Admedus Ltd
ABN 35 088 221 078

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ASX RELEASE **27 February 2015**

ASX Market Announcements
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Half Yearly Report (Appendix 4D) for the six months ended 31 Dec 2014

- **CardioCel® now launched in major markets**
- **Admedus invested further into Professor Ian Frazer's vaccine technology**
- **Revenue of $4.8M from sales and distribution for the half year**

The Directors of Admedus Ltd (the "Company") are pleased to announce the operating results for the Company for the 6 months ended 31 December 2014. The Company had another very productive half year of activity as it continues to build on the launch of CardioCel®, with an aim to continually grow revenue.

In this period, Admedus made significant progress getting CardioCel® into cardiothoracic surgery centres across Europe and the US. By the end of the current period, 23 European centres and 20 centres in the US had used the product. These numbers have since risen further to 27 centres in Europe and 25 centres in the US, with over 1,000 patients implanted with CardioCel®.

The Company's overall loss attributed to members for the period was $11.4M, with the majority of the increase of costs associated with the launch of CardioCel®. Costs include increasing the number of regional sales teams, establishing product manufacturing, scaling up the production of CardioCel® and further investment into the therapeutic vaccine programmes, particularly progressing the Herpes Simplex Virus (HSV-2) therapeutic vaccine towards Phase II.

Highlights for the half year were:

- Stronger sales compared to the previous half year, with revenues up 17% to $4.8M;
- Growing use of CardioCel® within the major markets, with 23 European centres and 20 US centres using the product;
- Successful completion of the Phase I HSV-2 and progression of the programme;

- Initial CardioCel® product manufactured and shipped from the new bio-manufacturing facility in Perth, Western Australia; and
- Successful pre-clinical studies for the HPV therapeutic vaccines.

Admedus closed the half year financial period with a cash balance of $9.6M, with a loss for the period of $11.4M after tax. The company had a rise in sales, which were 17% higher at $4.8M, compared to the same corresponding period from the previous year.

The first half of the financial year has seen Admedus establish the foundations for future growth. The Company continued to launch CardioCel® in Europe and the US, with growing sales teams in these regions. In these main markets, Admedus will build its own direct sales force. Increasing surgical centres using CardioCel® provides ongoing use of the product with surgeons. The Company also announced it had received a Canadian marketing license for CardioCel® and also use of the product in Singapore under the Special Access Program (early access). This strengthens the foundation for the ongoing, expanded use of CardioCel® and therefore revenue growth, as well as increasing awareness of Admedus and the Company's ADAPT® tissue engineering technology.

During the half year, the Company completed the establishment of its ADAPT® tissue bio-manufacturing facility in Perth, Western Australia. In August 2014, Admedus officially opened the facility and shipped the first batch of the CardioCel® product manufactured at the site, directly to the US market. With the manufacturing facility producing CardioCel®, this provides the infrastructure and platform to manufacture the product to satisfy global market demand.

At the end of the half year, Admedus announced that it had received ethics approval for the HSV-2 therapeutic vaccine Phase II study. Earlier in the period, the Company announced additional Phase I HSV-2 study data which showed that 19 out of 20 people in the study had a T-cell response against HSV-2 without being exposed to the virus. The programme is now progressing into Phase II in people with HSV-2.

In addition, the Company also announced very positive results for the HPV pre-clinical studies. The results showed in the models that the therapeutic vaccine had 100% clearance and over 85% had HPV-related tumour clearance. This programme is now progressing into clinical studies.

Admedus is looking forward to expanding our presence across the global market, particularly in Asia, where we have established a solid foundation with our operations in Singapore.

The following half yearly report includes:

- Appendix 4D;
- Directors' Report;
- Financial Report;
- Directors' Declaration; and
- Audit Report and Independence Declaration.

Yours faithfully

Stephen Mann
Company Secretary

Appendix 4D
Half Yearly Report

Name of Entity:	Admedus Ltd
ABN:	35 088 221 078
Reporting Period:	Half year ended 31 December 2014
Previous corresponding Period:	Half year ended 31 December 2013

Results for Announcement to the Market

				$A'000
Revenues from ordinary activities	Up	17.4%	to	4,795
Loss from ordinary activities after tax	Up	667%	to	(11,401)
Loss for the period attributable to members	Up	1333%	to	(10,688)

Dividends	**Amount per security**	**Franked amount per security**
Interim dividend	NIL¢	NIL¢
Previous corresponding period	NIL¢	NIL¢

Results Commentary

Admedus had another stronger sales period compared to the corresponding period in 2013. The overall sales for the group were $4.8M, with a closing cash balance of $9.6M. During this period, Admedus achieved $1M in sales for CardioCel® as the Company continues its launch in the European and North American markets.

