

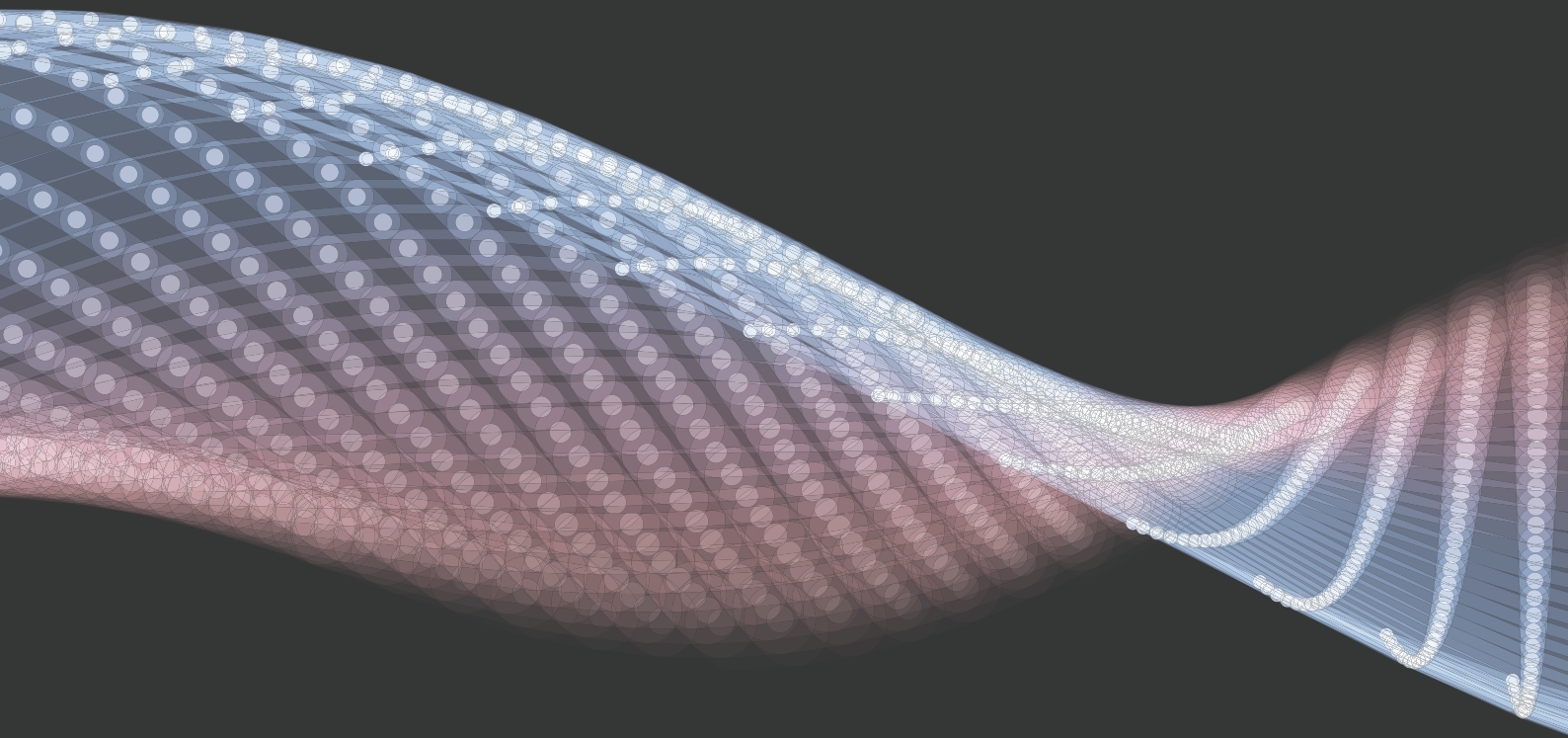


ANNUAL
REPORT | 2017



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





Corporate Directory

COMPANY AND REGISTERED OFFICE

26 Harris Road
Malaga, Western Australia 6090

Telephone: +61 8 9266 0100
Facsimile: +61 8 9266 0199

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

AUDITORS

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

SOLICITORS

DLA Piper Australia
Level 31, 152-158
St Georges Terrace
Perth, Western Australia 6000

BANKERS

ANZ
77 St Georges Terrace
Perth, Western Australia 6000

SHARE REGISTRY

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

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

SECURITIES EXCHANGE LISTING

Australian Securities
Exchange code: AHZ

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

Contents

04	From the Chairman	42	Financial Statements
06	Milestones	47	Notes to the
08	2016-17		Financial Statements
	Operational Review	83	Directors' Declaration
12	Board of Directors	84	Independent
14	Senior Management		Auditor's Report
16	Corporate	88	Shareholder Details
	Governance Statement		
24	Directors' Report		
41	Declaration of		
	Independence		

From The Chairman

It is my pleasure to present the Admedus Annual Report for the year ending 30 June 2017.



During the past twelve months, Admedus has undergone a significant transformation which delivered record revenue growth and is driving positive results across all business areas.

A progressive restructure known as 'Code Red' reprioritised resources and gave Admedus a clear new focus and compelling strategic direction.

Key operational changes included the establishment of international headquarters in Minneapolis, improvements to our manufacturing operation in Malaga, consolidation of our corporate services functions in Brisbane, a review and upgrading of our workforce, and a significant reduction in operational expenses along with new streamlined systems.

We also made several strategic leadership appointments to our Board and Management team, including the appointment of Wayne Paterson as Chief Executive Officer, David St. Denis as Chief Operating Officer and Mark Ziirsens as Chief Financial Officer.

The addition of experienced sales representatives in key target markets, and recruitment of experts in corporate service areas, means Admedus is now appropriately skilled and resourced to navigate the next stage of its evolution.

Highlights of the 2016-17 financial year include: Food and Drug Administration (FDA) approval to market VascuCel® and CardioCel® 3D in the United States; a new distribution agreement with Syncron Medical in India; and the appointment of Genpharm as our distributor for MENA with the first sales of CardioCel® in Saudi Arabia.

Our outstanding ADAPT® technology continues to outperform all competitors, achieving nine years without calcification and delivering positive health benefits to cardiovascular patients around the world.

In July, we announced our new curved tissue product, CardioCel® 3D, was moving to an expanded access

program with an increase from four to ten key reference sites across America.

CardioCel® 3D is a premium product and represents an excellent opportunity for Admedus so we're working closely with leading physicians to gather clinical data ahead of its commercial launch.

Pending regulatory approval, we're also looking to launch ADAPT® into new markets such as India, Australia, Thailand, Vietnam, Philippines and Taiwan who have expressed high levels of interest and offer substantial opportunities for our unique tissue products. We have also commenced the regulatory approval process for China as well as having engaged a potential commercial distribution partner for this important market.

Building on this momentum, we recently submitted an IP application to build our own ADAPT® transcatheter aortic valve replacement (TAVR) device for patients who aren't suitable candidates for traditional valve replacement surgery – this is a long-term project and if successful, will give us entry into a multi-billion-dollar global market.

Manufacturing has been another priority area over the past year with the implementation of a range of initiatives to deliver greater efficiency, less waste, higher product yield and enhanced tissue quality.

We're extremely proud of our state-of-the-art facility and have confidence in its ability to meet future demand as the ADAPT® business expands globally.

Our Infusion business has also seen exponential growth since we were awarded the tender to supply arcmed infusion pumps to the new Royal Adelaide Hospital which opened in September. This implementation was a major project and substantially increased the profile and credibility of the company in a lucrative and scalable market segment with many opportunities for future growth.



Admedus' infusion business is now delivering a reliable and robust stream of revenue and supports the development of productive relationships with key reference sites and key opinion leaders.

In April, Admedus Immunotherapies announced the results of a small HSV-2 IIa study which held some significant clinical results but the viability of this as a commercial opportunity is still under development. Our immunologist partners continue to research HSV-2, HPV and RNA vaccines and work in this area is ongoing.

From our exclusive ADAPT® technology, to our infusion products and immunology research, Admedus is committed to finding innovative solutions that deliver real health outcomes for people of all ages.

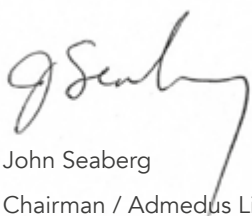
Admedus' results for the financial year ending 30 June 2017 are a positive reflection of the changes we've implemented over the past year.

Reducing operational costs, improving efficiency, changing our strategy and sales model and ensuring we had the right people in the right roles, has helped to deliver our highest-ever revenue growth.

For the twelve months from 1 July 2016-30 June 2017, we achieved revenue of \$22.3M which was a 58% increase and surpassed our forecast projection by \$1.3M, an outstanding result!

Thanks to our bold restructure and strategic refocus, Admedus is now ready to fulfill its potential as a profitable, sustainable and transformative medical technology company which delivers for the community and our investors.

On behalf of the Board and management I would like to thank our shareholders for their ongoing trust and support, we look forward to sharing the next stage of this exciting journey with you.



John Seaberg
Chairman / Admedus Limited



FDA approval to market
VascuCel®
and **CardioCel® 3D**
in the United States



Revenue increased by
58% to \$22.3M



CardioCel®
received market
approval in the
United Arab Emirates

2016 / 17 Milestones

11/16

Queensland Minister for Health and Admedus CEO officially open Brisbane office.



/16

11/16

Admedus, in collaboration with our regional partner Genpharm, received market approval for **CardioCel® in the United Arab Emirates (UAE)**.



10/16

Admedus celebrated the opening of Executive office in Minneapolis.

10/16

Admedus received **FDA clearance to market VascuCel® in the US**.



12/16

Admedus **finished 2016 with growing revenue** after completing strategic review.

09/16

Admedus awarded **100% ownership of ADAPT®** regenerative technology by Federal Court of Australia.

08/16

Admedus announced relocation of corporate services functions to **Brisbane**.

08/16

Mark Ziirsén appointed as the new **Chief Financial Officer**.

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

02/17

Admedus welcomed first sales of **CardioCel®** in Saudi Arabia, a key emerging market.



06/17

David St Denis appointed as new **Chief Operating Officer**.

14/06/17

First successful Australian implantation of CardioCel® 3D at Melbourne's Royal Children's Hospital.



/17

05/17

Admedus received Food and Drug Administration (FDA) approval to market our new **CardioCel® 3D curved patch** in the US.



05/17

Admedus released the results of **PHASE IIA HSV-2** vaccine study.

04/17

Admedus **launched new Veeva CRM system** and sales model to support the global expansion of ADAPT products.



03/17

John Seaberg appointed as the new company **Chairman**.

03/17

Wayne Paterson appointed as **Chief Executive Officer**.

02/17

Simon Buckingham appointed as a **Non-Executive Director** of the Admedus Board.

06/17

Advisory Board completed with expert Chinese Congenital Surgeons, to **develop clinical trial** protocol required for registration.

06/17

Distribution agreement signed with Syncrioni Medical as **exclusive distributor for India**.



30/06/17

Admedus opens **Technical Operations office in Adelaide** to support growing infusion portfolio and implementation into the new Royal Adelaide Hospital.

08/17

Professor Leon Neethling was **named VP Cardiovascular Technologies of Admedus**.

07/17

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

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



07/17

Admedus **lodges IP submission** for **ADAPT® 'Hydropackage'** as part of TAVR project

07/17

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



2017 Review of Operations

2017 has been transformative year for Admedus as we completed a progressive restructure (known as 'Code Red') which set a new strategic direction for the company and improved its performance across-the-board, including a reduction in operational expenses while achieving record revenue growth.

I am delighted to present the Admedus 2017 Review of Operations. As outlined on pages 6 and 7 Admedus achieved several significant milestones over the past year, including:

- FDA approval to market VasculCel® and CardioCel® 3D in the United States.
- The appointment of Genpharm as our distributor for MENA with the first sales of CardioCel® in Saudi Arabia.
- Upgrades to our state-of-the-art manufacturing facility in Western Australia.
- First human implants of CardioCel® 3D as it moved into expanded access program.
- Expansion of offices in Minneapolis and Brisbane.

During this period, Admedus sales grew strongly, with revenue up 58% for the full year to \$22.3M. Driven by the Company's aggressive strategy to accelerate growth, expand our product portfolio and bring new products to market more quickly, all businesses and regions contributed to the improving results. Fiscal year revenues came in \$1.3M (6%) above the full year target of \$21M.

Sales for the ADAPT® portfolio of products for the full year were \$6.9M, up 30% on the prior year, whilst the infusion business in Australia and New Zealand contributed \$15.5M in total sales for the year, up 74% on the prior year.

