INNOVATIVE HEALTH SOLUTIONS

ADMEDUS LTD ABN 35 088 221 078

ANNUAL REPORT 2016

Admedus is a global healthcare company that develops, commercialises and distributes next generation medical technologies and devices. Our mission is to empower our people to develop technologies and create partnerships that deliver life-changing solutions for the global community.

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Stock Exchange

Shares listed on the Australian Stock Exchange
ASX Code: AHZ

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FROM THE CHAIRMAN

IT GIVES ME GREAT PLEASURE TO PRESENT OUR ANNUAL REPORT FOR THE YEAR ENDING 30 JUNE 2016.

It has been a significant year for Admedus, with the business undertaking a restructure of the board and management team, and the initiation of a global review of operations to identify areas for improvement and to significantly accelerate our path to profitability.

The findings of the review, were presented to shareholders in July 2016 and the management team is currently in the process of implementing required changes. This includes reducing expenditure, optimising resources, prioritising near-market products in our R&D programs, driving sales of CardioCel® globally and expanding the CardioCel® product range.

Activity over the past 12 months, has put Admedus in a positive position for further growth and expansion. We have made a number of strategic management appointments, particularly in our finance, commercial and manufacturing teams, and have structured our sales team around performance and regional growth to maximise returns from CardioCel®. The Company has also begun to reshape its presence in the cardiovascular market globally with a particular emphasis on the US, EU and emerging markets. We are significantly expanding our marketing programs to ensure much higher levels of market penetration in the key markets.

Over the last year, we have expanded our lead regenerative tissue bio-scaffold CardioCel® franchise into the Asian region, including the approval and first sales of CardioCel® in Malaysia. This follows prior approvals and sales in Hong Kong and Singapore in 2015. We remain focused on driving sales of CardioCel® in emerging markets, such as the Middle East and North Africa (MENA) region, and we are working with our local partner Genpharm to achieve this, with first sales announced earlier this year. Looking forward, expansion in Asian and emerging markets remains important and we will be focused on this in the coming year and beyond.

During the year, we achieved a label expansion for CardioCel® in Europe, which allows the product to be used in valve repair and reconstructions, a significant part of the broader cardiovascular market. This label expansion is expected to grow our market share in Europe, particularly in adult patients, as well as provide important data on CardioCel® moving forward. We remain focused on seeking additional approvals for CardioCel® globally, as well as diversifying our CardioCel® range to target various cardiovascular indications.

We remain focused on seeking additional approvals for CardioCel globally, as well as diversifying our CardioCel® range to target various cardiovascular indications.

During the period Admedus released initial positive results from its Phase II HSV-2 study, with further results expected in 4th quarter 2016.

Admedus has one of the largest infusion product ranges on the market in Australia and New Zealand. Our team has been working hard to drive sales, with revenue increasing again this year. In May 2016, we announced a major supply contract for the installation of the arcomed ag Chroma Infusion pump system at the new Royal Adelaide Hospital. The five-year supply contract, which includes ongoing technical and clinical support and dedicated consumable products for use with the infusion systems, will provide a substantial revenue boost for Admedus, further adding to the division's year on year sales growth.

During the year we made important progress in our immunotherapies programs and it remains an exciting area for patients and investors alike. Utilising DNA vaccine technology discovered by immunologist Professor Ian Frazer, we are developing therapeutic vaccines to target Herpes Simplex Virus 2 (HSV-2) and human papillomavirus (HPV). In March 2016, we announced interim data from our Phase II HSV-2 therapeutic vaccine trial, which targets a $6 billion yearly market. The results showed no safety issues and a marked decrease in viral lesions (outbreaks) in study participants.

Further Phase II HSV-2 trial results are expected to be announced in the 4th quarter of 2016. Over the past year we have continued to invest in the immunotherapies business, increasing our shareholding to 72.8% of the Company.

Our manufacturing division, which is responsible for the production and distribution of CardioCel®, is progressing strongly and we are proud to say that we were recently awarded 'Manufacturer of the Year' and 'Most Innovative Manufacturer' at the 2016 Manufacturers' Monthly Endeavour Awards. Admedus has an active program across a number of projects to improve our manufacturing processes and ensure we are continually improving efficiencies, and increasing manufacturing yields and product margins.

Admedus' results for the financial year ending 30 June 2016 reflect a productive period for the Company. Revenue rose by 41.5% to $14.1M and this included $5.3M in revenue from CardioCel®, which has experienced consistent quarter on quarter growth. The new supply contract with Royal Adelaide Hospital is expected to have a significant impact on the 2017 financial year, with total revenue forecast to grow by over 50% to $21M.

We are also taking steps to reduce our expenses and implement substantial cost savings, which includes the reduction of full-time employees by 30% and manufacturing and operational improvements.

Admedus is in a transition phase from "launch" to "established business" and I am very confident that our leading technologies and updated strategic direction will see us become a profitable, global healthcare company in the near-future.

On behalf of the board and management I would like to thank our shareholders for their ongoing support and look forward to sharing this journey with you.

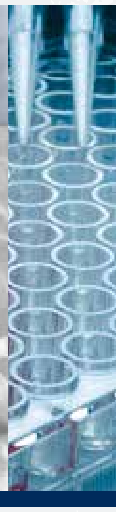
Wayne Paterson
Chairman

Admedus Limited

ADMEDUS' MILESTONES

2015





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www.admedus.com

Follow us online at

www.facebook.com/admedus

www.twitter.com/admedus

www.youtube.com/c/admedushealth

www.linkedin.com/company/admedus

27 August

Admedus given the green light to continue its HSV-2 Phase II study by an independent Safety Review Committee after examining initial safety data from first group of subjects dosed

03 September

Admedus launched new 2cm x 2cm CardioCel® bio-scaffold for repair and reconstruction of congenital heart defects (CHD) as part of a product extension strategy

23 September

Initiated post-market clinical study in aortic tri-leaflet reconstruction using CardioCel®

30 September

Collaborated with the Ear Science Institute Australia to use its regenerative cell biology expertise to facilitate the delivery of stem cells on ADAPT® tissue in both in vitro and in vivo models

05 October

Attended prestigious European Association for Cardiothoracic Surgery meeting in Amsterdam and presented positive data from a pre-clinical aortic trileaflet reconstruction study using CardioCel®

06 October

Released data from the pre-clinical aortic trileaflet reconstruction study using CardioCel® showing successful valve reconstructions and support the use of CardioCel® in the complete reconstruction of aortic heart valves

04 November

First sales of CardioCel® in Malaysia

09 November

CardioCel® European label expanded to include valve and annular repair

22 December

US$5M placement of shares to US healthcare institutional investor

2016

Admedus achieved a number of milestones throughout the 2015/16 financial year.

