



ANNUAL REPORT
JULY – DECEMBER | **2017**



*Innovation to support life's
journey is at the heart of our story...*



Corporate Directory

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Perth, Western Australia 6000

SOLICITORS

DLA Piper Australia
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Perth, Western Australia 6000

BANKERS

ANZ
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Perth, Western Australia 6000

SHARE REGISTRY

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Pty Limited
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SECURITIES EXCHANGE LISTING

ASX code: AHZ (ordinary shares)

Admedus is a medical technologies company delivering clinically superior solutions to help healthcare professionals create life-changing outcomes for patients.

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From The Chairman

It is my pleasure to present the Admedus Report for the period 1 July- 31 December 2017.



This half-yearly update concludes the process of changing our financial year end from 30 June to 31 December which more closely aligns Admedus' reporting period with our global business sales cycles, assists with forecasting, cash flow management and investment decisions.

Despite its shortened length, this period has been a particularly significant one for Admedus with the achievement of several key strategic milestones and record revenue growth.

Our ADAPT® technology continues to pull ahead of the competition, achieving more than nine years without calcification or toxicity and delivering real health benefits to patients in more than 135 centres around the world.

Commercially, this has been a pivotal period for ADAPT® which achieved strong revenues of \$AUD3.8M over the six months, primarily due to increasing sales in Europe and launches into emerging markets and the expansion of our product range.

We also entered into an exclusive supply agreement with US-based 4C Medical Technologies to use our ADAPT® tissue in their new novel Transcatheter Mitral Valve Replacement (TMVR) technology which lends further credibility to the quality of our biomaterial.

A highlight during this period was the conclusion of our comprehensive user-evaluation program for the first of our shaped-tissue products, CardioCel 3D®. This successful initiative delivered valuable insights and drew positive feedback from leading clinicians who welcome the intended expansion of this key product portfolio.

Like all ADAPT® products, 3D is a game-changer, its unique pre-shaped curve represents a disruptive technology in the high-complexity congenital defect repair space, offering benefits to both physicians and patients. We were pleased to launch CardioCel 3D® for sale in North America in January.

Another important milestone was the launch of CardioCel® in the Republic of India after securing regulatory approval in November 2017. India represents a potentially significant emerging market for our products where 280,000 babies are born each year with Congenital Heart Disease (CHD).

Emerging markets are a central part of our growth strategy and we will keep rigorously pursuing new opportunities to introduce, or expand, our product offerings in high-growth regions such as MENA, South America and Asia-Pacific.

In November 2017, we submitted two separate IP applications in the US relating to the development of an Admedus Transcatheter Aortic Valve Replacement (TAVR) device and patented hydro-packaging system.

Using ADAPT® treated tissue in the valve, the Admedus TAVR would provide a clinically-superior alternative for patients who are unsuitable candidates for surgical valve replacement procedures.

This major strategic R&D project signals Admedus' foray into a global market worth an estimated value of \$3.5B, predicted to be \$5B in 2020.

Further development of the Admedus TAVR will be a primary focus for the Company over the next twelve months and we look forward to sharing this exciting journey with our shareholders.

This period has also been an important one for our Infusion business unit with the opening of the new Royal Adelaide Hospital (nRAH) in September 2017 requiring implementation of more than 2500 infusion pumps to the new facility. This is a major ongoing project with our Infusion sales and clinical education teams continuing to work closely with nRAH staff.

In addition to our contract with the nRAH, the Admedus Infusion business has continued to grow

at a consistent and reliable pace, delivering 41% growth and more than \$AUD1M per month in revenue throughout this period.

The Infusion team has also recently been restructured and reinvigorated to facilitate its ongoing growth and success as we eye future expansion opportunities through new contracts and territories.

Across the entire business, we continue to refine our processes and increase efficiency through a range of continuous improvement initiatives that maximise resources and reduce expenses.

During this period, we've invested in digital sales tools, training and resources to build a global team of subject matter experts who are qualified, well-equipped and motivated to drive the Company forward as we grow.

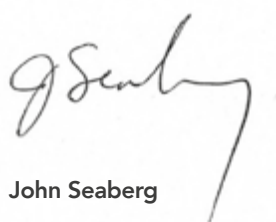
Key leadership appointments included Catherine Costello to the dual role of Chief Financial Officer and Company Secretary and Eric Lambert as Regional Vice President - Europe.

The Admedus brand has also continued to evolve, in both recognition and value, as demonstrated by our refreshed corporate communications and new-look website (www.admedus.com). Our brand image now reflects who we are – a confident, modern, innovative and patient-centric medical technology business.

The financial performance over this six-month period has been consistent with our earlier forecast and expectations. Gross profit for the period was \$6.7 million, representing a gross profit margin of approximately 59% - a significant improvement from 48% in the 12 months to 30 June 2017.

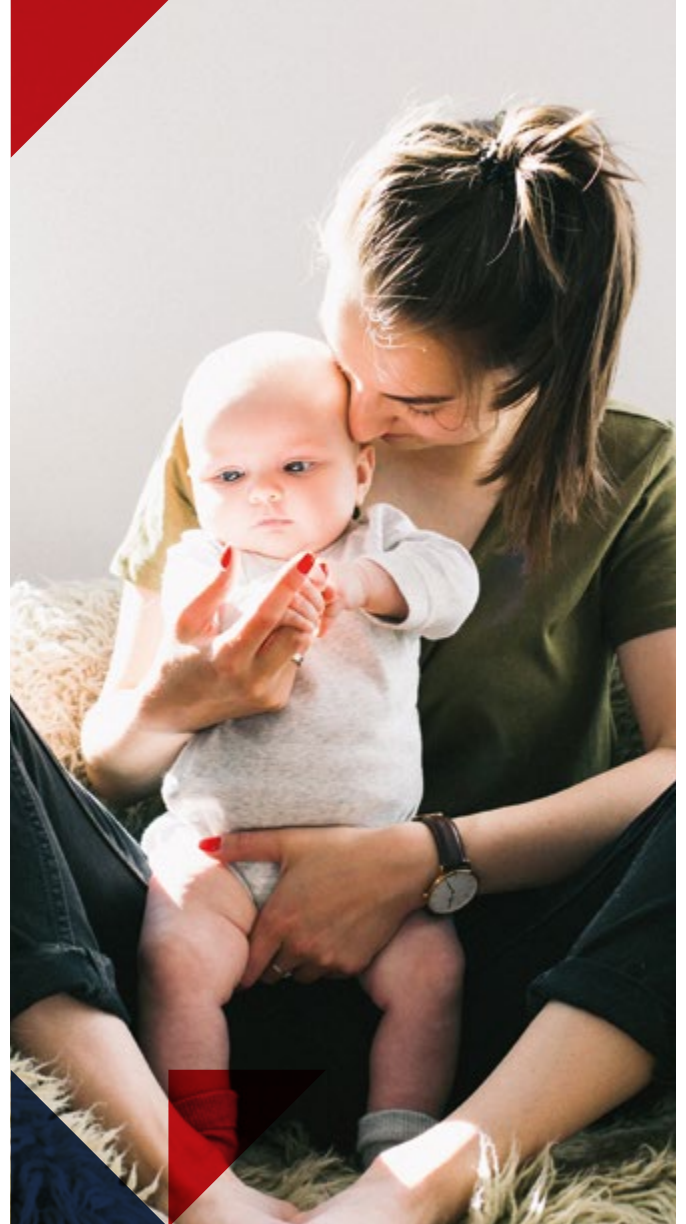
In 2017 the Company continued its transformative journey, and looking ahead to 2018, the outlook and prospects for Admedus have never been better. Our refocused strategic direction is delivering solid results and Admedus is now closer than ever to realising its full potential as a credible, profitable and bankable business.

On behalf of the board and management, I would like to thank our shareholders for their continued passion and support as we enter the next stage of Admedus' bold and exciting evolution.



John Seaberg

Chairman
Admedus Limited



CardioCel® approval in India where

280,000

babies are born each year with
Congenital Heart Disease (CHD)



ADAPT® Revenue

\$3.8m+

over 6 months



Gross Profit

\$6.7m at 59%

representing an 11% increase

10/17

Admedus lodges two separate IP applications submitted in the US for a Transcatheter Aortic Valve Replacement (TAVR) device with potential market of **US\$3.5 billion**.

Milestones

1 July – 31 December 2017



July 2017

10/17

Admedus enters into a secured debt facility of up to \$10 million with Partners for Growth (PFG).



08/17

Admedus enters exclusive supply agreement with 4C Medical Technologies, Inc. who will use **ADAPT®-engineered tissue** for their novel designed Transcatheter Mitral Valve Replacement (TMVR) technology.

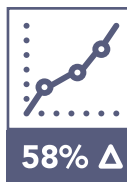
07/17

CardioCel® 3D progresses to expanded access program with increase in key reference sites at world-leading paediatric hospitals.

07/17

Admedus announces **\$22M in revenue** over past 12 months...

a **58% increase**, exceeding forecast expectations by \$1M.



11/17

Admedus receives regulatory approval to launch **CardioCel®** in the Republic of India which opens the door to a significant emerging market.



09/17

The Admedus Infusion team completes a major implementation project as the new billion-dollar Royal Adelaide Hospital opens.



“Admedus has a clear new focus and compelling strategic direction.”

11/17

Catherine Costello
appointed as new Admedus
Chief Financial Officer.

01/18

CardioCel 3D® launched in the US
at Society of Thoracic Surgeons (STS)
54th annual meeting in Florida.



January 2018

12/17

Infusion reaches four consecutive
months of sales above **\$AUD1M**.

+\$1M

+\$1M

+\$1M

+\$1M

12/17

Admedus changes
financial reporting
period to align with
calendar year.

11/17

TAVR prototype unveiled
to investors at Annual General
Meeting in Brisbane.

01/18

Permanent TAVR Advisory Board
established in the US.

01/18

Admedus welcomes new
Regional Vice President
Europe **Eric Lambert**.

01/18

Admedus launches **new
corporate website** with
enhanced features and
refreshed design.



01/18

CardioCel® officially launches in India
with strong media and investor interest.



1 July – 31 December 2017

Review of Operations

2017 was a year of execution, we delivered on several key initiatives and invested in the long-term sustainability of our business. In what is a transformational step for the business, we lodged two IP applications for our revolutionary TAVR technology, expanded the ADAPT portfolio and established two permanent expert advisory boards (CHD and TAVR).

I am pleased to present the Admedus Review of Operations for the six months, 1 July – 31 December 2017, as we transition to a new financial reporting calendar.

As outlined on page 6 and 7 Admedus achieved several significant milestones over the past six months, including:

- Record sales of ADAPT® driven by expansion of product range and targeted sales strategy
- Infusion business grew driven by higher demand from the new Royal Adelaide Hospital which opened in September 2017
- Regulatory approval to launch CardioCel® in the Republic of India granted, launched January 2018
- Submission of two IP applications for TAVR device, potential market of US\$3.5 billion
- ADAPT® sales gaining further momentum in North America, Europe and Emerging Markets with new sales representatives introduced in 2018
- CardioCel® 3D user evaluation completed and product launch in North America in January 2018

During the period, the Company continued its focus on executing initiatives to drive revenue growth, improve margins, reduce costs and improve operating cash flows. The Company achieved solid revenue growth, launched breakthrough and innovative development projects and expanded in new and emerging markets during the period.

ADAPT®, the Company's leading bio-scaffold tissue business, achieved strong revenues of \$3.8 million for the six months primarily driven by increasing sales in the Europe and the Emerging Market regions and expansion of the product range. North American ADAPT® sales were temporarily impacted by a restructure and rejuvenation of the field force which was largely complete by year end.

Revenue in the Australia and New Zealand infusion business was \$7.5 million for the six-month shortened year, driven by a combination of strong underlying consumables sales across the infusion product portfolio and the commencement of operations at the new Royal Adelaide Hospital (nRAH). Excluding the one-off capital sales at nRAH in the previous six-month corresponding period, the underlying Infusion revenues grew by 41%.

Gross profit for the period was \$6.7 million, representing a gross profit margin of approximately 59%, a significant improvement from 48% in the 12 months to 30 June 2017, reflecting the growth platform of the business.

The Company invested in extensive training material and resources for the ADAPT business line introducing digital sales and marketing tools to support the team and facilitate market penetration. Operating costs increased to \$14.2 million for the period primarily driven by higher employee costs associated with revenue growth, employees achieving their incentive targets and one-off costs associated with further restructuring of the business during the period.

Operating cash out flows for the period were \$6.6 million reflecting increased net operating costs, without the offsetting benefit of the refundable Research and Development cash tax offset.

In October 2017, the Company entered into a financing facility with Partners For Growth (PFG) and fully drew down the \$5 million term loan during the period. The Company received a waiver from PFG on its 31 December 2017 financial covenants and has subsequently restructured the financial covenants under the loan agreement to better align with its 2018 budget targets.

The closing cash for the period was \$8.3 million, including \$5 million from the PFG term loan, down from \$11.3 million at 30 June 2017.



For further details please refer to our full 1 July – 31 December 2017 Financial Report from page 21.

Outlook

As mentioned, 2017 was a year of firsts and significant achievements.

Record sales and growth were driven by the expansion of our global operations, significant improvements in our manufacturing processes, implementation of major systems such as Veeva, launching of multiple products, implementation of the major nRAH infusion contract, expansion into key emerging markets and progression of our ground-breaking TAVR project.

We have achieved significant milestones which establish us, more than ever, as a commercial and technological force to be reckoned with.

In 2018, the Company is committed to accelerating the growth of its CardioCel® product portfolio, including 3D, expanding ADAPT® into additional markets and securing a commercial partner to further advance the development of our TAVR device. The company will particularly focus on accelerating its prolific pipeline to bring more products to market in the coming years.

We will also continue to focus on improvement initiatives in our world-class manufacturing operation to improve efficiency, reduce costs and maximise margins and yields to ensure we're well prepared to meet expected increases in production and demand.

2018 will bring Admedus even closer to realising our strategic vision of delivering clinically- superior products that make a difference in patients' lives. Our clinical superiority and growing technical prowess has put us in an enviable position that I describe as an 'unassailable moat' – no competition can get close to us.

The team is approaching 2018 with a refreshed sense of purpose, strategic direction and intense enthusiasm for what will be another pivotal year in our company's history.

I would like to thank our shareholders for their ongoing support and belief in our mission as we continue to drive the business forward towards market dominance and profitability.

Wayne Paterson

Chief Executive Officer
Admedus Limited

“2018 will bring Admedus even closer to realising our strategic vision of delivering clinically-superior products that make a difference in patients' lives.”

Board of Directors



John Seaberg
Chairman

John has significant experience in cardiovascular products and markets. 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, John 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, John co-founded ACIST Medical and served as its first President and CEO. He was also the founder and CEO of Seaberg Medical, a regional distributor of implantable cardiovascular devices. He lives in Minneapolis and holds a Bachelor of Arts in Speech Communications from the University of Minnesota and a Masters in Business Administration (MBA) from the Carlson School of Management, also at the University of Minnesota.



Wayne Paterson
Managing Director/Chief Executive Officer

Wayne 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 he held senior positions at Merck Kgaa, most recently as President of Europe, Canada and Australia. Prior to this, Wayne was President of Emerging Markets, President of Japan and Global Head of Cardiovascular medicine.

Between 1999 and 2005, Wayne 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.

He holds an MBA, University of Southern Queensland and a degree in Business Studies from the Queensland University of Technology. He has also studied business courses North Western University (Kellogg School of Management) Chicago, IMD Business School in Switzerland, INSEAD in France and Hong Kong University of Technology.

He served as Non-Executive Director of Cepheid Inc (NASDAQ:CHPD) from April 2015 to November 2016. Wayne is Australian national and resides in Minneapolis, USA.



Mathew Ratty

Non-Executive Director

Mathew is the co-founder and Head of Investment at MC Management Group Pty Ltd, a globally focused venture fund. He has extensive capital, equity and debt markets experience and holds the role as Head of Investment at MC Management Group and is responsible for negotiating deal structures and asset pricing for companies in the healthcare, financials and technology equities space.

Throughout his time with MC Management, Mathew has achieved standout high returns against the S&P 500 and successfully managed multiple seed investments, leading to over 250% returns for the company.