CardioCel® is being used by surgeons for the repair of cardiovascular defects. In October 2014, the product was highlighted in a number of presentations at the European Association for Thoracic Surgery meeting held in Milan, Italy. These presentations further highlighted the utility of the product and the Company anticipates additional presentation on the product in the future.

In August 2014, the Company officially opened the CardioCel® bio-manufacturing facility in Perth, Western Australia. The opening coincided with the first shipment of CardioCel® from the site to the US market. Having the facility operating provides the company with a strong manufacturing and supply capacity, as it builds global demand for the product.

During the period, the Company continued to strengthen its sales teams across Europe and the US, which saw an increase in headcount across the Company for the half. As Admedus is selling CardioCel® directly in the major markets of Europe and North America, having strong sales teams supports ongoing sales growth and build the foundation for future growth.

Admedus continues to invest in the therapeutic vaccine technology discovered by Professor Ian Frazer. The lead programme targeting Herpes Simplex virus (HSV-2) progressed towards a Phase II study. In addition, the team successfully completed a number of pre-clinical Human papillomavirus (HPV) studies which is now progressing into clinical studies.

Net Tangible Assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	**1.17 cents per share**	1.32 cents per share

The change in the Net Tangible Assets per security between the previous corresponding period and the current period can be attributed to the decrease in net tangible assets during period due to loss from equity accounted investment.

Control gained over entities having material effect

N/A

Loss of control of entities having material effect

N/A

Details of aggregate share of profits (losses) of associated and joint venture entities

N/A

This report is based on:

The accounts have been subject to review.

Sign here: (Company Secretary) **Date:** 27 February 2015

Print name: Stephen Mann

ADMEDUS Ltd ABN 35 088 221 078

CONSOLIDATED HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2014

CORPORATE DIRECTORY

Directors

Christopher Catlow	- Non Executive Chairman
Lee Rodne	- Managing Director
Michael Bennett	- Executive Director
Graeme Rowley	- Non-executive Director
Peter Turvey	- Non-executive Director
John Seaberg	- Non-executive Director
Wayne Paterson	- Non-executive Director

Company Secretary

Stephen Mann

Company and Registered Office

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Website: www.admedus.com
Email: info.au@admedus.com

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, Western Australia 6008

Solicitors

Hardy Bowen Lawyers
1/28 Ord Street
West Perth, Western Australia 6005

Bankers

ANZ
77 St Georges Terrace
Perth, Western Australia 6000

Stock Exchange Listing

Australian Stock Exchange codes:
AHZ (ordinary shares)

DIRECTORS' REPORT

The Directors present the half-yearly financial report on the consolidated entity (referred to hereafter as the 'Group' or "Admedus") consisting of Admedus Ltd and its controlled entities for the half-year ended 31 December 2014.

DIRECTORS

The following persons were Directors of the Company during the half-year and up to the date of this report:

Christopher Catlow
Lee Rodne
Michael Bennett
Graeme Rowley
Peter Turvey
John Seaberg (appointed 10 October 2014)
Wayne Paterson (appointed 10 October 2014)

Stephen Mann was the Company Secretary during the half year and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year consisted of:

- Sale and distribution of infusion and medical products used in hospitals and private practices;
- Manufacture of the regenerative tissue product CardioCel®; and
- Research and development into the next generation of DNA vaccines that combat infectious diseases and cancers caused by Herpes Simplex virus and Human Papillomavirus.

REVIEW OF OPERATIONS AND RESULTS

The consolidated operating loss for the half-year:

	31 Dec 2014 **$**	31 Dec 2013 $
Loss before income tax	**(11,457,227)**	(1,581,044)
Income tax (expense)/ benefit	**56,673**	94,466
Loss for the period	**(11,400,554)**	(1,486,578)

The loss for the equity holders of Admedus Ltd was $10,687,869 compared to $745,660 for the period ending 31 December 2013. The Group had revenue for the period of $4.8M and the closing cash for the period was $9.6M.

Admedus had another stronger sales period compared to the corresponding period in 2013. The overall sales for the Group were $4.8M (2013: $4.1M), with a closing cash balance of $9.6 M. During this period, the Group achieved $1M in sales for CardioCel® as the company continues its launch in the European and North American markets.

DIRECTORS’ REPORT (continued)

In August 2014, Admedus officially opened the CardioCel® bio-manufacturing facility in Perth, Western Australia. The opening coincided with the first shipment of CardioCel® from the site to the US market. Having the facility operating provides Admedus with a strong manufacturing and supply capacity, as it builds global demand for the product.

During the period, the Group continued to strengthen its sales teams across Europe and the US, which saw an increase in salaries across the Company for the half. As Admedus is selling CardioCel® directly in the major markets of Europe and North America, having strong sales teams supports ongoing sales growth and build the foundation for future growth.

Admedus continues to invest in the therapeutic vaccine technology discovered by Professor Ian Frazer. The lead programme targeting Herpes Simplex virus (HSV-2) progressed towards a Phase II study. In addition, the team successfully completed a number of pre-clinical Human papillomavirus (HPV) which is now progressing into clinical studies.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has been no significant changes in the state of affairs of the Group.