03 February

First sales of CardioCel® in the Middle East and North African (MENA) region

04 March

Interim Phase II HSV-2 clinical data released showing no safety issues and a marked decrease in viral lesions (outbreaks) in study participants with a drop of over 90% in the monthly rate versus baseline

11 May

Admedus represented at leading US Heart Conferences: American Association for Thoracic Surgery (AATS) Aortic Symposium and the 96th AATS Annual Meeting

13 May

Admedus awarded 'Manufacturer of the Year' and 'Most Innovative Manufacturing Company' at the 2016 Manufacturers' Monthly Endeavour Awards

25 May

Admedus announced major five-year supply contract for the installation of the arcomed ag Chroma Infusion pump system at the new Royal Adelaide Hospital in Australia

11 July

Admedus released the results of its global restructuring initiative, which addressed issues such as costs, commercial performance and strategic priorities for the Company

22 August

Long-term CardioCel® study shows no evidence of calcification after eight years' post-implant in paediatric patients

26 August

Admedus announced it is relocating its corporate services functions to Brisbane, Australia, combining Finance, HR, IT and Customer Service with the commercial headquarters for its Infusion division and CardioCel® in the emerging markets

2016 REVIEW OF OPERATIONS

2016 HAS BEEN A TRANSITION YEAR FOR ADMEDUS, AS WE PROGRESS FROM THE LAUNCH OF CARDIOCEL® INTO A GROWTH PHASE.

Towards the end of the period we initiated a Company-wide restructure that will result in tighter financial controls, ongoing sales growth and expansion of our near-market portfolio.

Admedus achieved revenue of $14.1M in 2016, up 41.5% on the previous year. This included $5.3M in revenue from CardioCel®, which has experienced consistent quarter on quarter growth since launch. During the period, we also had another year of sales growth in our medical products infusion solutions division, with sales up to $8.9M for the full year. Admedus was awarded a five-year supply contract with the new Royal Adelaide Hospital, announced in May 2016, and this is expected to contribute significantly to revenue in FY17.

The loss for the period was $24M, with a closing cash balance of $8.8M. Admedus received $3.3M in R&D tax rebates during the period and anticipates additional R&D tax rebates in the coming financial year. This loss included approximately $2M in depreciation of plant and equipment, amortisation of intangible assets and asset write-downs on products. We have since undertaken a placement of $10M, as well as a $8.3M renounceable rights issue in the new financial year, placing the Company in a strong financial position as it enters into the 2017 financial year.

Beyond sales, our main focus over the past 12 months has been marketing our ADAPT® technology and our lead regenerative tissue product CardioCel® in the US, Europe and Asian markets. We have continued to develop new product opportunities and anticipate expanding the CardioCel® product franchise in the 2017 financial year. The Company continues to invest in its manufacturing facility in Western Australia, as we look to increase margins and reduce costs and expenses in this area.

Over the past year we also invested further into the immunotherapies business increasing our holding to 72.8%. The HSV-2 program progressed into Phase II clinical studies and the HPV program progressed towards clinical programs.

Throughout the past 12 months, we have remained focused on delivering results to shareholders, but also on ensuring the success of the Company over the coming years.

Admedus is a rapidly growing healthcare company with best in class products in significant medical markets.

Admedus secured a major five-year supply contract for the installation of arcomed ag Chroma Infusion pumps at the new Royal Adelaide Hospital in Australia, which will significantly boost revenue in 2017.

During the year Admedus achieved a number of major milestones including:

- An expansion of CardioCel®'s European label to include valve and annulus repair giving us further market share and opening up the important adult market.
- First sales of CardioCel® in Malaysia and the MENA region.
- Securing a major five-year supply contract for the installation of the arcomed ag Chroma Infusion pump system at the new Royal Adelaide Hospital in Australia, which will significantly boost revenue in 2017.
- Positive interim Phase II HSV-2 clinical data showing no safety issues and a marked decrease in viral lesions (outbreaks) in study participants with a drop of over 90% in the monthly rate versus baseline.

Admedus also became operationally stronger after undertaking an extensive restructuring initiative to address issues such as costs, commercial performance and strategic priorities. The key objectives of the restructuring initiative were to improve commercial effectiveness and significantly accelerate our path to profitability.

2016 Review of Operations continued

As part of our new strategic direction we are focused on implementing improvements to manufacturing gross margins and productivity, sales team performance, providing greater transparency to shareholders and tightening our company structure.

We are also focused on addressing all facets of our R&D programs to ensure we are prioritising our resources to projects that are the most likely to succeed and benefit the company and shareholders in the near-term.

Admedus looking forward

Admedus is a rapidly growing healthcare company with best in class products in significant medical markets. With a de-risked profile, a successful product on the market that is generating revenue, and several near-term products in development, we are optimistic about the future.

Towards the end of the 2016 financial year, we initiated a review of the Company's operations with a focus on accountability and growth in the coming financial years. In the last quarter of the 2016 financial year through to the current period, we continue to reduce costs and focus on near-term revenue growth to create a clear path to profitability.

During this time, we made several strategic appointments to strengthen the Company's operations across its commercial, manufacturing and finance divisions. In early July 2016, we welcomed Scott Bliss as Admedus' Chief Technical Operations Officer, who is responsible for expanding our manufacturing operations globally as well as implementing cost and quality improvements at our manufacturing facility. More recently, we appointed ex-Cochlear Director of Finance, Mark Ziirsen as our new Chief Financial Officer.

These appointments will bring significant value to our commercial operations. The Company also made the decision to move corporate services to Brisbane Australia, in order to be more aligned with the commercial operations of the business. As part of this process, Finance, HR, IT and Customer Services will all move to Brisbane to join our Infusion division and CardioCel® headquarters for emerging markets. We believe this move will drive efficiency, collaboration and cohesion for the Company as a whole. The Admedus manufacturing facility and its associated teams will remain in Malaga, Western Australia.

