ADMEDUS LIMITED
ABN 35 088 221 078

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2018

ADMEDUS LIMITED
ABN 35 088 221 078

REGISTERED OFFICE:
Level 9, 301 Coronation Drive
Milton, Queensland, 4064

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DIRECTORS' REPORT

Your Directors present their report on Admedus Limited (the "Company") and the consolidated entity (referred to hereafter as the "Group") for the half-year ended 30 June 2018.

DIRECTORS

The Directors of the Company in office during the whole of the half-year and until the date of this report are as follows:

- John Seaberg
- Wayne Paterson
- Simon Buckingham

Catherine Costello was appointed a director on 23 May 2018 and continues in office at the date of this report.

Mathew Ratty was a director from the beginning of the financial year until his resignation on 20 May 2018.

PRINCIPAL ACTIVITIES

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

- An agreement was signed to allow CardioCel® and VascuCel® to be sold through a major purchasing group which represents more than 1,500 hospitals in the US.
- The CardioCel 3D® product was launched in the US following successful user-evaluation program.
- ADAPT CardioCel® was launched in India following regulatory approval.
- The Infusion business continued to grow steadily with consistent demand for high margin consumable sales and a strategic restructure to focus on expansion and new tender opportunities.
- Regulatory approval was received to launch CardioCel 3D® and VascuCel® products in Canada.
- A capital raising via a Placement and Share Purchase Plan (SPP) was completed during the half year, securing $8.76 million (before costs) in additional investment.
- The Company entered into new distribution agreements for Spain, Portugal and Italy, further expanding the company's revenue opportunities in Europe.
- A Memorandum of Understanding (MOU) was signed with Hong Kong investor Star Bright Holdings Ltd for the future funding of Admedus Vaccines which will result in renewed activity on the immunotherapies clinical development programs and represent significant upside for Admedus Limited.
- The Transcatheter Aortic Valve Replacement (TAVR) project progressed to animal studies following the signing of an agreement with a leading European reference laboratory for trials to commence in the third quarter. It also achieved a critical durability test, passing 400 million cycles which is a key viability measure and allows the project to move to next stage and multiple new TAVR patents applications were filed in the United States.

OPERATING RESULT

The operating result for the period:

	CONSOLIDATED	
	30-Jun 2018 $	31-Dec 2017 $
Loss before Income Tax	**(11,542,095)**	(8,828,576)
Income Tax (Expense)/Benefit	-	-
Loss for the Year	**(11,542,095)**	(8,828,576)

DIVIDENDS

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

DIRECTORS' REPORT (continued)

SHARE CAPITAL

283,999,107 ordinary shares, 15,341,137 unlisted options and 10,568,799 unlisted warrants were on issue as at 30 June 2018.

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.

Review of Operations

The loss for the Group after providing for income tax for the half year ended 30 June 2018 was $11.5 million compared to the prior period loss for the 6 months to 31 December 2017 of $8.8 million. This is largely explained by movements in gross profit and operating costs.

Gross profit for the half year was $6.0 million representing a gross profit margin of 47%, compared to $6.7 million in the prior period representing a margin of 59%. This reduction reflects lower direct product costs associated with sales for the ADAPT and Infusion businesses in the prior period. The gross profit margin was 64% for ADAPT and 42% for the Infusion Business.

Operating costs increased to $17.6 million for the half year compared to $15.9 million for the prior period, primarily driven by higher employee costs associated with talent acquisition, additional research and development activity and a number of one-off expenses related to restructuring the company, partly offset by a credit for share based payments.

During the period, both the Infusion and ADAPT business units performed strongly. Delays in regulatory approvals and resourcing issues in key markets impacted our top line revenue which resulted in a revision of guidance for the remainder of the financial year.

The revitalisation of the ADAPT sales force has seen revenue per head count increase by approximately 150% since the full Company restructure two years ago. The Company continued to push into new markets and territories; introducing CardioCel 3D in North America, launching ADAPT in India, and entering into agreements with distributors in Spain, Portugal and Italy as well as a major group purchasing organisation in the US.

The Infusion business continued to perform and grow consistently throughout this period which included a review to assess and realign its capabilities, organisational footprint and product portfolio that resulted in a change to our supply network.

