

Appendix 4D

Half Yearly Report

Name of Entity:	Admedus Ltd
ABN:	35 088 221 078
Reporting Period:	Half year ended 31 December 2016
Previous corresponding Period:	Half year ended 31 December 2015

Results for Announcement to the Market

				\$A'000
Revenues from ordinary activities	Up	86.4%	to	12,241
Loss from ordinary activities after tax	Down	49.7%	to	(6,837)
Loss for the period attributable to members	Down	50.3%	to	(6,397)

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

Results Commentary

Admedus delivered revenue growth of 86% during the period driven by the Company's new strategy focused on sales growth, refining our product portfolio and bringing new products to market more quickly. Total revenues for the group reached \$12.2M driven by strong performances from both of the group's revenue generation businesses and are on course to meet full year revenue expectations.

ADAPT®, our leading regenerative tissue technology, achieved revenues of \$3.5M, up 51% from the prior corresponding period (PCP), as the Company continues to roll out its products in North America, Europe, MENA region and Asia. The Infusion business in Australian and New Zealand delivered revenues of \$8.7M, up 103% PCP, driven by the implementation of the new Royal Adelaide Hospital contract complimented by strong underlying sales across the infusion product portfolio. These strong results provide leverage to continue to grow product sales going into the future.

The growing volumes and continuing improvements in our manufacturing processes and operations helped drive a 13% point (~36%) improvement in gross margin with gross profits of \$5.8M, up ~154% PCP, primarily due to improved leverage from our relatively fixed cost of sales.

Selling, general and administration expenses (total expenses excluding depreciation, amortisation and financing costs) of \$11.9M were \$5.6M (~32%) lower compared to PCP with reductions in costs across all expense categories, except share based payments that were flat, and despite the inclusion of approximately \$1.1M in “exceptional” costs relating to the implementation of the Company’s restructure and related re-organisation costs.

Other income, which includes grants and R&D refunds, was down \$2.2M compared to PCP, due wholly to timing, with R&D refunds this year due in the second half.

As a result of the Company’s growing revenues, improving margin, reduced expenses and delayed R&D refunds EBITDA loss for the Group of \$5.9M reduced \$6.9M (54%) compared to PCP.

With additional depreciation in this half of \$0.2M compared to PCP, the loss from ordinary activities after tax was \$6.8M, halving the loss of the PCP.

The closing cash position as at 31 December 2016 was \$14.3M.

Net Tangible Assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	9.05 cents per share	5.58 cents per share

The change in the Net Tangible Assets per security between the previous corresponding period and the current period can be attributed mainly to the share consolidation and the change in net tangible assets during period due capital raising in during the half year.

Control gained over entities having material effect

Admedus Regen Pty Ltd (acquired remaining 11.13%)

Loss of control of entities having material effect

N/A

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

N/A

This report is based on:

The accounts have been subject to review.



Sign here:

(Company Secretary)

Date: 24 February 2017

Print name: Maja McGuire



ADMEDUS LTD ABN 35 088 221 078

CONSOLIDATED HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2016

CORPORATE DIRECTORY

Directors

Wayne Paterson	- Chairman / Interim CEO
John Seaberg	- Non-Executive Director
Mathew Ratty	- Non-Executive Director
Simon Buckingham	- Non-Executive Director (appointed 17/02/2017)
Michael Bennett	- Executive Director (resigned 17/02/2017)

Company Secretary

Maja McGuire

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.au@admedus.com

Auditors

HLB Mann Judd
Level 4, 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 codes:
AHZ (ordinary shares)

DIRECTORS' REPORT

The Directors present the half-year financial report on the consolidated entity (referred to hereafter as the 'Group' or "Admedus") consisting of Admedus Ltd and its controlled entities for the half-year ended 31 December 2016.

DIRECTORS

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

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

Maja McGuire was appointed as the Company Secretary on 12 October 2016 and up to the date of this report.