Post-review, we have implemented performance measurements for all staff, and our sales teams will be structured around performance and regional growth to maximise the returns from the CardioCel® product range and return on investment.

Our aim moving forward is to ensure increased sales growth and roll-out additional products into the cardiovascular markets, whilst implementing our corporate strategy of tighter expenditure control. We believe this will put the Company in a very strong position to achieve sustainable profitability for the 2018 financial year (if not before).

Therefore, in the coming months we will be focusing on the following areas:

- Refinement and scale up within manufacturing to meet market demand;
- New product and IP development;
- New market expansion across emerging markets and product ranges;
- Further investment and development in immunotherapies in conjunction with Professor Ian Frazer; and
- Market expanding clinical and post-market studies.

With substantial cost improvements being implemented, we are forecasting revenue growth of over 50% in FY17 to at least $21M. This includes cost savings of $12M in FY17, which we are aiming to achieve through a 30% reduction in full-time employees, as well as manufacturing and operational improvements that will drive gross profit margin by 50%. We also anticipate that the Company will release some interim Phase II HSV-2 trial results in 4th quarter of 2016.

We thank you for your ongoing support and look forward to continuing to set our Company on the path to profitability and delivering products that can prevent, treat and repair in order to make a difference to patient lives.

Wayne Paterson
Chairman and Interim CEO

Admedus Limited

Admedus Regen

During the period, the Admedus Regenerative tissue division continued to build on the initial CardioCel® product, with plans to expand its range in 2017 for both cardiac applications, as well as expanding into vascular repairs.

After reviewing a number of programs, the focus will be on ensuring we prioritise near-market products that complement the existing portfolio and can add to the current sales and marketing strategy. This will ensure greater accountability on capital spent on R&D.

Since gaining regulatory approval for CardioCel® in Europe and the US in 2013 and 2014 respectively, we have remained focused on rolling CardioCel® out globally, including launching in Asia and other emerging markets. CardioCel® is now approved for use in Europe, the US, Canada, Hong Kong, Malaysia, Singapore, MENA region, as well as available under a special access scheme in Australia. During the year we received first approvals and sales in Malaysia and the MENA region, and in 2017 we are focused on undertaking studies that will assist us to enter the Chinese market.

Admedus achieved a label expansion for CardioCel® in Europe during the period, allowing it to be used for the repair of intracardiac defects including septal defects, and valve and annulus repair. This has been an important step in increasing the use of CardioCel® in this market. It is estimated that each year there are 256,000 valve procedures in the US, with similar numbers in Europe. The use of CardioCel® in valve repairs and reconstructions adds to its use in congenital heart defect surgery.

To date, we have collated extremely positive clinical and pre-clinical study results, as well as real patient evidence to give us confidence to say that reconstructing aortic valves with CardioCel® offers superior outcomes when compared to replacing the valve with a bio-prosthetic. This includes recent pre-clinical data presented by Professor Bart Meuris at the prestigious 2015 European Association for Cardiothoracic Surgery, which showed CardioCel® can be successfully used in the complete reconstruction of aortic heart valves, resulting in improved haemodynamics and post-implant remodelling.

CardioCel® is the first in a suite of tissue products being developed by Admedus using our patented ADAPT® tissue engineering process. This technology produces decellularised xenograft tissue, leaving behind a durable, bio-compatible scaffold that can be implanted in the body for soft tissue repair. ADAPT® treated tissue can be used in many areas of the body and therefore offers multiple potential revenue opportunities for the Company, including product indications in abdominal, whole vessel, vascular repairs and dura mater repairs. However, in line with the findings of our recent review, we have decided to prioritise our portfolio to initially focus on those products that are near-market and therefore of greater value to shareholders. For this reason, we are putting our immediate focus on progressing a product for vascular repairs (VascuCel®) and on expanding the current CardioCel® product range.

2016 Review of Operations continued

We have also put some of our other studies on hold, such as our stem cell collaboration with the Ear Science Institute Australia and our post-market clinical trial in aortic valve reconstruction, in order to reduce expenditure and redirect funds to where we will see the highest return in the near-term.

The benefit of putting our immediate focus on a vascular product is that we will be able to leverage off our existing regulatory approval for CardioCel® and therefore speed up our pathway to market. The bio-scaffold would have the same benefits as CardioCel® in that it doesn't calcify and fosters regeneration at the site of repair, and could be used in all vascular repairs. We are currently in the process of testing the new vascular bio-scaffold in some pilot clinical programs, with initial feedback positive. We believe our vascular bio-scaffold has the potential for long-term benefits for patients and reduce the likelihood of repeat surgeries in this indication.

Progressing into the 2017 financial year, Admedus will focus on growing its tissue franchise, leveraging the strong data and existing product awareness as well as presenting and publishing data that clearly illustrates that CardioCel® has superior market benefits, targeting greater market penetration in the key markets globally.

Admedus Sales and Marketing

The Sales and Marketing division had another year of growth with revenue of $14.2M, including CardioCel® sales of over $5.3M and the infusion franchise up slightly from the previous year to $8.9M. During the financial year, the team signed a major five-year contract with the new Royal Adelaide

Hospital for the installation of the arcomed ag Chroma Infusion pump system. The five-year supply and service contract includes ongoing technical and clinical support and dedicated consumable products for use with the infusion systems, is anticipated to have an impact on revenue in 2017.

During the period we spent funds launching and promoting Admedus, and the ADAPT® and CardioCel® brands globally, including a number of important symposium and presenting events at major international conferences, building brand awareness of Admedus, ADAPT® and CardioCel®. The focus moving forward will be to leverage the branding and marketing efforts undertaken over the past two years to continue to grow sales globally, targeting greater market penetration.

Moving forward the Sales and Marketing team will focus on ensuring growth with measurable performance. Working with product development, we will be looking to launch new products in the 2017 financial year as the Admedus cardiovascular product portfolio expands. Sales teams are now structured around performance and regional growth to maximise the returns from the CardioCel® product range and return on investment.

Admedus Manufacturing

The manufacturing facility was officially opened in August 2014 and has since undergone significant investment to ensure expanded production based on global demand for CardioCel®, as well as to refine and develop current processes to accommodate for new products and product improvements. The Company is looking to leverage this investment for continued improvement in manufacturing while increasing production to supply the growing product sales.