During this half the Company completed a capital raising through a Placement and Share Purchase Plan that secured $8.76 million (before costs) in additional investment. It also signed a Memorandum of Understanding with a strategic Chinese investor, Star Bright Holdings for an investment of $18 million and ongoing funding into the Immunotherapies division.

Research & Development continued to be a key focus area during this period with work ongoing to progress the Transcatheter Aortic Valve Replacement (TAVR) device and 3D strategic projects. The TAVR project progressed to animal studies following the signing of an agreement with a leading European reference laboratory for trials to commence in the third quarter. It also achieved a critical durability test, passing 400 million cycles which is a key viability measure and allows the project to move to next stage and multiple new TAVR patents applications were filed in the United States.

Corporate activities this period focused on consolidating key functions and territories. The Company addressed resourcing requirements for the Europe and Infusion business units and streamlined its global Human Resources and Information Technology operations. It also held an Annual General Meeting for the July to December 2017 period to complete its transition to a calendar financial year that better aligns reporting dates to sales activities.

Financial Position

The closing cash position for the period was $4.4 million, down by $3.8 million from December 2017 taking into account increased operating costs as noted above.

The company welcomed new investors during this half, following a Share Placement of $6.0 million (excluding costs) via the issue of 20,000,000 shares. Admedus Company Directors took up the opportunity to participate in the Placement, purchasing 2,333,333 ($0.7 million) of these shares which were issued following shareholder approval at an Extraordinary General Meeting (EGM) on 28 June 2018.

A further $2.76 million was raised from a SPP offered to existing investors, at the same issue price as the Placement.

Cash Flow

The net cash outflow during the period was $3.8 million. Operating cash out flows were $10.9 million, reflecting increased net operating costs over the period.

As noted above, the Group received $8.76 million from shares issues, with associated share issue transaction costs of $0.7 million.

DIRECTORS' REPORT (continued)

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Share placement

Post 30 June 2018 a strategic investor, Star Bright Holding Ltd (together with its associates) ("Star Bright") has agreed to subscribe for up to an additional 68,889,502 shares in Admedus raising up to $7.7 million, structured as follows:

- Placement of 42,599,866 shares at a price of $0.10 per share raising $4.3 million, issued on 22 August 2018; and
- Placement of up to 26,289,636 shares at a price of $0.1303 raising $3.4 million, yet to be issued.

Following the issue of all placement shares, Star Bright and its associates will hold 19.99% of the Company's issued shares. Star Bright has agreed not to sell the shares acquired under the placement for 12 months from issue date (except sales that can be made without any disclosure under the Corporations Act, 2001 (Cth)).

New loan facility

Post 30 June 2018 Admedus has entered into a $5 million unsecured loan facility with Star Bright which has now been drawn down. The terms of the facility are:

- 3-year term
- 5% per annum coupon, payable quarterly
- If shareholder approval is obtained, coupon payments can be made by Admedus issuing shares at the then prevailing VWAP during the 5 trading days prior to the interest payment date
- Purpose of loan is to repay the existing term loan from Partners For Growth (PFG) in full with any remainder to be used for working capital
- If Admedus closes a pro rata entitlement offer within three months (which is the Company's intention), the amount of the loan equal to the dollar amount of Star Bright's and its associates' rights issue entitlement that they take up under that offer is repayable at that time
- The Company has the discretion to fully repay the loan at any time after three months and prior to maturity, subject to a 3% prepayment fee

The PFG loan (which had an interest rate of 11.75%) was fully repaid on 28 August 2018 and the security granted under that loan will now be released.

Board composition

In recognition of Star Bright's commitment to providing funding for the Company, three directors nominated by Star Bright will join the Board of Admedus. Admedus will advise the Australian Securities Exchange of Star Bright's nominee directors at the appropriate time.

Apart from the share placement, new loan facility, repayment of the existing PFG loan, new Board members and consideration of asset divestments, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the group, the results of those operations, or the state of affairs of the Group, in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

John Seaberg
Chairman

Dated 31 August 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated interim financial report of Admedus Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Perth, Western Australia	**M R Ohm**
31 August 2018	**Partner**

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE HALF YEAR ENDED 30 JUNE 2018