Prior to MC Management Group Pty Ltd, he worked at Gladstone Bridge Pty Ltd where he worked as an analyst and was offered a Directorship at Gladstone Bridge Pty Ltd following his success at the company.

Mathew has experience in both domestic and international capital markets as well as investment and funding feasibility analysis.

He holds a Bachelor of Commerce (Property and Finance) with First Class honours in Finance from Curtin University, Western Australia.

He has served as Executive Director for Tech Mpire Limited (ASX:TPM) since February 2017 and is a resident of Perth, Australia.



Simon Buckingham

Non-Executive Director

Simon has more than 25 years' experience in the global pharmaceutical industry across a range of functions and variety of therapeutic areas.

He is currently a Non-Executive Director of several companies and serves as a Senior Advisor to a new Swiss biotech company Idorsia Ltd. He was President, Global Corporate and Business Development at Actelion from 2005-2011 and President, North America and Asia-Pacific at Actelion from 2000-2005.

He was the Founding President of Actelion Pharmaceuticals US Ltd (2000 - 2004).

From 1998 to 2000 he worked in sales and marketing for Parke-Davis (now part of Pfizer) in the United States. Prior to Parke-Davis, Simon served at Roche in Switzerland and Australia.

He holds a Bachelor of Veterinary Science degree from the University of Sydney, a PhD from University of Melbourne and is a Graduate from the Australian Graduate School of Management (University of New South Wales) and the Australian Institute of Company Directors.

He has served as a Non-Executive Director for Pharmaxis Ltd (ASX:PXG) since July 2012 and Creso Pharma Ltd (ASX:CPH) from October 2016 to May 2017. Simon is a resident of Sydney, Australia.

Executive Management Board



David St Denis
Chief Operating Officer

David is an accomplished senior healthcare leader with a systematic and metrics-driven approach spanning 20 years of proven business results at the regional and global levels within the life sciences and pharmaceutical sectors.

Most recently at Merck in Germany, he headed commercial operations for Europe and Canada. He has an extensive track record in charge of complex cross-functional and multi-cultural teams that have achieved impressive business objectives in both mature markets (US, Europe, Japan) and developing markets (Brazil, Russia, India, China and Mexico).

His core competencies include operations management, strategy development, marketing and sales, new product introduction and launch excellence, market access and pricing.

David has a Bachelor of Science from the University of Connecticut, a Masters of Arts from Boston University and an MBA in Global Management and International Marketing from Babson College – Franklin W. Olin Graduate School of Business.



Catherine Costello
Chief Financial Officer

Catherine brings more than 20 years of experience in Australian and multinational businesses and joins Admedus from an emerging ASX-listed company, where she served as Chief Financial Officer and Company Secretary.

Prior to this role, she was Group Financial Controller with a global service provider operating in 32 international jurisdictions, responsible for the global finance, reporting, tax and treasury teams.

Preceding this, she worked for US-listed entities both at the head office and regional office levels in senior financial management roles.

She has a Commerce degree from the University of Queensland, a Masters of Science from Curtin University, is a Chartered Accountant and Chartered Secretary and is a graduate of both the Australian Institute of Company Directors and the Governance Institute of Australia. She also serves on a number of community based committees.



Admedus is led by a highly-qualified and professional team of subject matter experts with experience in health, manufacturing and corporate governance.

Ben Jensen

Chief Human Resources and Technology Officer

Ben is an experienced senior Human Resources professional with a background in manufacturing, supply chain, resources and engineering industries. His experience in business planning and change management within HR teams in North and South America, Europe, India and Asia Pacific has equipped him with broad strategic capabilities.

Over 20 years, Ben has gained credentials in industrial relations, occupational health and safety, organisational and leadership development programs, performance management, engagement and retention strategies, remuneration and benefits planning.

Ben has worked with Queensland University of Technology on both undergraduate and post graduate programs including the Project Management Academy. He has accreditations in psychometric and ability assessment tools and specialised in global recruitment, talent management and employer branding initiatives.

Ben has a Business Management degree, a Masters of Employment Law and is a member of the Australian Institution of Company Directors.



CardioCel® has achieved a decade of zero calcification or toxicity

Corporate Governance Statement 2018

Admedus Ltd (Admedus or Company) and the Board of Directors of Admedus (Board) are committed to achieving and demonstrating high standards of corporate governance. In developing policies and setting standards, the Board considers the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations (3rd Edition) (CGPR).

As announced by the Company on 11 December 2017, Admedus has changed its financial year-end from 30 June to 31 December. The Company is therefore reporting on a six-month accounting period from 1 July 2017 to 31 December 2017 (Reporting Period).

The Corporate Governance Statement set out below describes the Company's corporate governance principles and practices for the Reporting Period. Due to the shortened nature of the Reporting Period, some annual corporate governance reviews are yet to take place as set out below.

PRINCIPLE 1: Lay solid foundations for management and oversight

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
(1.1) Role of Board and management	<p>The Board has established a clear distinction between the functions and responsibilities reserved for the Board and those delegated to management, as set out in the Admedus Board Charter (Charter). The Charter also provides an overview of the roles of the Chair, individual Directors, the Managing Director and Chief Executive Officer (MD & CEO) and the Company Secretary.</p> <p>A copy of the Charter is available in the Governance section of the Company's website.</p>
(1.2) Information regarding the election and re-election of director candidates	<p>Admedus carefully considers the character, experience, education and skillset, as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate.</p> <p>Admedus has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director, is disclosed in the notice of meeting provided to shareholders.</p>

(1.3) Written contracts of appointment

In addition to being set out in the Charter, the roles and responsibilities of Directors are also formalised in a letter of appointment. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and refer to the Company's key governance policies.

Each senior executive enters into a service contract which sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements.

Contract details of senior executives which are Key Management Personnel are summarised in the Remuneration Report on page 29 of the Company's Annual Report.

(1.4) Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary.

The appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out on page 28 of the Annual Report.

(1.5) Diversity

The Company is committed to diversity and inclusiveness. To support this, the Board has implemented a Diversity Policy as a measure to ensure diversity is welcomed and valued at all levels of the Company. A copy of this Policy is available on the Company's website.

During the Reporting Period, the Board reviewed the Company's Diversity Policy and agreed to pursue diversity of representation across all levels of the organisation. While this objective is broader than gender equality alone, the Board recognises the importance of proactively addressing gender equality and supports initiatives that recognise the benefits of flexible working arrangements and remuneration parity on the basis of gender.

The Diversity Policy operates alongside the Company's Code of Conduct and Anti-Discrimination, Bullying and Harassment policies.

Notably, the Company is delivering compliance training and development modules via an e-learning platform which includes diversity content such as: discrimination and equal opportunity; sexual harassment; whistleblowing; and workplace bullying and harassment.

Independent of corporate governance initiatives, the Company has embraced core values of Accountability, Objectivity, Respect, Teamwork, Integrity and Courage. These values create a culture of inclusion and equal opportunity across various areas which impact upon equality in the workplace.

Approximately half of the Company's employees are female, maintaining a similar gender representation to that of previous years. The table below sets out the current proportion of female and male employees in the whole organisation, management staff, executive management positions and on the Board. The Company has defined management positions as those who have responsibility for other staff or have functional responsibility.

	Female	Female%	Male	Male %
Whole Company (staff and Board)	38	46%	45	54%
Management Positions	10	40%	15	60%
Executive Management Board	1	25%	3	75%
Board	0	0%	4	100%

The following positions are occupied by female employees:

- Chief Financial Officer
- Manufacturing Manager
- Operations Manager Customer Support and Logistics
- Product Manager - Adapt
- National Training Manager
- Quality and Commercial Projects Lead
- Senior Manager Quality Assurance
- VP Regulatory Affairs & Compliance
- Communications Manager
- Human Resources Director - North America
- Senior Director - US Training and Operations
- Regional Sales Manager

(1.6) Board reviews A performance review is undertaken annually in relation to the Board and the Board Committees. In addition to individual evaluation sessions between the Chair and individual Directors, a formal self-evaluation questionnaire is used to facilitate the annual performance review process. Such review did not take place during the Reporting Period due to the change in financial year and recent review conducted. This review will occur during the 2018 reporting period.

(1.7) Management reviews Performance against Company objectives is assessed periodically throughout the year and a formal performance evaluation for senior management is completed for the Reporting Period. An online performance and development system has been implemented.

PRINCIPLE 2: Structure the Board to add value

RECOMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(2.1) Nomination Committee	<p>Currently, a separate Nomination Committee has not been formed. The Board considers that, based on the Company's stage of development, no benefits or efficiencies are to be gained by delegating this function to a separate committee.</p> <p>The full Board carries out the duties of the Nominations Committee. If a vacancy exists, through whatever cause, the Board considers candidates with the appropriate expertise and experience. In so acting, the full Board follows the Nominations Committee Charter which is available on the Company's website.</p>
(2.2) Board skills matrix	<p>The Company's objective is to have an appropriate mix of expertise and experience on the Board and its Committees so that the Board can effectively discharge its corporate governance and oversight responsibilities. This mix is described below.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Expertise:</p> <ul style="list-style-type: none"> • Finance • Strategy • Commercial acumen • Executive leadership • Sales and distribution • Marketing • Management • Mergers and restructures </div> <div style="width: 45%;"> <p>Industry/Experience:</p> <ul style="list-style-type: none"> • Global/international • Pharmaceuticals • Medical devices • Other Board experience </div> </div> <p>The Board is comfortable with the skills matrix represented by the current Board.</p> <p>Further details regarding the skills and experience of each Director are included on page 27 and 28 of the Annual Report.</p>

(2.3) Disclose independence and length of service	<p>Typically, the Board annually assesses the independence of each Non-Executive Director. A formal review has not taken place during the Reporting Period due to the change in financial year and recently conducted review. The next formal assessment will occur during the 2018 year. During the course of the previous reporting period's assessment, the Board:</p> <ul style="list-style-type: none"> • noted that Mr Mathew Ratty has an interest in the Company's second largest holder (albeit not substantial); • determined that Mr Ratty's holding of securities in the Company will help to align his interests with those of other holders; • resolved that Mr Ratty's holding in the Company is very unlikely to result in instances where his interest will be different to the interests of security holders with smaller stakes; and • noted Mr Ratty's belief that he is capable of bringing an independent judgment to bear on issues before the Board. <p>On this basis, Mr Ratty is characterised and described as an independent Non-Executive Director.</p> <p>Further details regarding which Directors are considered independent and the length of their service are set out on page 27 and 28 of the Directors' Report within the Annual Report.</p>
(2.4) Majority of directors independent	<p>In accordance with the CGPR, the majority of Directors are independent. Only the MD & CEO is not considered independent, by virtue of him being an Executive of the Company.</p> <p>Further details regarding the independence of the Directors are set out on page 27 and 28 of the Directors' Report within the Annual Report.</p>
(2.5) Chair independent	<p>The Chairman, Mr John Seaberg, is an independent Non-Executive Director. The role of the MD & CEO is performed by another Director.</p> <p>Further details regarding the Directors are set out on page 27 and 28 of the Directors' Report within the Annual Report.</p>
(2.6) Induction and professional development	<p>An induction process including appointment letters exists to promote early, active and relevant involvement of new members of the Board.</p> <p>All Admedus Directors are invited to become members of the Australian Institute of Company Directors (AICD) and are encouraged to further their knowledge through publications provided by the AICD and seminars hosted by the AICD.</p> <p>Directors are given the opportunity to broaden their knowledge of the business by annually visiting the Company's offices and meeting with senior management.</p> <p>The Board, performing the duties under the Nomination Committee Charter, regularly reviews whether the Directors as a whole have the necessary skills and knowledge to fulfil their role on the Board. If a gap is identified, training/development opportunities are considered.</p>

PRINCIPLE 3: Act ethically and responsibility

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
3.1 Code of conduct	<p>The Company has adopted a Code of Conduct which provides guidance to Directors, officers and employees on the standards of behaviour expected in the discharge of their duties on behalf of the Company. The Code is based on respect for the law and acting accordingly, dealing with conflicts of interest appropriately and requires business affairs to be conducted ethically and with integrity. A copy of the Code is available on the Company's website. The Code of Conduct was last reviewed by the Board in February 2015.</p>

PRINCIPLE 4: Safeguard integrity in corporate reporting

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
(4.1) Audit committee	<p>The Company has established an Audit and Risk Management Committee (ARMC). The ARMC assists the Board to monitor the Company's financial reporting and auditing, as well as the management of financial risks.</p> <p>The ARMC comprises of the following three members, all of whom are independent Non-Executive Directors:</p> <ul style="list-style-type: none"> • Mr Mathew Ratty (Chair); • Mr John Seaberg; and • Mr Simon Buckingham. <p>Mr Ratty, Chair of the ARMC, is an independent Non-Executive Director and is not the Chair of the Board.</p> <p>The Chief Financial Officer and the Company's external auditors are usually in attendance at ARMC meetings by invitation.</p> <p>Members of the ARMC possess the requisite accounting and financial expertise and have a sufficient understanding of the industry in which the Company operates, to effectively carry out the ARMC's mandate. Please refer to the Directors' Report for qualifications and attendance at ARMC Meetings. Members are also able to seek independent external advice in order to carry out their duties on the ARMC to ensure the integrity of the financial statements.</p> <p>The Committee follows a formal ARMC Charter which is available on the Company's website.</p>
(4.2) CEO and CFO certification of financial statements	<p>The MD & CEO and the Chief Financial Officer sign-off in a representation letter addressed to the ARMC as part of the financial reporting process. The statement states that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with relevant accounting standards in accordance with section 295A of the Corporations Act 2001. The ARMC notes this written advice when considering the financial accounts of the Company.</p>
(4.3) External auditor at AGM	<p>The Company's external audit function is performed by HLB Mann Judd. Representatives of HLB Mann Judd will be available at the Annual General Meeting to answer audit-related questions from the Company's security holders.</p>

PRINCIPLE 5: Make timely and balanced disclosure

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
(5.1) Disclosure and Communications Policy	<p>The Company is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company.</p> <p>The Company has developed a Continuous Disclosure and Shareholder Communication Policy which aims to ensure timely compliance with the Company's obligations under the ASX Listing Rules to facilitate communication with shareholders. A copy of this policy is available on the Company's website.</p> <p>The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with continuous disclosure requirements of the ASX Listing Rules and overseeing and co-ordinating information disclosures. In addition, the Company has a Disclosure Committee to assist Admedus in fulfilling its continuous disclosure obligations.</p>

PRINCIPLE 6: Respect the rights of security holders

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
(6.1) Information on website	<p>The Company ensures that all relevant information concerning its activities and governance is available on its website.</p> <p>There is a dedicated corporate governance section found under the 'About' tab of the website home page. In addition, the Company's website maintains timely information with respect to Admedus' financial performance and posts links to all announcements to the ASX, notices of meetings, annual reports and financial statements.</p> <p>The website also includes a 'Contact Us' feature for shareholders, and other interested parties, to contact the Company communications function for information on relevant activities.</p>
(6.2) Investor relations programs	<p>Security holders are invited to attend the Company's annual general meeting and are given the opportunity to address questions to the Board and the Company's external auditors.</p> <p>Shareholders are encouraged to follow official Company social media channels for regular updates and general enquiries may also be directed to the Company via the contact form on the Company's website.</p> <p>During the previous reporting period, Admedus held shareholder webinars for the purpose of providing shareholders with greater understanding of the Company's business, governance, financial performance and prospects. Shareholders were given the opportunity to address questions during this process.</p>
(6.3) Facilitate participation at meetings of security holders	<p>Admedus uses technology to facilitate the participation of security holders in meetings including webcasting of meetings. The Company also provides a direct voting facility to allow security holders to vote ahead of the meeting without having to attend or appoint a proxy.</p> <p>Shareholders are encouraged to participate in general meetings and are given an opportunity to ask questions of the Company and its auditor at the annual general meeting.</p>
(6.4) Facilitate electronic communications	Admedus provides investors the option to receive communications from and send communications to, the Company and the share registry electronically.