We have allocated R&D capabilities within the facility that will enable more valuable product development within Admedus moving forward. We expect the R&D function to provide greater control for the Company in achieving its goal of establishing a portfolio of regenerative tissue products.

In line with its recent review we are also implementing cost-saving measures in our global manufacturing and supply chain, with the aim of increasing gross profit margins in manufacturing by 50% in the coming year. We have identified cost savings in packing, shipping and logistics and will be targeting improved gross margins,

Industry Awards

MANUFACTURER OF THE YEAR
MANUFACTURERS' MONTHLY ENDEAVOUR AWARDS

Admedus was awarded 'Manufacturer of the Year' at the 2016 Manufacturers' Monthly Endeavour Awards dinner held in Sydney on Thursday, 12 May. Admedus was chosen from over 40 other finalists to take out the major award on the night.

MOST INNOVATIVE MANUFACTURING COMPANY
MANUFACTURERS' MONTHLY ENDEAVOUR AWARDS

Admedus was awarded 'Most Innovative Manufacturing Company' for our work in the research, manufacture and export of our lead regenerative tissue product CardioCel®, which is undertaken at our state-of-the-art bio-manufacturing facility in Malaga, Western Australia.

better production yields and productivity and overall greater return from its manufacturing operations.

The manufacturing team will also be working with the product development and marketing teams as the Company expands its cardiovascular product range in the 2017 financial year.

In recognition of our manufacturing team's great work, we were recently chosen as the Australian 'Manufacturer of the Year' at the 2016 Manufacturers' Monthly Endeavour Awards. We were also awarded 'Most Innovative Manufacturer' for our work in the creation and commercialisation of CardioCel® and the important impact the bio-scaffold is having on improving patients' lives.

Admedus Immunotherapies

Progressing from the positive Phase I clinical study for its HSV-2 therapeutic vaccine, Admedus has continued to work with Professor Ian Frazer and his team to progress into a Phase II HSV-2 clinical study. The study is designed to monitor safety and the therapeutic effect of the vaccine, by evaluating changes in T-cell counts, and the ability to reduce HSV-2 viral shedding and viral load. In March this year, we released some initial results from the Phase II HSV-2 study, which showed no safety issues and a marked decrease in viral lesions (outbreaks) in study participants. Further HSV-2 Phase II trial results are expected to be announced in 4th quarter of 2016. This program is targeting a major global market, with 1 in 6 people aged between 14 and 49 in the US estimated to be HSV positive, and no known cure available. HSV-2 affects over 450 million people globally and has an addressable market of $6 billion.

Admedus Immunotherapies continues to work on a HPV therapeutic vaccine, which has demonstrated very positive results in preclinical studies. A HPV therapeutic vaccine is estimated to have a market worth of over $1 billion with 14 million people newly infected each year in the US.

Admedus will continue to look for opportunities to leverage the technology and intellectual property of the immunotherapies division in order to generate a return on investment and benefit shareholders.

Admedus is a growth oriented company that has a portfolio of products, an experienced sales team and a strong balance sheet and financial position. With the latest cost management measures and market metrics being implemented, we now have a clear path to profitability and 2017 looks to be an exciting year for the Company.

BOARD OF DIRECTORS


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1. Wayne Paterson
Chairman

Wayne has held numerous, senior positions in multi-national companies. Throughout his career, he has been responsible for building businesses throughout the world, as well as mergers and major restructures. From 2007 to 2013, he held senior positions at Merck Serono. In his most recent position as President of Europe, Canada and Australia, he managed over $3 billion in sales with an operational budget of $500 million. Wayne also held the position of Global Head of Cardio Metabolic Care and General Medicine, with revenue responsibility of $1.5 billion, and was responsible for all aspects of company strategy, including manufacturing strategies, commercial operations and budgets. Between 2010 and 2012, he was Head of Emerging Markets including Russia, China, India and Brazil, and was a member of the Executive Board. As President during 2007 until 2010 in Japan, Wayne created Merck Serono Japan and successfully managed all company divisions, launching several major products. Between 1994 and 2005, he was employed by Roche Pharmaceuticals. As Marketing Director in Shanghai, China, he launched eight products during this time, including cardiovascular products. Wayne is an Australian national and has resided overseas since 1999, having lived in China, Singapore, Korea, Japan, Switzerland and the US. He now lives in Switzerland, where he is CEO and co-founder of a software company that provides solutions to the global pharmaceutical industry. Wayne is also a Non-Executive Director of Cepheid (NASDAQ CHPD) a molecular diagnostics company based in California. Wayne 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 (Kellog School of Management) in Chicago, IMD Business School in Switzerland, INSEAD in France and Hong Kong University of Technology.

2. Michael Bennett
Executive Director

Michael Bennett has over 40 years medical device sales and marketing experience working with US and European medical device companies specialising in orthopaedic and cardiovascular implants and operating room equipment. These products were leaders in changing the way patient healthcare has been delivered to the Australian market. Michael has worked with a major Australian medical/surgical supply and distribution company who was subsequently taken over by C R Bard, an international medical device manufacturer. Michael subsequently owned and operated his own medical device supply company, Bennett Medical, and exclusively represented several major overseas medical device manufacturing corporations. His company was involved in the introduction of many new surgical technologies to Australia. He has extensive experience in medical supply tendering and negotiating with both the public and private hospital markets. He sold the company in 2001. From 2001 he has been consulting to overseas surgical manufacturers and to the Australian medical industry.

3. John Seaberg
Non-Executive Director

Between 2007 and 2014, John Seaberg 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, he was employed by 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 became a co-founder of 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 served on the board of publicly traded Synovis Life Technologies (SYNO) from 2008 until its sale to Baxter Inc in 2012. Currently, John is Executive Vice President of Cedar Point Capital, a boutique investment banking firm in Minneapolis, Mn. USA. He is Chairman of Medicom Health Interactive and also Chairman of Phraxis Inc. which are both private healthcare companies. He lives in the US 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.

4. Mathew Ratty
Non-Executive Director

Mathew Ratty 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 (alpha) against the S&P 500 and also successfully managed multiple seed investments leading to over 250% returns for the company. From 2009-2013, 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.

Former Board of Directors for the review period

5. Chris Catlow
Former Chairman

Chris Catlow was Chairman of Admedus for five years and resigned effective 9 February 2016.

6. Lee Rodne
Former Managing Director

Lee Rodne was Managing Director of Admedus for 10 years and resigned effective 30 June 2016.