Gross profit for the year of \$10.7M was up 110% on prior year based on revenues that were up 58%. Growing ADAPT® volumes and continuing improvements in our manufacturing process and operations were the key drivers of the 12% point improvement in gross margin to 48%. ADAPT® sales contributed \$3.6M (64%) of the improved gross profit as margins improved from 19% to 67% driven by scale benefits from relatively low incremental unit costs.

Infusion sales contributed \$2.0M (36%) of the gross profit improvement with gross margins contracting from 47% to 40% driven by the relatively high proportion of capital sales under the new Royal Adelaide Hospital (nRAH) contract.

Selling, general and administration (SG&A) expenses (total expenses excluding depreciation, amortisation and finance costs) of \$25.0M were reduced by \$8.4M (25%) on prior year despite the inclusion of approximately \$1.5M in net "exceptional" costs relating to the implementation of the Company's restructure and related re-organisation costs, partially offset by a write-back of share based payments related thereto (non-AIFRS measure). All operating expense groups were significantly reduced following the implementation of the recommendations from the Company's strategic review.

Other income, which includes grants and federal government R&D refunds, was down \$1.3M (28%) on the prior period driven by lower R&D spending in the prior period. Assuming the Company's revenues continue to grow from current levels, they will exceed the threshold levels for R&D cash refunds going forward, with the expectation that refunds will no longer be receivable for years past the current year.

As a result of the growing revenues, improved product margins and reduced expenses, partially offset by the lower R&D refunds, Group EBITDA loss for the year was \$10.8M, a reduction of \$12.8M (54%) compared to the prior year. When excluding the "exceptionals", as discussed above, Group EBITDA loss (non-AIFRS measure) for the year was \$9.3M consistent with recent guidance that this would be at the top end of the range of \$6-10M.

With incremental depreciation and amortisation charges for the year of \$0.4M, the loss from ordinary activities after tax was \$12.7M, approximately half the loss incurred in the prior year.



The closing cash for the period was \$11.3M, up from \$8.8M, following the successful completion of the share placement and rights issue that raised \$17.1M, net of expenses. Net operating cash outflows of \$12.5M were down \$9.5M (43%) driven by the higher margins on higher sales and lower operating costs, partially offset by lower R&D refunds and higher working capital investment of \$1.9M.

Net working capital increased by \$1.9M to \$6.1M from the previous year driven by increasing sales activity, increased product complexity and the delay in the implementation of the nRAH contract which resulted in higher levels of inventory ahead of contract commencement in September 2017.

For further detail please refer to our full 2017 Financial Report from page 23.

Looking forward

We are pleased with the substantial advances made during the year on the Company's strategic agenda and the significant re-setting of its businesses that have been achieved.

Revenue increased by 58%, margins improved by 33%, operating expenses reduced by 25% and operating cash outflows were down 43% on the prior year. These strong performance improvements happened whilst simultaneously driving transformative changes across the entire business platform.

Additionally, the company embarked on several projects with the intention of adding significant value and future revenue streams if they are successful. Principle amongst these are the TAVR (Transcatheter Aortic Valve Replacement) which is a potentially exciting opportunity for the future of our business.

Because of the strategic and operational changes made during the business review conducted in 2016, and the ensuing strong 2017 financial year results outlined, we now have greater clarity and confidence

that Admedus will approach financial break even in the last quarter of calendar year 2018 with the expectation of being profitable for the full calendar year 2019.

It has been my great pleasure to guide Admedus through this exciting transformation period, and I look forward to sharing more opportunities and success with you in the coming year.

Thank you for your ongoing support.

Wayne Paterson
Chief Executive Officer
Admedus Limited

“These strong performance improvements happened whilst simultaneously driving transformative changes across the entire business platform.”

2017 Review of Operations

continued

ADMEDUS ADAPT® – building momentum with scale benefits evident

ADAPT®, our clinically superior regenerative tissue technology, grew strongly and achieved revenues of \$6.9M, up 30% on prior year, driven primarily by continued strong sales of the Company's products in its existing global markets with all regions growing and contributing to strong full year result. In addition to the solid sales performance, the increasing volumes – together with manufacturing improvements and scale benefits – helped drive a 48% point improvement in gross margins to 67% for the year. This combination of increased sales and expanding margins drove gross profits up by \$3.6M (368%) as scale benefits, due to relatively low directly variable costs (primarily direct materials), took effect continuing the trend seen at the half year.

As noted, all regions contributed to the excellent results, with North American sales up 35% (40% in constant currency) on the prior year. Europe grew modestly, up 9% (15% in constant currency) due to a refocus on core markets following the Company's strategic review. Emerging Markets were up 170%, albeit from a low base, driven primarily by sales to the MENA region following granting of sales approval to United Arab Emirates. Sales in its other open markets such as Singapore, Hong Kong and Malaysia grew strongly, up 55% on the prior year. The hoped-for TGA approval in Australia – which has positive flow-on effects to a number of markets in Asia, including Philippines, Thailand, Taiwan and Vietnam – is now anticipated mid-2018. Both the European and Emerging Market regions are expected to benefit from the Company's expanded product portfolio once new product approvals flow through as well as increased penetration and market expansion over coming periods.

ADMEDUS INFUSION – very strong growth, despite nRAH delays

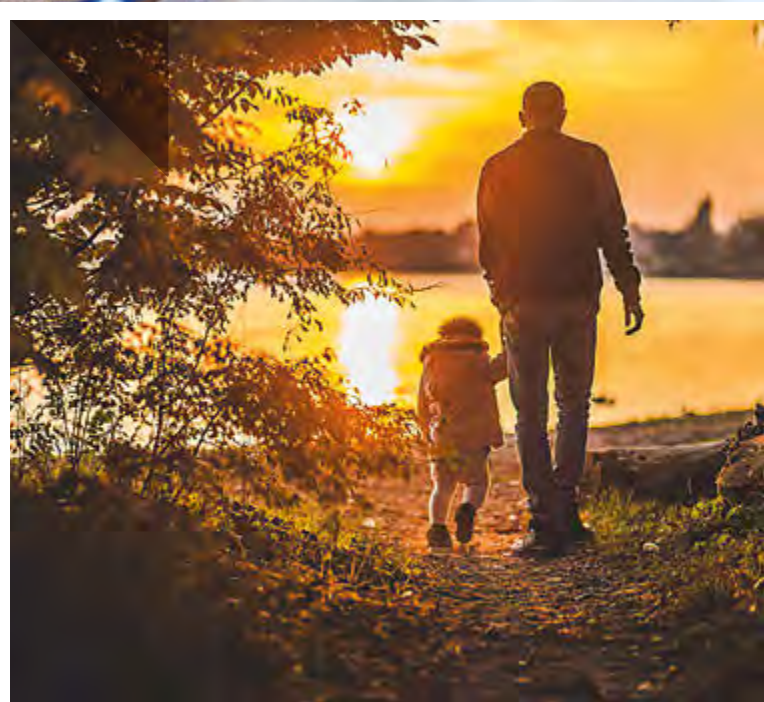
The profitable Infusion business in Australia and New Zealand continued to perform exceptionally well with full year revenues of \$15.5M, up 74%, driven in large part by the implementation of the nRAH contract and the associated capital sales (\$4.6M for the year). The underlying non-contract business performed above expectations with sales growth of +20% on the prior year, setting a number of monthly sales records (+\$1.0M excluding capital sales) during the second half, that helped overcome lost sales due to the delayed opening of nRAH. The adverse change in gross margins to 40% from 47% was primarily as a result of the relatively high proportion of capital sales under the nRAH contract. The South Australian government has confirmed that nRAH is set to open in the first week of September. We are well progressed on our implementation and ready to fully support the operations once the hospital becomes operational and to start the ongoing supply of consumables.

ADMEDUS VACCINES

Last year Admedus Immunotherapies (AI) continued to progress its core technologies. During the period, AI received the final results from the Herpes Simplex 2 (HSV-2) Phase IIa study, which showed a level of activity in people infected with HSV-2. The board of AI are currently assessing its options in terms of next steps with this program.

In addition, AI has continued to progress its Human Papillomavirus (HPV) programs. The HPV DNA vaccine targeting HPV related head and neck cancer is progressing towards its initial clinical study looking at its safety in people with HPV related cancer as well as secondary markers around activity. In addition, the team has continued to progress the collaboration with Translate Bio (formerly RaNA Therapeutics) on RNA vaccines targeting HPV and related cancers.

AI has operating capital for the coming year, including sufficient capital to initiate the HPV head and neck study. The board of AI are currently undertaking a review of the potential strategic options available to them to secure the continuing development of AI's technologies in a manner that balances maximising their potential with returns for its shareholders.



Board of Directors



John Seaberg
Chairman

Between 2007 and 2014, John 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.

Previously, John served at Guidant Corp from 1996 until 2006. During ten years at Guidant, he served in various executive level positions in sales and marketing, including Director of Bradycardia Marketing for Cardiac Rhythm Management (CRM) and Vice President of Sales for Cardiac Surgery, in which he managed a field sales team of more than 600 people and over \$1 billion in revenue.

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 multinational companies and has lived in seven countries during the past 25 years. Through his career, he has been responsible for building and managing multibillion 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, he was President of Emerging Markets, President of Japan and Global Head of Cardiovascular medicine.

Between 1999 and 2005, Wayne served at Roche Pharmaceuticals as Head of Pharmaceuticals in Roche's South Korean operation, following his role as Head of Commercial Operations for Roche China based in Shanghai.

He served as a Non-Executive Director of Cepheid (NASDAQ: CHPD) and holds an MBA from the University of Southern Queensland, and a degree in business studies from the Queensland University of Technology. He has also studied business courses at North Western University (Kellogg School of Management) in Chicago, IMD Business School in Switzerland, INSEAD in France and Hong Kong University of Technology.



Mathew Ratty

Non-Executive Director

Mathew is the co-founder of MC Management Group Pty Ltd, a long-only venture capital firm operating in the debt and equity space both domestically and internationally.

Mathew also holds the role of Head of Investment 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.

From 2009 to 2013, Mathew worked as an analyst at Gladstone Bridge Pty Ltd, a property development and equity company.

Based on his successful role, Mathew joined Gladstone as a Director, overseeing the asset allocation of the company. Mathew holds a Bachelor of Commerce degree (Property and Finance) with first class honours in Finance from Curtin University of Technology.

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



Simon Buckingham

Non-Executive Director

Simon has more than 25 years' experience in the global pharmaceutical industry across a range of functions and a variety of therapeutic areas. He is currently a non-executive director of several companies, as well as a Global Advisor to Swiss biotech Idorsia Pharmaceuticals Ltd.

Simon was President, Global Corporate and Business Development at Actelion from 2005 to 2011, a position which spanned licensing, M&A, alliance management and corporate strategic planning. He served as President, North America and Asia-Pacific at Actelion from 2000 to 2005, with responsibility for all commercial operations in the region.

He was the founding President of Actelion Pharmaceuticals US. From 1998 to 2000 he worked in sales and marketing for Parke-Davis (now part of Pfizer) in the US and prior to that served in roles in sales, marketing and development at Roche, both in Switzerland and Australia, for nine years.

He holds a Bachelor of Veterinary Science degree from the University of Sydney, a PhD from the University of Melbourne, a Graduate Management Qualification from the AGSM, University of NSW and is a Graduate of the Australian Institute of Company Directors.

Senior Management



Wayne Paterson

Managing Director/Chief Executive Officer

Wayne has held numerous, senior positions in multinational companies and has lived in seven countries during the past 25 years. Through his career, he has been responsible for building and managing multibillion 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, he was President of Emerging Markets, President of Japan and Global Head of Cardiovascular medicine.

Between 1999 and 2005, Wayne served at Roche Pharmaceuticals as Head of Pharmaceuticals in Roche's South Korean operation, following his role as Head of Commercial Operations for Roche China based in Shanghai.

He served as a Non-Executive Director of Cepheid (NASDAQ: CHPD) and holds an MBA from the University of Southern Queensland, and a degree in business studies from the Queensland University of Technology. He has also studied business courses at North Western University (Kellogg School of Management) in Chicago, IMD Business School in Switzerland, INSEAD in France and Hong Kong University of Technology.



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.

David 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 and 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.



Mark Ziirsen

Chief Financial Officer

Mark is a highly-credentialed CFO and business partner with a strong track record of delivering growth and significant operational improvements across a wide variety of industries (medtech, FMCG, technology and consulting) and regions (New Zealand, Pacific Islands, Indonesia, Sri Lanka, Hong Kong, Taiwan, Japan, South Korea, Vietnam, United States and Europe).

Mark's strong capabilities in financial and business performance management are complemented by extensive experience in corporate finance, M&A, financial control, investment decision-making, risk management, strategy development and IT. He has served at leading global organisations including Cochlear, Aristocrat Leisure, Coca-Cola Amatil and Goodman Fielder.