DIVIDENDS

No dividend was paid during the half-year and the Board has not recommended the payment of a dividend.

EVENTS SUBSEQUENT TO REPORTING DATE

There have been no significant events post reporting date.

AUDITOR’S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this Directors’ report for the half-year ended 31 December 2014.

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

Christopher J Catlow
Chairman

Dated at Perth, Western Australia this 27th day of February 2014.

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Australia

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF ADMEDUS LTD

As lead auditor for the review of Admedus Ltd for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Admedus Ltd and the entities it controlled during the period.

Brad McVeigh

Director

BDO Audit (WA) Pty Ltd

Perth, 27 February 2015

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation *other than for the acts or omissions of financial services licensees*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	CONSOLIDATED 31 Dec 2014 $	 31 Dec 2013 $
Revenue from continuing operations	3	**4,795,216**	4,083,822
Cost of sales		**(2,801,658)**	(2,220,551)
Gross Profit		**1,993,558**	1,863,271
Other income	3	**57,647**	17,261
Other revenue	3	**-**	1,226,464
Gain on acquisition	2	**-**	2,686,602
Employee benefits		**(6,071,688)**	(2,763,637)
Travel and seminar costs		**(1,549,193)**	(779,642)
Consultancy and legal fees		**(1,181,414)**	(730,573)
Research and development costs		**(988,832)**	(968,410)
Share based payments		**(529,501)**	(103,593)
Administration expenses		**(1,725,321)**	(1,213,655)
Depreciation and amortisation expense		**(745,048)**	(553,401)
Asset write-down		**(182,853)**	(4,072)
Other operating costs		**(467,990)**	(212,487)
Financing costs		**(62,609)**	(30,868)
Net currency loss		**(3,983)**	(14,304)
Loss before income tax from continuing operations		**(11,457,227)**	(1,581,044)
Income tax benefit		**56,673**	94,466
Loss after income tax for the half-year		**(11,400,554)**	(1,486,578)
Loss is attributable to:			
Equity holders of Admedus Ltd		**(10,687,869)**	(745,660)
Non-controlling interests		**(712,685)**	(740,918)
		(11,400,554)	(1,486,578)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		**Cents**	Cents
Basic loss per share		**(0.741)**	(0.069)
Diluted loss per share		**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 HALF-YEAR ENDED 31 DECEMBER 2014

	Note	CONSOLIDATED	
		31 Dec 2014	31 Dec 2013
		$	$
Loss for the half-year		**(11,400,554)**	(1,486,578)
Other comprehensive income		**-**	-
Total comprehensive loss for the half-year		**(11,400,554)**	(1,486,578)
Total comprehensive loss for the half-year is attributable to			
Equity holders of Admedus Ltd		**(10,687,869)**	(745,660)
Non-controlling interests		**(712,685)**	(740,918)
		(11,400,554)	(1,486,578)

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 2014

	Note	CONSOLIDATED 31 Dec 2014 $	30 June 2014 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**9,602,354**	19,582,972
Trade and other receivables		**2,014,854**	1,639,917
Inventories		**3,467,177**	2,952,245
Total current assets		**15,084,385**	24,175,134
Non-current assets			
Property, plant & equipment	8	**3,381,856**	3,297,854
Intangible assets	9	**9,460,227**	9,947,161
Deferred tax asset		**2,401,908**	2,341,224
Total non-current assets		**15,243,991**	15,586,239
Total assets		**30,328,376**	39,761,373
LIABILITIES			
Current liabilities			
Trade and other payables		**1,990,083**	1,448,622
Provisions	10	**1,194,383**	410,381
Current tax payable		**7,338**	7,338
Total current liabilities		**3,191,804**	1,866,341
Non-current liabilities			
Trade and other payables		**-**	-
Provisions	11	**761,344**	728,157
Deferred tax liability		**61,615**	-
Total non-current liabilities		**822,959**	728,157
Total liabilities		**4,014,763**	2,594,498
NET ASSETS		**26,313,613**	37,166,875
EQUITY			
Contributed equity	12	**53,550,704**	53,492,224
Reserves	13	**290,870**	1,070,509
Accumulated losses		**(29,937,500)**	(19,249,631)
Capital and reserves attributable to equity holders of Admedus Ltd		**23,904,074**	35,313,102
Non-controlling interest		**2,409,539**	1,853,773
TOTAL EQUITY		**26,313,613**	37,166,875

