	5,465,674
Reconciliation - Patents		
Opening net book value	**328,725**	362,740
Additions - acquisitions	**-**	-
Amortisation	**(33,591)**	(34,015)
Closing net book value	**295,134**	328,725
Reconciliation – Intellectual property		
Opening net book value	**1,653,640**	1,903,025
Amortisation	**(249,383)**	(249,385)
Closing net book value	**1,404,257**	1,653,640
Reconciliation – Technology Licence		
Opening net book value	**1,894,016**	2,058,716
Amortisation	**(41,175)**	(164,700)
Impairment	**(1,852,841)**	-
Closing net book value	**-**	1,894,016
Reconciliation – Goodwill		
Opening net book value	**1,589,293**	1,589,293
Impairment	**(1,589,293)**	-
Closing net book value	**-**	1,589,293

Critical accounting estimates

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

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

Impairment assessment of technology licence and goodwill

The value of the technology licence and goodwill from the Admedus Vaccines transaction were subject to impairment testing at 31 December 2018 with no impairment arising as the recoverable amount was in excess of the associated cash generating unit. Following the termination of the share sale agreement for Admedus Vaccines in April 2019 (refer Note 14 for further details) it has been determined that these assets were impaired and they have been written down to $nil (impairment expense of $3,442,134).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(d) Intangibles (continued)

Impairment assessment of intellectual property and patents

For patents and intellectual property, fair value was determined using a form of the income approach, known as the relief-from-royalty method. This method estimates the net revenue expected to be generated multiplied by the royalty rate (in this case 5%), adjusting for tax and discounting these cashflows (15%-25%) to present value. As a result of our testing no impairment arose.

Recognition and measurement

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

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

Goodwill

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

Research and development

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

Patents and trademarks

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

Impairment of non-financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(e) Provisions

(i) Employee benefits

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

(ii) Lease make-good

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

Critical accounting estimate

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

(iii) Recognition and measurement

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(f) Lease Liabilities

Recognition and measurement

From 1 January 2019, leases where Admedus is the lessee are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Critical accounting estimates

On adoption of AASB 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 January 2019 was 14.75%.

Extension and termination options are included in a number of property leases across the group and are an area of judgement. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

	CONSOLIDATED		
	31 DECEMBER 2019		
	Property $	**IT equipment** $	**Total** $
Current lease liabilities	**298,512**	**41,692**	**340,204**
Non-current lease liabilities	**1,134,544**	**29,828**	**1,164,372**
Total	**1,433,056**	**71,520**	**1,504,576**
Reconciliation			
Opening net value at 1 Jan 2019	**1,681,606**	**97,040**	**1,778,646**
Additions	**-**	**27,028**	**27,028**
Disposals	**-**	**(7,179)**	**(7,179)**
Principal repaid	**(246,931)**	**(42,686)**	**(289,617)**
Exchange rate differences	**(1,619)**	**(2,683)**	**(4,302)**
Closing net book amount	**1,433,056**	**71,520**	**1,504,576**

The lease liabilities have been recognised on first time implementation of AASB 16 Leases. Further details and transitional arrangements as at 1 January 2019 are included in Note 24(f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

8. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

	Level 1	**Level 2**	**Level 3**	**Total**
Consolidated – 31 December 2019	**$**	**$**	**$**	**$**
Liabilities				
Warrant	**-**	**1,003,425**	**-**	**1,003,425**
Total liabilities	**-**	**1,003,425**	**-**	**1,003,425**

	Level 1	Level 2	Level 3	Total
Consolidated – 31 December 2018	$	$	$	$
Liabilities				
Warrant	-	832,879	-	832,879
Total liabilities	-	832,879	-	832,879

The carrying amounts of other financial assets and liabilities not measured at fair value are assumed to approximate their fair values.

Recognition and measurement

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

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

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

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

Critical accounting estimates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. CONTRIBUTED EQUITY

	SHARES		$	
	31 DECEMBER 2019	31 DECEMBER 2018	**31 DECEMBER 2019**	31 DECEMBER 2018
(a) Share Capital				
Ordinary shares				
Fully paid	**590,842,803**	589,941,088	**137,757,528**	**137,737,211**

	Date	Notes	No. shares	Issue Price	$
(b) Movements in Ordinary Share Capital					
Details					
Balance	**01/01/18**		**254,795,534**		**106,025,631**
Share Placement to new investors		**(b)**	**17,666,667**	**0.30**	**5,300,000**
Share Placement to Directors		**(c)**	**2,333,333**	**0.30**	**700,000**
Share Purchase Plan		**(d)**	**9,203,573**	**0.30**	**2,761,072**
Share Placement - Star Bright		**(e)**	**42,599,866**	**0.10**	**4,259,987**
Share Placement - Star Bright		**(e)**	**26,289,636**	**0.1303**	**3,425,540**
Rights Issue		**(f)**	**237,052,479**	**0.08**	**18,964,197**
Transaction costs			**-**		**(3,699,216)**
Balance	**31/12/18**		**589,941,088**		**137,737,211**
Exercise of options		**(g)**	**1,715**	**0.08**	**137**
Share placement to consultants		**(h)**	**900,000**	**0.068**	**61,200**
Transaction costs					**(41,020)**
Balance	**31/12/19**		**590,842,803**		**137,757,528**