PRINCIPLE 7: Recognise and manage risk

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
(7.1) Risk Committee	<p>The Board, through the ARMC, oversees the process for identifying and managing material risks in the Company in accordance with the Company's risk management policy.</p> <p>Further details regarding the ARMC are set out in response to Recommendation 4.1.</p> <p>A copy of a summary of Admedus' risk policy is available in the Corporate Governance section of the Company's website.</p>
(7.2) Annual risk review	<p>The ARMC annually reviews risk management practices of the Company to ensure that the Company's governance processes and practices continue to be sound and that the Company manages risk within the Board approved risk appetite.</p> <p>Such review did not take place during the Reporting Period due to the change in financial year and recent review conducted. This review will occur during the 2018 reporting period.</p>
(7.3) Internal audit	<p>While the Company does not have a formal internal audit function, it employs sufficient processes for evaluating and continually improving the effectiveness of its risk management and internal control processes. These are contained in the Company's risk management policies.</p> <p>The external audit function is performed by HLB Mann Judd.</p>



(7.4) Sustainability risks Admedus does not have any material exposure to economic, environmental and social sustainability risks.

PRINCIPLE 8: Remunerate fairly and responsibly

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
(8.1) Remuneration Committee	<p>The Remuneration Committee comprises of the following three members, all of whom are independent Non-Executive Directors:</p> <ul style="list-style-type: none"> • Mr Simon Buckingham (Chair); • Mr John Seaberg; and • Mr Mathew Ratty. <p>The purpose of the Remuneration Committee is to review and make recommendations to the Board in relation to the overall remuneration policy for the Company. The full role and responsibilities of the Remuneration Committee are contained in the Remuneration Committee Charter, which is available on the Company's website.</p> <p>The Board determines the level of remuneration for Directors based on the provision of services to the Company. Remuneration levels are set with reference to industry and market conditions. Details of the Company's remuneration policy are set out in the Remuneration Report.</p>
(8.2) Disclosure of Executive and Non-Executive Director remuneration policy	<p>The Company seeks to attract and retain high performance Directors and Executives with appropriate skills, qualifications and experience to add value to the Company and fulfil the roles and responsibilities required.</p> <p>Non-Executive Directors are paid fixed fees for their services. Fees paid are a composite fee (covering all Board and Committee responsibilities) and any contribution by Admedus to a fund for the purposes of superannuation benefits for a Director. No other retirement benefits schemes are in place with respect to Non-Executive Directors.</p> <p>Further details regarding the remuneration of Executive and Non-Executive Directors can be found in the Remuneration Report within the Annual Report which starts at Page 29.</p>
(8.3) Policy on hedging equity incentive schemes	<p>Admedus has adopted a written Securities Trading Policy (STP) which is available on the Company's website. The STP addresses hedging unvested entitlements and prohibits restricted persons from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.</p>

Financial Report

Your Directors present their report on Admedus Limited ("the Company") and the consolidated entity (referred to hereafter as the Group) for the period 1 July – 31 December 2017.

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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 2017.

The company recently announced a change in its financial year end from 30 June to 31 December. This change more closely aligns Admedus' reporting period with its global business sales cycles, assisting with forecasting, cash flow management and investment decisions. The Company is therefore reporting on a six-month accounting period from 1 July 2017 to 31 December 2017. The comparative accounting period in this report will be for the 12 months from 1 July 2016 to 30 June 2017, in line with the previous released financial report.

DIRECTORS

The Directors of the Company in office during the period ended 31 December 2017 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
- Simon Buckingham
- Mathew Ratty

PRINCIPAL ACTIVITIES

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

- The securing of a debt facility of up to \$10 million with Partners for Growth (PFG).
- Record sales for ADAPT with the introduction of new sales representatives, strategy and key emerging markets.
- The growth of the Infusion business into a consistent monthly revenue stream with the new Royal Adelaide Hospital (nRAH) generating significant revenue during the year.
- Submission of two separate IP applications for an Admedus-developed TAVR device signalling our entry to a potential market of US\$3.5 billion.
- Regulatory approval to launch CardioCel® in the Republic of India, with official product launch in India on 30 January 2018.
- Establishment of the permanent TAVR Advisory Board with participants from leading US paediatric health centres.
- Launch of CardioCel® NEO in Europe.
- Product registration for CardioCel® granted in Jordan.
- An exclusive agreement with 4C Medical to supply ADAPT treated tissue for use in their TMVR device.
- Completion of the CardioCel® 3D user-evaluation and expanded access program ahead of North American launch on 1 February 2018.
- Refreshed corporate brand and patient-centric marketing strategy.

OPERATING RESULT

The operating result for the period:

	CONSOLIDATED	
	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Loss before Income Tax	(8,828,576)	(12,676,211)
Income Tax (Expense)/Benefit	-	-
Loss for the Year	(8,828,576)	(12,676,211)

DIVIDENDS

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

SHARE CAPITAL

254,795,534 ordinary shares, 10,165,007 unlisted options and 10,568,799 unlisted warrants were on issue as at 31 December 2017.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW

Group Overview

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

During the reporting period, the Company has continued to build its sales and marketing function across both the ADAPT® regenerative tissue franchise and the infusion business while transitioning into a cost-effective business with a target of becoming a sustainable business with growing profits and returns for shareholders.

Review of Operations

The loss for the consolidated entity after providing for income tax for the 6 month shortened year was \$8.8M (2017: \$12.7M for 12 months). The current period loss included a number of non-recurring employee expenses (\$1.1M), while the comparative period loss included \$4.3M of revenue from capital sales related to implementing the new Royal Adelaide Hospital contract; excluding these sales the comparative loss would have been \$17.0M against a normalised loss of \$7.7M for the current period. Revenues from ordinary activities were \$11.3M and net operating cash outflows were \$6.6M. Key factors contributing to the current period's performance are discussed below.

During the period the Company continued its focus on executing initiatives resulting from its strategic review to drive revenue growth, improve margins, reduce costs and improve operating cash flows as it works towards resetting the business on a more sustainable path towards profitability and positive operating cash flows.

The Group achieved solid revenue growth, launched breakthrough and innovative development projects and expanded in new and emerging markets during the period. ADAPT®, our leading bio-scaffold tissue business, achieved revenues of \$3.8M for the period this was driven by increasing sales in the Europe and the Emerging Markets regions, with North American sales temporarily impacted by vacancies in the Company's field force. These vacancies have been largely filled subsequent to the end of the period. ADAPT growth was also driven by the roll out its expanding product range including CardioCel® Neo, VasculCel® and CardioCel® 3D. Following completion of a comprehensive re-evaluation program, CardioCel® 3D was launched for sale in North America from February 2018. The Infusion business in Australia and New Zealand delivered revenues of \$7.5M driven by a combination of strong underlying consumables sales across the infusion product portfolio and the commencement of operations at the new Royal Adelaide Hospital (nRAH). December 2017 was the fifth consecutive month of infusion sales exceeding a million dollars, including achieving a record number of *ambIT* pump sales.

Gross profit for the period was \$6.7 million, representing a gross profit margin of approximately 59%, a significant improvement from 48% in the 12 months to 30 June 2017, reflecting the growth platform of the business. The Company invested in extensive training of the North American sales force introducing digital sales and marketing tools to support our field force teams and facilitate market penetration.

Operating costs increased to \$14.2M for the period (2017: \$23.4M) primarily driven by higher employee costs associated with revenue growth and a number of one-off expenses related to restructuring the company.

In October 2017 the Group entered into an agreement with Partners for Growth ("PFG") for a secured debt facility of up to \$10M. The facility consists of a \$5M revolving line of credit and a term loan of \$5M. The \$5M term loan was drawn down upon execution and the Group has incurred interest expenses associated with the loan. In conjunction with receiving the loan facility from PFG, Admedus agreed to issue 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 components of the warrant were valued at the time of issue and will continue to be revalued at each balance date. The Company recognised a \$0.2M fair value loss on the warrant during the period.

Financial Position

The closing cash position for the period was \$8.3M, including \$5M from the PFG term loan, down from \$11.3M at 30 June 2017.

New working capital decreased by \$10.1M during the year largely driven by the new PFG financing facility and warrant put in place during the period (\$5.0M), provision for annual employee bonuses (\$1.7M) and an increasing investment associated with the five-year nRAH that had been foreshadowed by the Company.

The PFG secured debt facility of up to \$10.0M, secured established the period, has provided a non-dilutive debt financing facility to fund key operational and strategic projects focused on improving efficiency and expansion.

The PFG facility contained a number of quarterly financial covenants. For the December 2017 quarter, the Group breached the EBITDA covenant in relation to the PFG loan. At 31 December 2017, as a result of the breach, the loan became payable on demand and consequently is disclosed as a Current Financial Liability. On 28th February 2018, PFG waived the loan breach and renegotiated the loan covenants for the 2018 calendar year. If this waiver had been in place at 31 December 2017, \$3.5M of the loan, classified as a Current Financial Liability, would have been disclosed as Non-Current Liabilities, increasing the value of working capital by \$3.5M to \$10.3M, with a corresponding decrease in Current Financial Liabilities.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Cash Flow

The net cash outflow during the period was \$3.0M. Operating cash out flows were \$6.6M reflecting increased net operating costs without the offsetting benefit of the 43.5% refundable Research and Development ("R&D") cash tax offset. The Australian tax group has now exceeded the \$20M aggregate turnover threshold and consequently the R&D benefit will be in the nature of a 38.5% non-refundable tax offset rather than a 43.5% refundable offset (cash refund).

As noted above, the Group entered into a financing facility with PFG and fully drew down the \$5M term loan during the period. The Group incurred an expense of \$0.5M in relation to establishing the new facility.

During the period the Group invested in sales and marketing tools for its field force teams as well as commenced a minor upgrade to its ERP system.

Material Business Risks

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

Commercial risk

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

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

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

Clinical trial risk

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

Competition

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

To date Admedus has not declared a dividend. The amount, timing and payment of any dividend will depend on a range of factors, including future capital and R&D activities and associated capital requirements and the financial position generally of the Group at the time. There will also be factors that affect the ability of the Group to pay dividends and the timing of those dividends that will be outside the control of the Group and its Directors. The Directors are, therefore, unable to give any assurance regarding the payment of dividends in the future.

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.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Material Business Risks (continued)

While the Group believes, it has taken appropriate steps to protect its proprietary technology, the law may not adequately protect it in all places the Group does business or enable the Group's rights to be enforced with sufficient adequacy.

The enforceability of a patent is dependent on several factors which may vary between jurisdictions, including the validity of the patent and the scope of protection it provides. The validity of a patent depends upon factors such as the novelty of the invention, the requirement in many jurisdictions that the invention not be obvious considering the prior art (including any prior use or documentary disclosure of the invention), the utility of the invention and the extent to which the patent specification clearly discloses the best method of working or carrying out the invention. The legal interpretation of these requirements often varies between jurisdictions. The scope of rights provided by a patent can also differ between jurisdictions. There can be no assurance even if the Group succeeded or succeeds in obtaining the grant of patents, that others will not seek to imitate the Group's products, and in doing so, attempt to design their products in such a way as to circumvent the Group patent rights. Additionally, the ability of the legal process to provide efficient and effective procedures for dealing with actual or suspected infringements can vary considerably between jurisdictions.

Regarding the Group's patent applications, no guarantee can be given that such protection will be obtained by the Group. If such patents are not granted, it may be possible for a third party to imitate and use the Group's intellectual property without its authorisation or to develop and use similar technology independently. The Group will pursue vigorously both its existing and all future patent applications for Australian and foreign patent applications. No guarantee can be given nor does the grant of a patent guarantee that the patent concerned is valid, or that the patented technology does not infringe the rights of others.

The Group may wish to expand into additional foreign countries in the future and the laws of many foreign countries treat the protection of proprietary rights differently from the laws in Australia. Those laws may not protect the Group's proprietary rights to the same extent as do laws in Australia.

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 2017 the Company continued its evolution with the delivery of several key initiatives and increased investment in long-term strategic projects. We look forward to leveraging these developments and building on the momentum that's currently driving us forward as a bankable, sustainable business.

In 2018 we are committed to:

- Significant growth of the CardioCel® product portfolio with reinvigorated sales teams and new opportunities in the US, EU and emerging markets.
- Establishment of permanent CardioCel 3D Advisory Board to progress our shaped tissue franchise.
- Securing a commercial partner to advance the development of our TAVR device.
- Expansion of ADAPT® into emerging markets such as Australia, Mexico and Turkey.
- Investing in continuous improvement initiatives in our manufacturing operation to improve efficiency, reduce costs and maximise margins and yields.
- Ensuring a financially strong and stable business through detailed planning, responsible management and transparency of strategy and outcomes.
- Continued growth and expansion of the Infusion business, including research and development.
- Establishing a clear path for the immunotherapies group.

Business Strategies

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

- Actively seeking co-development partners for TAVR device, ideally with global cardiac device companies and is in discussions with potential partners.
- Technology enablement programs to enable and equip the sales teams and management with timely, accurate and insightful information.
- The launch of ADAPT® into India in January 2018.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Likely Developments (continued)

- ADAPT® sales budgeted to double with product expansion and new/expanded sales force put in place in US and EU and a more focused and strategic sales methodology applied.
- Infusion business restructured to focus on capturing new large accounts, increasing its brand presence, and the potential for developing proprietary products that could expand our footprint beyond current geographic territories.
- Continue to develop the patient-centric narrative around the ADAPT® message and its advantages for patients and surgeons.
- Grow ADAPT® market penetration and sales through a refined product range targeting separate segments of the cardiovascular market.
- Apply a disciplined and conservative approach to expenditure relative to sales growth.
- Continued product expansion with focus on products with near term revenue potential to contribute to sales growth.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

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

ENVIRONMENTAL REGULATIONS

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

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

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

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS

The name of the Directors holding office during the period ended 31 December 2017 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

Mr Paterson has been a Director of Admedus since 10 October 2014. He was subsequently appointed as Chair on 9 February 2016. Mr Paterson subsequently accepted the position of Chair and Interim CEO on 23 May 2016. On 15 March 2017, Mr Paterson was appointed as the Company's Chief Executive Officer and stepped down as Chair.

Experience: 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.

Qualifications: MBA, University of Southern Queensland and Business Studies from the Queensland University of Technology.

Other directorships: Cepheid Inc (NASDAQ:CHPD) from April 2015 to November 2016.

Mr Paterson is an Australian national and resides in Minneapolis, Minnesota, United States of America.

Mr John Seaberg

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.

Mr Seaberg is a member of the Remuneration Committee and the Audit and Risk Management Committee.

Experience: Mr Seaberg has significant experience in cardiovascular products and markets.

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.

Qualifications: MBA, University of Minnesota and BA, University of Minnesota.

Other directorships: N/A.

Mr Seaberg is a resident of Minneapolis, Minnesota, United States of America.

Mr Mathew Ratty

Mr Ratty has been an independent Non-Executive Director of Admedus since 27 May 2016.

Mr Ratty is Chair of the Audit and Risk Management Committee and a member of the Remuneration Committee.

Experience: Mr Ratty is the Co-founder and Head of Investment at MC Management Group Pty Ltd, a globally focused venture fund. He has extensive capital, equity and debt markets experience and holds the role as Head of Investment at MC Management Group.

Prior to MC Management Group Pty Ltd, Mr Ratty worked at Gladstone Bridge Pty Ltd where

he worked as an analyst and was offered a Directorship at Gladstone Bridge Pty Ltd following his success at the company.

Mr Ratty has experience in both domestic and international capital markets as well as investment and funding feasibility analysis.

Qualifications: B-Comm and BCom (Hons), Curtin University, Western Australia.

Other directorships: Tech Mpire Limited (ASX:TPM) since February 2017.

Mr Ratty is a resident of Perth, Western Australia, Australia.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (continued)

Dr Simon Buckingham	
Dr Buckingham has been an independent Non-Executive Director of Admedus since 17 February 2017.	He was the Founding President of Actelion Pharmaceuticals US Ltd (2000 - 2004).
Dr Buckingham is Chair of the Remuneration Committee and a member of the Audit and Risk Management Committee.	From 1998 to 2000 he worked in sales and marketing for Parke-Davis (now part of Pfizer) in the United States.
Experience: Dr Buckingham has over 25 years of experience in the global pharmaceutical industry across a range of functions and variety of therapeutic areas.	Prior to Parke-Davis, Dr Buckingham served at Roche in Switzerland and Australia.
Dr Buckingham is currently a Non-Executive Director of several companies and serves as a Senior Advisor to a new Swiss biotech company Idorsia Ltd. He was President, Global Corporate and Business Development at Actelion from 2005-2011 and President, North America and Asia-Pacific at Actelion from 2000-2005.	Qualifications: BVSc (Hons), University of Sydney; PhD, University of Melbourne; Graduate from the Australian Graduate School of Management (University of New South Wales) and the Australian Institute of Company Directors.
	Other directorships: Pharmaxis Ltd (ASX:PXS) since July 2012; Creso Pharma Ltd (ASX:CPH) from October 2016 to May 2017.
	Dr Buckingham is a resident of Sydney, New South Wales, Australia.