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	CONSOLIDATED							
	Share Capital $	Share-based payment Reserves $	Other Reserves $	Foreign Currency Translation Reserve	Accumulated Losses $	Total $	Non controlling Interest $	Total Equity $
Balance at 1 July 2014	**53,492,224**	**1,292,116**	**(221,607)**	**-**	**(19,249,631)**	**35,313,102**	**1,853,773**	**37,166,875**
Loss for the half-year	-	-	-	-	(10,687,869)	(10,687,869)	(712,685)	(11,400,554)
Total comprehensive loss for the half-year	-	-	-	-	(10,687,869)	(10,687,869)	(712,685)	(11,400,554)
Transactions with owners in their capacity as owners								
Transaction with non-controlling interest	-	-	(1,268,451)	-	-	(1,268,451)	1,268,451	-
Options issued during the half-year	-	499,501	-	-	-	499,501	-	499,501
Recognise tax effect on capital raising costs	(57,606)	-	-	-	-	(57,606)	-	(57,606)
Capital raising costs	(3,160)	-	-	-	-	(3,160)	-	(3,160)
Foreign currency - subsidiaries	-	-	-	(10,689)	-	(10,689)	-	(10,689)
Shares issued in lieu of fees	30,000	-	-	-	-	30,000	-	30,000
Exercise of options	89,246	-	-	-	-	89,246	-	89,246
Balance at 31 December 2014	**53,550,704**	**1,791,617**	**(1,490,058)**	**(10,689)**	**(29,937,500)**	**23,904,074**	**2,409,539**	**26,313,613**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

CONSOLIDATED

	Share Capital $	Share-based payment Reserves $	Other Reserves $	Foreign Currency Translation Reserve	Accumulated Losses $	Total $	Non controlling Interest $	Total Equity $
Balance at 1 July 2013	**25,035,391**	**845,442**	**-**	**-**	**(12,633,133)**	**13,247,700**	**1,827,374**	**15,075,074**
Loss for the half-year	-	-	-	-	(745,660)	(745,660)	(740,918)	(1,486,578)
Total comprehensive loss for the half-year	-	-	-	-	(745,660)	(745,660)	(740,918)	(1,486,578)
Transactions with owners in their capacity as owners								
Transaction with non-controlling interest	-	-	(302,745)	-	-	(302,745)	302,745	-
Shares issued during the half-year	10,440,201	-	-	-	-	10,440,201	-	10,440,201
Options issued during the half-year	-	103,593	-	-	-	103,593	-	103,593
Capital raising costs	(522,010)	-	-	-	-	(522,010)	-	(522,010)
Recognise tax effect on capital raising costs	84,679	-	-	-	-	84,679	-	84,679
Shares issued as executive bonus	18,000	-	-	-	-	18,000	-	18,000
Shares issued in lieu of directors fees	97,450	-	-	-	-	97,450	-	97,450
Exercise of options	694,000	-	-	-	-	694,000	-	694,000
Balance at 31 December 2013	**35,847,711**	**949,035**	**(302,745)**	**-**	**(13,378,793)**	**23,115,208**	**1,389,201**	**24,504,409**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	CONSOLIDATED Half-year 31 Dec 2014 $	 Half-year 31 Dec 2013 $
Cash flows from operating activities			
Receipts from customers		**4,593,081**	4,148,156
Payments to suppliers		**(14,191,423)**	(9,051,672)
		(9,598,342)	(4,903,516)
Interest received		**57,647**	17,261
Interest paid		**(18,890)**	(17,004)
Grant Income		**-**	1,226,213
Net cash outflow from operating activities		**(9,559,585)**	(3,677,046)
Cash flows from investing activities			
Cash acquired on acquisition of subsidiaries		**-**	97,093
Payments for property, plant & equipment		**(289,677)**	(129,073)
Additional shares acquired in subsidiary		**(165,000)**	-
Payments for intangible assets		**(52,440)**	(43,498)
Net cash outflow from investing activities		**(507,117)**	(75,478)
Cash flows from financing activities			
Proceeds from share and options issues		**89,244**	11,134,201
Share issue transaction costs		**(3,160)**	(522,010)
Net cash inflow from financing activities		**86,084**	10,612,191
Net increase/(decrease) in cash held		**(9,980,618)**	6,859,667
Cash at the beginning of the half-year		**19,582,972**	2,445,423
Cash at end of the half-year	7	**9,602,354**	9,305,090

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed half-year financial report is a general-purpose financial report, which has been prepared in accordance with the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*. The half-year financial report has been prepared in accordance with the historical cost convention.

This condensed half-year financial report does not include all the notes of the type normally included within the annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Admedus Ltd during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The Group intends to progress its R&D projects and further commercialise CardioCel® in the international markets. The Group's programmes are going well and the company is moving ahead with its growth strategy. The Group may need to raise additional capital during the next 12 months to fund its future activities, including provision for ongoing working capital, R&D and any required production activities. The Directors believe that the Group has the ability to raise additional funds through its 15% share placement capacity. In the event that the Group is unable to raise additional capital, the Group will investigate funding options including, deferral or reduction in certain expenditure, divesting other non-core assets or reviewing the Group's current activities such that the Group will remain a going concern for at least the period up to 12 months from the date of the signed financial report.