PRINCIPAL ACTIVITIES

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

- Growth of the sales and distribution activities across infusion medical devices and the ADAPT® tissue portfolio particularly in the area of cardiovascular neonatal repair.
- Continued development of the Company's tissue product portfolio globally, with a focus on products that are near market and building a database of near and long term benefits of the ADAPT® tissue across a range of surgical applications.
- Operating and managing the Group's state-of-the-art tissue technology manufacturing facility as the facility scales-up production to meet growing demand for its current portfolio of products including CardioCel®, CardioCel® Neo and VascuCel® as well as developing the range of future products whilst reducing costs and improving yields.
- Ongoing work with Professor Ian Frazer and his team in the area of immunotherapies targeting a range of infectious diseases and oncology.

REVIEW OF OPERATIONS AND RESULTS

The consolidated operating loss for the half-year:

	31 Dec 2016 \$	31 Dec 2015 \$	Change
Group revenue from ordinary activities	12,241,195	6,568,181	86.4%
Loss from ordinary activities after tax	(6,837,941)	(13,598,520)	(49.7)%
Loss for the period attributable to members	(6,397,387)	(12,867,723)	(50.3)%

The loss from ordinary activities was \$6.8M and for the equity holders of Admedus the loss was \$6.3M, both an approximate 50% improvement on the prior corresponding period ('PCP'). Group revenues for the period were \$12.2M, up 86%, and the closing cash for the period was \$14.3M. The loss for the period reflects the Company's ongoing commitment to significantly growing revenues from existing products as well as to build future revenue streams across the Group through product development, ongoing R&D, market expansion and development, and cost containment.

Admedus delivered revenue growth of 86% during the period driven by its new strategy focused on sales growth, refining our product portfolio and bringing new products to market more quickly. Total revenues for the Group reached \$12.2M, driven by strong performances from both of the Group's revenue generation businesses and are on course to meet full year revenue expectations.

DIRECTORS' REPORT (continued)

ADAPT®, our leading regenerative tissue technology, achieved revenues of \$3.5M, up 51% PCP, as the company continues to roll out its products in North American, European, MENA region and Asian markets. The Infusion business in Australian and New Zealand delivered revenues of \$8.7M, up 103% PCP, driven by the implementation of the new Royal Adelaide Hospital contract complimented by strong sales across Infusion's product portfolio. These strong results provide leverage to continued future sales growth.

In addition to stronger sales for its infusion products and ADAPT® during the period, the Group also obtained FDA clearance, late in the half, and introduced VascuCel® in North America and also received market approval for CardioCel® in the United Arab Emirates (UAE), in collaboration with its regional partner Genpharm. Further, the Admedus team also achieved broader label expansion in Europe, which will continue to positively impact sales this financial year. At the 2016 AGM, Admedus also announced it would commence development of a new product for the +US\$5 billion transcatheter aortic valve replacement (TAVR) market utilising its ADAPT® technology.

The Company continued to invest in the work of Professor Ian Frazer. During the half, Admedus announced positive headline results from an interim analysis of unblended data from the first 20 patients enrolled in the Herpes Simplex 2 (HSV-2) Phase IIa study. Full results from the completed trial are expected during 2017. The immunotherapies team are also progressing a planned HPV related head and neck clinical study anticipated to be initiated in 2017.

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

During the half year 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 as well as the Group entity Admedus Regen Pty Ltd.

DIVIDENDS

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

EVENTS SUBSEQUENT TO REPORTING DATE

On 17 February 2017 Admedus announced the resignation of Executive Director Michael Bennett and the appointment of Simon Buckingham as Non-Executive Director.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd (WA Partnership), to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this Directors' Report for the half-year ended 31 December 2016.

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

A handwritten signature in black ink, appearing to be 'Wayne Paterson', written in a cursive style.