7. Graeme Rowley
Former Non-Executive Director

Graeme Rowley served as a non-executive Director of Admedus for 5 years and resigned effective 9 February 2016.

8. Peter Turvey
Former Non-Executive Director

Peter Turvey served as a non-executive Director for 3 years and was head of the Audit and Risk Committee. Mr Turvey resigned effective 8 February 2016.

SENIOR MANAGEMENT

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1. Wayne Paterson
Acting Chief Executive Officer

Refer to page 12.

2. Julian Chick
Chief Operating Officer

Julian Chick is an experienced corporate executive with 15 years' experience in senior management. His roles include Chief Executive Officer and Head of Business Development, as well as running early and late stage Research & Development projects. In the past six years, Dr Chick has raised hundreds of million dollars for R&D projects as well as being involved in product launches and partnerships, M&A and licensing transactions. He has five years' investment adviser experience and has also held a role as an analyst reviewing healthcare and biotechnology investment opportunities for private equity investors and venture capitalists. Julian has a PhD in Muscle Physiology.

3. Stephen Mann
Chief Financial Officer

Stephen Mann has more than 10 years' experience in commerce and public practice and has held senior finance positions with Bus and Coach International Pty Ltd and JV Global Ltd. He has worked in listed and private companies in various industries including retail, wholesale, logistics, construction and public accounting. Stephen specialises in management reporting, system improvement, financial management and mergers and acquisitions. As a member of the executive team he aims to provide enhanced services to the Board of Directors and shareholders of Admedus Ltd. Stephen has a Bachelor of Business majoring in Accounting and Business Law and is a member of the Institute of Chartered Accountants.

4. Danny Zanardo
Commercial Director - International

Danny Zanardo has over 20 years experience in the Australian Health Care sector via positions with multinational pharmaceutical companies, biopharmaceutical start-up, and medical device companies. He has gained formal qualifications via a degree in applied science and has built upon this with post graduate business studies, and is currently working towards completing his MBA. During his career Danny has developed strong networks and an intimate understanding of medical device and pharmaceutical commercial and clinical environments. He has a successful track record of leading sales, marketing and clinical teams in commercial projects, with new and existing medical technology, that have resulted in significant revenue growth. Danny has worked with Rousell Uclaf, Hoffman La Roche, and Actelion. He joined Allied Medical as a Regional Sales Manager in 2004 and became National Sales Manager in 2005.

5. Tom Riester
US General Manager

US General Manager Tom Riester has 25 years' healthcare industry leadership experience, working in Sales, Sales Management, Business Development, and Channel Development positions in start-ups through to Fortune 500 companies. He began his career in the managed care market in the US in 1992 at Quello Clinic, now part of the Allina Healthcare System in Minneapolis, MN. With a proven track record in developing new markets, Tom's previous role before joining Admedus in 2013 was at GE Healthcare, where he led the business development expansion of an acquisition. Tom received an Honorable Discharge from the US Army in 1989 and earned a Bachelors Degree from Western State Colorado University in Business Administration.

6. David Rhodes
Chief Scientific Officer

Dr David Rhodes joined Admedus as Chief Scientific Officer in July 2013. He has more than 15 years' experience in healthcare and biotechnology, where he has held senior management roles. David brings senior executive and leadership experience, extensive scientific expertise, the ability to formulate and translate science to outcomes, business management and commercialisation skills and extensive research networks, both locally and abroad. In 1994, he graduated with a PhD in Biochemistry from La Trobe University in Melbourne, Victoria. Since then, he has lead a team at one of Australia's leading virology institutes and held various senior roles, including senior executive Head of Drug Discovery and Senior Vice President Biology at Avexa Ltd. David has attracted significant levels of funding from many State, Federal and institute programs across numerous projects. He has published in many high impact peer reviewed journals and is an inventor on numerous patents. David is also an Adjunct Associate Professor in the Faculty of Engineering at Monash University.

CORPORATE GOVERNANCE STATEMENT

Admedus Ltd (**Admedus** or **Company**) and the Board of Directors of Admedus (**Board**) are committed to achieving and demonstrating high standards of corporate governance.

This Statement explains how Admedus complies with the Australian Securities Exchange (**ASX**) Corporate Governance Principles and Recommendations (3rd Edition) (**CGPR**).

Principle 1: Lay solid foundations for management and oversight

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(1.1) Role of Board and management	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**) which is available on the Company's website. 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.
(1.2) Information regarding the election and re-election of director candidates	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. 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.
(1.3) Written contracts of appointment	In addition to being set out in the Charter, the roles and responsibilities of Directors are also formalised in a letter of appointment. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and refer to the Company's key governance policies. Each senior executive enters into a service contract which sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements. Contract details of senior executives which are Key Management Personnel are summarised in the Remuneration Report on page 34 of the Company's Annual Report.
(1.4) Company Secretary	The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary. The appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out on page 29 of the Annual Report.

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(1.5) Diversity	The Board has implemented a Diversity Policy and measurable objectives which 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. The Company's workforce gender profile is summarised below:

	Female	Female %	Male	Male %
Whole of Company	33	49%	34	51%
Senior executive	1	14%	7	86%
Board members	0	0.0	4*	100.0

* This number does not include Mr Rodne. On 23 May 2016 Admedus announced that Mr Rodne resigned as MD & CEO effective 30 June 2016.

The measureable diversity objectives established for the 2015-16 financial year and their current status is summarised below:

Objective Area	Objective	Measure	Current Status
Governance	Implement a Complaints Procedure that is compliant with the Company's values and meets legislative requirements.	Complaint procedure in place.	Guidelines for Complaint are included in the Company's Workplace Behaviour Policy.
Leadership	Establish Executive Mentoring Program for groups with minorities in leadership roles.	Mentoring Program in place.	Mentoring Program is being developed and is to be implemented.
Training	Create an online Diversity Training package for leaders and employees. Communicate and reinforce the Diversity Policy to the whole workforce.	Online training package for leaders and employees operational. Workforce and contractors have attended a training session.	Facilitator led training has commenced within the Company's induction programs and for existing staff. An on-line platform is in development.
Policy and Procedure	Develop and implement flexible working arrangement guidelines.	Policy developed and approved.	Complete.