The Directors believe that the Group will be successful in the above matters and, at this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report as at 31 December 2014. Accordingly, the accompanying financial statements do not include any adjustments relating to the recoverability and classification of the asset carrying amount or the amount and classification of liabilities that might be necessary if the Group is unable to continue as a going concern.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

(a) Changes in accounting policy

Revenue recognition

In accordance with AASB 120, Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in noncurrent liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New or revised accounting standards

The group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the group include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
- Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
- Part C: 'Materiality'
- Interpretation 21 'Levies'

Impact of the application of AASB 1031 'Materiality' (2013)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

The Group has applied the amendments to AASB 132 for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Impact of the application of AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'

The Group has applied the amendments to AASB 136 for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.

The application of these amendments does not have any material impact on the disclosures in the Group's condensed consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of the application of AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2014-1 'Amendments to Australian Accounting Standards'

Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycle'

The Annual Improvements 2010-2012 Cycle include a number of amendments to various AASBs, which are summarised below.

The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The 'Annual Improvements 2011-2013 Cycle' include a number of amendments to various AASBs, which are summarised below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.

The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether: (a) the property meets the definition of investment property in terms of AASB 140; and (b) the transaction meets the definition of a business combination under AASB 3.

Part C – 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031, which historically has been referenced in each Australian Accounting Standard.

The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of Interpretation 21'Levies'

The Group has applied Interpretation 21 'Levies' for the first time in the current year. Interpretation 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

Interpretation 21 has been applied retrospectively. The application of this Interpretation does not have any material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

2. BUSINESS COMBINATION

Verigen Australia Pty Ltd acquisition

On 31 December 2013 Admedus Ltd, acquired 100% of shares on issue in Admedus Biomanufacturing Pty Ltd (formerly Verigen Australia Pty Ltd). This is a bio-implant manufacturing business and operates in the manufacturing division of the consolidated entity.

The acquisition is part of the Group's overall strategy to commercialise new medical technologies in-house.

The values identified in relation to the acquisition of Admedus Biomanufacturing Pty Ltd are final as at 30 June 2014.

	Acquiree's Carrying Amount	Fair Value
	$	$
Purchase consideration:		
— equity issued (23,827 shares at $0.000042 per share)		1
— cash at bank		(97,094)
		(97,093)
Less:		
Trade and other receivables	26,203	26,203
Inventory	30,150	30,150
Property, plant and equipment	-	3,139,250
Trade and other payable	(80,396)	(80,396)
Provisions	(73,000)	(528,000)
Identifiable assets acquired and liabilities assumed	(97,043)	2,587,207
Gain on acquisition		2,684,300

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

3. REVENUES

	Half-year 2014 $	Half-year 2013 $
Revenue from continuing operations		
Revenue from operations	**4,795,216**	4,083,822
Other income		
Interest income	**57,647**	17,261
Other revenue		
Grant Income	**-**	1,226,213
Sundry income	**-**	251
	-	1,226,464

4. POST BALANCE DATE EVENTS

There have not been any significant events post balance date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

5. SEGMENT INFORMATION

Description of segments

In accordance with AASB 8 Operating 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 makers (Board of Directors that make key strategic decisions).

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

– Disposable medical products and medical devices distribution;
– Bio-implant operations of Admedus Regen Pty Ltd;
– DNA Vaccines operations of Admedus Vaccines Pty Ltd; and
– Manufacturing being the operations of Admedus Biomanufacturing Pty Ltd.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue reported above represents revenue generated from external and internal customers. The Group segment includes the elimination of intersegment sales.

Performance is measured based on segment result before tax.

Half year 2014	Medical products & devices	Bio-implants	DNA Vaccines	Manufacturing	Corporate	Total
External customers	3,876,461	918,755	-	-	-	4,795,216
Internal customers	655,511	447,300	-	237,873	(1,340,684)	-
Total segment revenue	4,531,972	1,366,055	-	237,873	(1,340,684)	4,795,216
External Cost of goods sold	(2,351,799)	(105,677)	-	(344,182)	-	(2,801,658)
Internal Cost of goods sold	(504,774)	(766,754)	-	-	1,271,528	-
Gross Margin	1,675,399	493,624	-	(106,309)	(69,156)	1,993,558
Interest revenue	3,070	-	26,067	4	28,506	57,647
Segment other revenues	3,070	-	26,067	4	28,506	57,647
Employee benefits	(1,019,472)	(1,584,614)	(260,658)	(848,555)	(2,358,389)	(6,071,688)
Management fee	-	(553,004)	-	-	553,004	-
Consulting and legal fees	(35,954)	(311,687)	(97,488)	-	(736,285)	(1,181,414)
Travel and seminars	(266,469)	(1,056,414)	(10,073)	(1,548)	(214,689)	(1,549,193)
Research and development	-	(355,052)	(633,780)	-	-	(988,832)
Administration expenses	(270,990)	(418,377)	(972)	(159,470)	(875,512)	(1,725,321)
Depreciation and amortisation	(4,205)	(17,681)	(414,809)	(173,548)	(134,805)	(745,048)
Other operating costs	(61,111)	(112,580)	(160,008)	(16,389)	(117,902)	(467,990)
Asset write-downs	(11,057)	(68,950)	-	(102,846)	-	(182,853)
Net currency gains / (losses)	38,031	153,062	-	(241)	(194,835)	(3,984)
Share based payments	-	-	-	-	(529,501)	(529,501)
Segment operating costs	(1,631,227)	(4,325,297)	(1,577,788)	(1,302,597)	(4,608,914)	(13,445,823)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