Skilled in stakeholder management with a successful track record effectively partnering businesses and their management teams to deliver sustainable results, Mark is known for providing rigorous and insightful advice and strategic commercial recommendations.

Mark holds a Bachelor of Commerce, CPA designation and an MBA majoring in international business.



Ben Jensen

Chief Human Resources & 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.

Corporate Governance Statement 2017

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).

The Corporate Governance Statement set out below describes the Company's current corporate governance principles and practices which the Board considers to comply with the CGPR

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 CEO (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	<p>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.</p> <p>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.</p> <p>Material contract details between the Company and its Executive Directors (including CEO) are summarised in the Remuneration Report on page 35 of the Company's Annual Report.</p>

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS																				
(1.4) Company Secretary	<p>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.</p> <p>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 29 of the Annual Report.</p>																				
(1.5) Diversity	<p>The Board has implemented a Diversity Policy to reflect the Company's commitment to ensuring that there are no impediments to diversity at any level of the Company. This Policy is available on the Company's website.</p> <p>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 proportion of female employees in the whole organisation, in leadership/management roles, in senior executive positions and on the Board as at July 2017.</p> <table><tr><th></th><th>Female</th><th>Female%</th><th>Male</th><th>Male %</th></tr><tr><td>Whole Company (staff and Board)</td><td>47</td><td>52%</td><td>43</td><td>48%</td></tr><tr><td>Senior Management</td><td>2</td><td>25%</td><td>6</td><td>75%</td></tr><tr><td>Board</td><td>0</td><td>0</td><td>4</td><td>100%</td></tr></table> <p>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.</p> <p>Independent of corporate governance initiatives, the Company has embraced new 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.</p>		Female	Female%	Male	Male %	Whole Company (staff and Board)	47	52%	43	48%	Senior Management	2	25%	6	75%	Board	0	0	4	100%
	Female	Female%	Male	Male %																	
Whole Company (staff and Board)	47	52%	43	48%																	
Senior Management	2	25%	6	75%																	
Board	0	0	4	100%																	
(1.6) Board reviews	<p>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.</p>																				
(1.7) Management reviews	<p>Performance against Company objectives is assessed periodically throughout the year and a formal performance evaluation for senior management is completed at the end of each calendar year. An online performance and development system has been implemented.</p>																				

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>

RECOMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(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> <p>Expertise:</p> <ul style="list-style-type: none"> • Finance • Strategy • Commercial acumen • Executive leadership • Sales and distribution • Marketing • Management • Mergers and restructures <p>Industry/Experience:</p> <ul style="list-style-type: none"> • Global/international • Pharmaceuticals • Medical devices • Other Board experience <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 pages 12-13 of the Annual Report.</p>
(2.3) Disclose independence and length of service	<p>The Board annually assesses the independence of each Non-Executive Director. During the course of this year'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 pages 12-13 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 pages 12-13 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 pages 12-13 of the Directors' Report within the Annual Report.</p>

RECOMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(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 Nomination Committee 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>

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
(4.3) External auditor at AGM	The Company's external audit function is performed by HLB Mann Judd. Representatives of HLB Mann Judd will attend the Annual General Meeting to answer audit-related questions from the Company's security holders.

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 formed 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>Notably, there is a corporate governance landing page from which all relevant corporate governance information can be accessed. In addition, the Company's website maintains timely information with respect to Admedus' financial performance and posts copies of all announcements to the ASX, notices of meetings, annual reports and financial statements.</p> <p>The website also includes an option for interested parties to register their email address for direct email on Company matters and to receive periodic newsletters on the Company's 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>The Company's website includes an option for interested parties to register their email address for direct email on Company matters and to receive periodic newsletters on the Company's activities. General enquiries may also be directed to the Company via the contact form on the Company's website.</p> <p>During the year, 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>

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
(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>The ARMC conducted its review during the financial year and concluded that controls over risk management processes were considered reasonable adequate and effective.</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>



RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATIONS
(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 are set out on pages 33 and 34 of the Remuneration Report within the Annual Report.</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 year ended 30 June 2017.

Contents

24 Directors' Report
41 Declaration of Independence
42 Financial Statements
47 Notes to the Financial Statements
83 Directors Declaration
84 Independent Auditor's Report
88 Shareholder Details

DIRECTORS' REPORT

Your Directors present their report on Admedus Limited ("the Company") and the consolidated entity (referred to hereafter as the Group) for the year ended 30 June 2017.

DIRECTORS

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

- Wayne Paterson
- John Seaberg
- Mathew Ratty
- Simon Buckingham (appointed 17/02/2017)
- Michael Bennett (resigned 17/02/2017)

PRINCIPAL ACTIVITIES

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

- Growth of the sales and distribution activities across the infusion medical device and the ADAPT® tissue portfolio with a focus in cardiovascular neonatal repair.
- Continued development of the Company's tissue product portfolio, with a focus on products that are near market and building a data base of near and long term benefits of ADAPT® tissue across a range of surgical applications.
- The Group manufacturing facility continues to scale up production to meet growing demand for ADAPT® as well as preparing to manufacture anticipated new products whilst reducing costs and increasing yields.
- Ongoing work with Professor Ian Frazer and his team at Admedus Immunotherapies targeting infectious diseases and oncology.

OPERATING RESULT

The operating result for the year:

	CONSOLIDATED	
	2017 \$	2016 \$
Loss before Income Tax	(12,676,211)	(25,130,410)
Income Tax (Expense)/Benefit	-	-
Loss for the Year	(12,676,211)	(25,130,410)

DIVIDENDS

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

SHARE CAPITAL

254,795,534 ordinary shares, 9,373,339 unlisted options and 5,630,000 unlisted warrants were on issue as at 30 June 2017.

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.

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

As part of extracting value from its technologies, Admedus is working with Professor Ian Frazer and his team at Admedus Immunotherapies. The immunotherapy programs target diseases across infectious diseases and oncology such as Herpes Simplex 2 (HSV-2) and Human Papillomavirus (HPV).

DIRECTORS' REPORT (continued)

Review of Operations

The loss for the consolidated entity after providing for income tax amounted to \$12.7M, down 49.6% on the prior year, with revenues from ordinary activities of \$22.3M, up 57.8% and net operating cash outflows of \$12.5M, down 42.9% on the prior year. Key factors contributing to the current year's performance are discussed below.

During the period the Company has focused on executing on initiatives resulting from its strategic review to drive revenue growth, improve margins, reduce costs and improve operating cash flows and thus a step change has occurred in the period that has reset the business on a more sustainable path towards profitability and positive operating cash flows.

As noted, Group revenues grew strongly, up 57.8% driven by excellent performance in both its revenue generating businesses. ADAPT®, our leading bio-scaffold tissue business, achieved revenues of \$6.9M, up 30.2% driven by the roll out its products in North America, Europe, MENA region and Asia supported by an expanding product range including CardioCel® Neo, VasculCel® and late in the period CardioCel® 3D, that began a pre-market programme in 4 centers in the United States. The Infusion business in Australia and New Zealand delivered revenues of \$15.4M, up 74.2%, driven by a combination strong underlying sales across the infusion product portfolio and the implementation of the New Royal Adelaide Hospital (NRAH) contract.

During the first half the Company re-organised its ADAPT® sales and marketing operations across the North American and European markets whilst continuing to drive sales of its ADAPT® portfolio. Based on the result generated and market feedback the Company commenced re-investment in sales and marketing to support of future growth, particularly in North America, early in the second half.

The Company's investment in its tissue manufacturing facility to ensure it can expand production, reduce the overall cost of manufacturing and increase production yield and margins also started to show effects that have helped to deliver visible benefit in the 2017 financial year.

Operating costs were \$25.0M for the period, down approximately \$8.4M or 25.4%, a material reduction on the prior year demonstrating the effectiveness of the Company's implementation of its strategic review agenda.

Financial Position

The Group closed the period with \$11.3M in cash, up from the \$8.8M closing cash position at the end of the previous financial year, benefitting from the proceeds from its rights issue that raised a net \$17.2M during the period.

New working capital increased by approximately \$2.0M during the year driven by increasing sales and by increasing investment associated with the five-year NRAH and had been foreshadowed by the Company. Positively, working capital management in the second half of this period has been very effective in reducing working capital investment from the highs that were experienced at 31 December and has delivered an approximate \$2.0M benefit since that time.

Also impacting cash flows significantly during the period was the acquisition of the remaining 11.13% of the shares in Regen Pty Ltd with payments of \$2.4M during the period.

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 rare. With ADAPT® now on the market in the US, Europe, Canada, 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 two key platform technologies within the Company. The development of additional bio-scaffold products such as CardioCel® Neo, VasculCel® 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 Company 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.

DIRECTORS' REPORT (continued)

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.

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. Thus, the Company maintains a positive work environment and incentives for staff to perform well. 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.

Likely Developments

Outlook

Over the past 12 months the Company has continued to build its market brands globally, as well as to execute key priorities identified as part of the strategic review conclude earlier in this year that refined the business towards being a profitable, sustainable business.

Over the next 12 months the Company is looking forward to:

- Continuing to grow ADAPT® sales through market penetration, leveraging the strong benefit the product gives surgeons and patients alike in both the near and longer term.
- Building up the ADAPT® and cardiovascular product range with products on market for specific market segments and clear applications, to increase market penetration and Company sales.

DIRECTORS' REPORT (continued)

- Increasing overall production margins and yields in the manufacturing division while continuing to increase production, resulting in better returns for the Company as well as strong cost controls.
- Continuing to grow the infusion business, including working with NRAH as well as pursuing additional infusion sales contracts.
- Continuing to develop Admedus Immunotherapies' technology to ensure that it maximises the potential and therefore return on this business.

Over the past 12 months, Admedus has focused on resetting the business following the strategic review and is now better positioned and more focussed on growing its businesses and becoming a sustainable business with growing profits and returns for shareholders. The Board and management are committed to ensuring financial accountability while building sales, resulting in a profitable global healthcare business.

Business Strategies

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

- Ensuring a financially strong and stable business.
- Clearly define the ADAPT® message and its advantages for patient and surgeon alike.
- Grow ADAPT® market penetration and sales through a refined product range targeting separate segments of the cardiovascular market.
- Tighter cost expenditure relative to sales growth.
- Continued product expansion with focus on products with near term revenue potential to contribute to sales growth.
- Ongoing improvements across its manufacturing division to improve product margins and production yields providing higher production margins and reduced operating costs.
- Continuing to build the infusion business based on growing revenue and pursuing more longer-term contracts.
- Continued development of immunotherapies to ensure commercial application and returns on the investment.

Admedus has recently undertaken a complete business review and now has a defined path to profitability through cost expenditure controls, coordinated sales and marketing and an expanded cardiovascular product portfolio, all resulting in a reduced operating cost base and growing revenues. This review, combined with the capital raising during the year places the Company in a solid financial position to build into a sustainable, profitable business.

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 year not otherwise disclosed in this report and the Financial Statements.

During the financial period the Group reached a binding agreement to settle the proceedings that had been commenced in the Federal Court by Dr Geoffrey Lane and Dr Keith Woollard (and entities associated with Drs. Lane and Woollard). As a result of the settlement, the Group owns 100% of Admedus' regenerative tissue technology ADAPT® as well as the Group entity Admedus Regen Pty Ltd.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

David St Denis commenced as the Group's Chief Operating Officer on 1 July, 2017 replacing Dr Julian Chick who resigned from the Company with effect from 31 July, 2017.

On July 7 2017, the Company announced that it was moving from its pre-market programme to an expanded access programme for CardioCel® 3D that would see an expansion of the programme from four key reference centers in the United States to 10 centers ahead of the expected full commercial launch later in the year.

In July 2017, a distribution agreement with Syncronei Medical as exclusive distributor for India has been signed.

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 2017 financial year 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

Dr Simon Buckingham

Dr Buckingham has been an independent Non-Executive Director of Admedus since 17 February 2017.

Dr Buckingham is Chair of the Remuneration Committee and a member of the Audit and Risk Management Committee.

Experience: Dr Buckingham has over 25 years of experience in the global pharmaceutical industry across a range of functions and variety of therapeutic areas.

Dr Buckingham 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, Dr Buckingham served at Roche in Switzerland and Australia.

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:PX5) since 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

Mrs Maja McGuire was appointed as Company Secretary on 12 October 2016, combining her company secretarial duties with her role as Legal Counsel. She commenced her career at Clayton Utz, Perth, where she gained experience in a broad range of corporate and banking and finance matters and has in excess of 9 years' experience in the provision of corporate and compliance advice to a number of ASX listed public companies. She holds a Bachelor of Laws and a Bachelor of Commerce from The University of Western Australia.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 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	11/11	5/5	0/0
Mr John Seaberg	11/11	7/7	5/5
Mr Mathew Ratty	11/11	6/7	5/5
Dr Simon Buckingham ²	6/7 ³	2/2	2/2
Mr Michael Bennett ⁴	3/3	-	-

¹ Excludes circular resolutions.