COMPANY SECRETARY

Ms Tanya Mangold was appointed as Company Secretary on 27 February 2017, replacing Mrs Maja McGuire who resigned on 27 February 2017. Ms Mangold combines her company secretarial duties with her role as General Counsel and brings to the role approximately twenty years of relevant experience, gained in South Africa and Australia, including working with listed companies as a general counsel, company secretary and in top tier private practice. She holds a BComm, LLB, LLM and postgraduate taxation qualifications and was admitted as a solicitor in Australia in 2008. She is also a member of the Queensland Law Society and Australian Institute of Company Directors.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the six-month period ended 31 December 2017, and the numbers of meetings attended by each Director were:

Directors ¹	Board of Directors	Audit and Risk Management Committee	Remuneration Committee
Mr Wayne Paterson	6/6	n/a	n/a
Mr John Seaberg	6/6	4/4	2/2
Dr Simon Buckingham	5/6	4/4	2/2
Mr Mathew Ratty	6/6	4/4	2/2

¹ Excludes circular resolutions.

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

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

Details of the membership of the committees of the Board are presented in the Corporate Governance Statement.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (Audited)

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

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

For the purposes of this report personnel deemed Key Management Personnel (KMP) at any time during the six-month period to 31 December 2017 are:

Name	Position
John Seaberg	Chairman and Non-Executive Director
Wayne Paterson	CEO and Managing Director
Simon Buckingham	Non-Executive Director
Mathew Ratty	Non-Executive Director
Catherine Costello	Chief Financial Officer - appointed 7 November, 2017
Ben Jensen	Chief Human Resources and Technology Officer – deemed KMP from 1 July 2017
David St Dennis	Chief Operating Officer - appointed 1 July, 2017
Julian Chick	Previous Chief Operating Officer - resigned on 31 July 2017
Mark Ziirsen	Previous Chief Financial Officer - resigned on 6 November 2017

B 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.

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 are carried out by Simon Buckingham, John Seaberg and Mathew Ratty.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Non-Executive Director Remuneration Policy

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

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

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

- primary benefits – monthly director's fees including superannuation in the case of Australian based directors only.
- equity – share options under the Admedus Share Option Incentive Plan (as approved by shareholders at the Annual General Meeting on 13 November 2015).
- the Admedus Long Term Incentive Plan approved by Shareholders at the AGM on 16 November 2017 has no provision for Non-Executive Directors to participate.

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

No retirement benefits are provided other than compulsory superannuation.

Executive Remuneration Policy

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

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

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

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

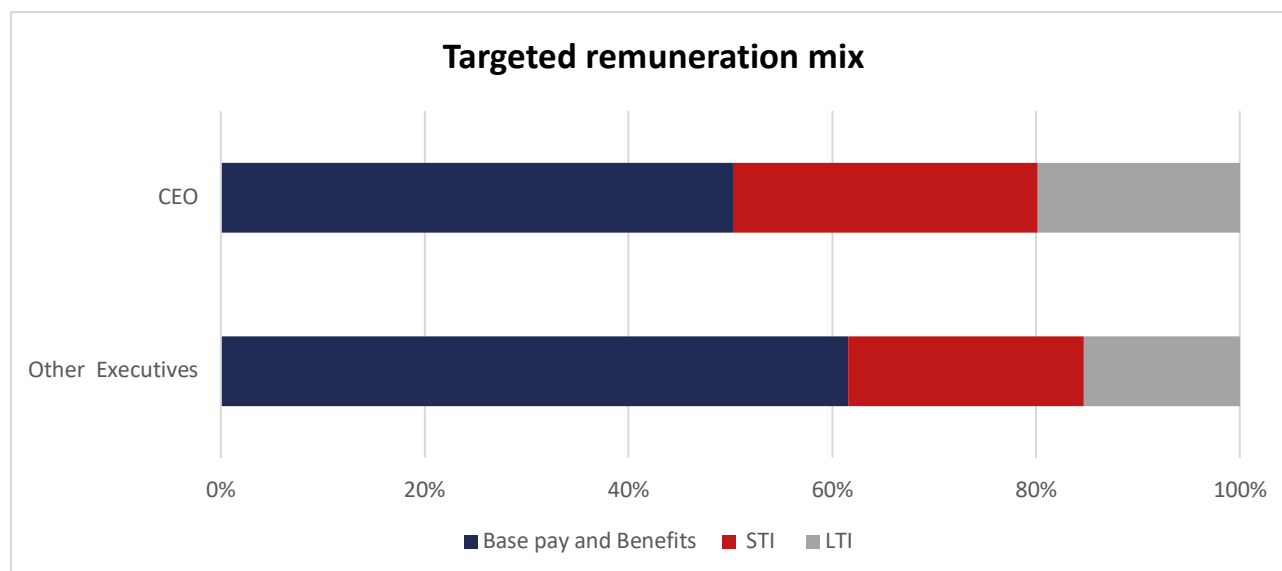
There are no performance conditions on options issued to directors and employees under the 2015 Plan.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Executive remuneration mix

The following chart sets out the executives' target remuneration mix.



CONSOLIDATED ENTITY PERFORMANCE AND LINK TO REMUNERATION

Remuneration for individuals is directly linked to performance of the consolidated entity. Incentive payments are dependent on defined corporate and individual key performance indicators being met. Incentive payments are at the discretion of the Remuneration Committee. Refer to section G of the Remuneration Report for details of the last five years' revenue, earnings and factors that are considered to affect total shareholders return.

The Remuneration Committee believes the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

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 doing this, during the 2017 financial period through to 30 June 2017 the Remuneration Committee sought advice from AON Hewitt as an independent remuneration consultant to benchmark executive and non-executive director wages and fees at a cost of \$6,500 (excluding GST) and other roles wages and fees across different countries at a cost of \$15,480 (excluding GST).

There were no remuneration recommendations other than benchmarking data provided by AON Hewitt.

No remuneration advice was sought during the current six-month period to 31 December 2017.

The Remuneration Committee is satisfied that the benchmarking analysis provided by AON Hewitt is free from undue influence. AON Hewitt also confirmed to the Remuneration Committee that the services provided adheres to the Company's protocol relating to KMP remuneration and had not been subjected to undue influence from the Company's KMP.

C Remuneration Governance

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- the operation of the incentive plans which apply to executive directors and other executives, including key performance indicators and performance hurdles;
- the remuneration levels of executives; and
- non-executive director fees.

The Corporate Governance Statement provides further information on this committee.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

D Details of Remuneration

Details of the remuneration of the Directors of the Group is set out below:

1 July 2017 to 31 December 2017	Short-term benefits			Post-employment benefits			Share based benefits		Total	Percentage remuneration consisting of shares/options for the period	Performance related
	Directors fees \$	Salary \$	Bonus ⁷ \$	Non-monetary benefits \$	Super-annuation \$	Termination benefits \$	Equity shares/options \$				
Non-Executive Director ¹											
J. Seaberg	70,000	-	-	-	-	-	6,672	-	76,672	9%	-
S. Buckingham	50,000	-	-	-	5,000	-	-	-	55,000	-	-
M. Ratty	50,000	-	-	-	5,000	-	-	-	55,000	-	-
Executive Directors											
W. Paterson	-	381,960	663,384	12,741	-	-	6,672	-	1,064,757	-	62%
Total directors' compensation (Group)	170,000	381,960	663,384	12,741	10,000	-	13,344	-	1,251,429	-	-
Key Management Personnel											
J. Chick ²	-	27,170	-	-	6,286	100,560	402	-	134,418	-	-
C. Costello ³	-	55,201	20,000	-	4,745	-	1,668	-	81,614	2%	-
B. Jensen ⁴	-	165,536	103,222	-	14,046	-	2,414	-	285,218	1%	36%
D. St Denis ⁵	-	231,101	126,781	11,806	6,400	-	9,019	-	385,107	2%	33%
M. Ziirsen ⁶	-	124,023	-	-	5,923	177,695	(2,141)	-	305,500	(1%)	-
Total key management personnel compensation (Group)	-	603,031	250,003	11,806	37,400	278,255	11,362	-	1,191,857	-	-
TOTAL	170,000	984,991	913,387	24,547	47,400	278,255	24,706	-	2,443,286	-	-

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

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

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

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

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

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

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

D Details of Remuneration (continued)

	Short-term benefits			Post-employment benefits			Share based benefits		Total	Percentage remuneration consisting of shares/options for the year	Performance related
	Directors fees \$	Consulting fees \$	Salary \$	Bonus \$	Super-annuation \$	Termination benefits \$	Equity shares/options \$				
1 July 2016 to 30 June 2017	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Non-Executive Director¹</i>											
J. Seaberg ³	118,624	-	-	-	-	-	-	-	118,624	-	-
M. Ratty	78,000	-	-	-	10,000	-	22,000	-	110,000	20%	-
S. Buckingham ⁵	36,798	-	-	-	3,680	-	-	-	40,478	-	-
<i>Executive Directors</i>											
W. Paterson ^{2, 6 & 7}	-	-	730,117	274,233	7,268	-	-	-	1,011,618	-	27%
M. Bennet ⁵	-	153,750	-	-	15,375	135,300	-	-	304,425	-	0%
Total directors' compensation (Group)	233,422	153,750	730,117	274,233	36,323	135,300	22,000	-	1,585,145	-	-
<i>Key Management Personnel</i>											
M. Ziirsén ⁴	-	-	184,134	-	19,203	-	41,818	-	245,155	17%	0%
S. Mann ^{4 & 6}	-	-	141,658	26,595	10,815	67,492	-	-	246,560	-	11%
J. Chick ⁶	-	-	237,266	86,390	38,654	-	-	-	362,310	-	24%
Total key management personnel compensation (Group)	-	-	563,058	112,985	68,672	67,492	41,818	-	854,025	-	-
TOTAL	233,422	153,750	1,293,175	387,218	104,995	202,792	63,818	-	2,439,170	-	-

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

(2) W. Paterson was appointed Non-Executive 10 October 2014 and CEO 15 March 2017

(3) J. Seaberg was appointed as Non-Executive Director on 10 October 2014, and appointed as Chairman 14 March 2017

(4) S. Mann resigned 23 November 2016, and M. Ziirsén appointed CFO 7 November 2016

(5) S. Buckingham appointed Non-Executive Director and M. Bennet resigned as Executive Director 17 February 2017.

(6) W. Paterson, S. Mann and J. Chick achieved all performance milestones to receive bonuses. No bonuses were forfeited or carried forward.

(7) W. Paterson bonus figure includes \$235,049 relating to bonuses accrued for the 2017 financial year.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

D Details of Remuneration (continued)

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

	Short term incentive bonus ⁽ⁱ⁾	
	% achieved in year ⁽ⁱⁱ⁾	% forfeited in year ⁽ⁱⁱⁱ⁾
Director		
Wayne Paterson	104.9%	Nil
Executives		
Catherine Costello ^(iv)	n/a	n/a
David St Denis	104.9%	Nil
Ben Jensen	104.9%	Nil

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

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

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

^(iv) Catherine Costello's bonus payment was discretionary in nature. Ms Costello was not entitled to a short-term incentive for the current period as she had not been employed for the minimum period to trigger an entitlement.

E Service Agreements

On appointment, the Non-Executive Director enters 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 relevant to the office of director.

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 below:

Name	Position	Term of agreement	Notice period (by either party)
Wayne Paterson	CEO and Managing Director	3 years expiring 14 March 2020	3 months
Catherine Costello	Chief Financial Officer	n/a	6 months
David St Denis	Chief Operating Officer	n/a	12 months
Ben Jensen	Chief Human Resources and Technology Officer	n/a	6 months

These executives will receive a termination entitlement if they are terminated or resign equivalent to their salary over their respective notice period.

Further information relating to the CEO and Managing Director service agreement are set out below.

Appointed CEO and Managing Director from 15 March 2017

- Term of agreement – commences on 15 March 2017 for a maximum of three years
- Base salary of US\$595,000 to be reviewed annually
- 401k pension employer contribution of 3%
- Short term incentive opportunity at target of 60% of base salary. 70% of this target is based on financial performance against budgeted revenue and costs targets and a EBITDA target; with the remainder dependent on the delivery of a strategic plan for the Group and an improved Human Resource capability and culture
- Long term incentive opportunity at target of 40% of base salary
- Specific strategic deliverable bonus US\$250,000 (one off deliverable for calendar year 2017)
- Health Insurance

Interim CEO and Managing Director until 15 March 2017

- Term of agreement – commenced on 20 May 2016 and shall continue until terminated
- Base salary of US\$400,000 for the year ended 30 June 2016, to be reviewed annually
- Short term incentive opportunity at target of 40% of base salary
- Motor vehicle allowance of US\$1,000 per month payable under the agreement
- Contract may be terminated early by either party with two weeks' notice

DIRECTORS' REPORT (continued)**REMUNERATION REPORT (continued)****F Share-based Compensation****Options**

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

Grant date	Expiry date	Exercise price \$	Balance at start of the period Number	Granted during the period Number	Commenced as KMP Number	Ceased as KMP Number	Balance at end of the period Number	Fair Value at grant date
18/6/2013	18/6/2018	0.95	400,000	-	-	(400,000)	-	0.33
21/05/2014	21/05/2019	1.70	-	-	200,000	-	200,000	0.75
30/6/2015	30/6/2020	1.17	100,000	-	100,000	(100,000)	100,000	0.43
10/12/2015	10/12/2020	1.39	200,000	-	-	-	200,000	0.52
23/12/2015	23/12/2020	0.79	190,000 ⁽¹⁾	-	-	-	190,000	-
18/11/2016	18/11/2021	0.33	200,000	-	-	(200,000)	-	0.21
22/09/2017	22/09/2022	0.26	-	400,000	-	-	400,000	0.15
17/11/2017	15/12/2022	0.22	-	200,000	-	-	200,000	0.13
Total			1,090,000	600,000	300,000	(700,000)	1,290,000	

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

Option holdings

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

Option holder	Balance at the start of the period	Granted as compensation	Commenced as KMP	Net Change/ Cancelled	Ceased as KMP	Expired/ Exercised	Balance at the end of the period	Unvested	Vested and exercisable
1 July 2017 - 31 December 2017									
Directors of Admedus Limited									
J. Seaberg	100,000	-	-	-	-	-	100,000	33,334	66,666
W. Paterson	100,000	-	-	-	-	-	100,000	33,334	66,666
S. Buckingham	-	-	-	-	-	-	-	-	-
M. Ratty	190,000 ⁽¹⁾	-	-	-	-	-	190,000	-	190,000
Other key management personnel of the group									
J. Chick	500,000	-	-	-	(500,000)	-	n/a	-	-
C. Costello	-	200,000	-	-	-	-	200,000	200,000	-
B. Jensen	-	-	300,000	-	-	-	300,000	33,334	266,666
D. St Denis	-	400,000	-	-	-	-	400,000	400,000	-
M. Ziirsén	200,000	-	-	-	(200,000)	-	n/a	-	-

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

F Share-based Compensation (continued)

Option holder	Balance at the start of the year	Granted as compensation	Options beneficially held	Net Change/ Cancelled	Expired/ Exercised	Ceased as KMP	Balance at the end of the year	Unvested	Vested and exercisable
1 July 2016 - 30 June 2017									
Directors of Admedus Limited									
J. Seaberg	100,000	-	-	-	-	-	100,000	66,667	33,333
W. Paterson	100,000	-	-	-	-	-	100,000	66,667	33,333
M. Bennett	380,000	-	-	-	(250,000)	(130,000)	-	-	-
S. Buckingham	-	-	-	-	-	-	-	-	-
M. Ratty	190,000 ⁽¹⁾	-	-	-	-	-	190,000	-	190,000
Other key management personnel of the group									
J. Chick	955,834	-	-	-	(455,834)	-	500,000	33,333	466,667
S. Mann	427,500	-	-	-	(227,500)	(200,000)	-	-	-
M. Ziirsen	-	200,000	-	-	-	-	200,000	200,000	-