5. SEGMENT INFORMATION (continued)

Half year 2014 (Continued)	**Medical products & devices**	**Bio-implants**	**DNA Vaccines**	**Manufacturing**	**Corporate**	**Total**
Segment operating profit / (loss)	47,242	(3,831,673)	(1,551,721)	(1,408,902)	(4,649,564)	(11,394,618)
Interest expense	(18,890)	-	-	-	-	(18,890)
Other financing costs	(12,401)	(14,744)	(517)	(9,702)	(6,355)	(43,719)
Profit / (loss) before income tax	15,951	(3,846,417)	(1,552,238)	(1,418,604)	(4,655,919)	(11,457,227)
Income tax benefit	-	-	-	-	56,673	56,673
Profit / (loss) after income tax	15,951	(3,846,417)	(1,552,238)	(1,418,604)	(4,599,246)	(11,400,554)

Half year 2013	**Medical products & devices**	**Bio-implants**	**DNA Vaccines**	**Manufacturing**	**Corporate**	**Total**
External customers	4,027,507	56,315	-	-		4,083,822
Internal customers	114,930	21,851	-	-	(136,781)	0
Total segment revenue	4,142,437	78,166	-	-	(136,781)	4,083,822
External Cost of goods sold	(1,822,288)	(398,263)	-	-	-	(2,220,551)
Internal Cost of goods sold	(114,930)	(21,851)	-	-	136,781	-
Gross Margin	2,205,219	(341,947)	-	-	(136,781)	1,863,271
Interest revenue	1,196	2	-	-	16,063	17,261
Other revenue	-	1,208,713	-	-	17,751	1,226,464
Segment other revenues	1,196	1,208,715	-	-	33,814	1,243,725
Employee benefits	(729,847)	(276,750)	(320,415)	-	(1,436,625)	(2,763,637)
Management fee	-	(381,000)	-	-	(381,000)	-
Consulting and legal fees	(9,143)	(331,702)	(39,517)	-	(350,211)	(730,573)
Travel and seminar costs	(401,354)	(135,747)	(4,133)	-	(238,408)	(779,642)
Research and development	(8,064)	(531,333)	(429,013)	-	-	(968,410)
Administration expenses	(250,410)	(106,592)	(43,187)	-	(813,466)	(1,213,655)
Depreciation and amortisation	-	(5,811)	(415,338)	-	(132,252)	(553,401)
Other operating costs	(68,890)	(52,920)	(75,696)	-	(14,981)	(212,487)
Currency gains / (losses)	22,854	(10,156)	-	-	(27,002)	(14,304)
Gain on acquisition	-	-	-	-	2,686,602	2,686,602
Asset write-down	(4,072)	-	-	-	-	(4,072)
Share based payments	-	-	-	-	(103,593)	(103,593)
Segment operating costs	(1,448,926)	(1,832,011)	(1,327,299)	-	48,936	(4,657,172)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

5. SEGMENT INFORMATION (continued)

Half year 2013 (Continued)	**Medical products & devices**	**Bio-implants**	**DNA Vaccines**	**Manufacturing**	**Corporate**	**Total**
Segment operating profit / (loss)	757,489	(965,244)	(1,327,299)	-	(15,122)	(1,550,176)
Interest expense	(12,737)	-	-	-	-	(12,737)
Other financing costs	(16,273)	(1,858)	-	-	-	(18,131)
Profit / (loss) before income tax	728,479	(967,102)	(1,327,299)	-	(15,122)	(1,581,044)
Income tax benefit	94,466	-	-	-	-	94,466
Profit / (loss) after income tax	822,945	(967,102)	(1,327,299)	-	(15,122)	(1,486,578)

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 operating cash, receivables, property, plant and equipment and other intangible assets.