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

² Dr Simon Buckingham appointed effective 17 February 2017.

³ The Board were aware that Dr Simon Buckingham would not be able to attend one of the Board's scheduled meeting prior to appointment date.

⁴ Mr Michael Bennett resigned effective 17 February 2017.

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 Principles Used to Determine the Nature and Amount of Remuneration
- B Remuneration Governance
- C Details of Remuneration
- D Service Agreements
- E Share-based Compensation
- F Additional Information
- G Additional Disclosures Relating to Key Management Personnel
- H 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*. The remuneration arrangements detailed in this report are for Non-Executive and Executive Directors as follows:

- John Seaberg Chairman
- Wayne Paterson CEO
- Mathew Ratty Non-Executive Director
- Simon Buckingham Non-Executive Director (appointed 17 February, 2017)
- Michael Bennett Executive Director (resigned 17 February, 2017)

In addition, Mark Ziirsén (Chief Financial Officer who was appointed 7 November, 2016), Julian Chick (Chief Operating Officer), and Stephen Mann's (Previous Chief Financial Officer/Company Secretary who resigned on 23 November, 2016) remuneration arrangements have been disclosed as they are considered by the Directors to be key management personnel.

A 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 the most qualified and experienced candidates.

Remuneration levels are competitively set to attract the most 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 Director 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 Directors

Fees and payments to the Non-Executive Directors reflect the demands which are made on and the responsibilities of the Directors. The Non-Executive Director's fees and payments are reviewed annually by the Remuneration Committee and approved by the Board. 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 were 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 elements:

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

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

No retirement benefits are provided other than compulsory superannuation.

Executive Directors

The Company's Executive Directors' remuneration packages contain the following key elements:

- primary benefits – fees via base service agreements.
- equity – share options under the Admedus Share Option Incentive Plan (as approved by shareholders at the Annual General Meeting on 13 November 2015).

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

Service agreements were in place for Executive Directors which provided for a fixed base fee per annum. External remuneration information provides benchmark information to ensure the base pay 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 base fee increase included in any contracts.

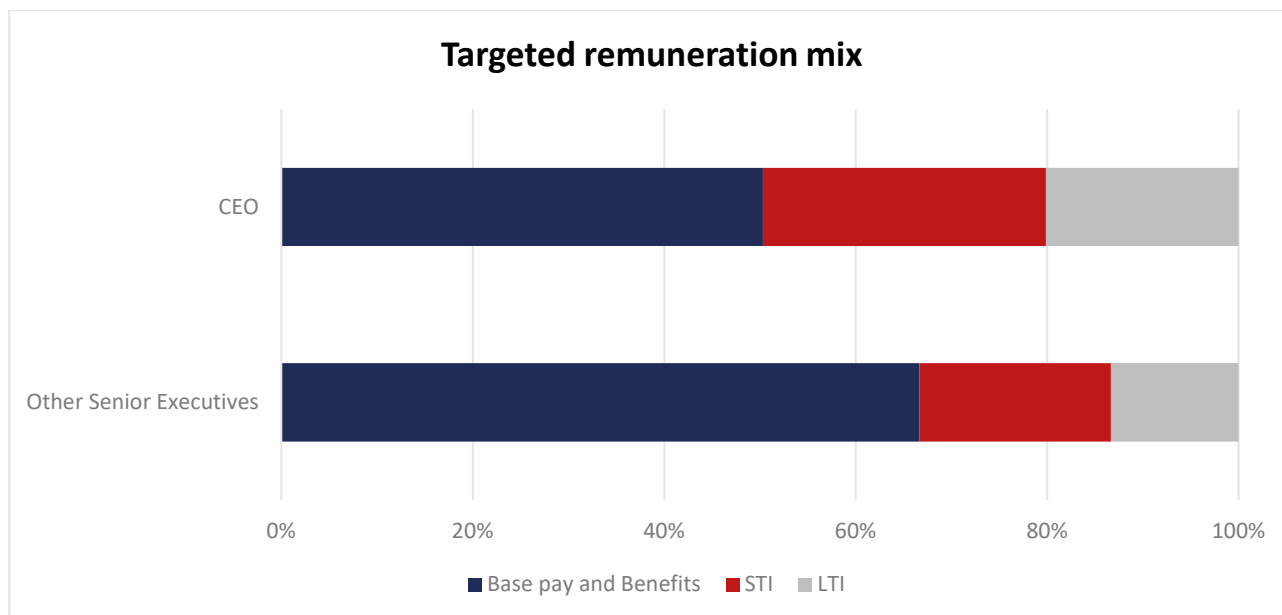
There are no performance conditions on options issued to directors and employees.

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 certain 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 F 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 year 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).

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

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.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2016 ANNUAL GENERAL MEETING

The Company received approximately 88% of "yes" votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

B 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 senior 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)

C Details of Remuneration

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

	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 \$				
2017									\$	%	%
<i>Non-Executive Director</i>											
J. Seaberg ³	118,624	-	-	-	-	-	-	-	118,624	-	-
M. Ratty ⁶	78,000	-	-	-	10,000	-	22,000	-	110,000	-	-
S. Buckingham ⁵	36,798	-	-	-	3,680	-	-	-	40,478	-	-
<i>Executive Directors</i>											
W. Paterson ²	-	-	730,117	274,233	7,268	-	-	-	1,011,618	-	27%
M. Bennet ^{5 & 8}	-	153,750	-	-	15,375	135,300	-	-	304,425	-	0%
Total directors' compensation (Group)	233,422	153,750	730,117	274,233	33,248	135,300	22,000	-	1,585,145	-	-
<i>Key Management Personnel</i>											
M. Ziirsén ⁴	-	-	184,134	-	19,203	-	41,818	-	245,155	-	0%
S. Mann ^{4 & 8}	-	-	141,658	26,595	10,815	67,492	-	-	246,560	-	11%
J. Chick ⁸	-	-	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	101,920	202,792	63,818	-	2,439,170	-	-

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

C 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 \$			\$	%	
2016												
<i>Non-Executive Director</i>												
W. Paterson ²	101,850	-	-	-	-	-	9,552	-	111,402	-	-	-
J. Seaberg ³	90,017	-	-	-	-	-	9,552	-	99,569	-	-	-
M. Ratty ⁶	10,275	-	-	-	-	-	-	-	10,275	-	-	-
C. Catlow ⁷	63,886	-	-	-	6,041	-	-	-	69,927	-	-	-
G. Rowley ⁷	44,827	-	-	-	4,248	-	-	-	49,075	-	-	-
P. Turvey ⁷	44,060	-	-	-	4,171	-	-	-	48,231	-	-	-
<i>Executive Directors</i>												
L. Rodne ^{7 & 8}	-	-	400,000	100,000	50,000	586,604	-	-	1,136,604	-	-	9%
M. Bennett ^{5 & 8}	-	243,000	-	10,890	24,300	-	-	-	278,190	-	-	4%
Total directors' compensation (Group)	354,915	243,000	400,000	110,890	88,760	586,604	19,104	-	1,803,273	-	-	-
<i>Key Management Personnel</i>												
S. Mann ^{4 & 8}	-	-	204,546	29,531	23,408	-	-	-	257,485	-	-	11%
J. Chick ⁸	-	-	281,819	46,500	32,832	-	-	-	361,151	-	-	13%
Total key management personnel compensation (Group)	-	-	486,365	76,031	56,240	-	-	-	618,636	-	-	-
TOTAL	354,915	243,000	886,365	186,921	145,000	586,604	19,104	-	2,421,909	-	-	-

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

(2) W. Paterson was appointed Non-Executive Director on 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. Ziirsen appointed CFO 7 November 2016

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

(6) M. Ratty was appointed as Non-Executive Director on 26 May 2016.

(7) C. Catlow resigned as Chairman and Non-Executive Director on 8 February 2016, G. Rowley resigned as Non-Executive Director on 9 February 2016, P. Turvey resigned as Non-Executive Director on 5 February 2016 and L. Rodne resigned as CEO and MD on 30 June 2016.

(8) L. Rodne, M. Bennett, S. Mann and J. Chick achieved all performance milestones to receive bonuses. No bonuses were forfeited or carried forward.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

D 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.

Remuneration and other terms of employment for the CEO are formalised in a service agreement. The major provisions relating to remuneration are set out below.

Wayne Paterson, CEO

- Appointed CEO 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
- Long term incentive opportunity at target of 40% of base salary
- Specific strategic deliverable bonus US\$250,000
- Health Insurance
- Contract may be terminated early by either party with three months' notice, subject to termination payment as outlined below

Interim CEO until 15 March 2017

- Term of agreement – commences 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 is payable under the agreement
- Contract may be terminated early by either party with two weeks' notice

Michael Bennett, former Executive Director

- Term of agreement – 3 years from 2 July 2014
- Base fee of \$246,000 for the year ended 30 June 2017 to be reviewed annually
- Superannuation of 10% of base fee is payable under the agreement
- No performance benefits are payable under the agreement
- Contract may be terminated early by either party with six months' notice

Termination benefits

The service agreements provide the CEO with three months' notice. in the event of termination. No other termination benefits are payable, unless the Company does not provide the required notice period of termination, then three months' base salary is payable.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

E Share-based Compensation

Options

On 13 July 2016 5,002,334 options under the ESOP expired and were cancelled by forfeiture.

On 1 November 2016, an employee received 50,000 options under the ESOP.

On 22 November 2016, an employee received 200,000 options under the ESOP.

On 12 April 2017 employees received 1,700,000 options under the ESOP and 2,326,667 options under the ESOP were cancelled.

On 23 May 2017 213,334 options under the ESOP were cancelled.

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

Grant date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Cancelled by forfeiture Number	Exercised during the year Number	Balance at end of the year Number	Value at grant date
6/18/2013	6/18/2018	0.95	5,000,000	-	(4,500,000)	-	500,000	57,295
12/16/2013	12/16/2018	2.70	7,000,000	-	(6,870,000)	-	130,000	125,985
6/30/2015	6/30/2020	1.17	2,000,000	-	(1,800,000)	-	200,000	80
12/10/2015	12/10/2020	1.39	200,000	-	-	-	200,000	19,104
12/23/2015	12/23/2020	0.79	190,000 ⁽¹⁾	-	-	-	190,000	-
11/18/2016	11/18/2021	0.33	-	200,000	-	-	200,000	41,600
Total			14,200,000	200,000	(13,170,000) ⁽²⁾	-	1,420,000	244,064

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

(2) This balance consists of the option consolidation on a 10 for 1 basis and options held by directors who resigned during the year.

Option holdings

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

Option holder	Balance at the start of the year	Granted as compensation	Options beneficially held	Net Change/ Cancelled	Purchased	Expired/ Exercised	Balance at the end of the year	Unvested	Vested and exercisable
2017									
Directors of Admedus Limited									
J. Seaberg	100,000	-	-	-	-	-	100,000	66,667	33,333
M. Ratty	190,000 ⁽¹⁾	-	-	-	-	-	190,000	-	190,000
S. Buckingham	-	-	-	-	-	-	-	-	-
W. Paterson	100,000	-	-	-	-	-	100,000	66,667	33,333
M. Bennett	380,000	-	-	-	-	(250,000)	130,000	-	130,000
Other key management personnel of the group									
M. Ziirsén	-	200,000	-	-	-	-	200,000	200,000	-
S. Mann	427,500	-	-	-	-	(227,500)	200,000	33,333	166,667
J. Chick	955,834	-	-	-	-	(455,834)	500,000	33,333	466,667

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

E Share-based Compensation (continued)

Option holder	Balance at the start of the year	Granted as compensation	Options beneficially held	Net Change/ Cancelled	Purchased	Expired/ Exercised	Balance at the end of the year	Unvested	Vested and exercisable
2016									
Directors of Admedus Limited									
W. Paterson	-	100,000	-	-	-	-	100,000	100,000	-
J. Seaberg	-	100,000	-	-	-	-	100,000	100,000	-
M. Bennett	3,800,000	-	-	(3,420,000) ⁽²⁾	-	-	380,000	43,333	336,667
M. Ratty	-	-	-	190,000 ⁽¹⁾	-	-	190,000	-	190,000
L. Rodne	23,000,000	-	-	(23,000,000) ⁽³⁾	-	-	-	-	-
C. Catlow	16,900,000	-	-	(16,900,000) ⁽³⁾	-	-	-	-	-
G. Rowley	8,500,000	-	-	(8,500,000) ⁽³⁾	-	-	-	-	-
P. Turvey	833,334	-	-	(833,334) ⁽³⁾	-	-	-	-	-
Other key management personnel of the group									
S. Mann	4,400,000	-	-	(3,847,500) ⁽²⁾	-	(125,000)	427,500	66,666	360,834
J. Chick	10,000,000	-	-	(8,602,500) ⁽²⁾	-	(441,666)	955,834	66,666	889,168

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

(2) The balance relates to the option consolidation on a 10 for 1 basis

(3) The balance relates to options held by directors who resigned during the year.