(a) Ordinary Shares

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

(b) Share Placement to new investors

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

(c) Share Placement to Directors

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

(d) Share Purchase Plan

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

(e) Share placement – Star Bright

Star Bright Holding Ltd (“Star Bright”) made additional investments in the Group, structured as follows:
- Placement of 42,599,866 shares at a place of $0.10 per share, issued on 22 August 2018.
- Placement of 26,289,636 shares at a price of $0.1303 per share, issued on 4 September 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. CONTRIBUTED EQUITY (continued)

(f) Rights Issue

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

(g) Exercise of options

On 18 January 2019, 1,715 options issued under the December 2018 rights issue were exercised at a price of $0.08 per share.

(h) Share placement to consultants

Between 30 August 2019 and 6 September 2019, 900,000 shares were issued as compensation for expert advisory services received. No amounts were payable for the issue of the ordinary shares.

(i) Recognition and measurement

Ordinary shares are classified as equity.

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

(j) Capital Risk Management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders and to maintain capital structure to reduce the cost of capital. The Board and Executive have developed a detailed Capital Management Plan to set the short to medium strategy on the management of the Company's capital.

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

10. EQUITY – RESERVES

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
(a) Reserves		
Share based payments	**5,337,164**	4,976,365
Other reserve	**(7,243,027)**	(7,243,027)
Foreign currency translation reserve	**(818,561)**	(674,726)
	(2,724,424)	(2,941,388)

Reconciliation - Share based payment	**Date**	**No. options/ warrants**	**Valuation $**	**$**
Balance	**01/01/2018**	**15,795,007**		**4,967,408**
Unlisted options issued		4,371,130	0.17	290,656
Unlisted options issued		2,150,000	0.18	113,663
Unlisted options cancelled		(4,371,922)		
Share based payments (credit) / expense				(395,362)
Balance	**31/12/2018**	**17,944,215**		**4,976,365**
Unlisted options issued		775,000	0.02	6,733
Unlisted options issued		3,188,831	0.05	96,212
Unlisted options issued		820,000	0.05	13,060
Unlisted options issued		300,000	0.05	2,767
Unlisted options cancelled		(5,181,610)		
Share based payments expense / (credit)				242,027
Balance	**31/12/2019**	**17,846,636**		**5,337,164**

Note: In addition to the options and warrant noted above, Admedus issued Partners for Growth a 7-year warrant for the issue of 4,938,799 ordinary shares in the Company at an exercise price of AUD $0.25 per share in October 2017. Refer to note 6(f) for further information on this warrant. Refer note 20 for details.

FOR THE YEAR ENDED 31 DECEMBER 2019

10. EQUITY – RESERVES (continued)

	CONSOLIDATED	
Reconciliation – Foreign currency translation reserve	**31 DECEMBER 2019 $**	31 DECEMBER 2018 $
Opening balances	**(674,726)**	(205,611)
Foreign exchange on subsidiaries	**(143,835)**	(469,115)
Closing balance	**(818,561)**	(674,726)

(b) Nature and purpose

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

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

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

11. LOSS PER SHARE

	CONSOLIDATED	
	31 DECEMBER 2019 Number	31 DECEMBER 2018 Number
(a) Weighted Average Number of Shares Used as the Denominator		
Weighted average number of ordinary shares used in the denominator in calculating basic loss per share	**590,246,833**	305,513,354
Adjustment for calculation of diluted loss per share: Options	**-**	-
Weighted average number of ordinary shares used in the denominator in calculating diluted loss per share	**n/a**	n/a
	$	$
(b) Loss Used in Calculating Loss Per Share	**(5,819,673)**	(24,217,169)
	Cents	Cents
Basic loss per share	**(0.99)**	(7.93)
Diluted loss per share	**n/a**	n/a

(c) Information concerning classification of securities

Options:

Only listed or unlisted options of Admedus Ltd that were in excess of the average market share price of the Company during the period have been included in the determination of diluted loss per share.

Details relating to options granted under the Admedus Employee Share Option Plan (ESOP) are outlined in Note 20(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

12. FINANCIAL RISK MANAGEMENT

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

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

The Group and the Company hold the following financial instruments:

	CONSOLIDATED	
	31 DECEMBER 2019	31 DECEMBER 2018
	$	$
Financial assets		
Cash and cash equivalents	**8,968,389**	12,036,301
Trade and other receivables	**10,531,614**	4,191,545
	19,500,003	16,227,846
Financial liabilities		
Trade and other payables	**4,921,154**	6,782,664
Deferred consideration	**796,165**	1,178,409
Borrowings	**1,216,098**	-
Lease liabilities	**1,504,576**	-
Warrant	**1,003,425**	832,879
	9,441,418	8,793,952
Net financial assets	**10,058,585**	7,433,894

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

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

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

(a) Market Risk

Cash flow and interest rate risk

The Group's primary interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the Group to cash flow interest rate risk. To mitigate this risk the Group places cash not required for immediate or short-term operational requirements on deposit for varying lengths in order to maximise interest returns and achieve greater certainty over returns.