		CONSOLIDATED	
	Note	**30 JUNE 2018 $**	31 DECEMBER 2017 $
Revenue from continuing operations	7	**12,799,223**	11,305,079
Cost of sales		**(6,772,136)**	(4,636,699)
Gross profit		**6,027,087**	6,668,380
Other income	7	**20,430**	406,972
Employee benefits	8	**(12,194,639)**	(10,644,514)
Consultancy and legal fees		**(1,114,545)**	(992,577)
Travel and conference expenses		**(1,194,839)**	(1,247,121)
Research and development costs		**(1,576,706)**	(597,557)
Share based payments	13	**409,533**	(355,073)
Depreciation and amortisation expense	8	**(660,123)**	(897,941)
Financing costs	8	**(463,153)**	(252,782)
Fair value of movement of warrant		**43,420**	(211,342)
Other expense		**(838,560)**	(705,021)
Loss before income tax from continuing operations		**(11,542,095)**	(8,828,576)
Income tax (expense)/benefit	9	**-**	-
Loss after income tax for the period		**(11,542,095)**	(8,828,576)
Total loss is attributable to:			
Owners of Admedus Limited		**(11,287,584)**	(8,631,786)
Non-controlling interest		**(254,511)**	(196,790)
		(11,542,095)	(8,828,576)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		**Cents**	Cents
Basic loss per share		**(3.97)**	(3.39)
Diluted loss per share		**n/a**	n/a

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

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2018

		CONSOLIDATED	
	Note	**30 JUNE 2018 $**	31 DECEMBER 2017 $
Loss for the period		**(11,542,095)**	(8,828,576)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(100,810)**	(568,921)
Other comprehensive income for the period, net of tax		**(100,810)**	(568,921)
Total comprehensive loss		**(11,642,905)**	(9,397,497)
Total comprehensive loss is attributable to:			
Owners of Admedus Limited		**(11,388,394)**	(9,200,707)
Non-controlling interest		**(254,511)**	(196,790)
		(11,642,905)	(9,397,497)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		CONSOLIDATED	
	Note	**30 JUNE 2018 $**	31 DECEMBER 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents		**4,425,861**	8,254,823
Trade and other receivables		**4,139,600**	4,718,096
Inventories		**5,700,493**	5,553,620
Total Current Assets		**14,265,954**	18,526,539
Non-Current Assets			
Property, plant & equipment		**3,809,726**	3,680,744
Intangibles		**5,690,074**	5,913,774
Deferred asset		**248,944**	248,944
Total Non-Current Assets		**9,748,744**	9,843,462
TOTAL ASSETS		**24,014,698**	28,370,001
LIABILITIES			
Current Liabilities			
Trade and other payables		**5,539,708**	5,448,470
Employee benefit provisions		**1,048,064**	875,651
Borrowings	10	**4,449,026**	4,766,449
Financial liability - warrant		**305,024**	248,766
Deferred consideration		**400,000**	400,000
Total Current Liabilities		**11,741,822**	11,739,336
Non-Current Liabilities			
Lease make good provisions		**559,162**	553,631
Deferred consideration		**763,844**	1,150,619
Total Non-Current Liabilities		**1,323,006**	1,704,250
TOTAL LIABILITIES		**13,064,828**	13,443,586
NET ASSETS		**10,949,870**	14,926,415
EQUITY			
Contributed equity	14	**114,101,524**	106,025,631
Reserves		**(2,991,573)**	(2,481,230)
Accumulated losses		**(100,748,788)**	(89,461,204)
Capital and reserves attributable to equity holders of Admedus		**10,361,163**	14,083,197
Non-controlling interest		**588,707**	843,218
TOTAL EQUITY		**10,949,870**	14,926,415