Fair Value of Options Granted

The assessed fair value at grant date of options granted during the year ended 30 June 2017 was 20.8 cents per option for Tranche C. The fair value at grant date is independently 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 year ended 30 June 2017 included:

Tranche C

- (a) options issued under the ESOP are granted for no consideration and vest based on holders still being Directors or key management personnel of Admedus Limited over a three-year period. Vested options are exercisable for a period up to expiry date.
- (b) exercise price: \$0.34
- (c) grant date: 18 November 2016
- (d) expiry date: 18 November 2021
- (e) share price at grant date: \$0.35
- (f) expected price volatility of the Company's shares: 70%
- (g) risk-free interest rate: 2.11%

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.

F Additional Information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Sales revenue	22,324,145	14,150,521	10,133,460	7,940,622	7,415,188
EBITDA	(10,759,490)	(28,220,840)	(23,120,891)	(8,559,638)	(2,750,544)
EBIT	(12,616,432)	(29,764,781)	(24,914,874)	(9,846,302)	(3,023,324)
Profit/(Loss) after Tax	(12,676,211)	(25,130,409)	(26,799,970)	(9,048,843)	(2,418,497)

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

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

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Share price at financial year end (\$A)	0.27	0.33	0.70	1.35	0.49
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(4.83)	(12.58)	(16.48)	(6.22)	(2.08)

G Additional Disclosure Relating to Key Management Personnel

Shareholding

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

Ordinary shareholders	Balance at the start of the year	Received during the year on exercise of options	Other changes during year	Balance at the end of the year
2017				
Directors of Admedus Limited				
J. Seaberg	19,036	-	-	19,036
M. Ratty	10,088,587	-	345,786	10,434,373
S. Buckingham	-	-	-	-
W. Paterson	50,000	-	-	50,000
M. Bennett	1,257,400	-	(154,750)	1,102,650
Other key management personnel of the group				
M. Ziirszen	-	-	-	-
S. Mann	12,500	-	-	12,500
J. Chick	492,739	-	3,000	495,739
2016				
Directors of Admedus Limited				
W. Paterson	-	-	50,000	50,000
J. Seaberg	-	-	19,036	19,036
M. Bennett	12,574,000	-	(11,316,600) ⁽¹⁾	1,257,400
M. Ratty	-	-	10,088,587	10,088,587
L. Rodne	26,993,684	-	(26,993,684) ⁽²⁾	-
C. Catlow	17,807,411	-	(17,807,411) ⁽²⁾	-
G. Rowley	20,059,215	-	(20,059,215) ⁽²⁾	-
P. Turvey	3,172,039	-	(3,172,039) ⁽²⁾	-
Other key management personnel of the group				
S. Mann	-	-	12,500	12,500
J. Chick	4,685,713	-	(4,192,974) ⁽¹⁾	492,739

(1) The balance relates to the option consolidation on a 10 for 1 basis

(2) The balance relates to options held by directors who resigned during the year.

H 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
26 April 2013	1 March 2018	60 cents	200,000	16.7 cents
18 June 2013	18 June 2018	95 cents	1,505,007	33.3 cents
16 December 2013	16 December 2018	\$2.70	900,000	100.5 cents
28 March 2014	1 February 2019	\$2.45	200,000	89.7 cents
21 May 2014	1 July 2018	\$1.70	300,000	64.0 cents
21 May 2014	21 May 2019	\$1.70	1,500,000	7.04 cents
5 November 2014	5 November 2019	\$2.10	410,000	70.1 cents
30 June 2015	30 June 2020	\$1.17	1,885,000	43.5 cents
21 July 2015	21 July 2020	\$1.44	1,350,000	40.9 cents
10 December 2015	10 December 2020	\$1.39	200,000	51.5 cents
10 December 2015	10 December 2020	83 cents	475,000	58.5 cents
18 December 2015	18 December 2020	79 cents	5,250,000	-
23 December 2015	23 December 2020	79 cents	380,000	-
24 June 2016	24 June 2021	30 cents	250,000	16.3 cents
18 November 2016	18 November 2021	33 cents	200,000	20.8 cents
Total			15,005,007	

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 period the following options lapsed:

213,334 unlisted options lapsed during the financial year (2016: Nil).

INSURANCE OF OFFICERS

During the financial year, 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.

Details of the amounts paid or payable to the auditor (HLB Mann Judd Pty Ltd) for audit and non-audit services provided during the year are set out below.

The board of Directors has considered the position and, in accordance with the advice received for the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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

	2017 \$	2016 \$
Non-audit Services		
Related practices of HLB:		
Taxation services	-	-
Corporate finance services	-	-
	<u>-</u>	<u>-</u>

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
Perth, Western Australia

Dated 31 August 2017



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Admedus Limited for the year ended 30 June 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 that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink that appears to read 'M R Ohm'.

M R Ohm
Partner

Perth, Western Australia
31 August 2017

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

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	CONSOLIDATED	
		2017 \$	2016 \$
Revenue from continuing operations		22,324,145	14,150,521
Cost of sales		(11,592,288)	(9,028,415)
Gross profit		10,731,857	5,122,106
Other income	4	3,409,969	4,730,256
Employee benefits		(14,845,587)	(15,071,370)
Consultancy and legal fees		(1,893,566)	(3,537,924)
Travel and conference expenses		(2,403,952)	(3,879,003)
Research and development costs		(1,756,560)	(4,806,351)
Share based payments	25	(776,779)	(1,518,792)
Asset write-downs		(450,288)	4,866
Depreciation and amortisation expense		(1,856,942)	(1,543,942)
Financing costs		(59,779)	(73,514)
Other expense		(2,774,584)	(4,556,742)
Loss before income tax from continuing operations		(12,676,211)	(25,130,410)
Income tax (expense)/benefit	5		-
Loss after income tax for the year		(12,676,211)	(25,130,410)
Total loss is attributable to:			
Equity holders of Admedus Limited		(12,312,076)	(24,013,868)
Non-controlling interest		(364,135)	(1,116,542)
		(12,676,211)	(25,130,410)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		Cents	Cents
Basic loss per share	20(b)	(4.83)	(12.58)
Diluted loss per share		n/a	n/a

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	CONSOLIDATED	
		2017 \$	2016 \$
Loss for the year		(12,676,211)	(25,130,410)
FX translation		(100,790)	543,515
Other comprehensive income		-	-
Total comprehensive loss		(12,777,001)	(24,586,895)
Total comprehensive loss is attributable to:			
Equity holders of Admedus Limited		(12,412,866)	(23,470,353)
Non-controlling interest		(364,135)	(1,116,542)
		(12,777,001)	(24,586,895)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		CONSOLIDATED	
	Note	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	21	11,260,657	8,813,119
Trade and other receivables	6	4,286,473	4,217,828
Inventories	7	4,453,871	3,591,464
Total Current Assets		20,001,001	16,622,411
Non-Current Assets			
Property, plant & equipment	8	2,355,996	2,696,225
Intangibles	9	6,220,328	7,460,833
Total Non-Current Assets		8,576,324	10,157,058
TOTAL ASSETS		28,577,325	26,779,469
LIABILITIES			
Current Liabilities			
Trade and other payables	11	1,962,635	2,599,901
Employee benefit provisions	12	754,315	1,072,983
Total Current Liabilities		2,716,950	3,672,884
Non-Current Liabilities			
Lease make good provisions	14	472,745	466,830
Deferred consideration	14	1,418,380	-
Total Non-Current Liabilities		1,891,125	466,830
TOTAL LIABILITIES		4,608,075	4,139,714
NET ASSETS		23,969,250	22,639,753
EQUITY			
Contributed equity	16	106,025,631	87,887,942
Reserves	17	(2,267,382)	1,377,722
Accumulated losses		(80,829,418)	(68,517,342)
		22,928,831	20,748,322
Capital and reserves attributable to equity holders of Admedus			
Non-controlling interest	18	1,040,419	1,891,431
TOTAL EQUITY		23,969,250	22,639,753

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 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 2015	80,738,568	2,316,764	(2,245,995)	(79,415)	(44,503,474)	36,226,448	2,332,445	38,558,893
Loss for the year	-	-	-	-	(24,013,868)	(24,013,868)	(1,116,542)	(25,130,410)
Total comprehensive loss	-	-	-	-	(24,013,868)	(24,013,868)	(1,116,542)	(25,130,410)
Transactions with non-controlling interest	-	-	(675,939)	-	-	(675,939)	675,939	-
Transactions with owners in their capacity as owners								
Shares issued during the period	7,431,600	-	-	-	-	7,431,600	-	7,431,600
Options issued during the period	-	1,518,792	-	-	-	1,518,792	-	1,518,792
Capital raising costs	(608,548)	-	-	-	-	(608,548)	-	(608,548)
Foreign currency - subsidiaries	-	-	-	543,515	-	543,515	-	543,515
Shares issued in lieu of director fees	173,646	-	-	-	-	173,646	-	173,646
Shares issued in lieu of contractor fees	30,000	-	-	-	-	30,000	-	30,000
Shares issued in lieu of executive bonuses	11,026	-	-	-	-	11,026	-	11,026
Exercise of options	111,650	-	-	-	-	111,650	-	111,650
Balance at 30 June 2016	87,887,942	3,835,556	(2,921,934)	464,100	(68,517,342)	20,748,322	1,891,842	22,640,164
Loss for the year	-	-	-	-	(12,312,076)	(12,312,076)	(364,135)	(12,676,211)
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	1,040,419	23,969,250

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

CONSOLIDATED STATEMENT OF CASH FLOW**FOR THE YEAR ENDED 30 JUNE 2017**

		CONSOLIDATED	
	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		20,279,009	13,461,729
Payment to suppliers		(37,340,245)	(38,790,965)
Income taxes paid		-	-
R&D tax refund		4,493,046	3,296,408
Grant income		-	-
Interest paid		(59,939)	(73,514)
Interest received		160,348	165,818
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	21(e)	(12,467,781)	(21,940,524)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(193,638)	(279,722)
Payments for intangible assets		(75,303)	(106,144)
Additional shares acquired in subsidiary		(2,400,000)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(2,668,941)	(385,866)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share or options issues		18,307,375	7,727,922
Share issue transaction costs		(1,192,676)	(608,547)
NET CASH INFLOW FROM FINANCING ACTIVITIES		17,114,699	7,119,375
NET (DECREASE)/INCREASE IN CASH HELD		1,977,977	(15,207,015)
CASH AT BEGINNING OF THE YEAR		8,813,119	24,025,859
Exchange rate adjustments		469,561	(5,725)
CASH AT END OF THE YEAR	21(a)	11,260,657	8,813,119

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 15 Revenue from Contracts with Customer

AASB 15 Revenue from Contracts with Customers is a new Standard introduced by AASB to replace AASB 118 and is effective for annual reporting periods beginning on or after 1 January 2018. The new Standard is aimed at improving financial reporting of revenue and comparability to provide better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. AASB 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity contract with customers. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Directors have determined that there is no material impact of the Standards and Interpretations in issue and, therefore, no material changes necessary to the consolidated entity accounting policies.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The 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.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the consolidated entity's accounting policies. The areas involving more judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

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 \$12,676,211 and had net cash outflows from operating activities of \$12,467,781 for the year ended 30 June 2017. As at that date, the Group had cash balances of \$11,260,657 and net working capital of \$17,284,125.

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:

- Positive net working capital and cash balances totalling \$17,284,125
- New product lines such as CardioCel® Neo, VasculCel® and CardioCel® 3D that are at varying stages of introduction in our existing markets
- New markets for the Groups ADAPT® products including India, Australia, Philippines, Taiwan, Vietnam, Spain, Hungary, Baltics and Mexico
- New partnerships and alliances
- Contract wins for the infusion business
- Monitoring, management and containment of discretionary costs, including R&D costs, and capital expenditures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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
- In addition, the Directors believe that the Group has the capacity to raise debt finance should it be required in the future

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

Parent entity information

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 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Admedus Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Admedus Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

Intercompany transactions, balances and unrealized gains on transactions between entities in the consolidated entity are eliminated. Unrealized 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 inequity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and 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 interest 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.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

Business combinations

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

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

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

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

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

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

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

Segment reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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 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.

Revenue recognition

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Income tax

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and cash equivalents

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.

Trade and other receivables

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.