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

	Note	**Weighted average interest rate**	**Total $**
31 December 2019 Consolidated			
Financial assets			
Cash and cash equivalents	**6(a)**	**0.92%**	**8,968,389**
Term deposits greater than 3 months	**6(b)**	**1.92%**	**7,136,740**
			16,105,129
31 December 2018 Consolidated			
Financial assets			
Cash and cash equivalents	**6(a)**	1.57%	12,036,301

FOR THE YEAR ENDED 31 DECEMBER 2019

12. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Cash flow and interest rate risk (continued)

Sensitivity

At 31 December 2019, if interest rates had increased by 50 basis points or decreased by 50 basis points from the period end rates with all other variables held constant, the impact on post-tax loss for the period based on the average cash balance would have been $52,512 lower/$52,512 higher (31 December 2018 changes 50 basis points: $50,728 lower/ $50,728 higher), mainly because of higher/lower interest income from cash and cash equivalents.

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The credit risk of new customers is assessed at the time of a proposed transaction and is then regularly monitored by line management.

(c) Foreign currency risk management

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

The Group regularly monitors the level of foreign currency exposure and where appropriate, considers the use of foreign exchange contracts to manage significant exposures. There were no foreign exchange contracts entered at 31 December 2019 (31 December 2018: nil).

The following table includes the financial assets and liabilities denominated in currencies other than the functional currency of the respective entities and presents the Group's exposure to foreign exchange risk at the end of the reporting period, expressed in Australian Dollars. The Group's manufacturing facilities are based in Australia and post the transaction with LeMaitre Vascular on 11 October 2019 the sales for the ADAPT® Business (refer Note 16) are denominated in USD, EUR and AUD and create an AUD denominated foreign exchange risk in the overseas entities.

At 31 December 2019	Cash and cash equivalents	Trade and other receivables	Trade and other payables	Related party payables	Total
	$	$	$	$	**$**
USD	8,425,712	7,305,349	(175,444)	-	**15,555,617**
GBP	45,864	29,026	-	-	**74,890**
CHF	23,880	-	(17,382)	-	**6,498**
EUR	-	-	(72,088)	-	**(72,088)**
AUD	-	-	-	(10,668,764)	**(10,668,764)**

Based on the 2019 balances, a 10% stronger/(weaker) Australian dollar against the currencies held, would result in a Profit & Loss impact of $468,248/ ($398,838).

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

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

FOR THE YEAR ENDED 31 DECEMBER 2019

12. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity Risk

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

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

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

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

Maturities of financial liabilities

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

	Less than 6 months $	6-12 months $	1-2 years $	2-5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount liabilities $
Group – At 31 December 2019							
Non-derivatives							
Trade and other payables	**4,921,154**	**-**	**-**	**-**	**-**	**4,921,154**	**4,921,154**
Borrowings	**-**	**1,216,098**	**-**	**-**	**-**	**1,216,098**	**1,216,098**
Lease liabilities	**275,215**	**263,907**	**531,318**	**891,808**	**-**	**1,962,248**	**1,504,576**
Deferred consideration	**400,000**	**-**	**400,000**	**-**	**-**	**800,000**	**796,165**
Total non-derivatives	**5,596,369**	**1,480,005**	**931,318**	**891,808**	**-**	**8,899,500**	**8,437,993**
Derivatives							
Warrant	**-**	**-**	**-**	**1,500,000**	**-**	**1,500,000**	**1,003,425**
Total derivatives	**-**	**-**	**-**	**1,500,000**	**-**	**1,500,000**	**1,003,425**
Group – At 31 December 2018							
Non-derivatives							
Trade and other payables	6,782,664	-	-	-	-	6,782,664	6,782,664
Borrowings	-	-	-	-	-	-	-
Deferred consideration	400,000	-	400,000	400,000	-	1,200,000	1,178,409
Total non-derivatives	7,182,664	-	400,000	400,000	-	7,982,664	7,961,073
Derivatives							
Warrant	-	-	-	-	1,500,000	1,500,000	832,879
Total derivatives	-	-	-	-	1,500,000	1,500,000	832,879

(e) Fair Value Estimation

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

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

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

FOR THE YEAR ENDED 31 DECEMBER 2019

13. CONTROLLED ENTITIES

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

Name of entity	Class of share	Country of Incorporation	Equity Holding 31 December 2019 %	Equity Holding 31 December 2018 %
Accounting Parent Entity				
Admedus Investments Pty Limited	Ordinary	Australia	**100**	100
Legal Parent Entity				
Admedus Ltd	Ordinary	Australia	**-**	-
Controlled Entities				
Admedus (NZ) Limited	Ordinary	New Zealand	**100**	100
Admedus (Australia) Pty Limited	Ordinary	Australia	**100**	100
Admedus Regen Pty Limited	Ordinary	Australia	**100**	100
Admedus Corporation	Ordinary	USA	**100**	100
Admedus Vaccines Pty Limited	Ordinary	Australia	-[(1)]	72.8
Admedus Sarl	Ordinary	Switzerland	**100**	100
Admedus Biomanufacturing Pty Ltd	Ordinary	Australia	**100**	100
Admedus (Singapore) Pte. Ltd.	Ordinary	Singapore	**100**	100

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

(1) Admedus Vaccines Pty Limited was derecognised from the Group consolidated accounts on 23 April 2019 (refer Note 14 for details). As at 31 December 2019 this is no longer a controlled entity although Admedus maintains a 72.8% interest.