(1.6) Board reviews	A performance review is undertaken annually in relation to the Board and the Board Committees. In addition to individual evaluation sessions between the Chair and individual Directors, a formal self-evaluation questionnaire is used to facilitate the annual performance review process. During the year, the annual review of the position of the Chair of the Board was facilitated by the Chair of the Audit and Risk Management Committee.
(1.7) Management reviews	Performance against Company objectives is assessed periodically throughout the year and a performance evaluation for senior management was completed in this reporting period.

Corporate Governance Statement continued

Principle 2: Structure the Board to add value

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(2.1) Nomination Committee	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. 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.
(2.2) Board skills matrix	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. Expertise: – Finance – Strategy – Commercial acumen – Executive leadership – Sales and distribution – Marketing – Management – Mergers and restructures Industry/Experience: – Global/international – Pharmaceuticals – Medical devices – Other Board experience The Board is comfortable with the skills matrix represented by the current Board. Further details regarding the skills and experience of each Director are included on page 27-28 of the Annual Report.
(2.3) Disclose independence and length of service	The Board annually assesses the independence of each Non-Executive Director. The Board considers that Mr Ratty and Mr Seaberg are independent directors and that Mr Paterson and Mr Bennett are not independent directors. Mr Ratty has a direct interest in MC Management Group Pty Ltd, the Company's second largest shareholder. However, the Board resolved that Mr Ratty continues to be an independent director. In addition, Mr Ratty's interests are closely aligned with other security holders. As such, the Board is of the opinion that Mr Ratty's shareholding does not compromise his independence.
(2.4) Majority of directors independent	On 23 May 2016 Admedus announced that Mr Rodne resigned as MD & CEO effective 30 June 2016. Mr Paterson, the Company's Chair, is continuing to act as interim MD & CEO until the Nominations Committee selects a new MD & CEO. Mr Paterson is therefore no longer an independent Director. As such, the majority of the Board is not comprised of independent Directors. Two Directors (out of a total of five Directors, taking into account Mr Rodne) are independent as disclosed against Recommendation 2.3. The Board intends to ensure that it is majority independent in the near future.
(2.5) Chair independent	On 23 May 2016 Admedus announced that Mr Rodne resigned as MD & CEO effective 30 June 2016. Mr Paterson, the Company's Chair, is continuing to act as interim MD & CEO until the Nominations Committee selects a new MD & CEO. Mr Paterson is therefore no longer an independent Chair and, for an interim period, is the Company's Chair, MD & CEO. In order to maintain a culture of openness and constructive challenge, the Company has appointed an independent Director, Mr Seaberg, as Deputy Chair to fulfil the role whenever the Chair is conflicted. The Company's Deputy Chair will also assist the Board in reviewing the performance of the Chair and provide a separate channel of communication for security holders.
(2.6) Induction and professional development	An induction process including appointment letters exists to promote early, active and relevant involvement of new members of the Board. All Admedus Directors are 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. Directors are given the opportunity to broaden their knowledge of the business by annually visiting the Company's offices and meeting with senior management. 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.

Principle 3: Act ethically and responsibility

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
3.1 Code of conduct	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.

Principle 4: Safeguard integrity in corporate reporting

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(4.1) Audit committee	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. The ARMC comprises of the following three members, the majority of of whom are independent Non-Executive Directors: – Mr Seaberg (Chair); – Mr Paterson; and – Mr Ratty. Mr Seaberg, Chair of the ARMC, is an independent Non-Executive Director and is not the Chair of the Board. Mr Ratty is also an independent Non-Executive Director. On 23 May 2016 Admedus announced that Mr Rodne resigned as MD & CEO effective 30 June 2016. Mr Paterson, the Company's Chair, is continuing to act as interim MD & CEO until the Nominations Committee selects a new MD & CEO. Mr Paterson is therefore no longer an independent Non-Executive Director. The MD, Chief Financial Officer and the external auditors are usually in attendance at ARMC meetings by invitation. 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. The Committee follows a formal ARMC Charter which is available on the Company's website.
(4.2) CEO and CFO certification of financial statements	The MD 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.
(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.

Corporate Governance Statement continued

Principle 5: Make timely and balanced disclosure

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(5.1) Disclosure and Communications Policy	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. 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. 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.

Principle 6: Respect the rights of security holders

RECOMMENDATION	ADMEDUS' COMPLIANCE WITH RECOMMENDATION
(6.1) Information on website	The Company ensures that all relevant information concerning its activities and governance is available on its website. 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. 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.
(6.2) Investor relations programs	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. 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. Admedus also conducted a shareholder webinar 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.
(6.3) Facilitate participation at meetings of security holders	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. 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.
(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 RECOMMENDATION
(7.1) Risk Committee	The Board, through the ARMC, overseas the process for identifying and managing material risks in the Company in accordance with the Company's risk management policy. Further details regarding the ARMC are set out in response to Recommendation 4.1. A copy of a summary of Admedus' risk policy is available in the Corporate Governance section of the Company's website.
(7.2) Annual risk review	The ARMC annually reviews risk management and internal control practices of the Company to ensure current good practice is maintained, and to preserve and create value within the organisation. Such a review was undertaken in this reporting period.
(7.3) Internal audit	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 and as part of the Admedus quality assurance management system (internal audits in respect of which are undertaken at least once per annum).
(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 RECOMMENDATION
(8.1) Remuneration Committee	The Remuneration Committee comprises of the following three members, a majority of whom are independent Non-Executive Directors: – Mr Paterson (Chair); – Mr Seaberg; and – Mr Ratty. On 23 May 2016 Admedus announced that Mr Rodne resigned as MD & CEO effective 30 June 2016. Mr Paterson, the Company's Chair, is continuing to act as interim MD & CEO until the Nominations Committee selects a new MD & CEO. Mr Paterson is therefore no longer an independent Non-Executive Director. Both Mr Seaberg and Mr Ratty are both independent Non-Executive Directors. 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. 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.
(8.2) Disclosure of Executive and Non-Executive Director remuneration policy	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. 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. Further details regarding the remuneration of Executive and Non-Executive Directors are set out on page 32 of the Remuneration Report within the Annual Report.
(8.3) Policy on hedging equity incentive schemes	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.

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 2016.