Inventories

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.

Finished goods

Costs of purchased inventory are determined after deducting rebates and discounts. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Land and buildings are shown at fair value based on periodic, at least every 3 years, valuations by external third party, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. A revaluation surplus is credited to the revaluation reserve in equity.

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	3-15 years
Plant and equipment	3-7 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.

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.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year 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.

Provisions

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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.

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.

Fair value 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.

Contributed equity

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.

Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Admedus Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to consider the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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.

2. CRITICAL ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

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 (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

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.

Allowance for impairment of receivables

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.

Allowance for impairment of inventories

The allowance 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.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. 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.

The fair value of assets and liabilities classified as level 3 is determined using valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

2. CRITICAL ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS (continued)

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortization 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.

Goodwill and other indefinite life intangible assets

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 in note 1. 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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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.

Income tax

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.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been considered.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

3. 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 does not use derivative financial instruments; however, 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	
	2017	2016
	\$	\$
Financial assets		
Cash and cash equivalents	11,260,657	8,813,119
Trade and other receivables	4,286,473	4,217,828
	15,547,130	13,030,947
Financial liabilities		
Trade and other payables	1,962,561	2,599,901
	1,962,561	2,599,901
Net financial assets	13,584,569	10,431,046

The Group's principal financial instruments comprise cash and short-term deposits. The Group does not have any borrowings in the current year.

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 YEAR ENDED 30 JUNE 2017

3. 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 \$
30 June 2017 Consolidated			
Financial assets			
Cash and cash equivalents	21	0.23%	<u>11,260,657</u>
30 June 2016 Consolidated			
Financial assets			
Cash and cash equivalents	21	0.3%	<u>8,813,119</u>

Sensitivity

At 30 June 2017, if interest rates had increased by 0.15% or decreased by 0.15% from the year end rates with all other variables held constant, post-tax loss for the year would have been \$11,260 lower/\$16,890 higher (2016 changes of 0.1%/0.15%: \$8,813 lower/\$11,757 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are currently managed via natural hedges.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	CONSOLIDATED			
	Liabilities		Assets	
	2017	2016	2017	2016
	\$	\$	\$	\$
US Dollars	485,628	45,894	343,883	1,405,310
Euros	100,199	146,430	552,832	148,548
NZ Dollars	(1,232)	2,578	191,732	248,516
Singapore Dollars	2,905	6,881	1	16,733
Total	587,500	201,783	1,088,448	1,819,107

(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 30 June 2017							
Non-derivatives							
Trade and other payables	1,962,561	-	-	-	-	1,962,561	1,962,561
Non-interest bearing	-	-	-	-	-	-	-
Total non-derivatives	1,962,561	-	-	-	-	1,962,561	1,962,561
Group – At 30 June 2016							
Non-derivatives							
Trade and other payables	2,599,901	-	-	-	-	2,599,901	2,599,901
Non-interest bearing	-	-	-	-	-	-	-
Total non-derivatives	2,599,901	-	-	-	-	2,599,901	2,599,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

3. FINANCIAL RISK MANAGEMENT (continued)

(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.

4. PROFIT AND LOSS INFORMATION

	CONSOLIDATED	
	2017	2016
	\$	\$
Breakdown of Other income		
Interest income	160,348	165,818
Research and development tax incentive	3,247,386	4,542,068
Sundry income	2,247	22,371
Total other income	3,409,981	4,730,256

5. INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2017	2016
	\$	\$
(a) Income tax expense/(benefit)		
Current tax	-	-
Deferred tax – origination and reversal of temporary differences	231,197	425,424
Deferred tax – reversal of prior period temporary differences (c)	(310,150)	-
	(78,953)	425,424
Deferred tax included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets (Note 10)	-	-
Deferred tax – origination and reversal of temporary differences	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

5. INCOME TAX EXPENSE/(BENEFIT) (continued)

	CONSOLIDATED	
	2017	2016
	\$	\$
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	(12,676,211)	(25,130,410)
Tax at the Australian tax rate of 30% (2016: 30%)	(3,802,863)	(7,539,123)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Share based payments	233,034	455,637
Legal expenses	116,534	589,592
R&D Tax Incentive eligible expenditure	-	-
R&D Tax Incentive income	(974,216)	(1,313,716)
Amortisation	98,661	111,146
Current and past year share issue expenses	-	-
Sundry items – net non-deductible/(non-assessable)	55,454	444,074
	(4,273,396)	(7,252,390)
Deferred tax – current year benefits not recognised	(4,273,396)	7,252,390
Deferred tax – reversal of prior period temporary differences (c)	-	-
Income tax expense/(benefit)	-	-

(c) Tax consolidation legislation

As disclosed in Note 1, during the year ended 30 June 2015 Admedus and its wholly owned Australian controlled entities have implemented the tax consolidation legislation effective from 1 July 2013. Deferred tax balances as at 30 June 2015 have therefore been adjusted and thus, the previously recognised deferred tax asset has been expensed in the current financial year. This is due to the wholly owned Australian controlled entity losses now available, because of the consolidation, to offset future wholly owned Australian controlled entity profits.

(d) Amounts charged/(credited) directly to equity

Deferred tax assets (Note 10)	-	-
-------------------------------	---	---

6. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2017	2016
	\$	\$
Current		
Trade receivables	3,255,029	2,332,841
	3,255,029	2,332,841
Other receivables and prepayments	1,031,444	1,884,987
	4,286,473	4,217,828

Other receivables arise from deferment of cost of sales in relation to capital equipment sold to Mater Misericordiae Hospital in Townsville. Cost of sales will be spread across five years in line with agreed consumable purchases under tender. Balance also includes prepayments and security deposits for rental of corporate offices similar costs were included in June 2016.

Refer to Note 3 for information on the risk management policy of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

6. TRADE AND OTHER RECEIVABLES

(a) Past due but not impaired

As at 30 June 2017, trade receivables of \$321,646 (2016: \$218,194) 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 30 June 2017. The ageing analysis of these trade receivables is as follows:

	CONSOLIDATED	
	2017	2016
	\$	\$
Over 90 days	321,646	218,194

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.

7. INVENTORIES

	CONSOLIDATED	
	2017	2016
	\$	\$
Raw materials – at cost	85,674	150,500
Work in progress – at net realisable value	304,077	192,693
Finished goods – at net realisable value	1,752,973	-
Finished goods – at cost	2,311,147	3,248,271
	4,453,871	3,591,464

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2017 amounted to \$444,373 (2016: \$0).

8. PROPERTY, PLANT & EQUIPMENT

	CONSOLIDATED	
	2017	2016
	\$	\$
Plant & equipment		
Cost	4,602,627	4,408,989
Accumulated depreciation	(2,246,631)	(1,712,764)
Net book amount	2,355,996	2,696,225
Reconciliation		
Opening net book amount	2,696,225	2,957,922
Additions	193,638	279,722
Disposals – Cost	-	-
Disposals – Accumulated depreciation	-	-
Asset write-down	-	-
Depreciation charge	(533,867)	(541,419)
Closing net book amount	2,355,996	2,696,225

No non-current assets are pledged as security by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

9. INTANGIBLE ASSETS

	CONSOLIDATED	
	2017 \$	2016 \$
Patents	279,582	276,637
Intellectual property	2,027,721	2,277,102
Technology Licence	2,323,732	3,317,801
Goodwill	1,589,293	1,589,293
	6,220,328	7,460,833
Reconciliation - Patents		
Opening net book value	276,637	367,283
Additions - acquisitions	81,477	106,144
Amortisation	(78,532)	(196,790)
Closing net book value	279,582	276,637
Reconciliation – Intellectual property		
Opening net book value	2,277,102	2,526,483
Amortisation	(249,381)	(249,381)
Closing net book value	2,027,721	2,277,102
Reconciliation – Technology Licence		
Opening net book value	3,317,801	4,311,870
Amortisation	(994,069)	(994,069)
Closing net book value	2,323,732	3,317,801
Reconciliation – Goodwill		
Opening net book value	1,589,293	1,589,293
Closing net book value	1,589,293	1,589,293

The fair value of the technology licence and goodwill from the Admedus Vaccines transaction were subject to impairment testing at 30 June 2017 and 30 June 2016 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 is 24.7% (2016: 24.6%) and cash flows are 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%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

10. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The composition and movement of deferred assets is as follows:

	Balance 30 June 15 \$	Recognised in profit or loss \$	Recognised in equity \$	Balance 30 June 16 \$	Recognised in profit or loss \$	Recognised in equity \$	Balance 30 June 17 \$
Provisions	442,614	-	-	442,614	-	-	442,614
Accruals	131,346	(35,479)	-	95,867	1518	-	97,385
Share issue costs through equity	1,063,146	-	-	1,063,146	129,530	-	1,192,676
Property, plant and equipment	(634,960)	98,852	-	(536,108)	43,534	-	(492,574)
Intangible assets	(1,993,351)	316,562	-	(1,676,789)	371,354	-	(1,305,435)
Tax losses carried forward	10,480,537	4,995,030	-	15,475,567	3,717,933	-	19,193,500
Sub-total	9,489,332	5,374,965	-	14,864,297	4,262,869	-	19,128,166
Unrecognised net deferred tax assets	(9,489,332)	(5,374,965)	-	(14,864,297)	(4,262,869)	-	(19,128,166)
Tax assets	-	-	-	-	-	-	-

Deferred tax assets are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Provisions	442,614	442,614	-	-	442,614	442,614
Accruals	97,385	95,867	-	-	97,385	95,867
Share issue costs through equity	1,192,676	1,063,146	-	-	1,192,676	1,063,146
Property, plant and equipment	-	-	(492,574)	(536,108)	(492,574)	(536,108)
Intangible assets	-	-	(1,305,435)	(1,676,789)	(1,305,435)	(1,676,789)
Tax losses carried forward	19,193,500	15,475,567	-	-	19,193,500	15,475,567
Sub-total	20,926,175	17,077,194	-	(2,212,897)	19,128,166	14,864,297
Set off of tax	(1,798,009)	(2,212,897)	-	2,212,897	-	-
Unrecognised net deferred tax assets	(19,128,166)	(14,864,297)	-	-	(19,128,166)	(14,864,297)
Tax assets	-	-	-	-	-	-

(a) Tax losses

Unused tax losses for which no deferred tax assets have been recognised

Australian losses	36,808,786	30,828,845
Foreign losses	27,169,548	20,756,377
Sub-total	63,978,334	51,585,222
Potential tax benefit at 30%	19,193,500	15,475,567

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2017	2016
	\$	\$
Trade payables	1,522,623	1,058,079
Other payables and accruals	440,012	1,541,822
	1,962,635	2,599,901

Refer to Note 3 for information on the risk management policy of the Group.

12. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2017	2016
	\$	\$
Employee benefits (a)	754,315	1,072,983

(a) Amounts not expected to be settled within the next 12 months

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.

13. CURRENT LIABILITIES – INCOME TAX

	CONSOLIDATED	
	2017	2016
	\$	\$
Provision for income tax	-	-

14. NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2017	2016
	\$	\$
Lease make good provisions	472,745	466,830
Deferred Consideration	1,418,380	-
Closing net book value	1,891,125	466,830

(a) Lease make good provision

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.

(b) Deferred consideration

The present value of the deferred consideration is \$1,418,380 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 YEAR ENDED 30 JUNE 2017

15. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described at Note 1.

Name of entity	Class of share	Country of Incorporation	Equity Holding		Cost to Company	
			2017 %	2016 %	2017 \$	2016 \$
Accounting Parent Entity						
Admedus Investments Pty Limited		Australia	100	100	29,551,042	29,551,042
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	847,423	847,423
Admedus Regen Pty Limited	Ordinary	Australia	100	88.9	16,214,936	11,406,556
Admedus Corporation	Ordinary	USA	100	100	104	104
Admedus Vaccines Pty Limited	Ordinary	Australia	72.8	72.8	13,263,201	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
					59,899,860	54,828,328

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

16. CONTRIBUTED EQUITY

	SHARES		\$	
	2017	2016	2017	2016
(a) Share Capital				
Ordinary shares				
Fully paid	254,795,534	196,254,798	106,025,631	87,887,942

	Date	Notes	No. shares	Issue Price	\$
(b) Movements in Ordinary Share Capital					
Details					
Balance	30/6/15		1,845,399,036		80,738,568
Shares issued in lieu of employee bonuses		(b)	143,196	0.077	11,026
Conversion of options		(c)	1,620,833	0.06	97,250
Share consolidation		(d)	(1,662,445,029)		-
Shares issued in lieu of consulting fees		(e)	38,119	0.787	30,000
Shares issued in lieu of directors fees		(f)	214,643	0.809	173,646
Share placement		(g)	11,260,000	0.66	7,431,600
Conversion of options		(h)	24,000	0.60	14,400
Transaction costs			-		(608,548)
Balance	30/6/16		196,254,798		87,887,942
Shares issued in lieu of directors fees		(i)	60,841	0.36	22,000
Shares issued in lieu of consideration of Regen		(j)	3,000,000	0.33	1,000,000
Share placement		(k)	30,303,031	0.33	10,000,000
Rights Issue		(l)	3,000	0.33	990
Rights Issue		(l)	25,173,864	0.33	8,307,375
Transaction costs			-		(1,192,676)
Balance	30/6/17		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 employee bonuses

In August 2015, an employee elected to receive their bonus as shares at an issue price of \$0.077 (based on market rate on date of issue).