14. NON-CONTROLLING INTEREST

Following the termination of the share sale agreement for Admedus Vaccines in April 2019, and with no other immediate source of funding available for ongoing operations, the Admedus Vaccines Pty Limited board of directors appointed an administrator pursuant to section 436A of the Corporations Act 2001. The administration event constituted a loss of control and the subsidiary's net assets and non-controlling interest were deconsolidated at this point. The subsidiary was subsequently placed into liquidation in June 2019. On deconsolidation, $386,588 of net liabilities and $361,709 of non-controlling interest in equity was derecognised through the Statement of Profit or Loss.

	CONSOLIDATED 31 DECEMBER 2019 $	CONSOLIDATED 31 DECEMBER 2018 $
Interest in:		
Share Capital	**-**	-
Reserves	**-**	7,243,027
Accumulated Retained Earnings	**-**	(7,604,736)
	-	(361,709)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. NON-CONTROLLING INTEREST (continued)

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

	Admedus Vaccines Pty Ltd	
	31 December 2019 $	31 December 2018 $
Current assets	-	650,742
Current liabilities	-	1,215,379
Current net assets	-	(564,637)
Non-current assets	-	1,895,918
Non-current liabilities	-	-
Non-current net assets	-	1,895,918
Net assets	-	1,331,281
Accumulated non-controlling interests	-	361,709

	Admedus Vaccines Pty Ltd	
	12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
Revenue	-	-
Profit/(loss) for the period/Total comprehensive profit/(loss)	**176,145**	(1,775,638)
Profit/(loss) allocated to non-controlling interests	**47,859**	(481,509)
Cash flows from operating activities	**(650,742)**	(123,142)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net decrease in cash and cash equivalents	**(650,742)**	(123,142)

(a) Transactions with non-controlling interests

There were no transactions with non-controlling interests in the year ended 31 December 2019 (31 December 2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

15. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, Admedus Ltd, at 31 December 2019. The information presented here has been prepared using consistent Admedus' accounting policies.

	THE COMPANY	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Current assets	**17,272,471**	11,602,078
Non-current assets	**14,703,308**	15,129,987
Total assets	**31,975,779**	26,732,065
Current liabilities	**(3,281,260)**	(4,485,246)
Non-current liabilities	**(13,189,131)**	(778,409)
Total liabilities	**(16,470,391)**	(5,263,655)
Contributed equity	**162,116,580**	162,308,789
Reserves	**(7,907,697)**	(8,268,495)
Accumulated losses	**(132,571,884)**	(121,569,098)
Loss for the year	**(6,131,611)**	(11,002,786)
Total equity	**15,505,388**	21,468,410

	31 DECEMBER 2019	31 DECEMBER 2018
Statement of comprehensive income	**$**	$
Loss for the year	**(6,131,611)**	(11,058,361)
Other comprehensive loss for the year	**-**	-
Total comprehensive loss for the year	**(6,131,611)**	(11,058,361)

Contingent liabilities of the parent entity

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

Commitments of the parent entity

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

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	**8,420**	78,477
Later than one year but no later than five years	**-**	55,878
Later than five years	**-**	-
	8,420	134,355

The Company leases office space in Brisbane and has several leases for IT equipment. The Company adopted AASB 16 Leases during the year and consequently leases previously classified as operating leases have been brought onto the Statement of Financial Position. Commitments above relate to leases that have not been brought onto the Statement of Financial Position (refer Note 24(f)).

Investments in subsidiaries, associates and joint venture entities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

16. GAIN ON SALE OF DISTRIBUTION RIGHTS

Admedus sold the distribution rights to its CardioCel® and VascuCel® product range to LeMaitre Vascular Inc. Admedus will continue to manufacture the products for up to three years with a 20% margin above cost while retaining control on all intellectual property for the underlying ADAPT® technology, enabling Admedus to continue product development and focus on advancing its Transcatheter Aortic Valve Replacement (TAVR) programme. The gain on sale of reflects the proceeds less the net assets transferred to LeMaitre Vascular Inc. Assets transferred primarily included inventory.

A gain on sale of AUD $20,287,867 has been recognised in the financial statements for the year ended 31 December 2019. This consists of the upfront payment, two instalments receivable after 12 and 36 months and the cash received for completion of all reporting procedures by 31 October 2019; offset by the value of inventory transferred and other linked transactional costs.