Wayne Paterson
Chairman

Dated at Perth, Western Australia this 24 February 2017.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Admedus Limited for the half-year ended 31 December 2016, 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 review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
24 February 2017

M R W Ohm
Partner

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

CONSOLIDATED			
	Note	31 Dec 2016	31 Dec 2015
		\$	\$
Revenue		12,241,195	6,568,181
Cost of sales		(6,447,292)	(4,284,164)
Gross profit		5,793,903	2,284,017
Other income	2	163,326	2,329,736
Employee benefits		(6,779,162)	(7,601,873)
Consultancy and legal fees		(970,091)	(2,185,893)
Travel and conference expenses		(1,107,768)	(1,888,199)
Research and development costs		(792,300)	(2,858,422)
Share based payments	10	(761,013)	(754,920)
Depreciation and amortisation expense		(939,201)	(740,805)
Financing costs		(29,235)	(37,252)
Other expenses		(1,416,400)	(2,144,911)
Loss before income tax		(6,837,941)	(13,598,520)
Income tax benefit		-	-
Loss after income tax for the half-year		(6,837,941)	(13,598,520)
Total loss is attributable to:			
Equity holders of Admedus Ltd		(6,397,387)	(12,867,723)
Non-controlling interests		(440,554)	(730,797)
		(6,837,941)	(13,598,520)
Loss per share attributable to ordinary equity holders of the Company (cents per share)		<u>Cents</u>	<u>Cents</u>
Basic loss per share		(2.68)	(6.94)
Diluted loss per share		N/A	N/A

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

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	CONSOLIDATED	
	31 Dec 2016	31 Dec 2015
	\$	\$
Loss for the half-year	(6,837,941)	(13,598,520)
Other comprehensive income	-	-
Foreign currency translation reserve	24,249	(334,534)
Total comprehensive loss for the half-year	(6,813,692)	(13,933,054)
Total comprehensive loss for the half-year is attributable to:		
Equity holders of Admedus Ltd	(6,373,138)	(13,202,257)
Non-controlling interests	(440,554)	(730,797)
	(6,813,692)	(13,933,054)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		CONSOLIDATED	
	Note	31 Dec 2016	30 June 2016
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		14,343,543	8,813,119
Trade and other receivables		6,076,516	4,217,828
Inventories		4,028,088	3,591,464
Total current assets		24,448,147	16,622,411
Non-current assets			
Property, plant & equipment	5	2,555,251	2,696,225
Intangible assets	6	6,866,741	7,460,833
Total non-current assets		9,421,992	10,157,058
Total assets		33,870,139	26,779,469
LIABILITIES			
Current liabilities			
Trade and other payables		981,941	2,599,901
Employee benefit provisions		683,644	1,072,983
Total current liabilities		1,665,585	3,672,884
Non-current liabilities			
Non-current provisions	7b	2,288,168	466,830
Total non-current liabilities		2,288,168	466,830
Total liabilities		3,953,753	4,139,714
NET ASSETS		29,916,386	22,639,753
EQUITY			
Contributed equity	8	106,025,632	87,887,942
Reserves	9	(2,158,109)	1,377,722
Accumulated losses		(74,914,729)	(68,517,342)
Capital and reserves attributable to equity holders of Admedus Ltd		28,952,794	20,748,322
Non-controlling interest		963,592	1,891,431
TOTAL EQUITY		29,916,386	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 HALF-YEAR ENDED 31 DECEMBER 2016**