(c) Shares under option

Between 1 July 2015 and 26 November 2015, 1,620,833 unlisted options were exercised at \$0.06 each. Information in relation to the current options issued, exercised or lapsed during the financial year is set out Note 17 (a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

17. CONTRIBUTED EQUITY (continued)

(d) Share Consolidation

On 26 November 2015, the Company completed a share and option consolidation on a 10 for 1 basis as approval at the 2015 AGM.

(e) Shares issued in lieu of consulting fees

In December 2015, a consultant elected to receive their fee as shares at an issue price of \$0.787 (based on the 10 day VWAP).

(f) Shares issued in lieu of directors fees

In December 2015, directors elected to receive a portion of their fees as shares at an issue price of \$0.809 (based on the 5 day VWAP).

(g) Share placement

In September 2015, current shareholders and sophisticated investors were approached to make further investment in the Group at a \$0.66 per share.

(h) Shares under option

Between 26 November 2015 and 30 June 2016, 24,000 unlisted options were exercised at \$0.06 each. Information in relation to the current options issued, exercised or lapsed during the financial year is set out Note 17 (a).

(i) 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).

(j) 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).

(k) 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.

(l) Rights Issue

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

(m) 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 and currently has no debt facilities in place. The Group defines capital as equity and net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

17. EQUITY – RESERVES

	CONSOLIDATED	
	2017 \$	2016 \$
(a) Reserves		
Share based payments	4,612,335	3,835,556
Other reserve	(7,243,027)	(2,921,934)
Foreign currency translation reserve	363,310	464,100
	(2,267,382)	1,377,722

Reconciliation - Share based payment	Date	No. options/ warrants	Valuation	\$
Balance	30/6/15	125,980,068		2,316,764
Unlisted options exercised		(1,620,833)	0.06	-
Unlisted options issued		13,500,000	0.041	173,986
Unlisted options consolidation		(124,073,310)	-	-
Unlisted options exercised		(24,000)	0.60	-
Unlisted options issued		200,000	0.515	19,105
Unlisted options issued		475,000	0.585	21,556
Unlisted warrants issued		5,630,000	0.79	-
Unlisted options issued		250,000	0.163	224
Share based payment		-	-	1,303,921
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		(5,510,251)		-
Share based payment				954,970
Balance	30/6/17	15,003,339		4,612,335

Reconciliation – Other reserve	CONSOLIDATED	
	2017 \$	2016 \$
Opening balances	(2,921,934)	(2,245,995)
Minority interest contribution	(4,321,093)	(675,939)
Closing balance	(7,243,027)	(2,921,934)

During the period the company acquired the remaining non controlled interest in Admedus Regen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

17. EQUITY – RESERVES (continued)

	CONSOLIDATED	
	2017 \$	2016 \$
Reconciliation – Foreign currency translation reserve		
Opening balances	464,100	(79,415)
Foreign exchange on subsidiaries	(100,790)	543,515
Closing balance	363,310	464,100

(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.

18. NON-CONTROLLING INTEREST

	CONSOLIDATED	
	2017 \$	2016 \$
Interest in:		
Share Capital	-	17,081,028
Reserves	7,243,027	2,921,934
Accumulated losses	(8,283,446)	(18,111,531)
	(1,040,419)	1,891,431

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		Admedus Regen Pty Ltd	
	2017 \$	2016 \$	2017 \$	2016 \$
Current assets	1,657,447	1,911,835	-	2,294,042
Current liabilities	140,656	195,552	-	288,514
Current net assets	1,516,791	1,716,283	-	2,005,528
Non-current assets	3,916,520	4,912,260	-	2,641,260
Non-current liabilities	-	-	-	-
Non-current net assets	3,916,520	4,912,260	-	2,641,260
Net assets	5,433,311	6,628,543	-	4,646,787
Accumulated non-controlling interests	1,040,419	1,369,164	-	517,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

18. NON-CONTROLLING INTEREST (continued)

	Admedus Vaccines Pty Ltd		Admedus Regen Pty Ltd	
	2017 \$	2016 \$	2017 \$	2016 \$
Revenue	-	-	-	2,955,786
Loss for the year/Total comprehensive loss	(865,834)	(2,921,502)	-	(2,695,258)
Loss allocated to non-controlling interests	(324,744)	(816,560)	-	(299,982)
			-	
Cash flows from operating activities	(1,846,489)	(1,837,239)	-	(3,027,471)
Cash flows from investing activities	(20,208)	-	-	(117,695)
Cash flows from financing activities	3,500,000	3,500,000	-	-
Total per period ending in cash and cash equivalents	1,633,303	1,662,761	-	(3,145,166)

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 these transactions on the equity attributable to the owners of Admedus Limited during 2017 and 2016 is summarised as follows:

	CONSOLIDATED	
	2017 \$	2016 \$
Carrying amount of non-controlling interest acquired	3,287,908	2,824,061
Consideration paid to non-controlling interest	(3,500,000)	(3,500,000)
Excess of consideration paid recognised in other reserves within equity	(212,092)	(675,939)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

19. REMUNERATION OF AUDITORS

During the year, 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	
		2017	2016
		\$	\$
(a) Audit Services			
HLB Mann Judd (WA Partnership)			
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>		64,000	39,000
BDO Audit (WA) Pty Ltd			
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>			86,621
(b) Non-audit Services			
Corporate Finance services			
Related entities to HLB Mann Judd (WA Partnership)		-	-
		-	-

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

20. EARNINGS PER SHARE

		CONSOLIDATED	
		2017	2016
		Number	Number
(a) Weighted Average Number of Shares Used as the Denominator			
Weighted average number of ordinary shares used in the denominator in calculating basic earnings per share		251,382,294	190,841,109
Adjustment for calculation of diluted earnings per share:			
Options		-	-
Weighted average number of ordinary shares used in the denominator in calculating diluted earnings per share		n/a	n/a
		Cents	Cents
(b) Loss Used in Calculating Earnings/(Loss) Per Share		(12,312,076)	(24,013,868)
Basic earnings/(loss) per share		(4.83)	(12.58)
Diluted earnings/(loss) per share		n/a	n/a

(c) Information concerning classification of securities

Options:

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

Details relating to options granted under the Admedus Employee Share Option Plan (ESOP) are outlined in Note 25 (a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

21. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2017	2016
	\$	\$
(a) Reconciliation to Cash at the End of the Year		
Cash at bank and in hand	11,260,657	8,813,119
Total cash at the end of the year	11,260,657	8,813,119
(b) Cash at Bank and On Hand		
These are interest bearing accounts held at bank with average interest rates of 0.15% (2016: 0.15%).		
(c) Deposits at Call		
No deposits were held by the Group during the current financial year.		
(d) Interest rate Risk Exposure		
The Group's exposure to interest rate risk is discussed in Note 3.		
(e) Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities		
Loss for the year	(12,676,211)	(25,130,410)
Depreciation/Amortisation expense	1,856,942	1,981,451
Inventory write-down	444,373	-
Bad debts	5,915	(4,866)
Non-cash share expense – share based payments	776,779	1,518,791
Foreign exchange differences	171,325	543,515
Additional shares acquired in subsidiary (Finance activities)	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
Increase in receivables	(75,939)	(1,753,611)
Increase in inventories	(886,377)	(569,059)
(Increase)/decrease in net tax asset	-	-
Increase in deferred tax	-	-
(Decrease)/increase in creditors	(779,664)	1,319,191
Increase in other provisions	(1,304,924)	154,474
Net cash outflow from operating activities	(12,467,781)	(21,940,524)

(f) Non-cash investing and financing activities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

22. COMMITMENTS

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

	CONSOLIDATED	
	2017 \$	2016 \$
(a) Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	549,486	583,287
Later than one year but no later than five years	272,806	670,169
Later than five years	-	-
	822,292	1,253,456

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

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

Admedus Australia and leases office space in Adelaide under an operating lease that expires in August 2017 and leases workshop space in Adelaide under an operating lease that expires in May 2019

Admedus Biomanufacturing Pty Ltd leases office and laboratory space under operating leases that expiring in February 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 2017.

23. 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 makers (board of directors that make key strategic decisions).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

23. SEGMENT REPORTING (continued)

Segment information	Medical products and devices \$	Bio Implant operations \$	Regenerative medicine R&D \$	Immunotherapies R&D \$	Total \$
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
Other information					
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
2016					
Total segment revenue	8,869,814	5,280,707	-	-	14,150,521
Segment profit/(loss)	782,965	(10,295,796)	(3,250,849)	(2,999,479)	(15,763,159)
Segment assets	3,965,785	6,921,667	4,932,447	6,824,095	22,643,994
Segment liabilities	335,673	1,188,506	165,546	195,552	1,885,277
Other information					
Acquisition of non-current assets	5,423	261,203	117,696	-	384,322
Depreciation & amortisation	21,660	461,491	475,553	996,744	1,955,447
Asset write downs	(4,071)	5,915	-	(6,710)	(4,866)

(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	
	2017 \$	2016 \$
Segment revenue	22,324,145	14,150,521
Total revenue from continuing operations	22,324,145	14,150,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

23. SEGMENT REPORTING (continued)

(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	
	2017	2016
	\$	\$
Segment loss	(11,525,070)	(15,763,159)
Unallocated:		
Depreciation and amortization	(22,339)	(26,005)
Asset write downs	-	-
Share-based payments	(776,779)	(1,518,791)
Other corporate and administration (expenses)/benefits	(355,510)	(7,822,456)
Loss before income tax from continuing operations	(12,676,211)	(25,130,410)

(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	
	2017	2016
	\$	\$
Segment assets	21,605,105	22,643,994
Intersegment eliminations		
Unallocated:		
Cash and cash equivalents	6,527,313	3,500,067
Trade and other receivables	421,870	588,323
Property, Plant & Equipment	23,036	36,121
Intangibles	-	10,965
Total assets per the statement of financial position	28,577,324	26,779,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

23. SEGMENT REPORTING (continued)

Reportable segment liabilities reconciled to total liabilities as follows:

	CONSOLIDATED	
	2017	2016
	\$	\$
Segment liabilities	1,742,310	1,885,277
Intersegment eliminations	-	-
Unallocated:		
Trade and other payables	863,591	1,354,840
Provisions	2,002,100	899,597
Total liabilities per the statement of financial position	4,608,001	4,139,714

24. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The parent entity within the Group is Admedus Limited.

(b) Subsidiary

Interest in subsidiaries is set out in Note 15.

(c) Key Management Personnel

Disclosures relating to Directors and specified executives are set out in the Remuneration Report.

(d) Transactions and Balances with Related Parties

No related party transactions were noted during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

25. SHARE BASED PAYMENTS

(a) Employee Share Option Plan

The Admedus Employee Share Option Plan (ESOP) was approved by shareholders at the 2015 Annual General Meeting. Eligible Employees (as defined in the Plan and which includes Directors, employees and consultants) can participate in the Plan.

The terms of the ESOP include:

- Options are issued to selected Eligible Employees for free;
- 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, which price shall not be less than the minimum exercise price permitted by the Listing Rules;
- 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 has 2,275,000 staff options over ordinary shares in the Company as at 30 June 2017 (2016: 2,275,000).

On 19 September 2016, the Company issued 575,000 options to employees under the ESOP (Tranche A).

On 1 November 2016, the Company issued 50,000 options to directors under the ESOP (Tranche B).

On 22 November 2016, the Company issued 200,000 options to directors under the ESOP (Tranche C).

On 23 March 2017, the Company issued 1,700,000 options to employees under the ESOP (Tranche D).