Additionally, the Company may receive the following receipts under the contract:

- $US2.0 million on obtaining certain regulatory approvals under European Medical Devices Directorate Regulation
- $US0.5 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 $US2.5 million if gross revenue from LeMaitre CardioCel® and VascuCel® product sales exceed $US20.0 million in the first 12 months or $US1.2 million if gross revenue from product sales exceed $US15.0 million in the first 12 months
- Up to $US2.5 million if gross revenue from LeMaitre CardioCel® and VascuCel® product sales exceed $US30.0 million in the second 12 months or $US1.2 million if gross revenue from product sales exceed $US22.5 million in the second 12 months.

These contingent receipts included within the contract have not been recognised as revenue as it is too early to determine that these amounts are highly probable to be received.

17. COMMITMENTS

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

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	**17,186**	451,846
Later than one year but no later than five years	**-**	1,074,545
Later than five years	**-**	-
	17,186	1,526,391

The Group adopted AASB 16 Leases during the year and consequently leases previously classified as operating leases have been brought onto the Consolidated Statement of Financial Position. Commitments above relate to leases that have not been brought onto the Consolidated Statement of Financial Position (refer Note 24(f)).

In calculating the 2018 commitments the following items were taken into account:
The Company leased office space in Brisbane under an operating lease that expired in January 2019 and had several leases for IT equipment.
Admedus Biomanufacturing Pty Ltd leased office and laboratory space under operating leases that were due to expire in January 2019 (a renewal of this lease was signed in January 2019 for 5 years), and photocopiers expiring August 2019.
Admedus Vaccines Pty Ltd leased office and lab space under an operating lease that expired January 2019.
Admedus Corporation leased office space in Minnesota USA under an operating lease that expires December 2022.
Admedus Sarl leased office space in Geneva, Switzerland under an operating lease that expires June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

18. CONTINGENT LIABILITIES

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

19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 26 February 2020 the Company held an Extraordinary General Meeting at which shareholders passed a resolution for the consolidation of every 100 securities into one new security. Further resolutions were passed for the approval to issue 35.0 million Share Options to Wayne Paterson, 6.0 million Share Options to John Seaberg and 2.5 million Share Options to Steve Denaro. These awards are exercisable at 11.2 cents per Share (on a pre-consolidation basis) and are subject to the achievement of performance hurdles and will only vest on the completion of at least 12, 18 and 24 months service and corresponding increases in the Company's share price to 16.8 cents, 22.4 cents and 33.6 cents respectively. If share price hurdles have not been achieved within at least 36 months, the Board of Directors can exercise discretion to extend this for an additional period of up to 12 months. Shareholders did not approve the resolution to issue 61,969,857 new shares at an issue price of $0.02 per share to Sio Partners in consideration for the repayment of the loan (refer Note 6(e)).

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

20. SHARE BASED PAYMENTS

(a) Employee Share Option Plan

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

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

The Company granted 5,083,831 staff options over ordinary shares in the Company under the new plan during the year to 31 December 2019 (31 December 2018: 6,521,130). These were split as follows:

- On 28 February 2019, the Company granted 775,000 options to employees under the ESOP at an exercise price of $0.036 (Tranche I through to Tranche O).
- On 14 May 2019, the Company granted 3,188,831 options to the CEO under the ESOP (relating to the Long-Term Incentive Scheme) at an exercise price of $0.059 (Tranche P).
- On 14 June 2019, the Company granted 820,000 options to employees under the ESOP at an exercise price of $0.068 (Tranche Q).
- On 30 August 2019, the Company granted 300,000 options to an employee and consultant under the ESOP at an exercise price of $0.068 (Tranche R).

5,181,610 options were cancelled or lapsed during the period due to termination of employment or expiry of options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20. SHARE BASED PAYMENTS (continued)

(a) Employee Share Option Plan (continued)

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

Grant date	Expiry date	Exercise price $	Balance at start of the period Number	Granted during the period Number	Forfeited during the period Number	Lapsed during the period Number	Balance at end of the period Number	Value at grant date $
31 December 2019								
28/03/2014	01/02/2019	2.45	200,000	-	-	(200,000)	-	0.90
21/05/2014	21/05/2019	1.70	800,000	-	-	(800,000)	-	0.75
05/11/2014	05/11/2019	2.10	210,000	-	(100,000)	(110,000)	-	0.70
30/06/2015	30/06/2020	1.17	1,575,000	-	(275,000)	-	1,300,000	0.43
21/07/2015	21/07/2020	1.44	795,000	-	(160,000)	-	635,000	0.41
10/12/2015	10/12/2020	0.83	425,000	-	-	-	425,000	0.58
10/12/2015	10/12/2020	1.39	200,000	-	-	-	200,000	0.52
24/06/2016	24/06/2021	0.30	100,000	-	(50,000)	-	50,000	0.16
18/11/2016	18/11/2021	0.34	66,667	-	-	-	66,667	0.21
23/03/2017	23/03/2022	0.34	450,000	-	(350,000)	-	100,000	0.20
22/09/2017	22/09/2022	0.26	750,000	-	(75,000)	-	675,000	0.15
17/11/2017	15/12/2022	0.22	450,000	-	(200,000)	-	250,000	0.13
08/06/2018	31/12/2027	0.30	2,125,000	-	(1,633,330)	-	491,670	0.18
08/06/2018	31/12/2027	0.37	4,167,548	-	(994,950)	-	3,172,598	0.17
28/02/2019	02/04/2028	0.036	-	100,000	-	-	100,000	0.02
28/02/2019	10/04/2028	0.036	-	100,000	-	-	100,000	0.02
28/02/2019	02/05/2028	0.036	-	100,000	(66,666)	-	33,334	0.02
28/02/2019	16/05/2028	0.036	-	150,000	-	-	150,000	0.02
28/02/2019	29/05/2028	0.036	-	100,000	-	-	100,000	0.02
28/02/2019	02/06/2028	0.036	-	125,000	-	-	125,000	0.02
28/02/2019	03/01/2029	0.036	-	100,000	(33,332)	-	66,668	0.02
14/05/2019	15/05/2029	0.059	-	3,188,831	-	-	3,188,831	0.05
14/06/2019	12/07/2029	0.068	-	820,000	(133,332)	-	686,668	0.05
30/08/2019	01/09/2029	0.068	-	300,000	-	-	300,000	0.05
Total			**12,314,215**	**5,083,831**	**(4,071,610)**	**(1,110,000)**	**12,216,436**	
Weighted average exercise price			$0.70	$0.06	$0.45	$1.87	$0.41	