Segment liabilities consist primarily of creditors, employee benefits and borrowings.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

5. SEGMENT INFORMATION (continued)

Reportable segment assets and liabilities reconciled as follows:

Half year 2014	Medical products & devices $	Bio-implants $	DNA Vaccines $	Manufacturing $	Corporate	Total
Cash and cash equivalents	**1,170,053**	**4,732,406**	**2,081,835**	**423,495**	**1,194,565**	**9,602,354**
Trade and other receivables	**2,335,015**	**476,771**	**-**	**271,068**	**(1,068,000)**	**2,014,854**
Inventories	**2,530,798**	**471,605**	**-**	**520,919**	**(56,145)**	**3,467,177**
Property, plant and equipment	**20,183**	**139,006**	**-**	**3,097,600**	**125,067**	**3,381,856**
Intangibles	**-**	**317,545**	**2,256,089**	**-**	**6,886,593**	**9,460,227**
Deferred tax asset	**-**	**-**	**-**	**-**	**2,401,908**	**2,401,908**
Total assets per the Statement of Financial Position	**6,056,049**	**6,137,333**	**4,337,924**	**4,313,082**	**9,483,988**	**30,328,376**
Trade and other payables	**(951,748)**	**(1,479,905)**	**(232,863)**	**(224,072)**	**898,505**	**(1,990,083)**
Current tax payable	**-**	**-**	**-**	**-**	**(7,338)**	**(7,338)**
Provisions	**(952,440)**	**(104,829)**	**-**	**(238,823)**	**(659,635)**	**(1,955,727)**
Deferred tax liability	**-**	**-**	**-**	**-**	**(61,615)**	**(61,615)**
Total liabilities per Statement of Financial Position	**(1,904,188)**	**(1,584,734)**	**(232,863)**	**(462,895)**	**169,917**	**(4,014,763)**

Half year 2013	Medical products & devices $	Bio-implants $	DNA Vaccines $	Manufacturing $	Corporate	Total
Cash and cash equivalents	605,479	429,940	527,513	97,094	7,645,064	9,305,090
Trade and other receivables	1,314,267	60,071	7,276	26,203	95,388	1,503,205
Inventories	1,794,162	220,725	-	30,150	-	2,045,037
Property, plant and equipment	18,733	93,733	779	2,963,399	242,605	3,319,249
Intangibles	-	204,954	3,085,458	-	5,900,660	9,191,072
Deferred tax asset	-	-	-	-	1,044,416	1,044,416
Total assets per the Statement of Financial Position	3,732,641	1,009,423	3,621,026	3,116,846	14,928,133	26,408,069
Trade and other payables	(715,546)	(155,459)	(138,030)	(80,396)	90,514	(998,917)
Current tax payable	(59,949)	-	-	-	29,811	(30,138)
Provisions	(350,220)	-	-	(473,000)	(51,385)	(874,605)
Total liabilities per Statement of Financial Position	(1,125,715)	(155,459)	(138,030)	(553,396)	68,940	(1,903,660)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

6. DIVIDENDS

No dividends have been declared or paid during the half year.

7. CASH AND CASH EQUIVALENTS

	31 December 2014 $	30 June 2014 $
Cash at bank and in hand	**9,602,354**	19,582,972

8. PROPERTY PLANT AND EQUIPMENT

	31 December 2014 $	30 June 2014 $
Plant & equipment		
Cost	**4,049,232**	3,759,555
Accumulated depreciation	**(667,376)**	(461,701)
	3,381,856	3,297,854

Reconciliation

Opening net book value	**3,297,854**	121,651
Additions	**289,677**	3,403,786
Depreciation charge	**(205,675)**	(227,583)
Closing net book value	**3,381,856**	3,297,854

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

9. INTANGIBLE ASSETS

	31 December 2014 $	30 June 2014 $
Patents	**328,510**	276,070
Intellectual property	**2,651,173**	2,775,863
Technology Licence	**4,891,250**	5,305,935
Goodwill	**1,589,294**	1,589,293
	9,460,227	9,947,161
Reconciliation - Patents		
Opening net book value	**276,070**	172,421
Additions - acquisitions	**52,440**	103,649
Closing net book value	**328,510**	276,070
Reconciliation – Intellectual property		
Opening net book value	**2,775,863**	3,017,242
Accumulated amortisation	**(124,690)**	(241,379)
Closing net book value	**2,651,173**	2,775,863
Reconciliation – Technology Licence		
Opening net book value	**5,305,935**	6,300,000
Accumulated amortisation	**(414,685)**	(994,065)
Closing net book value	**4,891,250**	5,305,935
Reconciliation – Goodwill		
Opening net book value	**1,589,294**	1,589,293
Impairment	**-**	-
Closing net book value	**1,589,294**	1,589,293

There have been no indicators of impairment. The directors will perform an impairment test prior to 30 June 2015 in accordance with accounting requirements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

10. CURRENT LIABILITIES - PROVISIONS

	31 December 2014 $	30 June 2014 $
Employee benefits	**725,883**	410,381
Indirect taxes payable	**468,500**	-
	1,194,383	410,381