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

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
2017								
8/12/2011	10/07/2016	0.60	296,250	-	-	(296,250)	-	300,440(a)
8/22/2011	10/07/2017	0.60	5,002,334	-	-	(5,002,334)	-	460,960(a)
18/5/2012	18/5/2017	0.60	213,334	-	-	(213,334)	-	85,453(a)
24/4/2013	1/3/2018	0.60	200,000	-	(200,000)	-	-	14,651
18/6/2013	18/6/2018	0.95	1,505,007	-	(116,667)	-	1,388,340	248,336
16/12/2013	16/12/2018	2.70	900,000	-	(190,000)	-	710,000	452,058
28/3/2014	1/2/2019	2.45	200,000	-	-	-	200,000	91,176
21/5/2014	1/7/2018	1.70	300,000	-	(300,000)	-	-	95,690
21/5/2014	21/5/2019	1.70	1,500,000	-	(600,000)	-	900,000	527,860
5/11/2014	5/11/2019	2.10	410,000	-	(100,000)	-	310,000	143,546
30/6/2015	30/6/2020	1.17	1,885,000	-	(250,000)	-	1,635,000	274,551
21/7/2015	21/7/2020	1.44	1,350,000	-	(320,000)	-	1,030,000	173,986
10/12/2015	10/12/2020	0.83	475,000	-	(50,000)	-	425,000	21,566
10/12/2015	10/12/2020	1.39	200,000	-	-	-	200,000	19,105
24/6/2016	24/6/2021	0.30	250,000	-	(100,000)	-	150,000	224
15/09/2016	15/09/2021	0.33	-	575,000	(100,000)	-	475,000	111,112
15/09/2016	15/09/2021	0.33	-	50,000	-	-	50,000	9,662
18/11/2016	18/11/2021	0.33	-	200,000	-	-	200,000	41,662
23/03/2017	23/03/2022	0.34	-	1,700,000	-	-	1,700,000	340,544
Total			14,686,925	2,525,000	(2,326,667)	(5,511,918)	9,373,340	2,565,728
Weighted average exercise price			\$1.13	\$0.34	\$1.44	\$0.60	\$0.95	

(a) Valuation of options was expensed in the 2010 to 2015 financial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

25. SHARE BASED PAYMENTS (Continued)

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
2016								
12/8/2011	10/7/2016	0.60	3,666,667	-	(3,370,417) ^(a)	-	296,250	300,440 ^(b)
22/8/2011	10/7/2016	0.60	51,180,000	-	(44,532,833) ^(a)	(1,644,833)	5,002,334	460,960 ^(b)
18/5/2012	18/5/2017	0.60	2,133,334	-	(1,920,000) ^(a)	-	213,334	85,453 ^(b)
24/4/2013	1/3/2018	0.60	2,000,000	-	(1,800,000) ^(a)	-	200,000	14,651
18/6/2013	18/6/2018	0.95	15,050,067	-	(13,545,060) ^(a)	-	1,505,007	248,336
16/12/2013	16/12/2018	2.70	9,000,000	-	(8,100,000) ^(a)	-	900,000	452,058
28/3/2014	1/2/2019	2.45	2,000,000	-	(1,800,000) ^(a)	-	200,000	91,176
21/5/2014	1/7/2018	1.70	3,000,000	-	(2,700,000) ^(a)	-	300,000	95,690
21/5/2014	21/5/2019	1.70	15,000,000	-	(13,500,000) ^(a)	-	1,500,000	527,860
5/11/2014	5/11/2019	2.10	4,100,000	-	(3,690,000) ^(a)	-	410,000	143,546
30/6/2015	30/6/2020	1.17	18,850,000	-	(16,965,000) ^(a)	-	1,885,000	274,551
21/7/2015	21/7/2020	1.44	-	13,500,000	(12,150,000) ^(a)	-	1,350,000	173,986
10/12/2015	10/12/2020	0.83	-	475,000	-	-	475,000	21,566
10/12/2015	10/12/2020	1.39	-	200,000	-	-	200,000	19,105
24/6/2016	24/6/2021	0.30	-	250,000	-	-	250,000	224
Total			125,980,068	14,425,000	(124,073,310)	(1,644,833)	14,686,925	2,062,749
Weighted average exercise price			\$0.11	\$0.19	\$0.12	\$0.60	\$1.13	

(b) The balance relates to the option consolidation on a 10 for 1 basis

(b) Expenses Arising from Share Based Payment Transactions

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

	CONSOLIDATED	
	2017	2016
	\$	\$
Employee bonus shares		-
Options issued under employee option plan	776,779	1,518,792
Total expenses from share-bases transactions	776,779	1,518,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

25. SHARE BASED PAYMENTS (Continued)

(c) Fair Value of Options Granted

The assessed fair value at grant date of options granted during the year ended 30 June 2017 was 19.3 cents per option for Tranche A, 19.3 cents per option for Tranche B and 20.8 cents per option for Tranche C and 20 cents per option for Tranche D. 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 year ended 30 June 2017 included:

	Tranche A	Tranche B	Tranche C	Tranche D
<i>Details:</i>	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.			
<i>Exercise price:</i>	\$0.33	\$0.34	\$0.34	\$0.34
<i>Grant date:</i>	15-Sep-16	15-Sep-16	18-Nov-16	23-Mar-17
<i>Expiry date:</i>	15-Sep-21	15-Sep-21	18-Nov-21	23-Mar-22
<i>Share price at grant date:</i>	\$0.33	\$0.33	\$0.35	\$0.34
<i>Expected price volatility of the company's shares:</i>	70%	70%	70%	70%
<i>Risk-free interest rate:</i>	1.79%	1.79%	2.11%	3.25%
<i>Fair value at grant date:</i>	\$0.193	\$0.193	\$0.208	\$0.200

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 YEAR ENDED 30 JUNE 2017

26. 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 - 2017	\$	\$	\$	\$
<i>Assets</i>				
Intellectual Property	-	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
	Level 1	Level 2	Level 3	Total
Consolidated - 2016	\$	\$	\$	\$
<i>Assets</i>				
Intellectual Property	-	3,317,801	-	3,317,801
Property, plant and equipment	-	2,696,225	-	2,696,225
Total assets	-	6,014,026	-	6,014,026
<i>Liabilities</i>				
Lease make good provision	-	466,830	-	466,830
Total liabilities	-	466,830	-	466,830

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.

27. CONTINGENT LIABILITIES

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

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

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®.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

29. DIVIDENDS

No dividends have been declared or paid during the period.

30. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, Admedus Limited, at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	THE COMPANY	
	2017 \$	2016 \$
Current assets	8,545,251	4,196,235
Non-current assets	16,891,067	16,912,530
Total assets	25,436,318	21,108,765
Current liabilities	(2,155,938)	2,270,275
Non-current liabilities	(1,418,380)	-
Total liabilities	(3,574,318)	2,270,275
Contributed equity	130,436,688	112,298,999
Accumulated losses	(121,736,316)	(97,772,034)
Reserves	5,088,304	4,311,525
Retained earnings	(1,277,885)	-
Total equity	12,501,791	18,838,490
Profit/(loss) for the year	(12,676,211)	(23,964,282)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) for the year	(12,676,211)	(23,964,282)

Contingent liabilities of the parent entity

The contingent liabilities for the parent entity as at 30 June 2017 are detailed in note 27.

Commitments of the parent entity

The commitments for the parent entity as at 30 June 2017 are detailed in note 22.

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 30 June 2017 and of the performance for the year ended on that date of the consolidated entity;
 - (c) comply with International Financial Reporting Standards as disclosed in Note 1.
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 year ended 30 June 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

Perth, Western Australia

Dated 31 August 2017



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 30 June 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 flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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. We have determined the matters described below to be the key audit matters to be communicated in our report.


Key Audit Matter	How our audit addressed the key audit matter
Carrying value of intangible assets (Refer Note 9)	
As at 30 June 2017, the Group has an intangible assets balance of \$6.2 million which relates to	For the cash-generating unit which relates to the ADAPT product portfolio, our procedures included but were not limited to:

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

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

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



patents, intellectual property, a technology licence and goodwill.

Under AASB 136 *Impairment of Assets*, 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.

A total of \$2.3 million of the intangible assets balance at 30 June 2017 relates to the commercialised ADAPT product portfolio. Management allocated these intangible assets to a cash-generating unit and their review indicated that no impairment indicators are present.

The remaining intangible assets balance of \$3.9 million relates to the HPV and HSV-2 vaccines (inclusive of goodwill). The Group allocated these intangible assets to a cash-generating unit and performed an impairment assessment using a fair value less costs of disposal approach to determine recoverable amount, whereby an independent expert was engaged to perform this valuation.

We consider the recoverable amount of intangible asset balances 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 required significant auditor attention and communication with those charged with governance.

- Considering whether the assets comprising the cash generating unit had been correctly allocated;
- Consideration of any indicators of impairment, both internal and external, which would suggest that CGU's assets may be impaired.
- Analysing the performance of the CGU for the year and comparing this with budget expectations;
- Comparing key assumptions in forecast cash flows to historical results and, where this 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.

For the intangible assets which relates to vaccines, our procedures included but were not limited to:

- Assessing the independence and expertise of the valuer to ensure that their model could be relied upon;
- Considering whether the assets comprising the cash generating unit had been correctly allocated;
- Reviewing the external valuation including obtaining and understanding of the valuation method adopted and the key assumptions used in the valuation;
- Comparing the fair value less costs of disposal to the carrying amount of the related assets; and
- Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

Going concern – Refer to Note 1

As at 30 June 2017, the Group has available cash and cash equivalents of \$11,260,657 and had recorded a loss for the year then ended of \$12,676,211 and a net cash outflow from operating activities of \$12,467,781.

We considered going concern to be a key audit matter as it involved consideration of forecast future cash flows and the likelihood of any need for equity or debt funding and it is highly material to the users' understanding of the financial statements as a whole and required significant

Our procedures included, amongst others:

- Critically reviewing cash flow forecasts prepared by management for the relevant period;
- Considering the need for any equity and/or debt funding and considering management's plans for obtaining such funding should it be required;
- Challenging management's key assumptions in relation to forecast cash flows;



auditor attention and communication with those charged with governance.

- Considering the sensitivity of the cash flow forecast to changes in key variables;
- Comparing forecast cash flows to the latest Board approved forecasts;
- Comparing key assumptions in forecast cash flows to historical results and, where this 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.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 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 year ended 30 June 2017.

In our opinion, the remuneration report of Admedus Limited for the year ended 30 June 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
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
31 August 2017

Shareholder Information

The shareholder information set out below was applicable as at 21 September 2017.

Quoted equity securities

254,795,534 fully paid ordinary shares are held by 7,272 individual shareholders.

Unquoted equity securities	Number on issue	Number of holders
Warrants held by MC Management Group, Olbia Pty Ltd and Merrill Lynch (Australia) Nominees Pty Ltd	5,630,000	3
Options issued under the Admedus Employee Option Plan to take up ordinary shares	9,373,340	107

Shareholder distribution

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

Range	Total holders	Units	% of issued Capital
1 – 1,000	1,294	644,718	0.25
1,001 – 5,000	2,192	5,898,391	2.31
5,001 - 10,000	1,106	8,405,875	3.30
10,001 - 100,000	2,262	71,549,422	28.08
100,001 and over	418	168,297,128	66.05
Total	7,272	254,795,534	100.00

Unmarketable parcels

	Maximum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.25 per unit	2,000	2,004	1,657,118

SHAREHOLDER INFORMATION Continued...

Unmarketable parcels

	Maximum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.25 per unit	2,000	2,004	1,657,118

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
JP Morgan Nominees Australia Limited	7,772,166	3.05
Citicorp Nominees Pty Ltd	4,716,640	1.85
Bulldog Shale Pty Ltd <Bulldog Shale S Fund A/C>	3,300,000	1.30
Washington H Soul Pattinson and Company Limited	2,693,603	1.06
Mr Athanasios Farmakis	2,610,000	1.02
Rosherville Pty Ltd	2,500,000	0.98
HSBC Custody Nominees (Australia) Limited	2,343,610	0.92
Mr Iain Robert McEwin + Ms Dianne Church <Through2 Super Fund A/C>	2,250,000	0.88
Broadscope Pty Ltd <The Catlow Family A/C>	1,710,000	0.67
Palkingston Pty Ltd	1,699,422	0.67
Mr Patrick Chew	1,544,000	0.61
Alocasia Pty Ltd <Camellia Super Fund A/C>	1,537,539	0.60
Lassell Holdings Pty Ltd <Gama Superannuation Fund A/C>	1,494,854	0.59
Merrill Lynch (Australia) Nominees Pty Ltd <ML Pro A/C>	1,413,321	0.55
Peninsula Exploration Pty Ltd	1,400,000	0.55
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,353,647	0.53
Mr Adrian Avotins	1,313,131	0.52
Mr Peter Kwong Ming Kiew + Mrs Jolina Kiew	1,148,334	0.45

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.

Escrowed securities

3,000,000 fully paid ordinary shares subject to voluntary escrow ending 1 December 2017.



ADMEDUS

26 Harris Road
Malaga, Western Australia 6090

Telephone: +61 8 9266 0100
Facsimile: +61 8 9266 0199

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