FOR THE YEAR ENDED 31 DECEMBER 2019

20. SHARE BASED PAYMENTS (continued)

(a) Employee Share Option Plan (continued)

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

(b) Expenses Arising from Share Based Payment Transactions

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

	CONSOLIDATED	
	31 DECEMBER 2019 $	31 DECEMBER 2018 $
Options issued under employee share option plan	**360,799**	8,957
Total expenses from share-based transactions	**360,799**	8,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20. SHARE BASED PAYMENTS (continued)

(b) Expenses Arising from Share Based Payment Transactions (continued)

The fair value at grant date is determined using a Black-Scholes option pricing model that considers the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the period ended 31 December 2019 included:

	Tranche I	**Tranche J**	**Tranche K**	**Tranche L**	**Tranche M**	**Tranche N**	**Tranche O**	**Tranche P**	**Tranche Q**	**Tranche R**
Exercise price:	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04	$0.06	$0.07	$0.07
Grant date:	28-Feb-19	28-Feb-19	28-Feb-19	28-Feb-19	28-Feb-19	28-Feb-19	28-Feb-19	14-May-19	14-Jun-19	30-Aug-19
Expiry date:	2-Apr-28	10-Apr-28	2-May-28	16-May-28	29-May-28	2-Jun-28	3-Jan-29	15-May-29	12-Jul-29	1-Sep-29
Share price at grant date:	$0.03	$0.03	$0.03	$0.03	$0.03	$0.03	$0.03	$0.07	$0.07	$0.07
Expected price volatility of the Company's shares:	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Risk-free interest rate:	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	2.10%	1.27%	0.71%
Fair value at grant date:	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.05	$0.05	$0.05

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. SHARE BASED PAYMENTS (continued)

(c) Fair Value of Options Granted

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

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

(d) Recognition and measurement

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

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

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

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

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

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

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

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

21. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The parent entity within the Group is Admedus Ltd.

(b) Subsidiary

Interests in subsidiaries are set out in Note 13.

21. RELATED PARTY TRANSACTIONS (continued)

(c) Key Management Personnel compensation

	31 December 2019 $	31 December 2018 $
Short-term employee benefits	**4,879,770**	2,652,405
Post-employment benefits	**105,373**	87,748
Termination benefits	**-**	568,776
Share based benefits	**310,833**	276,008
	5,295,976	**3,584,937**

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

(d) Loans to/from Related Parties

	CONSOLIDATED	
Loan from Star Bright Holding Limited (shareholder)	**31 DECEMBER 2019 $**	31 DECEMBER 2018 $
Beginning of the period	-	-
Loans advanced	-	5,000,000
Loan repayments made	-	(5,000,000)
Interest charged	-	82,192
Interest paid	-	(82,192)
End of the period	-	-

	CONSOLIDATED	
Loan from Sio Capital (shareholder)	**31 DECEMBER 2019 $**	31 DECEMBER 2018 $
Beginning of the period	-	-
Loans advanced	**1,000,000**	-
Loan repayments made	-	-
Arrangement fee	**125,000**	-
Interest charged	**91,098**	-
Interest paid	-	-
End of the period	**1,216,098**	-

On 8 May the Company entered into a facility agreement with Sio Partners, LP (Sio) for a secured debt facility of AUD$ 1 million. The facility runs for a term of 18 months and is charged an interest rate of 12% per annum, compounded on a monthly basis and added to the loan balance. The facility incurred a one-off fee of AUD$ 125,000 which has been capitalised to the loan. The principal interest and facility fee are all repayable on maturity of the loan.

On 4 November 2019 the Group received notice from Sio Capital to convert the Payout Amount into fully paid ordinary shares issued in the capital of Admedus subject to the approval of Admedus' shareholders. This conversion is required to be approved by shareholders and was considered at an Extraordinary General Meeting held on 26 February 2020. Refer Note 19 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

22. DIVIDENDS

No dividends have been declared or paid during the period.