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Share Capital	Share-based payments reserve	Other Reserves	Foreign currency translation reserve	Accumulated Losses	Total	Non-controlling Interest	Total Equity
	$	$	$	$	$	$	$	$
Balance at 30 June 2017	106,025,631	4,612,335	(7,243,027)	363,310	(80,829,418)	22,928,831	1,040,008	23,968,839
Loss for the period					(8,631,786)	(8,631,786)	(196,790)	(8,828,576)
Exchange translation differences	-	-	-	(568,921)	-	(568,921)	-	(568,921)
Total comprehensive loss	-	-	-	(568,921)	(8,631,786)	(9,200,707)	(196,790)	(9,397,497)
Transactions with owners in their capacity as owners								
Options issued during the period	-	355,073	-	-	-	355,073	-	355,073
Balance at 31 December 2017	106,025,631	4,967,408	(7,243,027)	(205,611)	(89,461,204)	14,083,197	843,218	14,926,415
Loss for the period	-	-	-	-	**(11,287,584)**	**(11,287,584)**	**(254,511)**	**(11,542,095)**
Exchange translation differences	-	-	-	**(100,810)**	-	**(100,810)**	-	**(100,810)**
Total comprehensive loss	-	-	-	**(100,810)**	**(11,287,584)**	**(11,388,394)**	**(254,511)**	**(11,642,905)**
Transactions with owners in their capacity as owners								
Shares issued during the period	**8,761,072**	-	-	-	-	**8,761,072**	-	**8,761,072**
Capital raising costs	**(685,179)**	-	-	-	-	**(685,179)**	-	**(685,179)**
Options issued during the period	-	**(409,533)**	-	-	-	**(409,533)**	-	**(409,533)**
Balance at 30 June 2018	**114,101,524**	**4,557,875**	**(7,243,027)**	**(306,421)**	**(100,748,788)**	**10,361,163**	**588,707**	**10,949,870**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Note	CONSOLIDATED	
		30 JUNE 2018 $	31 DECEMBER 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**14,169,585**	11,383,314
Payments to suppliers		**(24,838,070)**	(17,914,986)
Interest paid		**(244,737)**	(109,340)
Interest received		**34,098**	14,705
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(10,879,124)**	(6,626,307)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		**(419,959)**	(782,109)
Payments for intangible assets		**-**	(361,866)
Payments to acquire investments		**(400,000)**	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(819,959)**	(1,143,975)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share or options issues		**8,761,072**	816
Share issue transaction costs		**(459,211)**	-
Proceeds from borrowings		**-**	5,000,000
Repayment of borrowings		**(333,333)**	-
Term facility transaction costs		**(28,321)**	(497,888)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**7,940,207**	4,502,928
NET DECREASE IN CASH HELD		**(3,758,876)**	(3,267,354)
CASH AT BEGINNING OF THE PERIOD		**8,254,823**	11,260,657
Exchange rate adjustments		**(70,086)**	261,520
CASH AT END OF THE PERIOD		**4,425,861**	8,254,823

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

1. REPORTING ENTITY

Admedus Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial statements as at and for the half year ended 30 June 2018 comprise the Company and its controlled entities (the "Group"). For the purpose of preparing the interim financial statements, the Company is a for-profit entity.

The consolidated financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial liabilities which have been measured at fair value through profit or loss and certain classes of derivative financial instruments.

The consolidated financial statements of the Group as at and for the period ended 31 December 2017 are available upon request from the Company's registered office at Level 9, 301 Coronation Drive Milton Qld 4064 or at www.admedus.com.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The condensed consolidated interim financial report does not include all the information required for a complete set of annual financial statements and should be read in conjunction with the financial statements for the six-month accounting period ended 31 December 2017 and any public announcements made by the Company during the half-year period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated interim financial statements were approved by the Board of Directors on 31 August 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those adopted and disclosed in the Group's financial statements for the six-month accounting period ended 31 December 2017, apart from the inclusion of AASB 15 *Revenue from Contracts with Customers* as noted below. The Group has assessed the impact of the new standard AASB 9 *Financial Instruments* and concluded there is no material impact on the Group's results. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

The group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2018 which has resulted in changes in Admedus' revenue accounting policy. AASB 15 supersedes AASB 118 *Revenue*. The adoption of this new standard has neither an impact on the timing of recognition, nor on the measurement of revenue in respect of sales for the Infusion and ADAPT business units.

New Revenue Policy

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

Standards and Interpretations in issue not yet adopted

The Directors have reviewed all Standards and Interpretations in issue not yet adopted for the period ended 30 June 2018. As a result of this review, the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted by the Company, and therefore, no change is necessary to Group accounting policies.

The key new standard reviewed by the Group was AASB 16 Leases, which addresses the classification, measurement and recognition of leases. The changes will primarily affect the accounting by lessees and will result in almost all leases being recognised on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals. The exceptions are short-term and low value leases.