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

Fair Value of Options Granted

The assessed fair value at grant date of options granted during the period ended 31 December 2017 was 15.0 cents per option for Tranche E, and 13.0 cents per option for Tranche F. The fair value at grant date is determined using a Black-Scholes option pricing model that considers the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the period ended 31 December 2017 included:

	Tranche E	Tranche F
<i>Exercise price:</i>	\$0.26	\$0.22
<i>Grant date:</i>	22-Sep-17	17-Nov-17
<i>Expiry date:</i>	22-Sep-22	15-Dec-22
<i>Share price at grant date:</i>	\$0.31	\$0.24
<i>Expected price volatility of the company's shares:</i>	70%	70%
<i>Risk-free interest rate:</i>	2.39%	2.10%

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

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

G Additional Information

The earnings of the consolidated entity for the five and a half years to 31 December 2017 are summarised below:

	31 DECEMBER 2017 \$	30 JUNE 2017 \$	30 JUNE 2016 \$	30 JUNE 2015 \$	30 JUNE 2014 \$	30 JUNE 2013 \$
Sales revenue	11,305,079	22,324,145	14,150,521	10,133,460	7,940,622	7,415,188
EBITDA	(7,717,524)	(10,913,923)	(28,220,840)	(23,120,891)	(8,559,638)	(2,750,544)
EBIT	(8,615,465)	(12,770,865)	(29,764,781)	(24,914,874)	(9,846,302)	(3,023,324)
Profit/(Loss) after tax	(8,828,576)	(12,676,211)	(25,130,409)	(26,799,970)	(9,048,843)	(2,418,497)

DIRECTORS' REPORT (continued)**REMUNERATION REPORT (continued)****G Additional Information (continued)**

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

	31 DECEMBER 2017	30 JUNE 2017	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013
Share price at year/period end (\$A)	0.30	0.27	0.33	0.70	1.35	0.49
Total dividends declared (cents per share)	-	-	-	-	-	-
Basic loss per share (cents per share)	(3.39)	(4.83)	(12.58)	(16.48)	(6.22)	(2.08)

H Additional Disclosure Relating to Key Management Personnel*Shareholding*

The number of shares in the Company held during the six-month period 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/period	Received during the year on exercise of options	Other changes during year/period	Commenced / ceased as KMP during the year/period	Balance at the end of the year/period
1 July 2017 - 31 December 2017					
Directors of Admedus Limited					
J. Seaberg	19,036	-	-	-	19,036
W. Paterson	50,000	-	-	-	50,000
S. Buckingham	-	-	-	-	-
M. Ratty	10,434,373	-	-	-	10,434,373
Other key management personnel of the group					
J. Chick	495,739	-	-	(495,739)	-
C. Costello	-	-	-	-	-
B. Jensen	-	-	-	12,572	12,572
D. St Denis	-	-	-	-	-
M. Ziirsén	-	-	-	-	-
1 July 2016 - 30 June 2017					
Directors of Admedus Limited					
J. Seaberg	19,036	-	-	-	19,036
W. Paterson	50,000	-	-	-	50,000
M. Bennett	1,257,400	-	(154,750)	(1,102,650)	-
S. Buckingham	-	-	-	-	-
M. Ratty	10,088,587	-	345,786	-	10,434,373
Other key management personnel of the group					
J. Chick	492,739	-	3,000	-	495,739
S. Mann	12,500	-	-	(12,500)	-
M. Ziirsén	-	-	-	-	-

I Loans to Key Management Personnel

No loans have currently been provided to key management personnel.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

DIRECTORS' REPORT (continued)**SHARES UNDER OPTION/WARRANT**

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

Date options granted	Expiry date	Issue price of shares \$	Number under option	Value of option at grant date \$
18/6/2013	18/6/2018	0.95	1,388,340	0.33
16/12/2013	16/12/2018	2.70	710,000	1.01
28/3/2014	1/2/2019	2.45	200,000	0.90
21/5/2014	21/5/2019	1.70	900,000	0.75
5/11/2014	5/11/2019	2.10	310,000	0.70
30/6/2015	30/6/2020	1.17	1,635,000	0.43
21/7/2015	21/7/2020	1.44	1,030,000	0.41
10/12/2015	10/12/2020	0.83	425,000	0.58
10/12/2015	10/12/2020	1.39	200,000	0.52
18/12/2015	18/12/2020	0.79	5,250,000	-
23/12/2015	23/12/2020	0.79	380,000	-
24/6/2016	24/6/2021	0.30	150,000	0.16
15/09/2016	15/09/2021	0.33	450,000	0.19
15/09/2016	15/09/2021	0.33	50,000	0.19
18/11/2016	18/11/2021	0.33	66,667	0.21
23/03/2017	23/03/2022	0.34	1,000,000	0.20
22/09/2017	22/09/2022	0.26	1,150,000	0.15
25/10/2017	24/10/2022	0.26	4,938,799	0.28
17/11/2017	15/12/2022	0.22	500,000	0.13
Total			20,733,806	

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 six-month period to 31 December 2017, 858,333 unlisted options were cancelled (12 months to 30 June 2017: 213,334).

INSURANCE OF OFFICERS

During the period to 31 December 2017, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and any subsidiary against a liability incurred as a Director or Officer to the extent permitted by the *Corporations Act 2001*. Due to a confidentiality clause in the policy, the amount of the premium has not been disclosed.

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES

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

No non-audit services were provided by the auditor (HLB Mann Judd) during the period.

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

	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Non-audit Services		
Related practices of HLB:		
Taxation services	-	-
Corporate finance services	-	-
	-	-
Audit services	45,000	70,000
Total paid to HLB Mann Judd	45,000	70,000

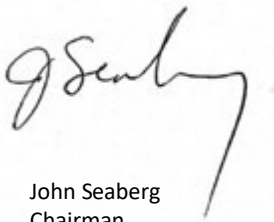
AUDITOR

In accordance with s327C of the *Corporations Act 2001*, HLB Mann Judd (WA Partnership) continued in office until the next AGM

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 2018



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Admedus Limited for the period ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of

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

A handwritten signature in blue ink, appearing to read 'M R Ohm', is written over a light blue circular stamp.

Perth, Western Australia
28 February 2018

M R Ohm
Partner

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

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HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS**FOR THE PERIOD ENDED 31 DECEMBER 2017**

		CONSOLIDATED	
	Note	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Revenue from continuing operations	3	11,305,079	22,324,145
Cost of sales		(4,636,699)	(11,592,288)
Gross profit		6,668,380	10,731,857
Other income	3	406,972	3,409,969
Employee benefits	4	(10,644,514)	(14,845,587)
Consultancy and legal fees		(992,577)	(1,893,566)
Travel and conference expenses		(1,247,121)	(2,403,952)
Research and development costs		(597,557)	(1,756,560)
Share based payments	19	(355,073)	(776,779)
Asset write-downs	4	-	(450,288)
Depreciation and amortisation expense	4	(897,941)	(1,856,942)
Financing costs	4	(252,782)	(65,694)
Fair value of movement of warrant		(211,342)	-
Other expense		(705,021)	(2,768,669)
Loss before income tax from continuing operations		(8,828,576)	(12,676,211)
Income tax (expense)/benefit	5	-	-
Loss after income tax for the period/year		(8,828,576)	(12,676,211)
Total loss is attributable to:			
Equity holders of Admedus Limited		(8,631,786)	(12,312,076)
Non-controlling interest		(196,790)	(364,135)
		(8,828,576)	(12,676,211)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		Cents	Cents
Basic loss per share	11	(3.39)	(4.89)
Diluted loss per share		n/a	n/a

The Company is reporting on a six-month accounting period from 1 July 2017 to 31 December 2017. The comparative accounting period is for the 12 months from 1 July 2016 to 30 June 2017, in line with the previous released financial report.

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**FOR THE PERIOD ENDED 31 DECEMBER 2017**

	Note	CONSOLIDATED	
		31 DECEMBER	30 JUNE
		2017	2017
		\$	\$
Loss for the period/year		(8,828,576)	(12,676,211)
Items that may be reclassified to profit or loss:			
FX translation		(568,921)	(100,790)
Other comprehensive income		-	-
Total comprehensive loss		(9,397,497)	(12,777,001)
Total comprehensive loss is attributable to:			
Equity holders of Admedus Limited		(9,200,707)	(12,412,866)
Non-controlling interest		(196,790)	(364,135)
		(9,397,497)	(12,777,001)

The Company is reporting on a six-month accounting period from 1 July 2017 to 31 December 2017. The comparative accounting period is for the 12 months from 1 July 2016 to 30 June 2017, in line with the previous released financial report.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		CONSOLIDATED	
	Note	31 DECEMBER 2017 \$	30 JUNE 2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6(a)	8,254,823	11,260,657
Trade and other receivables	6(b)	4,718,096	4,286,062
Inventories	6(c)	5,553,620	4,453,871
Total Current Assets		18,526,539	20,000,590
Non-Current Assets			
Property, plant & equipment	7(a)	3,680,744	2,355,996
Intangibles	7(b)	5,913,774	6,220,328
Deferred asset	6(f)	248,944	-
Total Non-Current Assets		9,843,462	8,576,324
TOTAL ASSETS		28,370,001	28,576,914
LIABILITIES			
Current Liabilities			
Trade and other payables	6(d)	5,448,470	1,962,635
Employee benefit provisions	7(c)	875,651	754,315
Borrowings	6(f)	4,766,449	-
Financial liability - warrant	6(g)	248,766	-
Deferred consideration	6(e)	400,000	400,000
Total Current Liabilities		11,739,336	3,116,950
Non-Current Liabilities			
Lease make good provisions	7(c)	553,631	472,745
Deferred consideration	6(e)	1,150,619	1,018,380
Total Non-Current Liabilities		1,704,250	1,491,125
TOTAL LIABILITIES		13,443,586	4,608,075
NET ASSETS		14,926,415	23,968,839
EQUITY			
Contributed equity	9	106,025,631	106,025,631
Reserves	10	(2,481,230)	(2,267,382)
Accumulated losses		(89,461,204)	(80,829,418)
		14,083,197	22,928,831
Capital and reserves attributable to equity holders of Admedus			
Non-controlling interest	14	843,218	1,040,008
TOTAL EQUITY		14,926,415	23,968,839

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2017

	Share Capital \$	Share-based payments reserve \$	Other Reserves \$	Foreign currency translation reserve \$	Accumulated Losses \$	Total \$	Non-controlling Interest \$	Total Equity \$
Balance at 1 July 2016	87,887,942	3,835,556	(2,921,934)	464,100	(68,517,342)	20,748,322	1,891,431	22,639,753
Loss for the year	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(12,312,076)	(12,312,076)	(364,135)	(12,676,211)
Transactions with non-controlling interest	-	-	(4,321,093)	-	-	(4,321,093)	(487,288)	(4,808,381)
Transactions with owners in their capacity as owners								
Options issued during the period	-	776,779	-	-	-	776,779	-	776,779
Shares issued during the period	10,000,000	-	-	-	-	10,000,000	-	10,000,000
Capital raising costs	(1,192,676)	-	-	-	-	(1,192,676)	-	(1,192,676)
Foreign currency - subsidiaries	-	-	-	(100,790)	-	(100,790)	-	(100,790)
Rights issue	990	-	-	-	-	990	-	990
Shares issued in lieu of directors fees	22,000	-	-	-	-	22,000	-	22,000
Rights issue	8,307,375	-	-	-	-	8,307,375	-	8,307,375
Shares issued in lieu of consideration of Regen	1,000,000	-	-	-	-	1,000,000	-	1,000,000
Balance at 30 June 2017	106,025,631	4,612,335	(7,243,027)	363,310	(80,829,418)	22,928,831	1,040,008	23,968,839
Loss for the period	-	-	-	-	(8,631,786)	(8,631,786)	(196,790)	(8,828,576)
Foreign currency - subsidiaries	-	-	-	(568,921)	-	(568,921)	-	(568,921)
Total comprehensive loss	-	-	-	(568,921)	(8,631,786)	(9,200,707)	(196,790)	(9,397,497)
Transactions with owners in their capacity as owners								
Options issued during the period	-	355,073	-	-	-	355,073	-	355,073
Balance at 31 December 2017	106,025,631	4,967,408	(7,243,027)	(205,611)	(89,461,204)	14,083,197	843,218	14,926,415

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

CONSOLIDATED STATEMENT OF CASH FLOWS**FOR THE PERIOD ENDED 31 DECEMBER 2017**

		CONSOLIDATED	
	Note	31 DECEMBER 2017 \$	30 JUNE 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,383,314	20,279,009
Payment to suppliers		(17,914,986)	(37,340,245)
R&D tax refund		-	4,493,046
Interest paid		(109,340)	(59,939)
Interest received		14,705	160,348
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	6(a)	(6,626,307)	(12,467,781)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(782,109)	(193,638)
Payments for intangible assets		(361,866)	(75,303)
Additional shares acquired in subsidiary		-	(2,400,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,143,975)	(2,668,941)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share or options issues		816	18,307,375
Share issue transaction costs		-	(1,192,676)
Proceeds from borrowings		5,000,000	-
Term facility transaction costs		(497,888)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		4,502,928	17,114,699
NET (DECREASE)/INCREASE IN CASH HELD		(3,267,354)	1,977,977
CASH AT BEGINNING OF THE PERIOD		11,260,657	8,813,119
Exchange rate adjustments		261,520	469,561
CASH AT END OF THE PERIOD	6(a)	8,254,823	11,260,657

The Company is reporting on a six-month accounting period from 1 July 2017 to 31 December 2017. The comparative accounting period is for the 12 months from 1 July 2016 to 30 June 2017, in line with the previous released financial report.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

1. BASIS OF PREPARATION

The consolidated financial statements comprise of the Consolidated Group, being Admedus Limited (Company) and its controlled entities. The consolidated financial statements are general purpose financial statements and are presented in Australian dollars, unless otherwise stated.

The consolidated financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities which have been measured at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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 company recently announced a change in its financial year-end from 30 June to 31 December. This change more closely aligns Admedus' reporting period with its global business sales cycles, assisting with forecasting, cash flow management and investment decisions. The Company is therefore reporting on a six-month accounting period from 1 July 2017 to 31 December 2017. The comparative accounting period in this report is for the 12 months from 1 July 2016 to 30 June 2017, in line with the previous released financial report.

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

(a) Going concern

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

As disclosed in the financial statements, the Group incurred a net loss of \$8,828,576 and had net cash outflows from operating activities of \$6,626,307 for the six-months ended 31 December 2017. As at that date, the Group had cash balances of \$8,254,823 and net working capital of \$6,787,203. For the December 2017 quarter, the Group was in breach of an EBITDA covenant in relation to its PFG loan. Consequently, the loan became payable on demand and is disclosed as a current financial liability. The Company received a waiver of the loan breach and has renegotiated its loan covenants for the 2018 calendar year.

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:

- New partnerships and alliances for ADAPT and TAVR products
- Contract wins for the infusion business
- Securing an external source of funding for Admedus Vaccines or a partial divestment of its interest in Admedus Vaccines
- Access to a \$5 million working capital revolving finance facility, subject to meeting a minimum borrowing base threshold and providing representations and warranties, that was entered into during the period and is available for 36 months from first draw down
- Positive net working capital and cash balances totalling \$6,787,203
- New product lines such as CardioCel® Neo, VascuCel®, CardioCel® 3D and TAVR that are at varying stages of introduction in our existing markets
- New markets for the Groups ADAPT® products including India, Australia, China, Mexico, Philippines, Taiwan, Vietnam, Turkey, Thailand, Japan and Spain
- Monitoring, management and containment of discretionary costs, including R&D costs, and capital expenditures
- The Group's cash flow forecasts that incorporates some but not all of the above factors, thus providing some upside sensitivity, indicated that the Group will be in a positive cash position during the period of twelve months from the date of approval of this report

The ability of the Company and the Group to continue as going concerns and fund the path to profitability is dependent upon securing additional funds in the coming months from amongst a range of sources/opportunities including securing an external source of funding for Admedus Vaccines or a partial divestment of its interest in Admedus Vaccines, issuing new equity and/or drawing on debt facilities. The Directors believe that the Company and Group has the capacity to raise equity finance.