Recognition and measurement

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

23. REMUNERATION OF AUDITORS

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

	CONSOLIDATED	
	12 MONTHS TO 31 DECEMBER 2019 $	12 MONTHS TO 31 DECEMBER 2018 $
Audit Services		
HLB Mann Judd (WA Partnership)		
Audit and review of 2019 financial reports and other audit work under the *Corporations Act 2001*	**78,000**	75,000
Audit and review of prior year financial reports	**12,500**	12,000
Other assurance services:		
Assistance with audit of ADAPT® carve-out financial statements to comply with US reporting requirements for LeMaitre transaction	**9,000**	-
Total remuneration for audit and other assurance services	**99,500**	**87,000**
WithumSmith+Brown – Audit of ADAPT® Carve-Out	**31,050**	**-**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

24. SUMMARY OF ACCOUNTING POLICIES

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

(a) Statement of compliance

The consolidated financial statements of the Group are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AABS") and the Corporations Act 2001. The consolidated financial statements comply with the Australian equivalents to the International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial reporting, comprising of the financial statements and notes there to, complies with International Financial Reporting Standards ("IFRS"). The consolidated financial statements were authorised for issue on 28 February 2020.

(b) Business combinations

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

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

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

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

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

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

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

24. SUMMARY OF ACCOUNTING POLICIES (continued)

(b) Business combinations (continued)

Reverse Acquisition

In accordance with AASB 3 "Business Combinations", when Admedus Ltd (the legal parent) acquired Admedus Investments Pty Limited group (being Admedus Investments Pty Limited and its controlled entities Admedus (Australia) Pty Limited and Admedus (NZ) Limited) (the legal subsidiary), the acquisition was deemed to be a reverse acquisition since the substance of the transaction is that the existing shareholders of Admedus Investments Pty Limited have effectively acquired Admedus Ltd. Under reverse acquisition accounting, the consolidated financial statements are prepared as if Admedus Investments Pty Limited had acquired Admedus Ltd and its controlled entity, not vice versa as represented by the legal position.

- In reverse acquisition accounting, the cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (the acquiree for accounting purposes). However, since the fair value of the equity instruments of the legal subsidiary (Admedus Investments Pty Limited) was not clearly evident at the date which the control was passed, the alternative method was elected (per AASB 3), where the cost of the business combination was determined as the total fair value of all the issued equity instruments of the legal parent (Admedus Ltd) immediately prior to the business combination.

- In the separate financial statements of the legal parent (Admedus Ltd), the investment in legal subsidiary (Admedus Investments Pty Limited) was accounted for at cost.

Consequently:

- An exercise is performed to fair value the assets and liabilities of the legal acquirer, Admedus Ltd;

The cost of the investment held by the legal parent (Admedus Ltd) in the legal subsidiary (Admedus Investments Pty Limited) is reversed on consolidation and the cost of the reverse acquisition is eliminated on consolidation against the consolidated equity and reserves of Admedus Investments Pty Limited and its consolidated entities at date when control is passed. The effect of this is to restate the consolidated equity and reserves balances to reflect those of Admedus Investments Pty Limited at the date of acquisition;

- The amount recognised as issued equity instruments are determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination; and

- The consolidated financial statements are issued under the name of the legal parent (Admedus Ltd) but are a continuation of the financial statements of the deemed acquirer (Admedus Investments Pty Limited) under the reverse acquisition rules.

(c) Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

24. SUMMARY OF ACCOUNTING POLICIES (continued)

(d) Current and non-current classification

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

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

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

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

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

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

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

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

(f) Leases

The Group adopted AASB 16 *Leases* from 1 January 2019, for details of this new policy refer Note 24(g). Until 31 December 2018 the determination of whether an arrangement was or contained a lease was based on the substance of the arrangement and required an assessment of whether the fulfilment of the arrangement was dependent on the use of a specific asset or assets and the arrangement conveyed a right to use the asset.

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

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

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

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

Standards and Interpretations applicable to 31 December 2019

The Group has adopted AASB 16 *Leases* from 1 January 2019 which has resulted in changes to classification, measurement and recognition of Admedus’ leases. The changes result in almost all leases where Admedus is the lessee being recognised on the balance sheet and removes the former distinction between operating and finance leases. The new standard requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals. The exceptions are short-term leases (being those leases which have a term of 12 months or less or had a remaining term of less than 12 months at the adoption date) and low value leases (being those leases with a value of less than $5,000). AASB 16 superseded AASB 117 *Leases*. The Group has adopted AASB 16 using the modified retrospective approach, under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019. There is no initial impact on accumulated losses under this approach. The Group has not restated comparatives for the 2018 reporting period.

As at 31 December 2018, the Group had operating lease commitments of $1.526 million. Refer note 17 for further details.

The group leases various premises and IT equipment. Until the 2018 financial year, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

24. SUMMARY OF ACCOUNTING POLICIES (continued)

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

From 1 January 2019, leases where Admedus is the lessee are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the company's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Extension options are included in a number of property leases across the group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that required an adjustment to the right-of-use assets on initial application.

On adoption of AASB 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 January 2019 was 14.75%.