As at 31 December 2017, the Group had operating lease commitments of $1.1 million. Refer note 16 in the Annual Report for the period July - December 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Interpretations in issue not yet adopted (continued)

The Group has conducted a preliminary assessment of the forecast impact of AASB 16 on the Group's profit or loss result and balance sheet. There will be an increase in both right-of-use assets and lease liabilities and a reclassification of lease costs to interest and depreciation on adoption of AASB 16. The impact on the Group's net assets and profit or loss result is not expected to be material, however the impact will be dependent on the leasing arrangements in place when the standard becomes effective. The mandatory application date for the Group is for the financial year ending 31 December 2019. The Group does not intend to adopt the standard before its effective date.

4. ESTIMATES AND JUDGEMENTS

In preparing these consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 applied to the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

Intangibles
The Group performed an impairment assessment at reporting date for the ADAPT cash generating unit, with no impairment arising as at 30 June 2018.

5. 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 $11,542,095 and had net cash outflows from operating activities of $10,879,124 for the six-months ended 30 June 2018. As at that date, the Group had cash balances of $4,425,861 and net working capital of $2,524,132.

For June 2018, the Group was in breach of a Quick Ratio covenant in relation to its PFG loan. Although the Company had been in negotiations with PFG about the necessary waivers and was confident of receiving them, the loan became payable on demand and is disclosed as a Current Financial Liability in the Condensed Statement of Financial Position. Subsequent to the end of the period the Company secured funding (refer below) and advised PFG they were prepaying the loan replacing it with an unsecured loan payable in 3 years, unless the Company at its absolute discretion elects to prepay the new loan. The PFG loan was repaid on 28 August 2018.

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:

- A share placement of $7.7 million completed with $4.3 million already received
- A loan of $5 million from a strategic investor, Star Bright Holding Ltd and associates ("Star Bright"), received in August 2018 resulting in the payout of the PFG Term Debt
- An intended rights issue targeting at least $6.0 million (before costs) net of Star Bright's rights entitlement. The equivalent quantum of Star Bright's entitlement will be applied to reduce the new loan
- Positive net working capital and cash balances totalling $2,524,132
- Contract wins for the Infusion business
- Advanced negotiations to secure funding for Admedus Vaccines
- Potential divestment of assets
- Recently introduced product lines such as CardioCel® Neo, VascuCel®, and CardioCel® 3D that are at varying stages of penetration in our existing markets
- New product lines to be launched such as CardioCel® 3D Stage 1 Arch, Half Pipe Conduit and Adult AV Leaflets that are at varying stages of design development, regulatory clearance and user evaluation
- New markets for the Groups ADAPT® products including India, Australia, Philippines, Taiwan, Vietnam, Israel, Thailand, Mexico, Japan and Spain
- New partnerships and alliances for ADAPT and TAVR products
- Monitoring, management and containment of operational costs, including R&D costs, and capital expenditures
- A remuneration review undertaken by the Company

FOR THE HALF YEAR ENDED 30 JUNE 2018

5. GOING CONCERN (CONTINUED)

The ability of the Company and the Group to continue as going concerns and fund the path to profitability is dependent upon securing additional funds in the coming months from amongst a range of sources/opportunities including issuing new equity and divestment of assets. The Directors believe that the Company and Group has the ability to raise equity finance.

Notwithstanding the above factors, as a company moving towards profitability is dependent upon continuing support from current shareholders and financiers, should the Company and the Group not receive the forecast cash inflows and additional funding referred to above there are material uncertainties as to whether the Company and the Group will be able to continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

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

6. SEGMENT REPORTING

(a) Description of segments

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

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

Segment information

	Infusion Business	ADAPT Business	Regenerative medicine R&D	Immunotherapies R&D	Total
	$	$	$	$	$
30 JUNE 2018					
Total segment revenue	**7,902,667**	**4,896,556**	**-**	**-**	**12,799,223**
Segment profit/(loss)	**1,198,444**	**(7,043,313)**	**(3,615,512)**	**(1,324,019)**	**(10,784,400)**
Segment assets	**5,601,125**	**11,182,365**	**2,563,012**	**4,419,252**	**23,765,754**
Segment liabilities	**1,693,265**	**4,464,851**	**1,489,455**	**663,207**	**8,310,778**
Depreciation & amortisation	**21,914**	**390,447**	**164,798**	**82,964**	**660,123**
31 DECEMBER 2017					
Total segment revenue	7,508,488	3,796,591	-	-	11,305,079
Segment profit/(loss)	(1,320,903)	(4,960,805)	(1,694,446)	(852,422)	(8,828,576)
Segment assets	6,005,318	9,507,857	2,817,700	4,790,182	23,121,057
Segment liabilities	2,646,139	3,743,697	1,828,486	210,049	8,428,371
Depreciation & amortisation	117,140	293,206	233,553	254,042	897,941