11. NON CURRENT LIABILITIES - PROVISIONS

	31 December 2014 $	30 June 2014 $
Long service leave provision	**306,344**	273,157
Restoration provision	**455,000**	455,000
	761,344	728,157

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

12. CONTRIBUTED EQUITY

	31 December 2014		30 June 2014	
	SHARES	**$**	SHARES	$
(a) Share Capital				
Ordinary shares				
Fully paid	**1,442,496,187**	**53,550,704**	1,441,087,921	53,492,224

Movements in Ordinary Share Capital				
Opening balance	**1,441,087,921**	**53,492,224**	1,035,171,181	25,035,391
Options exercised	**1,324,933**	**89,244**	12,116,666	727,000
Shares issued for executive bonuses	**-**	**-**	367,347	18,000
Shares issued in lieu of directors fees	**-**	**-**	628,710	97,450
Shares issued in lieu of consulting fees	**83,333**	**30,000**	-	-
Rights issue	**-**	**-**	208,804,017	10,440,201
Share placement	**-**	**-**	83,000,000	8,300,000
Share purchase plan	**-**	**-**	101,000,000	10,100,000
Transaction costs	**-**	**(3,160)**	-	(1,514,209)
Recognise tax effect on capital raising costs	**-**	**(57,604)**	-	288,391
Closing balance	**1,442,496,187**	**53,550,704**	1,441,087,921	53,492,224

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

13. RESERVES

	31 December 2014 $	30 June 2014 $
Share based payments reserve	**1,791,616**	1,292,116
Foreign currency transalation reserve	**(10,689)**	-
Other reserve	**(1,490,057)**	(221,607)
	290,870	1,070,508
Reconciliation – Share based payments reserve		
Opening balances	**1,292,116**	845,442
Share based payments	**499,500**	446,674
Closing balance	**1,791,616**	1,292,116
Reconciliation – Foreign currency translation reserve		
Opening balances	**-**	-
Translation on consolidation of subsidiaries	**(204,819)**	-
Foreign exchange on loans to subsidiaries	**194,130**	-
Closing balance	**(10,689)**	-
Reconciliation – Other reserve		
Opening balances	**(221,607)**	-
Transactions with owners – gain / loss on NCI	**(1,268,450)**	(221,607)
Closing balance	**(1,490,057)**	(221,607)

During the period 4,100,000 unlisted options were issued to employees under the ESOP.

ADMEDUS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

14. COMMITMENTS

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

	Minimum Lease Payments		**Present Value of Minimum Lease Payments**	
	31 Dec 2014 $	30 Jun 2014 $	**31 Dec 2014 $**	30 Jun 2014 $
(a) Operating Lease Commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	**485,213**	598,488	**473,378**	582,728
Later than one year but no later than five years	**1,128,210**	1,407,180	**1,039,849**	1,291,193
Greater than five years	**19,327**	-	**16,666**	-
	1,632,750	2,005,668	**1,529,893**	1,873,921

The Group leases office space under an operating lease that expires in May 2015. The Group also leases manufacturing facility under an operating lease that expires in January 2019.

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Due to their short term nature the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

16. ASSETS PLEDGED AS SECURITY

The Group has a facility totalling $1,020,000 (30 June 14: $1,020,000):

- $20,000 is secured by way of a Mortgage Debenture over all the assets of Admedus Ltd; and
- $1,000,000 is secured by way of a Mortgage Debenture over all the assets of Admedus Australia Pty Ltd.

In addition the group has $112,000 (30 June 14: $112,000) in Trade and Other Receivables held as guarantee for rental on business premises.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

17. CONTINGENT LIABILITIES

On 12 November 2014 proceedings were issued against Admedus Ltd, its wholly owned subsidiary Admedus (Australia) Pty Ltd and its subsidiary Admedus Regen Pty Ltd.

The proceeding have been issued by Dr Geoffrey Lane, Dr Keith Woollard and their respective associated entities Palkingston Pty Ltd and KV Woollard Pty Ltd under sections 232 and 233 of the Corporations Act 2001 (Cth). The allegations relate to Admedus Regen Pty Ltd.

The proceedings allege that the affairs of Admedus Regen Pty Ltd are being conducted in a manner that is contrary to the interests of the members of Admedus Regen Pty Ltd as a whole and oppressive of the interests of Dr Geoffrey Lane, Dr Keith Woollard, Palkingston Pty Ltd and KV Woollard Pty Ltd.

The matter is still ongoing and the outcome at this stage is unknown and therefore an estimate of the potential contingency cannot reliably be determined.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements of the consolidated entity are in accordance with the Corporations Act 2001; including:

(i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Admedus Ltd will be able to pay its debts as and when they become due and payable.

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

Christopher J. Catlow
Chairman

Perth, Western Australia

Dated this 27th day of February 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Admedus Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Admedus Ltd, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Admedus Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, 27 February 2015