Notwithstanding the above factors, as a company moving towards profitability dependent upon continuing support from current shareholders and financiers, 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 going concerns 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 going concerns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

1. BASIS OF PREPARATION (continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Admedus Limited as at 31 December 2017 and the results of all subsidiaries for the six-month period then ended. Admedus Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

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

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

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

(c) Critical accounting estimates and judgements

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

Note 19(e)	Share-based payment transactions
Note 6(b)	Allowance for impairment of receivables
Note 6(c)	Allowance for impairment of inventories
Note 8	Fair value measurement hierarchy
Note 7(a)	Estimation of useful lives of assets
Note 7(b)	Goodwill and other indefinite life intangible assets
Note 7(b)	Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
Note 5(f)	Income tax
Note 7(c)(i)	Employee benefits provision
Note 7(c)(ii)	Lease make good provision

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

2. SEGMENT REPORTING

(a) Description of segments

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

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

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

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Segment information	Medical products and devices \$	Bio Implant operations \$	Regenerative medicine R&D \$	Immunotherapies R&D \$	Total \$
31 DECEMBER 2017					
Total segment revenue	7,508,488	3,796,591	-	-	11,305,079
Segment profit/(loss)	(1,320,903)	(4,960,805)	(1,694,446)	(852,422)	(8,828,576)
Segment assets	6,005,318	9,507,857	2,817,700	4,790,182	23,121,057
Segment liabilities	2,646,139	3,743,697	1,828,486	210,049	8,428,371
Acquisition of non-current assets	260,933	1,424,140	228,649	2,410	1,916,132
Depreciation & amortisation	117,140	293,206	233,553	254,042	897,941
Asset write downs	-	-	-	-	-
30 JUNE 2017					
Total segment revenue	15,449,751	6,874,394	-	-	22,324,145
Segment profit/(loss)	1,207,640	(10,161,968)	(1,356,286)	(1,214,456)	(11,525,070)
Segment assets	5,447,766	6,755,734	3,827,638	5,573,966	21,605,104
Segment liabilities	427,073	1,098,446	76,135	140,656	1,742,310
Acquisition of non-current assets	12,122	192,569	15,920	-	220,611
Depreciation & amortisation	12,959	479,158	345,471	997,015	1,834,603
Asset write downs	250,000	200,288	-	-	450,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

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	
	31 DECEMBER 2017	30 JUNE 2017
	\$	\$
Segment revenue	11,305,079	22,324,145
Total revenue from continuing operations	11,305,079	22,324,145

(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	
	31 DECEMBER 2017	30 JUNE 2017
	\$	\$
Segment loss	(8,828,576)	(11,525,070)
Unallocated:		
Depreciation and amortisation	-	(22,339)
Asset write downs	-	-
Share-based payments	-	(776,779)
Other corporate and administration (expenses)/benefits	-	(352,023)
Loss before income tax from continuing operations	(8,828,576)	(12,676,211)

(iii) Segment assets and liabilities

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

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

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

Reportable segment assets reconciled to total assets as follows:

	CONSOLIDATED	
	31 DECEMBER 2017	30 JUNE 2017
	\$	\$
Segment assets	23,121,057	21,605,104
Intersegment eliminations		
Unallocated:		
Cash and cash equivalents	5,000,000	6,527,313
Trade and other receivables	-	421,461
Property, Plant & Equipment	-	23,036
Deferred Asset	248,944	-
Total assets per the statement of financial position	28,370,001	28,576,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

2. SEGMENT REPORTING (continued)

Reportable segment liabilities reconciled to total liabilities as follows:

	CONSOLIDATED	
	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Segment liabilities	8,428,371	1,742,310
Intersegment eliminations	-	-
Unallocated:		
Trade and other payables	-	863,665
Provisions	-	2,002,100
Borrowings	4,766,449	-
Financial liability - warrant	248,766	-
Total liabilities per the statement of financial position	13,443,586	4,608,075

(c) Major customers

There were no major customers for the current period individually representing greater than 10% of Group revenues (30 June 2017: 1). The major customer from the previous year represented \$4,566,464 of the Group's total revenues.

3. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Revenue from continuing operations		
Sale of goods	11,305,079	22,324,145
Other income		
Interest income	39,671	160,348
Research and development tax incentive	-	3,247,386
Grant income	365,336	-
Sundry income	1,965	2,235
Total other income	406,972	3,409,969

Recognition and Measurement

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

4. EXPENSES

	CONSOLIDATED	
	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Depreciation and amortisation		
Depreciation	430,015	533,867
Amortisation	467,926	1,323,075
	897,941	1,856,942
Asset write-downs	-	450,288
Employment expenses		
Remuneration and on-costs	9,485,196	13,532,395
Superannuation expense	381,746	758,850
Other employee benefits	777,572	554,342
	10,644,514¹	14,845,587
Share based payments	355,073	776,779
Operating lease rental expense	297,736	719,739
Finance costs		
Interest and finance charges paid/payable	141,059	59,779
Interest received on term deposit (investment of loan funds)	(21,163)	-
Amortisation of loan transactions costs	15,392	-
Difference between consideration paid for warrant and inception day fair value	36,608	-
Unwind discount on lease make good provision	80,886	5,915
	252,782	65,694

Depreciation

Refer Note 7(a) for details on depreciation.

Employee Benefits

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

Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

5. INCOME TAX

	CONSOLIDATED	
	31 DECEMBER 2017 \$	30 JUNE 2017 \$
(a) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	(8,828,576)	(12,676,211)
Tax expense/(benefit) at the Australian tax rate of 27.5% (2017 financial year 30%)	(2,427,859)	(3,802,863)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Share based payments	96,873	233,034
Legal expenses	-	116,534
R&D Tax Incentive income	-	(974,216)
Amortisation	-	98,661
Sundry items – net non-deductible/(non-assessable)	181,446	55,454
Subtotal	(2,149,540)	(4,273,396)
Adjustment for difference in foreign tax rates	47,974	-
Total tax expense/(benefit)	(2,101,566)	(4,273,396)
Deferred tax – current period benefits not recognised	(1,503,576)	(4,273,396)
Deferred tax – reversal of prior period temporary differences	(597,990)	-
Income tax expense/(benefit)	-	-

Legislation was passed by the Australian Government in April 2017 to progressively reduce the corporate tax rate from 30% to 25% for small and medium business over a 10-year period. Admedus Limited expects to benefit from the reduced corporate tax rates as a medium business with a turnover of more than \$10 million but less than \$50 million in the foreseeable future. Consequently, the deferred tax balances have been remeasured based on the 27.5% effective tax rate. The impact of the reduced corporate tax rate is reflected in the unrecognised deferred tax expense that would otherwise be credited to the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

5. INCOME TAX (continued)

(b) Deferred Tax Assets

The composition and movement of deferred assets is as follows:

	Balance 30 June 16 \$	Recognised in profit or loss \$	Recognised in equity \$	Balance 30 June 17 \$	Recognised in profit or loss \$	Recognised in equity \$	Balance 31 December 17 \$
Provisions	442,614	-	-	442,614	(56,066)	-	386,548
Accruals	95,867	1,518	-	97,385	680,633	-	778,018
Share issue costs through equity	1,063,146	129,530	-	1,192,676	(889,803)	-	302,873
Property, plant and equipment	(536,108)	43,534	-	(492,574)	63,766	-	(428,808)
Intangible assets	(1,676,789)	371,354	-	(1,305,435)	1,697,211	-	391,776
Sundry - other	-	-	-	-	26,091	-	26,091
Tax losses carried forward	15,475,567	3,717,933	-	19,193,500	(1,067,568)	-	18,125,932
Sub-total	14,864,297	4,263,869	-	19,128,166	454,264	-	19,582,430
Unrecognised net deferred tax assets	(14,864,297)	(4,263,869)	-	(19,128,166)	(454,264)	-	(19,582,430)
Tax assets	-	-	-	-	-	-	-

Deferred tax assets are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	31 DECEMBER	30 JUNE	31 DECEMBER	30 JUNE	31 DECEMBER	30 JUNE
	2017 \$	2017 \$	2017 \$	2017 \$	2017 \$	2017 \$
Provisions	386,548	442,614	-	-	386,548	442,614
Accruals	778,018	97,385	-	-	778,018	97,385
Share issue costs through equity	302,873	1,192,676	-	-	302,873	1,192,676
Property, plant and equipment	-	-	(428,808)	(492,574)	(428,808)	(492,574)
Intangible assets	391,776	-	-	(1,305,435)	391,776	(1,305,435)
Sundry - other	26,091	-	-	-	26,091	-
Tax losses carried forward	18,125,932	19,193,500	-	-	18,125,932	19,193,500
Sub-total	20,011,238	20,926,175	(428,808)	(1,798,009)	19,582,430	19,128,166
Set off deferred tax liabilities	(428,808)	(1,798,009)	-	-	-	-
Unrecognised net deferred tax assets	(19,582,430)	(19,128,166)	-	-	(19,582,430)	(19,128,166)
Tax assets	-	-	-	-	-	-

(c) Tax losses

	CONSOLIDATED	
	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Unused tax losses for which no deferred tax assets have been recognised		
Australian losses	41,853,035	36,808,786
Foreign losses	30,251,390	27,169,548
Sub-total	72,104,425	63,978,334
Potential tax benefit	18,125,932	19,193,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

5. INCOME TAX (continued)

(c) Tax losses (continued)

All unused tax losses were incurred by Australian and foreign entities. Unused tax losses for which no deferred tax asset has been recognised have not been recognised as the future recovery of those losses is subject to the Company satisfying the requirements imposed by the regulatory taxation authorities in the relevant tax jurisdictions, in addition to accounting standards requirements for the recognition of tax losses.

(d) Recognition and Measurement

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

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

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

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

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

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

Tax Consolidation

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

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

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

(e) Critical accounting estimates

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

Recovery of deferred tax assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

6. FINANCIAL ASSETS AND LIABILITIES

Financial assets *	Notes	31 December 2017 \$			30 June 2017 \$		
		Current	Non-current	Total	Current	Non-current	Total
Cash and cash equivalents							
Cash at bank	6(a)	3,146,060	-	3,146,060	11,260,657	-	11,260,657
Short term deposits	6(a)	5,108,763	-	5,108,763	-	-	-
Total Cash and cash equivalents		8,254,823	-	8,254,823	11,260,657	-	11,260,657
Trade and other receivables							
Trade receivables	6(b)	4,076,555	-	4,076,555	3,255,029	-	3,255,029
Other receivables	6(b)	641,541	-	641,541	1,031,033	-	1,031,033
Total Trade and other receivables		4,718,096	-	4,718,096	4,286,062	-	4,286,062
Inventories	6(c)	5,553,620	-	5,553,620	4,453,871	-	4,453,871
Deferred asset	6(f)	-	248,944	248,944	-	-	-
Total financing assets		18,526,539	248,944	18,775,483	20,000,590	-	20,000,590
Financial liabilities *	Notes	31 December 2017 \$			30 June 2017 \$		
		Current	Non-current	Total	Current	Non-current	Total
Trade and other payables							
Trade payables	6(d)	1,256,823	-	1,256,823	1,522,549	-	1,522,549
Other payables	6(d)	4,191,647	-	4,191,647	440,086	-	440,086
Total Trade and other payables		5,448,470	-	5,448,470	1,962,635	-	1,962,635
Deferred consideration							
Provision for deferred settlement	6(e)	400,000	1,150,619	1,550,619	400,000	1,018,380	1,418,380
Total Deferred consideration		400,000	1,150,619	1,550,619	400,000	1,018,380	1,418,380
Financial liabilities							
Borrowings	6(f)	4,766,449	-	4,766,449	-	-	-
Total Financial liabilities		4,766,449	-	4,766,449	-	-	-
Financial Instruments							
Warrant	6(g)	248,766	-	248,766	-	-	-
Total Financial instruments		248,766	-	248,766	-	-	-
Total financing liabilities		10,863,685	1,150,619	12,014,304	2,362,635	1,018,380	3,381,015

* Consolidated numbers

6(a) Cash and cash equivalents

	CONSOLIDATED	
	31 DECEMBER 2017	30 JUNE 2017
	\$	\$
Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities		
Loss for the period/year	(8,828,576)	(12,676,211)
Depreciation/Amortisation expense	897,941	1,856,942
Inventory write-down	14,820	444,373
Accretion expense	117,494	-
Non-cash share expense – share based payments	355,073	776,779
Non-cash interest expense	226,734	-
Reclassification of software licenses	(398,480)	-
Foreign exchange differences	(261,520)	171,325
Sundry	(518,194)	5,915
Change in operating assets and liabilities:		
Increase in receivables	(562,587)	(75,939)
Increase in inventories	(1,386,056)	(886,377)
(Decrease)/increase in creditors	3,580,847	(779,664)
(Decrease)/increase in other provisions	136,197	(1,304,924)
Net cash outflow from operating activities	(6,626,307)	(12,467,781)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

6. FINANCIAL ASSETS AND LIABILITIES

6(a) Cash and cash equivalents (continued)

Recognition and measurement

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

Cash at Bank

These are interest bearing accounts held at bank with average interest rates of 0.15% (30 June 2017: 0.15%).

Short term deposits

These represent interest bearing short term deposits held at bank with average interest rate of 2.34% (30 June 2017: n/a)

Non-cash investing and financing activities

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

6(b) Trade and other receivables

Recognition and measurement

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due per the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Critical accounting estimates

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

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

Other receivables

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

Past due but not impaired

As at 31 December 2017, trade receivables of \$407,356 (30 June 2017: \$321,646) were past due but not impaired. These relate to customers for whom there is no recent history of default. A significant portion of these trade receivables past due but not impaired have been subsequently paid post 31 December 2017. The ageing analysis of these trade receivables is as follows:

	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Over 90 days	407,356	321,646

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

6. FINANCIAL ASSETS AND LIABILITIES (continued)

6(c) Inventories

	CONSOLIDATED	
	31 DECEMBER 2017	30 JUNE 2017
	\$	\$
Raw materials – at cost	184,099	85,674
Work in progress – at net realisable value	500,611	304,077
Finished goods – at net realisable value	2,398,090	1,752,973
Finished goods – at cost	2,485,681	2,561,147
	5,568,481	4,703,871
Provision for impairment of inventory	(14,861)	(250,000)
	5,553,620	4,453,871

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the period ended 31 December 2017 amounted to \$9,097 (30 June 2017: \$444,373).

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.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of 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.

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.

6(d) 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(e) Deferred consideration

The present value of the deferred consideration is \$1,550,619 payable in 4 equal instalments to January 2021.

This relates to the acquisition by the Parent Company 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®.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

6. FINANCIAL ASSETS AND LIABILITIES (continued)

6(f) Financial liabilities - borrowings

	CONSOLIDATED	
	31 DECEMBER 2017	30 JUNE 2017
	\$	\$
Borrowings - current	5,000,000	-
Capitalised borrowing costs	(233,551)	-
	4,766,449	-

Recognition and measurement

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

In October 2017 Admedus Limited entered into an agreement with Partners for Growth (PFG) for a secured debt facility of up to AUD \$10 million. The new PFG facility for Admedus consists of a \$5 million revolving line of credit (RLOC) at an interest rate of 9.75% and a \$5 million term loan at an interest rate of 11.75%. Both the RLOC and term loan are repayable in 36 months. In October 2017 the Company fully drew down the term loan facility. Principal payments commence in May 2018. PFG has been granted a first-ranking security for the loans on all assets of the Company and most wholly-owned group companies.

The Company incurred \$497,888 in relation to setting up the new facility. 50% of these costs relates to the drawn term loan facility and is being amortised over the term of the loan. The remaining 50% relates to the undrawn RLOC and are being held as a Deferred Non-Current Asset. At that time of drawdown of the RLOC, these costs will be treated as a transaction cost amortised over the respective loan term.

For the December 2017 quarter, the Group was in breach of an EBITDA covenant in relation to its PFG loan. Consequently, the loan became payable on demand and is disclosed as a Current Financial Liability in the Statement of Financial Position. However, following recent discussions with PFG in February 2018, Admedus has received a waiver of the loan breach and has renegotiated its loan covenants for the 2018 calendar year. If this waiver had been in place by 31 December 2017, \$3,500,000 of the loan would have been disclosed as Non-Current Liabilities, reducing the value of Current Liabilities to \$8,239,336.