CONSOLIDATED

	Share Capital \$	Share- based payment Reserves \$	Other Reserves \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$	Non-controlling Interest \$	Total Equity \$
Balance at 1 July 2016	87,887,942	3,835,556	(2,921,934)	464,100	(68,517,342)	20,748,322	1,891,431	22,639,753
Loss for the half-year	-	-	-	-	(6,397,387)	(6,397,387)	(440,554)	(6,837,941)
Foreign currency - subsidiaries	-	-	-	24,249	-	24,249	-	24,249
Total comprehensive loss for the half-year	-	-	-	24,249	(6,397,387)	(6,373,138)	(440,554)	(6,813,692)
Transactions with owners in their capacity as owners								
Transaction with non-controlling interest	-	-	(4,321,093)	-	-	(4,321,093)	(487,285)	(4,808,378)
Options issued during the half-year		761,013	-	-	-	761,013	-	761,013
Rights issue	8,308,365	-	-	-	-	8,308,365	-	8,308,365
Capital raising costs	(1,192,675)	-	-	-	-	(1,192,675)	-	(1,192,675)
Shares issued in lieu of directors fees	22,000	-	-	-	-	22,000	-	22,000
Shares issued in lieu of consideration of Regen	1,000,000	-	-	-	-	1,000,000	-	1,000,000
Share placement	10,000,000	-	-	-	-	10,000,000	-	10,000,000
Balance at 31 December 2016	106,025,632	4,596,569	(7,243,027)	488,349	(74,914,729)	28,952,794	963,592	29,916,386

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	CONSOLIDATED							
	Share Capital \$	Share-based payment Reserves \$	Other Reserves \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$	Non-controlling Interest \$	Total Equity \$
Balance at 1 July 2015	80,738,568	2,316,764	(2,245,995)	(79,415)	(44,503,474)	36,226,448	2,332,034	38,558,482
Loss for the half-year	-	-	-	-	(12,867,723)	(12,867,723)	(730,797)	(13,598,520)
Foreign currency - subsidiaries	-	-	-	(334,534)	-	(334,534)	-	(334,534)
Total comprehensive loss for the half-year	-	-	-	(334,534)	(12,867,723)	(13,202,257)	(730,797)	(13,933,054)
Transactions with owners in their capacity as owners								
Transaction with non-controlling interest	-	-	(568,405)	-	-	(568,405)	568,405	-
Options issued during the half-year	-	754,920	-	-	-	754,920	-	754,920
Share placement	7,431,600	-	-	-	-	7,431,600	-	7,431,600
Capital raising costs	(586,768)	-	-	-	-	(586,768)	-	(586,768)
Shares issued in lieu of directors fees	173,646	-	-	-	-	173,646	-	173,646
Shares issued in lieu of fees	30,000	-	-	-	-	30,000	-	30,000
Shares issued for executive bonuses	11,026	-	-	-	-	11,026	-	11,026
Exercise of options	111,650	-	-	-	-	111,650	-	111,650
Balance at 31 December 2015	87,909,722	3,071,684	(2,814,400)	(413,949)	(57,371,197)	30,381,860	2,169,642	32,551,502

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	CONSOLIDATED	
		Half-year 31 Dec 2016 \$	Half-year 31 Dec 2015 \$
Cash flows from operating activities			
Receipts from customers		9,076,928	6,368,234
Payments to suppliers and employees		(19,842,124)	(20,319,889)
Interest received		91,865	104,447
Interest paid		(29,235)	(37,252)
R&D tax incentive income received		1,316,420	2,202,918
Net cash outflow from operating activities		(9,386,146)	(11,681,542)
Cash flows from investing activities			
Payments for property, plant and equipment		(153,757)	(140,617)
Payments for intangible assets		(60,705)	(51,535)
Additional shares acquired in subsidiary		(2,000,000)	-
Net cash outflow from investing activities		(2,214,462)	(192,152)
Cash flows from financing activities			
Proceeds from share and options issues	8	18,307,365	7,543,250
Share issue transaction costs		(1,192,675)	(586,768)
Net cash inflow from financing activities		17,115,690	6,956,482
Net increase/(decrease) in cash held		5,515,082	(4,917,212)
Cash at the beginning of the half-year		8,813,119	24,025,859
Exchange rate adjustments		15,342	43,539
Cash at end of the half-year		14,343,543	19,152,186

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. SEGMENT REPORTING

Description of segments

Segment information is presented using a management approach, i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers (being the Board of Directors that make key strategic decisions).

Management has determined that there are five 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;
- Immunotherapies R&D; and
- Corporate.

Intersegment transactions

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

Performance is measured based on segment result after tax.