CONTENTS

DIRECTORS' REPORT

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
- Michael Bennett
- Mathew Ratty (appointed 26/5/2016)
- Lee Rodne (resigned 30/6/2016)
- Graeme Rowley (resigned 9/2/2016)
- Chrisopher Catlow (resigned 8/2/2016)
- Peter Turvey (resigned 8/2/2016)

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 particular focus in the area of 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 CardioCel as well as preparing to manufacture anticipated new products whilst reducing costs and increasing yields.
- Ongoing work with Professor Ian Frazer in the area of immunotherapies targeting infectious diseases and oncology.

OPERATING RESULT

The operating result for the year:

	CONSOLIDATED	
	2016	2015
	$	$
Loss before Income Tax	**(25,130,410)**	(23,871,337)
Income Tax (Expense)/Benefit	-	(2,928,633)
Loss for the Year	**(25,130,410)**	(26,799,970)

DIVIDENDS

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

SHARE CAPITAL

196,254,798 Ordinary Shares, 14,686,925 Unlisted Options and 5,630,000 Unlisted Warrants were on issue as at 30 June 2016.

OPERATING AND FINANCIAL REVIEW

Group Overview

Admedus Limited is a global healthcare company with strong revenues through its existing medical device sales and distribution business as well as continued development of its research & development programs.

Over the past year the Company continued to build its sales and marketing across both its infusion business and its 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 in the area of immunotherapies. The immunotherapy programs target diseases across infectious diseases and oncology such as Herpes Simplex 2 (HSV-2) and Human Papillomavirus (HPV). The lead program has progressed into Phase II clinical studies targeting HSV-2, with its HPV program also progressing into clinical studies in people infected with the virus.

DIRECTORS' REPORT (continued)

Review of Operations

The loss for the consolidated entity after providing for income tax amounted to $25,130,410, down 6.3%, and an operating cash outflow of $21.9M, up 2.1% from the previous year (2015: $21.5M). Key factors contributing to the current year's performance are discussed below.

The income for the Company during the period was $14.2M, up 39.6% from the previous year with revenue from the regenerative tissue franchise (CardioCel) up 94% to $5.3M and the infusion business revenue rose 18% to $8.9M.

During the period the Company increased expenditure in sales and marketing across the North American and European markets as it continues to market CardioCel as the Company moves from a product launch phase into a global growth phase for sales. The Company also had first sales in Malaysia and the MENA region during the period as it continues to expand into global and emerging markets.

Over the 2016 financial year the Company continued to invest in its manufacturing facility to ensure it is able to expand production, and reduce the overall cost of manufacturing, and increase production yield and margins. This should have a material benefit in the 2017 financial year.

Property, plant and equipment has decreased to $2.7M due to depreciation, which net off the increase from additions. The intangibles have decreased from $8.8M to $7.5M due to amortisation of intellectual property held within Admedus Immunotherapies and Regenerative Medicine divisions.

At the close of the 2016 financial year Admedus held 72.8% of Admedus Immunotherapies having increased its holding by 6.5% during the period.

Financial Position

Admedus closed the period with $8.8M in cash, down from the $24M close at the end of the previous year; however the Company completed a placement in July 2016 and is undergoing a Rights Issue to raise a total of $18.3M minus fees.

Inventory was unchanged during the period although this is forecast to rise in the first two quarters of the 2017 financial year as the Company increased stock in its infusion division as a result of its five year contract with the Royal Adelaide hospital.

Material Business Risks

The Group has identified the below specific risks which could impact upon its future 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 CardioCel 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. Late in the period (June, 2016) the Company initiated a review process that includes activities to improve the Company's marketing messaging and bring new CardioCel 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 highlights the quality of the 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 to develop therapeutic vaccines with the lead program in a clinical study and the second program 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, as a result of the lead product CardioCel being on market and actively used in patients. As a result 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 all of these studies and aims to manage these risks.

Competition

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

Regardless of the diligent activities of the Admedus team, there is no assurance that the Group's competitors will not succeed in developing technologies that compete with the Admedus technologies.

DIRECTORS' REPORT (continued)

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 a number of 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 in light of 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. As a result, 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, and towards the end of the period has undertaken a strategic review to refine the business towards being a profitable, sustainable business.

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

- Continuing to grow CardioCel 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 CardioCel and cardiovascular product range with products on market for specific market segments and clear applications, to increase market penetration and Company sales.
- 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 Royal Adelaide Hospital as well as pursing additional infusion sales contracts.
- Continuing to develop Admedus immunotherapies' technology to ensure that it maximises the potential and therefore return on this business.

DIRECTORS' REPORT (continued)

Over the past 12 months, Admedus has focused on establishing strong brand awareness of CardioCel, which will enable the Company to build a product franchise in cardiovascular tissue surgical repairs and reconstructions. 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 CardioCel message and its advantages for patient and surgeon alike.
- Grow CardioCel 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 sale 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 in the area 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 recent capital raising places the Company in a strong 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, Admedus Investments Pty Ltd, a subsidiary of Admedus Ltd, acquired additional shares in Admedus Vaccines Pty Ltd to increase its interest to 72.8%. Admedus Vaccines Pty Ltd is a medical R&D business and operates the Immunotherapies Division of the consolidated entity.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 13 July 2016, the Group announced cancellation of 5,298,584 unlisted options that expired on 10 July 2016.

On 15 July 2016, the Group announced the resignation of BDO Audit (WA) Pty Ltd and appointed of HLB Mann Judd (WA Partnership) as new auditors. HLB will continue to hold office until the next AGM at which time the shareholders will formally appoint them as the Company's auditors.

On 2 August 2016, the Group announced a Prospectus Entitlement Offer. Under the offer shareholder have the rights to purchase 1 share for every 9 shares held at $0.33 per share.

On 5 August 2016, the Group announced the issue of 30,303,031 shares each at an issue price of $0.33 via a private placement.

ENVIRONMENTAL REGULATIONS

The Company is subject to environmental regulation and other licences in connection with 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.