6(g) Financial liabilities - warrant

In conjunction with receiving the loan facility from PFG, Admedus has agreed to issue 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 (being the 5-day volume weighted average price of Admedus shares up to the last trading day before this announcement). 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 PERIOD ENDED 31 DECEMBER 2017

7. NON-FINANCIAL ASSETS AND LIABILITIES

Non-Financial assets *	Notes	31 December 2017 \$			30 June 2017 \$		
		Current	Non-current	Total	Current	Non-current	Total
Property, plant and equipment	7(a)	-	3,680,744	3,680,744	-	2,355,996	2,355,996
Intangible assets	7(b)	-	5,913,774	5,913,774	-	6,220,328	6,220,328
Total non-financing assets		-	9,594,518	9,594,518	-	8,576,324	8,576,324

Financial liabilities *	Notes	31 December 2017 \$			30 June 2017 \$		
		Current	Non-current	Total	Current	Non-current	Total
Provisions							
Employee benefit provisions	7(c)(i)	875,651	-	875,651	754,315	-	754,315
Lease make good provisions	7(c)(ii)	-	553,631	553,631	-	472,745	472,745
Total Provisions		875,651	553,631	1,429,282	754,315	472,745	1,227,060
Total non-financing liabilities		875,651	553,631	1,429,282	754,315	472,745	1,227,060

* Consolidated numbers

7(a) Property, plant and equipment

	CONSOLIDATED				
	31 DECEMBER 2017 \$			30 JUNE 2017 \$	
	Plant and equipment	Software	Total	Plant and equipment	Total
Plant & equipment					
Cost	4,954,668	1,401,595	6,356,263	4,602,627	4,602,627
Accumulated depreciation	(2,604,608)	(70,911)	(2,675,519)	(2,246,631)	(2,246,631)
Net book amount	2,350,060	1,330,684	3,680,744	2,355,996	2,355,996
Reconciliation					
Opening net book amount	2,355,996	-	2,355,996	2,696,225	2,696,225
Additions	353,168	1,401,595	1,754,763	193,638	193,638
Disposals – Cost	-	-	-	-	-
Disposals – Accumulated depreciation	-	-	-	-	-
Depreciation charge	(359,104)	(70,911)	(430,015)	(533,867)	(533,867)
Closing net book amount	2,350,060	1,330,684	3,680,744	2,355,996	2,355,996

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(a) Property, plant and equipment (continued)

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

7(b) Intangibles

	CONSOLIDATED	
	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Patents	362,740	279,582
Intellectual property	1,903,025	2,027,721
Technology Licence	2,058,716	2,323,732
Goodwill	1,589,293	1,589,293
	5,913,774	6,220,328
Reconciliation - Patents		
Opening net book value	279,582	276,637
Additions - acquisitions	161,369	81,477
Amortisation	(78,211)	(78,532)
Closing net book value	362,740	279,582
Reconciliation – Intellectual property		
Opening net book value	2,027,721	2,277,102
Amortisation	(124,696)	(249,381)
Closing net book value	1,903,025	2,027,721
Reconciliation – Technology Licence		
Opening net book value	2,323,732	3,317,801
Amortisation	(265,016)	(994,069)
Closing net book value	2,058,716	2,323,732
Reconciliation – Goodwill		
Opening net book value	1,589,293	1,589,293
Closing net book value	1,589,293	1,589,293

Critical accounting estimates

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated below. 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. Fair value is based upon a formal valuation by an independent expert.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(b) Intangibles (continued)

The fair value of the technology licence and goodwill from the Admedus Vaccines transaction were subject to impairment testing at 30 June 2017 with no impairment arising as the recoverable amount is in excess of the associated cash generating unit. The impairment test was performed based on utilising the fair value less costs to sell valuation methodology.

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

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

In addition to the above, the Group assessed whether any indicators of impairment existed at reporting date for the intellectual property and patents for the ADAPT business. No indicators were identified as at 31 December 2017.

Recognition and measurement

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

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

Goodwill

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

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised, up to the stage of commercialization, when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity can use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of up to 17 years.

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 17 years.

Impairment of non-financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

7. NON-FINANCIAL ASSETS AND LIABILITIES (continued)

7(c) Provisions

(i) Employee benefits

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

Critical accounting estimate

In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been considered.

(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 lease agreement. The provision is based on a valuation performed by Griffin Valuation Advisory.

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.

Retirement benefit obligations

All employees of the consolidated entity are entitled to benefits from the consolidated entity's superannuation plan on retirement, disability or death. The consolidated entity only has a defined contribution section within its plan. The defined contribution section receives fixed contributions from entities in the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

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 PERIOD ENDED 31 DECEMBER 2017

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 2017				
<i>Assets</i>				
Technology licence	-	2,058,716	-	2,058,716
Property, plant and equipment	-	3,680,744	-	3,680,744
Total assets	-	5,739,460	-	5,739,460
<i>Liabilities</i>				
Lease make good provision	-	553,631	-	553,631
Warrant	-	248,766	-	248,766
Total liabilities	-	802,397	-	802,397
Consolidated – 30 June 2017				
	\$	\$	\$	\$
<i>Assets</i>				
Technology licence	-	2,323,732	-	2,323,732
Property, plant and equipment	-	2,355,996	-	2,355,996
Total assets	-	4,679,728	-	4,679,728
<i>Liabilities</i>				
Lease make good provision	-	472,745	-	472,745
Total liabilities	-	472,745	-	472,745

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair values of Intellectual property, Property, plant and equipment and Lease make good provision were initially calculated by independent valuation specialists upon inclusion in the financials. The fair values have since been adjusted for amortization, depreciation and interest.

Recognition and measurement

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

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

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

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

Critical accounting estimates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

9. CONTRIBUTED EQUITY

	SHARES		\$	
	31 DECEMBER 2017	30 JUNE 2017	31 DECEMBER 2017	30 JUNE 2017
(a) Share Capital				
Ordinary shares				
Fully paid	254,795,534	254,795,534	106,025,631	106,025,631

	Date	Notes	No. shares	Issue Price	\$
(b) Movements in Ordinary Share Capital					
Details					
Balance	30/6/16		196,254,798		87,887,942
Shares issued in lieu of directors fees		(b)	60,841	0.36	22,000
Shares issued in lieu of consideration of Regen		(c)	3,000,000	0.33	1,000,000
Share placement		(d)	30,303,031	0.33	10,000,000
Rights Issue		(e)	3,000	0.33	990
Rights Issue		(e)	25,173,864	0.33	8,307,375
Transaction costs			-		(1,192,676)
Balance	30/6/17		254,795,534		106,025,631
Nil movement			-		-
Balance	31/12/17		254,795,534		106,025,631

(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) Shares issued in lieu of directors fees

In December 2016, directors elected to receive a portion of their fees as shares at an issue price of \$0.3616 (based on the 5 day VWAP).

(c) Shares issued in lieu of consideration of Regen

In September 2016, these shares are held in escrow for 12 months starting from September 2016 as an issue price of \$0.33 (based on the 5 day VWAP).

(d) Share placement

In September 2016, current shareholders and sophisticated investors were approached to make further investment in the Group at a \$0.33 per share.

(e) Rights Issue

A non-renounceable rights issue of shares was undertaken at an issue price of \$0.33 per share

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

9. CONTRIBUTED EQUITY (continued)

(f) 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.

(g) Capital Risk Management

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

The Board of Directors monitors capital on an ad-hoc basis. 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	30 JUNE
	2017	2017
	\$	\$
(a) Reserves		
Share based payments	4,967,408	4,612,335
Other reserve	(7,243,027)	(7,243,027)
Foreign currency translation reserve	(205,611)	363,310
	(2,481,230)	(2,267,382)

Reconciliation - Share based payment	Date	No. options/ warrants	Valuation	\$
Balance	30/6/16	20,316,925		3,835,556
Unlisted options issued		575,000	0.33	29,224
Unlisted options issued		50,000	0.33	2,541
Unlisted options cancelled		(2,326,667)	0.60	(249,268)
Unlisted options issued		200,000	0.34	8,523
Unlisted options issued		1,700,000	0.34	30,789
Unlisted option lapsed		(5,511,918)		-
Share based payment				954,970
Balance	30/6/17	15,003,340		4,612,335
Unlisted options issued		1,150,000	0.15	15,338
Unlisted options issued		500,000	0.13	4,169
Unlisted options cancelled		(858,333)		
Share based payment				335,566
Balance	31/12/17	15,795,007		4,967,408

Note: In addition to the options and warrants noted above, Admedus issue 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. Refer to note 6(g) for further information on this warrant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

10. EQUITY – RESERVES (continued)

	CONSOLIDATED	
	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Reconciliation – Other reserve		
Opening balances	(7,243,027)	(2,921,934)
Minority interest contribution	-	(4,321,093)
Closing balance	(7,243,027)	(7,243,027)
During the prior 12-month period the company acquired the remaining non- controlled interest in Admedus Regen.		
	CONSOLIDATED	
	31 DECEMBER 2017 \$	30 JUNE 2017 \$
Reconciliation – Foreign currency translation reserve		
Opening balances	363,310	464,100
Foreign exchange on subsidiaries	(568,921)	(100,790)
Closing balance	(205,611)	363,310

(b) Nature and purpose

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

The other reserve reflects the additional consideration paid by the Company, over and above the historical fair value of the subsidiary assessed at the time of gaining control, to acquire a portion of the remaining non-controlling interests.

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 2017 Number	30 JUNE 2017 Number
(a) Weighted Average Number of Shares Used as the Denominator		
Weighted average number of ordinary shares used in the denominator in calculating basic loss per share	254,795,534	251,382,294
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
	Cents	Cents
(b) Loss Used in Calculating Loss Per Share	(8,631,786)	(12,312,076)
Basic loss per share	(3.39)	(4.89)
Diluted loss per share	n/a	n/a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

11. LOSS PER SHARE (continued)

(c) Information concerning classification of securities

Options:

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

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

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 at present are not exposed to price risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Company.

The Group and the Company hold the following financial instruments:

	CONSOLIDATED	
	31 DECEMBER 2017	30 JUNE 2017
	\$	\$
Financial assets		
Cash and cash equivalents	8,254,823	11,260,657
Trade and other receivables	4,718,096	4,286,062
Inventories	5,553,620	4,453,871
Deferred asset	248,944	-
	18,775,483	20,000,590
Financial liabilities		
Trade and other payables	5,448,470	1,962,635
Deferred consideration	1,550,619	1,418,380
Borrowings	4,766,449	-
Warrant	248,766	-
	12,014,304	3,381,015
Net financial assets	6,761,179	16,619,575

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 below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

12. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

Cash flow and interest rate risk

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

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

	Note	Weighted average interest rate	Total \$
31 December 2017 Consolidated			
Financial assets			
Cash and cash equivalents	6(a)	1.45%	<u>8,254,823</u>
30 June 2017 Consolidated			
Financial assets			
Cash and cash equivalents	6(a)	0.23%	<u>11,260,657</u>

Sensitivity

At 31 December 2017, if interest rates had increased by 10% or decreased by 10% from the period end rates with all other variables held constant, post-tax loss for the period would have been \$14,149 lower/\$14,149 higher (30 June 2017 changes 10%: \$2,308 lower/\$2,308 higher), mainly because of higher/lower interest income from cash and cash equivalents.

(b) Credit Risk

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

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

(c) Foreign currency risk management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Following a review of the AUD equivalent of foreign currency cash held, or receivable or payable, in entities within the Group whose functional currency is different to that foreign currency, it was determined there does not exist any material net exposure foreign exchange risk.

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 2017 (30 June 2017: nil).

Foreign currency exposures are currently managed via natural hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

12. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity 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 assets 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 30-60 days' terms of creditor payments.

Maturities of financial liabilities

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

	Less than 6 months \$	6-12 months \$	1-2 years \$	2-5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount (assets)/ liabilities \$
Group – At 31 December 2017							
Non-derivatives							
Trade and other payables	5,448,470	-	-	-	-	5,448,470	5,448,470
Borrowings	795,382	1,300,278	2,595,660	1,947,153	-	6,638,473	6,638,473
Non-interest bearing	-	-	-	-	-	-	-
Total non-derivatives	6,243,852	1,300,278	2,595,660	1,947,153	-	12,086,943	12,086,943

Group – At 30 June 2017

Non-derivatives							
Trade and other payables	1,962,635	-	-	-	-	1,962,635	1,962,635
Non-interest bearing	-	-	-	-	-	-	-
Total non-derivatives	1,962,635	-	-	-	-	1,962,635	1,962,635

(e) Fair Value Estimation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

13. CONTROLLED ENTITIES

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

Name of entity	Class of share	Country of Incorporation	Equity Holding		Cost to Company	
			31 December	30 June	31 December	30 June
			2017	2017	2017	2017
			%	%	\$	\$
Accounting Parent Entity						
Admedus Investments Pty Limited		Australia	100	100	30,263,471	30,129,510
Legal Parent Entity						
Admedus Limited	Ordinary	Australia	-	-	-	-
Controlled Entities						
Admedus (NZ) Limited	Ordinary	New Zealand	100	100	1	1
Admedus (Australia) Pty Limited	Ordinary	Australia	100	100	892,989	892,989
Admedus Regen Pty Limited	Ordinary	Australia	100	100	16,347,175	16,214,936
Admedus Corporation	Ordinary	USA	100	100	104	104
Admedus Vaccines Pty Limited	Ordinary	Australia	72.8	72.8	13,000,049	13,000,049
Admedus GmbH	Ordinary	Switzerland	100	100	23,151	23,151
Admedus Biomanufacturing Pty Ltd	Ordinary	Australia	100	100	1	1
Admedus (Singapore) Pty Ltd	Ordinary	Singapore	100	100	1	1

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

14. NON-CONTROLLING INTEREST

	CONSOLIDATED	
	31 December 2017 \$	30 June 2017 \$
Interest in:		
Share Capital	-	-
Reserves	7,243,027	7,243,027
Accumulated losses	(8,086,245)	(8,283,035)
	(843,218)	(1,040,008)

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 2017 \$	30 June 2017 \$
Current assets	1,192,505	1,657,447
Current liabilities	147,131	140,656
Current net assets	1,045,374	1,516,791
Non-current assets	2,058,116	3,916,520
Non-current liabilities	-	-
Non-current net assets	2,058,116	3,916,520
Net assets	3,103,490	5,433,311
Accumulated non-controlling interests	843,218	1,040,008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

14. NON-CONTROLLING INTEREST (continued)

	Admedus Vaccines Pty Ltd	
	31 December	30 June
	2017	2017
	\$	\$
Revenue	-	-
Loss for the period/Total comprehensive loss	(724,291)	(865,834)
Loss allocated to non-controlling interests	(196,790)	(324,744)
Cash flows from operating activities	(860,910)	(1,846,489)
Cash flows from investing activities	1,087	(20,208)
Cash flows from financing activities	-	3,500,000
Total per period ending in cash and cash equivalents	(859,823)	1,633,303

At 30 June 2017 Admedus Regen Pty Ltd is a fully consolidated subsidiary.

(a) Transactions with non-controlling interests

On 7 September 2016 Admedus reached a confidential binding settlement in full and final resolution of the proceedings and without admission of liability. As a result, Admedus owns 100% of the regenerative tissue technology ADAPT®.

The overall effect of this transaction on the equity attributable to the owners of Admedus Limited during 2017 is summarised as follows:

	CONSOLIDATED	
	31 December	30 June
	2017	2017
	\$	\$
Carrying amount of non-controlling interest acquired	-	3,287,908
Consideration paid to non-controlling interest	-	(3,500,000)
Excess of consideration paid recognised in other reserves within equity	-	(212,092)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

15. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, Admedus Limited, at 31 December 2017. The information presented here has been prepared using consistent Admedus's accounting policies.

	THE COMPANY	
	31 December 2017 \$	30 June 2017 \$
Current assets	6,673,558	6,948,596
Non-current assets	18,038,170	16,563,401
Total assets	24,711,728	23,511,997
Current liabilities	(8,265,249)	(2,155,938)
Non-current liabilities	(2,079,828)	(1,418,380)
Total liabilities	(10,345,077)	(3,574,318)
Contributed equity	130,384,683	130,436,688
Reserves	5,495,491	5,088,304
Accumulated losses	(121,513,523)	(115,587,313)
Total equity	14,366,651	19,937,679
Statement of comprehensive income		
Loss for the period/year	(5,926,210)	(1,277,885)
Other comprehensive loss for the period/year	-	-
Total comprehensive loss for the period/year	(5,926,210)	(1,277,885)

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 2017 \$	30 June 2017 \$
Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	157,282	154,545
Later than one year but no later than five years	29,369	109,890
Later than five years	-	-
	186,651	264,435

The Company leases office space in Brisbane under an operating lease that expires in January 2019 and photocopiers expiring June 2020.