In the statement of cash flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

Extension and termination options are included in a number of property leases across the group and are an area of judgement. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). As at 1 January 2019 the financial effect of revising lease terms to reflect the effect of exercising extension options was an increase in recognised lease liabilities and right-of-use assets of $934,470.

	1 January 2019 **$**
Operating lease commitments disclosed as at 31 December 2018	1,526,391
Discounted using the lessee's incremental borrowing rate at the date of initial application	1,140,321
(Less): short-term leases recognised on a straight-line basis as expense	(56,294)
(Less): low-value leases recognised on a straight-line basis as expense	(6,790)
(Less): contracts reassessed as service agreements	(233,061)
Add: adjustments as a result of a different treatment of extension and termination options	934,470
Lease liability recognised as at 1 January 2019	1,778,646
Of which:	
Current lease liabilities	290,459
Non-current lease liabilities	1,488,187
	1,778,646

FOR THE YEAR ENDED 31 DECEMBER 2019

24. SUMMARY OF ACCOUNTING POLICIES (continued)

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

The recognised right-of-use assets relate to the following types of assets:

Property leases	1,681,606
IT equipment	97,040
Total right-of-use assets	**1,778,646**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by $1,778,646
- Lease liabilities – increase by $1,778,646

The net impact on retained earnings on 1 January 2019 was $nil.

Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, with no right of use asset nor lease liability recognised;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Standards and Interpretations in issue not yet adopted

The Directors have reviewed all Standards and Interpretations on issue not yet adopted for the period ended 31 December 2019. As a result of this review, the Directors have determined that there is no material impact of the Standards and Interpretations on issue not yet adopted by the Company, and therefore, no change is necessary to Group accounting policies.

DIRECTORS' DECLARATION

In the opinion of the Directors of the Company:

1. The consolidated financial statements, notes and the Remuneration report in the Directors report are in accordance with the *Corporations Act 2001* including:

   (a) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

   (b) giving a true and fair view of the financial position as at 31 December 2019 and of the performance for the financial year ended on that date of the consolidated entity; and

   (c) complying with International Financial Reporting Standards as disclosed in Note 24(a) to the financial statements.

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2019.

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

John Seaberg
Chairman

Dated 28 February 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT
To the members of Admedus Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Admedus Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material uncertainty related to going concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Carrying value of intangible assets Refer Note 7(d)	
As at 31 December 2019, the Group has an intangible assets balance of $1.7 million which relates to its ADAPT technology. Under AASB 136 *Impairment of Assets,* finite life intangible assets are subject to an impairment test should indicators of impairment arise. As impairment indicators were present, Management conducted a formal impairment assessment under AASB 136 and obtained an external valuation to assist in the determination of recoverable amount. We consider the recoverable amount of intangible assets to be a key audit matter as it involves complex matters involving subjectivity and judgement, it is material to the users' understanding of the financial statements as a whole and it required significant auditor attention and communication with those charged with governance.	Our procedures included but were not limited to: - Consideration of the existence of any impairment indicators which would necessitate an impairment assessment under AASB 136; - Reviewing the valuation of ADAPT obtained by management from an independent expert; - Considering our ability to rely upon the work of the independent expert; - Consideration of the appropriateness of the valuation methodologies employed in the valuation; - Reviewing management's assessment of recoverable amount against carrying amount; - Critically assessing material inputs into the recoverable amount assessment; and - Assessing the appropriateness of the disclosures included within the financial report.
Disposal of CardioCel/VascuCel distribution rights Refer Note 16	
In October 2019, the Group sold the distribution rights to its CardioCel® and VascuCel® products whilst retaining its intellectual property to the ADAPT technology. We consider the transaction to be a key audit matter as it involved complex matters involving subjectivity and judgement, it is material to the users' understanding of the financial statements as a whole and it required significant auditor attention and communication with those charged with governance.	Our procedures included but were not limited to: - Reviewing the material terms and conditions of the transaction by reference to the underlying sales agreements; - Reviewing the calculation of the gain on disposal prepared by management in addition to recalculating the expected gain; - Reviewing the net assets disposed of as part of the transaction; - Reviewing the components of contingent consideration arising under the sales agreements; - Considering the allocation of consideration across taxable jurisdictions and the availability of tax losses in those jurisdictions under applicable tax legislation; - Considering whether the disposal constitute a discontinued operation; and - Assessing the appropriateness of the disclosures included within the financial report.

Key Audit Matter	How our audit addressed the key audit matter
Deconsolidation of Admedus Vaccines Refer Note 14	
As a consequence of the termination of the share sale agreement in April 2019 and the lack of ongoing funding, Admedus Vaccines was placed into administration. The administration event was considered a key audit matter as it required consideration as to the correct deconsolidation point for the subsidiary.	Our procedures included but were not limited to: - Critically reviewing management's assessment that disclosure as a discontinued operation was not required under AASB 5; - Ensuring the subsidiary was deconsolidated in accordance with the requirements of AASB 10 at the point at which control was lost; - Ensuring the deconsolidation was correctly performed; and - Reviewing the appropriateness of the disclosures made within the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Admedus Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 February 2020

M R Ohm
Partner