FOR THE HALF YEAR ENDED 30 JUNE 2018

6. SEGMENT REPORTING (CONTINUED)

(b) Other segment information

(i) Segment result

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

	CONSOLIDATED	
	30 JUNE 2018 $	31 DECEMBER 2017 $
Segment loss	**(10,784,400)**	(8,828,576)
Unallocated:		
Corporate and administration expenses	**(757,695)**	-
Loss before income tax from continuing operations	**(11,542,095)**	(8,828,576)

Sales between segments are carried out at arm's length and are eliminated on consolidation.

(ii) Segment assets and liabilities

Segment assets and liabilities are those that are directly attributable to a segment and he 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	
	30 JUNE 2018 $	31 DECEMBER 2017 $
Segment assets	**23,765,754**	23,121,057
Intersegment eliminations		
Unallocated:		
Cash and cash equivalents	**-**	5,000,000
Deferred Asset	**248,944**	248,944
Total assets per the statement of financial position	**24,014,698**	28,370,001

Reportable segment liabilities reconciled to total liabilities as follows:

	CONSOLIDATED	
	30 JUNE 2018 $	31 DECEMBER 2017 $
Segment liabilities	**8,310,778**	8,428,371
Intersegment eliminations		
Unallocated:		
Borrowings	**4,449,026**	4,766,449
Financial liability - warrant	**305,024**	248,766
Total liabilities per the statement of financial position	**13,064,828**	13,443,586

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

7. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	30 JUNE 2018 $	31 DECEMBER 2017 $
Revenue from continuing operations		
Sale of goods		
At a point in time		
Infusion Business - Capital sales	**322,144**	82,546
Infusion Business - Consumable sales	**7,580,523**	7,425,942
ADAPT Business - Direct sales	**2,599,860**	2,038,728
ADAPT Business - Agent & distributor sales	**2,296,696**	1,757,863
	12,799,223	11,305,079
Other income		
Interest income	**12,711**	39,671
Grant income	**-**	365,336
Sundry income	**7,719**	1,965
Total other income	**20,430**	406,972

8. EXPENSES

	CONSOLIDATED	
	30 JUNE 2018 $	31 DECEMBER 2017 $
Depreciation and amortisation		
Depreciation	**436,423**	430,015
Amortisation	**223,700**	467,926
	660,123	897,941
Employment expenses		
Remuneration and on-costs	**11,185,860**	9,485,196
Superannuation expense	**539,575**	381,746
Other employee benefits	**469,204**	777,572
	12,194,639 1	10,644,514

[1] Higher employee costs associated with talent acquisition and a number of one-off expenses related to restructuring the company

Share based payments	**(409,533)**	355,073
Operating lease rental expense	**416,318**	297,736

8. EXPENSES (CONTINUED)

	CONSOLIDATED	
	30 JUNE 2018 $	31 DECEMBER 2017 $
Finance costs		
Interest and finance charges paid/payable	**313,425**	141,059
Interest received on term deposit (investment of loan funds)	**(12,935)**	(21,163)
Amortisation of loan transactions costs	**44,231**	15,392
Difference between consideration paid for warrant and inception day fair value	**99,677**	36,608
Unwind discount on non-current liabilities	**18,755**	80,886
	463,153	252,782

9. INCOME TAX

	CONSOLIDATED	
	30 JUNE 2018 $	31 DECEMBER 2017 $
(a) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	**(11,542,095)**	(8,828,576)
Tax expense/(benefit) at the Australian tax rate of 27.5% (Six month period to 31 Dec 2017: 27.5%)	**(3,174,076)**	(2,427,859)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Share based payments	**(112,621)**	96,873
Sundry items – net non-deductible/(non-assessable)	**439,818**	181,446
Subtotal	**(2,846,879)**	(2,149,540)
Adjustment for difference in foreign tax rates	**355,348**	47,974
Total tax expense/(benefit)	**(2,491,531)**	(2,101,566)
Deferred tax – current period benefits not recognised	**(2,491,531)**	(1,503,576)
Deferred tax – reversal of prior period temporary differences	**-**	(597,990)
Income tax expense/(benefit)	**-**	-