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. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

16. COMMITMENTS

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

	CONSOLIDATED	
	31 December 2017 \$	30 June 2017 \$
Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	519,492	549,486
Later than one year but no later than five years	581,438	272,806
Later than five years	-	-
	1,100,930	822,292

The Company leases office space in Brisbane under an operating lease that expires in January 2019 and photocopiers expiring June 2020.

Admedus Regen Pty Ltd leases office space in Melbourne under an operating lease expiring in May 2018

Admedus Australia leases office space in Adelaide under an operating lease that expires in June 2018

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

Admedus Vaccines Pty Ltd leases office and lab space under an operating lease that expires January 2018.

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

* Contract contains two 5 year options to extend the lease to January 2029.

17. CONTINGENT LIABILITIES

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

18. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

19. SHARE BASED PAYMENTS

(a) Employee Share Option Plan

The new 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. As detailed below, during the six-month period covering this report, staff options were issued to employees over both plans.

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;
- Options are unlisted and not transferable unless the Directors in their absolute discretion agree to a transfer; and
- Options carry no dividend rights or voting rights.

The Company issued 1,650,000 staff options over ordinary shares in the Company during the six-months to 31 December 2017 (12 months to 30 June 2017: 2,525,000). These were split as follows:

- On 22 September 2017, the Company issued 1,150,000 options to employees under the ESOP (Tranche E).
- On 15 December 2017, the Company issued 500,000 options to directors under the ESOP (Tranche F).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

19. SHARE BASED PAYMENTS (continued)

(a) Employee Share Option Plan (continued)

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

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 2017								
18/6/2013	18/6/2018	0.95	1,388,340	-	-	-	1,388,340	0.33
16/12/2013	16/12/2018	2.70	710,000	-	-	-	710,000	1.01
28/3/2014	1/2/2019	2.45	200,000	-	-	-	200,000	0.90
21/5/2014	21/5/2019	1.70	900,000	-	-	-	900,000	0.75
5/11/2014	5/11/2019	2.10	310,000	-	-	-	310,000	0.70
30/6/2015	30/6/2020	1.17	1,635,000	-	-	-	1,635,000	0.43
21/7/2015	21/7/2020	1.44	1,030,000	-	-	-	1,030,000	0.41
10/12/2015	10/12/2020	0.83	425,000	-	-	-	425,000	0.58
10/12/2015	10/12/2020	1.39	200,000	-	-	-	200,000	0.52
24/6/2016	24/6/2021	0.30	150,000	-	-	-	150,000	0.16
15/09/2016	15/09/2021	0.33	475,000	-	-	(25,000)	450,000	0.19
15/09/2016	15/09/2021	0.33	50,000	-	-	-	50,000	0.19
18/11/2016	18/11/2021	0.33	200,000	-	-	(133,333)	66,667	0.21
23/03/2017	23/03/2022	0.34	1,700,000	-	-	(700,000)	1,000,000	0.20
22/09/2017	22/09/2022	0.26	-	1,150,000	-	-	1,150,000	0.15
17/11/2017	15/12/2022	0.22	-	500,000	-	-	500,000	0.13
Total			9,373,340	1,650,000	-	(858,333)	10,165,007	
Weighted average exercise price			\$1.15	\$0.25	-	\$0.34	\$1.07	

Grant date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Lapsed Number	Lapsed during the year Number	Balance at end of the year Number	Value at grant date \$
30 June 2017								
8/12/2011	10/07/2016	0.60	296,250	-	-	(296,250)	-	-
8/22/2011	10/07/2017	0.60	5,002,334	-	-	(5,002,334)	-	-
18/5/2012	18/5/2017	0.60	213,334	-	-	(213,334)	-	-
24/4/2013	1/3/2018	0.60	200,000	-	(200,000)	-	-	-
18/6/2013	18/6/2018	0.95	1,505,007	-	(116,667)	-	1,388,340	0.33
16/12/2013	16/12/2018	2.70	900,000	-	(190,000)	-	710,000	1.01
28/3/2014	1/2/2019	2.45	200,000	-	-	-	200,000	0.90
21/5/2014	1/7/2018	1.70	300,000	-	(300,000)	-	-	-
21/5/2014	21/5/2019	1.70	1,500,000	-	(600,000)	-	900,000	0.75
5/11/2014	5/11/2019	2.10	410,000	-	(100,000)	-	310,000	0.70
30/6/2015	30/6/2020	1.17	1,885,000	-	(250,000)	-	1,635,000	0.43
21/7/2015	21/7/2020	1.44	1,350,000	-	(320,000)	-	1,030,000	0.41
10/12/2015	10/12/2020	0.83	475,000	-	(50,000)	-	425,000	0.58
10/12/2015	10/12/2020	1.39	200,000	-	-	-	200,000	0.52
24/6/2016	24/6/2021	0.30	250,000	-	(100,000)	-	150,000	0.16
15/09/2016	15/09/2021	0.33	-	575,000	(100,000)	-	475,000	0.19
15/09/2016	15/09/2021	0.33	-	50,000	-	-	50,000	0.19
18/11/2016	18/11/2021	0.33	-	200,000	-	-	200,000	0.21
23/03/2017	23/03/2022	0.34	-	1,700,000	-	-	1,700,000	0.20
Total			14,686,925	2,525,000	(2,326,667)	(5,511,918)	9,373,340	
Weighted average exercise price			\$1.13	\$0.34	\$1.44	\$0.60	\$1.15	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

19. SHARE BASED PAYMENTS (continued)

(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	30 June
	2017	2017
	\$	\$
Options issued under employee option plan	355,073	776,779
Total expenses from share-based transactions	355,073	776,779

(c) Fair Value of Options Granted

The assessed fair value at grant date of options granted during the period ended 31 December 2017 was 15.0 cents per option for Tranche E, and 13.0 cents per option for Tranche F. The fair value at grant date is determined using a Black-Scholes option pricing model that considers the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the period ended 31 December 2017 included:

	Tranche E	Tranche F
<i>Exercise price:</i>	\$0.26	\$0.22
<i>Grant date:</i>	22-Sep-17	17-Nov-17
<i>Expiry date:</i>	22-Sep-22	15-Dec-22
<i>Share price at grant date:</i>	\$0.31	\$0.24
<i>Expected price volatility of the company's shares:</i>	70%	70%
<i>Risk-free interest rate:</i>	2.39%	2.10%
<i>Fair value at grant date:</i>	\$0.15	\$0.13

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

19. SHARE BASED PAYMENTS (continued)

(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.

(e) Critical Accounting Estimates

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model considering the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

20. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The parent entity within the Group is Admedus Limited.

(b) Subsidiary

Interests in subsidiaries are set out in Note 13.

(c) Key Management Personnel compensation

	31 December 2017 \$	30 June 2017 \$
Short-term employee benefits	2,092,925	2,067,565
Post-employment benefits	47,400	104,995
Termination benefits	278,255	202,792
Share based benefits	24,706	63,818
	2,443,286	2,439,170

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

(d) Transactions and Balances with Related Parties

No related party transactions were noted during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

21. DIVIDENDS

No dividends have been declared or paid during the period.

Recognition and measurement

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

22. REMUNERATION OF AUDITORS

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

	CONSOLIDATED	
	31 December 2017 \$	30 June 2017 \$
Audit Services		
HLB Mann Judd (WA Partnership)		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	45,000	70,000

It is the Group's policy to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB's and expertise and experience with the Group are important.

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

23. SUMMARY OF ACCOUNTING POLICIES

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

(a) Statement of compliance

The consolidated financial statements of the Group are a general purpose financial report which has been prepared in accordance with the Corporations Act, Australian Accounting Standards and Interpretations, International Financial Reporting Standards (IFRS) and complies with other requirements of the law. The consolidated financial statements were authorised for issue on 28 February 2018.

(b) Business combinations

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

23. SUMMARY OF ACCOUNTING POLICIES (continued)

(b) Business combinations (continued)

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.

Reverse Acquisition

In accordance with AASB 3 "Business Combinations", when Admedus Limited (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 Limited. Under reverse acquisition accounting, the consolidated financial statements are prepared as if Admedus Investments Pty Limited had acquired Admedus Limited 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 Limited) immediately prior to the business combination.
- In the separate financial statements of the legal parent (Admedus Limited), 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 Limited;

The cost of the investment held by the legal parent (Admedus Limited) 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 Limited) 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 Limited's functional and presentation currency.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

23. SUMMARY OF ACCOUNTING POLICIES (continued)

(c) Foreign currency translation (continued)

approximate 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.

(d) Current and non-current classification

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

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

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

(e) Leases

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

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

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

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

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

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

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

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

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

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

Standards and Interpretations applicable to 31 December 2017

In the period ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2017. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted by the Company and, therefore, no change is necessary to Group accounting policies.

The key new standard reviewed by the Group was *AASB 15 Revenue from Contracts with Customers*. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. 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 component may occur when the uncertainties around its measurement are removed.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated income statement, consolidated statement of consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of cash flow, consolidated statements of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards, the *Corporations Regulations 2001*, other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the period ended on that date of the consolidated entity;
 - (c) comply with International Financial Reporting Standards as disclosed in Note 23(a) to the financial statements.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in the Director's Report (as part of the Remuneration Report) for the period ended 31 December 2017, comply with section 300A of the *Corporations Act 2001*.
4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



John Seaberg
Chairman

Dated 28 February 2018

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 2017, 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 flow for the period 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 2017 and of its financial performance for the period 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 the existence of a material uncertainty that may cast significant doubt on the Group'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.

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

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Key Audit Matter	How our audit addressed the key audit matter
Carrying value of intangible assets (Refer Note 7)	
<p><i>Description</i></p> <p>As at 31 December 2017, the Group has an intangible assets balance of \$5.9 million which relates to patents, intellectual property, a technology licence and goodwill.</p> <p>Under AASB 136 <i>Impairment of Assets</i>, goodwill is subject to an annual impairment test and other finite life intangible assets are subject to an impairment test should indicators of impairment arise.</p> <p>A total of \$2.3 million of the intangible assets balance at 31 December 2017 relates to the ADAPT product portfolio. Management allocated these intangible assets to a cash-generating unit and their review indicated that no impairment indicators are present.</p> <p>The remaining intangible assets balance of \$3.6 million relates to the HPV and HSV-2 vaccines (inclusive of goodwill). At 31 December 2017, management allocated these intangible assets to a cash generating unit and performed an impairment assessment using a fair value less costs of disposal approach, whereby an independent expert was utilised in this process.</p> <p>We consider the recoverable amount of intangible assets to be a key audit matter as it involves complex matters involving subjectivity and judgement, it is material to the users' understanding of the financial statements as a whole and it required significant auditor attention and communication with those charged with governance.</p>	<p><i>Audit Approach</i></p> <p>For the intangible assets which relate to the ADAPT product portfolio, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> - Consideration of any indicators of impairment, both internal and external, which would suggest that the cash generating unit's assets may be impaired; - Considering whether the assets comprising the cash generating unit had been correctly allocated; - Analysing the performance of the cash generating unit for the period and comparing this with budget expectations; - Comparing key assumptions in forecast cash flows to historical results and, where these were materially different, critically reviewing the basis for differing future expectations; and - Assessing the appropriateness of the disclosures included in the relevant notes to the financial report. <p>For the intangible assets which relate to Vaccines, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> - Assessing the independence and expertise of the valuer to ensure their report could be relied upon; - Considering whether the assets comprising the cash-generating unit had been correctly allocated; - Comparing the recoverable amount of the cash generating unit to its carrying amount; - Assessing other factors which may impact upon the recoverable amount calculation; and - Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.
Accounting for the debt facility and warrant (Refer Note 6)	
<p><i>Description</i></p> <p>As at 31 December 2017, the Group has a borrowings balance of \$4.8 million and a balance of \$0.2 million relating to the value of the corresponding warrant issued.</p> <p>These balances arose as a result of the company</p>	<p><i>Audit Approach</i></p> <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - Review of the key terms of the debt facility and warrant agreements entered into; - Review of the independent expert's

entering into an agreement for a secured debt facility of up to \$10 million. In conjunction with receiving the loan facility from the lender, Admedus has agreed to issue the lender a 7-year warrant for the issue of ordinary shares in the Company.

We considered the accounting for this debt facility and warrant to be a key audit matter as it involved consideration of the appropriate accounting treatment and there is significant estimation involved with the valuation of the warrant.

valuation of the warrant at inception and at reporting date to ensure an appropriate methodology was applied and that the key inputs were correct;

- Ensuring that the warrant has been correctly accounted for over the expected term of the financial liability;
- Review of management's assessment of the value of the transaction costs applied against the debt facility;
- Ensuring that the debt facility and warrant have been correctly accounted for under the requirements of accounting standards; and
- Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the period ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the period ended 31 December 2017.

In our opinion, the remuneration report of Admedus Limited for the period ended 31 December 2017 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



M R Ohm
Partner

Perth, Western Australia
28 February 2018

Shareholder Information

The shareholder information set out below was applicable as at 4 April 2018.

Quoted equity securities

254,795,534 fully paid ordinary shares are held by 6,783 individual shareholders.

Unquoted equity securities	Number on issue	Number of holders
Warrants held by MC Management Group, Olbia Pty Ltd, Merrill Lynch (Australia) Nominees Pty Ltd and Partners For Growth V, L.P	10,568,799	4
Options issued under the Admedus Employee Option Plan to take up ordinary shares	10,165,007	111

Shareholder distribution

The number of shareholders, by size of holding, are:

Range	Total holders	Units	% of issued Capital
1 – 1,000	1,225	596,160	0.23
1,001 – 5,000	2,023	5,487,812	2.15
5,001 - 10,000	1,020	7,810,731	3.07
10,001 - 100,000	2,085	67,079,718	26.33
100,001 and over	430	173,821,113	68.22
Total	6,783	254,795,534	100

Unmarketable parcels

	Maximum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.3050 per unit	1,640	1,709	1,239,691

Substantial holders

Name	Number of ordinary shares	Percentage
Minderoo Group Pty Ltd	14,815,000	5.81

SHAREHOLDER INFORMATION**Equity security holders**

Twenty largest holders of quoted equity securities are:

Ordinary shareholders	Number	Percentage
Minderoo Group Pty Ltd	14,815,000	5.81
Mc Management Group Pty Ltd <The Mc Master A/C>	10,373,532	4.07
J P Morgan Nominees Australia Limited	8,234,552	3.23
Bulldog Shale Pty Ltd <Bulldog Shale S Fund A/C>	3,300,000	1.30
Citicorp Nominees Pty Limited	3,004,824	1.18
Washington H Soul Pattinson And Company Limited	2,693,603	1.06
Mr Athanasios Farmakis	2,610,000	1.02
Hsbc Custody Nominees (Australia) Limited	2,506,988	0.98
Mr Iain Robert Mcewin + Ms Dianne Church <Through2 Super Fund A/C>	2,500,000	0.98
Mr Patrick Chew	2,275,000	0.89
Alocasia Pty Limited <Camellia Super Fund A/C>	2,065,857	0.81
Broadscope Pty Ltd <Catlow Family A/C>	1,710,000	0.67
Palkingston Pty Ltd	1,699,422	0.67
Lassell Holdings Pty Ltd <Gama Superannuation Fund A/C>	1,494,854	0.59
Bnp Paribas Nominees Pty Ltd <Ib Au Noms Retailclient Drp>	1,426,656	0.56
Mr Peter Kwong Ming Kiew + Mrs Jolina Kiew	1,419,026	0.56
Peta Pty Ltd <Rosebud Super Pension A/C>	1,414,379	0.56
Peninsula Exploration Pty Ltd	1,400,000	0.55
Mr Adrian Avotins	1,313,131	0.52
Mr Joseph John Doyle + Mrs Cheryl Anne Doyle	1,169,992	0.46

Voting rights

The voting rights attaching to each class of equity securities are set out below:

1. Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
2. Options: No voting rights.
3. Warrants: No voting rights.



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