Intersegment 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 operating cash, receivables, inventories, property, plant and equipment and other intangible assets. Segment liabilities consist primarily of creditors and employee benefits.

Half-year 2016

	Medical products and devices	Bio-implant operations	Regenerative medicine R&D	Immunotherapies R&D	Corporate	Total
	\$	\$	\$	\$	\$	\$
Total Segment Revenue	8,741,406	3,499,789	-	-	-	12,241,195
External Revenue	8,741,406	3,499,789	-	-	-	12,241,195
Gross Profit	3,444,080	2,349,823	-	-	-	5,793,903
Profit/(Loss)	1,212,811	(3,892,693)	(1,297,667)	(1,486,189)	(1,374,200)	(6,837,938)
Assets	7,280,751	6,915,982	3,264,872	5,322,281	11,086,253	33,870,139
Liabilities	(233,632)	(760,700)	(23,085)	(141,997)	(2,794,340)	(3,953,754)
Net Assets	7,047,119	6,155,282	3,241,787	5,180,284	8,291,913	29,916,385

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. SEGMENT REPORTING CONTINUED

Half-Year 2015

	Medical products and devices	Bio-implant operations	Regenerative medicine R&D	Immunotherapies R&D	Corporate	Total
	\$	\$	\$	\$	\$	\$
Total Segment Revenue	4,250,616	2,317,565	-	-	-	6,568,181
External Revenue	4,250,616	2,317,565	-	-	-	6,568,181
Gross Profit	2,025,311	258,706	-	-	-	2,284,017
Profit/(Loss)	165,481	(5,451,957)	(1,734,813)	(2,109,953)	(4,467,278)	(13,598,520)
Assets	3,854,291	11,899,516	6,190,405	7,248,418	6,721,538	35,914,168
Liabilities	4,846	(846,723)	(173,905)	(229,853)	(2,117,031)	(3,362,666)
Net Assets	3,859,137	11,052,793	6,016,500	7,018,565	4,604,507	32,551,502

2. PROFIT AND LOSS INFORMATION

	Half-year Ended 31 Dec 2016	Half-year Ended 31 Dec 2015
	\$	\$
Loss for the half year includes the following items that are unusual because of their nature, size or incidence:		
Other income		
R&D tax incentive income	70,760	2,202,918
Interest income	91,865	104,447
Sundry income	701	22,371
	163,326	2,329,736

3. DIVIDENDS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

5. PROPERTY, PLANT AND EQUIPMENT

	31 December 2016	30 June 2016
	\$	\$
Plant & equipment		
Cost	4,564,062	4,408,989
Accumulated depreciation	(2,008,811)	(1,712,764)
	2,555,251	2,696,225
Reconciliation		
Opening net book value	2,696,225	
Additions	153,758	
Depreciation charge	(284,404)	
Foreign currency translation movements	(10,328)	
Closing net book value	2,555,251	

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

6. INTANGIBLE ASSETS

	31 December 2016 \$	30 June 2016 \$
	<u> </u>	<u> </u>
Patents	304,272	267,637
Intellectual property	2,152,409	2,277,102
Technology Licence	2,820,767	3,317,801
Goodwill	1,589,293	1,589,293
	<u>6,866,741</u>	<u>7,460,833</u>
 Reconciliation - Patents		
Opening net book value	267,637	
Additions	69,706	
Amortisation charge	(33,071)	
Closing net book value	<u>304,272</u>	
 Reconciliation – Intellectual property		
Opening net book value	2,277,102	
Amortisation charge	(124,693)	
Closing net book value	<u>2,152,409</u>	
 Reconciliation – Technology Licence		
Opening net book value	3,317,801	
Amortisation charge	(497,034)	
Closing net book value	<u>2,820,767</u>	
 Reconciliation – Goodwill		
Opening net book value	1,589,293	
Closing net book value	<u>1,589,293</u>	

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

7. LIABILITIES

(a) 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®.