10. BORROWINGS

Financial liabilities - borrowings

	CONSOLIDATED	
	30 JUNE 2018 $	31 DECEMBER 2017 $
Borrowings - current	**4,666,667**	5,000,000
Capitalised borrowing costs	**(217,641)**	(233,551)
	4,449,026	4,766,449

Admedus Limited holds a secured debt facility with Partners for Growth (PFG). This facility includes a $5 million revolving line of credit (RLOC) at an interest rate of 9.75% and a $5 million term loan at an interest rate of 11.75%. Both the RLOC and term loan are repayable in October 2020. At 31 December 2017, the term loan facility was fully drawn. Monthly principal repayments commenced in April 2018, with total repayments of $333,333 as at 30 June 2018. PFG has been granted a first-ranking security for the loans on all assets of the Company and most wholly-owned group companies.

For the June 2018 month, the Group was in breach of a Quick Ratio covenant in relation to its PFG loan. Consequently, the loan became payable on demand and is disclosed as a Current Financial Liability in the Condensed Statement of Financial Position.

Subsequent to the end of the period, the Company secured funding and advised PFG they were prepaying the loan replacing it with an unsecured loan payable in 3 years[1], unless the Company at its absolute discretion elects to prepay the new loan. The PFG loan was repaid on 28 August 2018. Refer to Note 16: Events Occurring After the Reporting Period for further details.

[1] If Admedus closes a pro rata entitlement offer within three months (which is the Company's intention), the amount of the loan equal to the dollar amount of Star Bright's and its associates' rights issue entitlement that they take up under that offer is repayable at that time.

11. FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities and their levels in the fair value hierarchy, together with the carrying amounts shown in the condensed consolidated balance sheet, are set out below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The definition of the fair value levels are the same as those that applied to the annual consolidated financial statements for the period ended 31 December 2017.

	30 June 2018		**31 December 2017**	
Consolidated	**Carrying Amount $**	**Fair Value $**	**Carrying Amount $**	**Fair Value $**
Financial Assets				
Cash and cash equivalents (i)	**4,425,861**		8,254,823	
Trade and other receivables (i)	**4,139,600**		4,718,096	
Deferred asset (i)	**248,944**		248,944	
Total Financial Assets	**8,814,405**		13,221,863	
Financial Liabilities				
Trade and other payables (i)	**5,539,708**		5,448,470	
Deferred consideration (i)	**1,163,844**		1,550,619	
Borrowings (i)	**4,449,026**		4,766,449	
Warrant (ii)	**305,024**	**305,024**	248,766	248,766
Total Financial Liabilities	**11,457,602**		12,014,304	

(i) The Group has not disclosed the fair values for financial assets, trade and other payables, deferred consideration and borrowings, as their carrying amounts are a reasonable approximation of fair values.
(ii) A warrant was issued to PFG in October 2017 in conjunction with receiving the loan facility. This financial liability is deemed Level 2 in the fair value hierarchy, consistent with December 2017. The warrant was revalued at 30 June 2018 on the same basis as outlined in note 6 in the July - December 2017 Annual report. Post balance date the balance of the loan facility was repaid in full (refer to note 16: Events Occurring After the Balance Date), however the warrant remains.

12. CONTINGENT LIABILITIES

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

13. SHARE BASED PAYMENTS

(a) Employee Share Option Plan

The new Admedus Employee Share Option Plan (ESOP) was approved by shareholders at the 2017 Annual General Meeting. Eligible employees can participate in the Plan. The previous ESOP in place for the Company was approved by shareholders at the 2015 Annual General Meeting. The terms and conditions of the ESOP's are disclosed in the consolidated financial statements for the 6 month period ended 31 December 2017.

The Company issued 6,521,130 staff options over ordinary shares in the Company during the six-months to 30 June 2018 (6 months to 31 December 2017: 1,650,000). These were split as follows:

- On 8 June 2018, the Company issued 4,371,130 options to executive directors and employees under the ESOP (relating to the Long Term Incentive Scheme) at an exercise price of $0.37 (Tranche G).
- On 8 June 2018, the Company issued 2,150,000 options to employees under the ESOP (relating to sign on options committed under employment contracts) at an exercise price of $0.30 (Tranche H).

(b) Recognised in Profit or Loss

During the half year ended 30 June 2018 a credit of $409,533 (2017: expense of $355,073) was recognised by the Group.

(c) Fair Value of Options Granted

The assessed fair value at grant date of options granted during the period was 17.0 cents per option for Tranche G and 18.0 cents per option for Tranche H. The fair value at grant date is determined using a Black-Scholes option pricing model that considers the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the period ending 30 June 2018 included:

	Tranche G	**Tranche H**
Exercise price:	$0.37	$0.30
Grant date:	8 June 2018	8 June 2018
Expiry date:	31 December 2027	31 December 2027
Share price at grant date:	$0.26	$0.26
Expected price volatility of the company's shares:	70%	70%
Risk-free interest rate:	2.18%	2.18%
Fair value at grant date:	$0.17	$0.18

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

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

14. CONTRIBUTED EQUITY

	SHARES		$	
	30-Jun 2018	31-Dec 2017	**30-Jun 2018**	31-Dec 2017
(a) Share Capital				
Ordinary shares				
Fully paid	**283,999,107**	254,795,534	**114,101,524**	106,025,631

	Date	Notes	No. shares	Issue Price	$
(a) Movements in Ordinary Share Capital					
Details					
Balance	**30-06-17**		**254,795,534**		**106,025,631**
Nil Movement			-		-
Balance	**31-12-17**		**254,795,534**		**106,025,631**
Share Placement to new investors			17,666,667	0.30	5,300,000
Share Placement to directors			2,333,333	0.30	700,000
Share Purchase Plan			9,203,573	0.30	2,761,072
Transaction Costs					(685,179)
Balance	**30-06-18**		**283,999,107**		**114,101,524**

15. DIVIDENDS

No dividends have been declared or paid during the period.

16. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Share placement

Post 30 June 2018 a strategic investor, Star Bright Holding Ltd (together with its associates) ("Star Bright") has agreed to subscribe for up to an additional 68,889,502 shares in Admedus raising up to $7.7 million, structured as follows:

- Placement of 42,599,866 shares at a price of $0.10 per share raising $4.3 million, issued on 22 August 2018; and
- Placement of up to 26,289,636 shares at a price of $0.1303 raising $3.4 million, yet to be issued.

Following the issue of all placement shares, Star Bright and its associates will hold 19.99% of the Company's issued shares. Star Bright has agreed not to sell the shares acquired under the placement for 12 months from issue date (except sales that can be made without any disclosure under the Corporations Act, 2001 (Cth)).

New loan facility

Post 30 June 2018 Admedus has entered into a $5 million unsecured loan facility with Star Bright which has now been drawn down. The terms of the facility are:

- 3-year term
- 5% per annum coupon, payable quarterly
- If shareholder approval is obtained, coupon payments can be made by Admedus issuing shares at the then prevailing VWAP during the 5 trading days prior to the interest payment date
- Purpose of loan is to repay the existing term loan from Partners For Growth (PFG) in full with any remainder to be used for working capital

16. EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTINUED)

- If Admedus closes a pro rata entitlement offer within three months (which is the Company's intention), the amount of the loan equal to the dollar amount of Star Bright's and its associates' rights issue entitlement that they take up under that offer is repayable at that time
- The Company has the discretion to fully repay the loan at any time after three months and prior to maturity, subject to a 3% prepayment fee

The PFG loan (which had an interest rate of 11.75%) was fully repaid on 28 August 2018 and the security granted under that loan will now be released.

Board composition

In recognition of Star Bright's commitment to providing funding for the Company, three directors nominated by Star Bright will join the Board of Admedus. Admedus will advise the Australian Securities Exchange of Star Bright's nominee directors at the appropriate time.

Apart from the share placement, new loan facility, repayment of the existing PFG loan, new Board members and consideration of asset divestments, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The interim 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 2018 and of the performance for the period ended on that date of the consolidated entity;

   (c) comply with International Financial Reporting Standards.

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

3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 303 (5) of the *Corporations Act 2001*.

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

John Seaberg
Chairman

Dated 31 August 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Admedus Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Admedus Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2018, the condensed consolidated statement of profit or loss, condensed consolidated statement of 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.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 30 June 2018 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*.

Material uncertainty related to going concern

We draw attention to Note 5 in the interim financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the interim *financial report*

The directors of the company are responsible for the preparation of the interim 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 interim 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 interim 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

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us believe that the interim 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 30 June 2018 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 an interim 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*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
31 August 2018