(b) NON-CURRENT PROVISIONS

	31 December 2016 \$	30 June 2016 \$
Non-current provisions	<u>(2,288,168)</u>	<u>(466,830)</u>
Reconciliation - Non-current provisions		
Lease make good provisions	(469,788)	(466,830)
Deferred settlement consideration	(1,818,380)	-
Closing net book value	<u>(2,288,168)</u>	<u>(466,830)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

8. CONTRIBUTED EQUITY

	31 December 2016		30 June 2016	
	SHARES	\$	SHARES	\$
Share Capital				
Ordinary shares				
Fully paid	254,795,534	106,025,632	196,254,798	87,887,942
Movements in Ordinary Share Capital				
Opening balance	196,254,798	87,887,942		
Shares issued in lieu of directors fees	60,841	22,000		
Shares issues in lieu of consideration of Regen	3,000,000	1,000,000		
Share Placement	30,303,031	10,000,000		
Rights Issue	25,176,864	8,308,365		
Transaction costs	-	(1,192,675)		
Closing balance	254,795,534	106,025,632		

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

9. RESERVES

	31 December 2016 \$	30 June 2016 \$
	<u> </u>	<u> </u>
Share based payments reserve	4,596,569	3,835,556
Foreign currency translation reserve	488,349	464,100
Other reserve	(7,243,027)	(2,921,934)
	<u>(2,158,109)</u>	<u>(1,377,722)</u>
 Reconciliation – Share based payments reserve		
Opening balance	3,835,556	
Share based payments expense (Note 10)	761,013	
Closing balance	<u>4,596,569</u>	
 Reconciliation – Foreign currency translation reserve		
Opening balance	464,100	
Translation on consolidation of foreign subsidiaries	24,249	
Closing balance	<u>488,349</u>	
 Reconciliation – Other reserve		
Opening balance	(2,921,934)	
Acquisition of non-controlling interest	(4,321,093)	
Closing balance	<u>(7,243,027)</u>	

During the half year ended 31 December 2016, 825,000 unlisted options were issued to employees under the Admedus Employee Share Option Plan (ESOP). The total number of options on issue as at 31 December 2016 is 10,025,000. The terms and conditions for the options issued during the period are detailed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

10. 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) are able to 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 issued 825,000 options over ordinary shares in the Company during the half year ended 31 December 2016.

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).

(b) Expenses Arising from Share Based Payment Transactions

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

	31 December 2016	30 June 2016
	\$	\$
Options issued under employee option plan	761,013	1,518,792
Total expenses from share-based transactions	761,013	1,518,792

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

10. SHARE BASED PAYMENTS (Continued)

(c) Fair Value of Options Granted

The assessed fair value at grant date of options granted during the half year ended 31 December 2016 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. The fair value at grant date is determined using a 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.

The model inputs for options granted during the year ended 31 December 2016 included:

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

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 FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 17 February, 2017 Admedus announced the resignation of Executive Director Michael Bennett and the appointment of Simon Buckingham as Non-Executive Director.

12. BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

The condensed half-year financial report is a general-purpose financial report, which has been prepared in accordance with the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*. The half-year financial report has been prepared in accordance with the historical cost convention. Compliance with AASB134 ensures compliance with IAS 34 *Interim Financial Reporting*.

This condensed half-year financial report does not include all the notes of the type normally included within the annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Admedus Ltd during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of previous financial year and corresponding half-year. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Significant accounting judgements and key estimates

The preparation of half-year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

Standards and Interpretations applicable to 31 December 2016

In the half-year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2016.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted applicable to 31 December 2016

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2017.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes of the consolidated entity set out on page 5 to 20 are in accordance with the *Corporations Act 2001*; including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001* and other mandatory professional requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Admedus Ltd will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to be 'Wayne Paterson', written in a cursive style.

Wayne Paterson

Chairman

Perth, Western Australia

Dated this 24 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Admedus Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Admedus Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

M R W Ohm
Partner

Perth, Western Australia
24 February 2017