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DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Director's Interest in Shares and Options of the Company	
			Ordinary Shares	Options / Warrants
W. Paterson	Non-Executive Director appointed 10 October 2014. Qualification: Mr Paterson has spent the last 25 years involved as an executive in the Global biotechnology industry. Previously he was a senior executive with Merck Serono and Roche Pharmaceuticals. Other current directorships Cepheid (NASDAQ CPHD) Former directorships in last 3 years None	Chairman Interim CEO Member of audit and risk management committee Chair of remuneration committee	50,000	100,000
M. Bennett	Executive Director appointed as Managing Director since 16 July 2003. Resigned as Managing Director and appointed Executive Director since 16 June 2011. Qualification: Mr Bennett has over 40 years sales and marketing experience working for US and European medical device companies and has been involved in the introduction of many new medical and surgical device technologies to the Australian market. He previously owned and operated his own private surgical supply company and has exclusively represented some major overseas medical device manufacturing companies. Other current directorships None Former directorships in last 3 years None	Nil	1,257,400	380,000
J. Seaberg	Non-Executive Director appointed 10 October 2014. Qualification: Mr Seaberg has significant experience in cardiovascular products and markets. He was Founder, Chairman and CEO of NeoChord Inc, a mitral valve repair technology from its inception in 2007 to 2014. Previously he was a senior executive with Guidant Corp (acquired by Boston Scientific) where he oversaw sales and marketing activities in its cardiac rhythm management and cardiac surgery divisions. He also served as Chairman of the Board of a bovine tissue company, Synovis Inc until its sale to Baxter International in 2012. Other current directorships None Former directorships in last 3 years None	Chair of audit and risk management committee Member of remuneration committee	19,036	100,000

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Director's Interest in Shares and Options of the Company	
			Ordinary Shares	Options / Warrants
M. Ratty	Non-Executive Director appointed 26 May 2016. Qualification: Mr Ratty is the co-founder of MC Management Group Pty Ltd, a venture capital firm investing 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. From 2009-2013, 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. Other current directorships None Former directorships in last 3 years None	Member of audit and risk management committee Member of remuneration committee	10,088,587	Options – Nil 190,000 Warrants

DIRECTORS' REPORT (continued)

COMPANY SECRETARY

Stephen Mann has over ten years of experience in a variety of business finance, accounting, risk and administration roles. He is experienced in the areas of accounting, corporate governance, operational and financial management. He holds a Bachelor of Business Degree (Acc & Bus Law) and is a member of the Institute of Chartered Accountants.

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 2016, and the numbers of meetings attended by each Director were:

Directors	Full Meetings of Directors		Meetings of Audit Committee		Meetings of Remuneration Committee	
	A	**B**	**A**	**B**	**A**	**B**
Wayne Paterson	7	7	6	6	2	2
John Seaberg	7	7	5	5	2	2
Michael Bennett	7	7	*	*	*	*
Mathew Ratty	1	1	2	2	1	1
Lee Rodne	4	7	*	*	*	*
Chris Catlow	2	2	2	2	2	2
Graeme Rowley	2	2	1	1	2	2
Peter Turvey	2	2	2	2	2	2

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee

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.

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:

- Wayne Paterson Chairman
- Michael Bennett Executive Director
- John Seaberg Non-Executive Director
- Mathew Ratty Non-Executive Director

In addition, Julian Chick's (Chief Operating Officer), and Stephen Mann's (Chief Financial Officer/Company Secretary) remuneration arrangements have been disclosed as they are considered by the Directors to be key management personnel.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

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 Wayne Paterson, John Seaberg and Mathew Ratty.

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 – quarterly director's fees.
- equity – share options under the Admedus Share Option Incentive Plan (as approved by shareholders at the 2012 Annual General Meeting).

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.

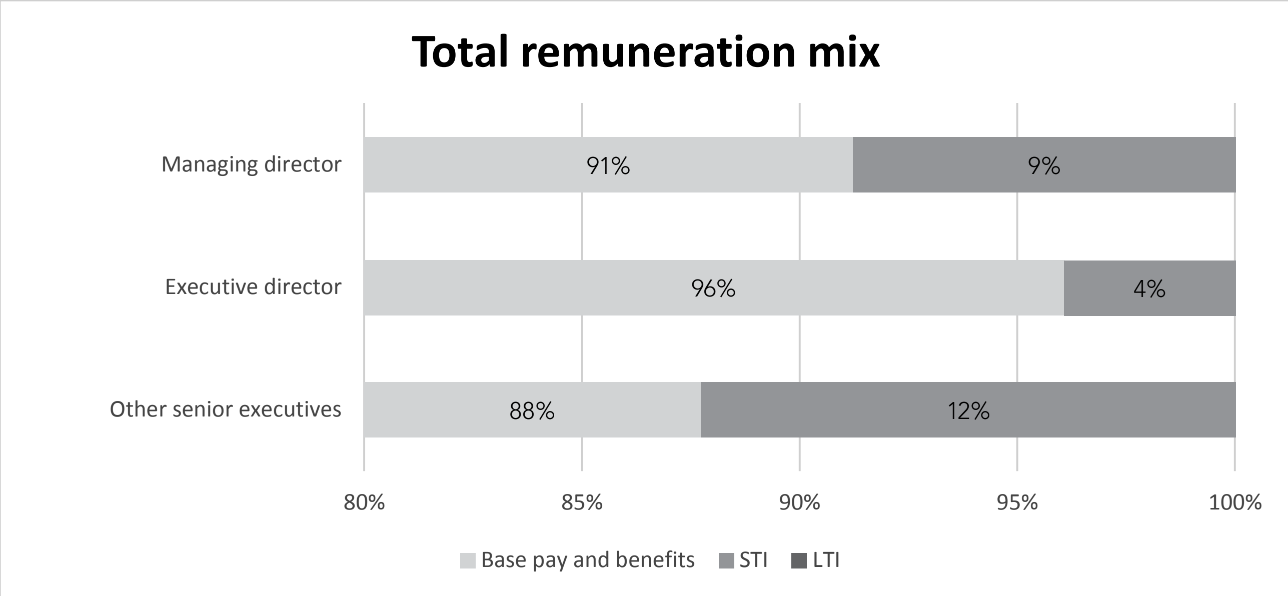
Service agreements are in place for Executive Directors which provide for a fixed base fee per annum. External remuneration information provides benchmark information to ensure the base pay is set to reflect the market for a comparable role. Base fees are reviewed annually to ensure the level is competitive with the market. There is no guaranteed base fee increases included in any Executive Director contracts. A parking bay is also provided as an additional benefit to Executive Directors.

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. A portion of bonus and incentive payments are dependent on defined key performance indicators being met. The remaining portion of the bonus and 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 earnings and total shareholders return.

The Remuneration Committee is of the opinion that 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 $8,600 (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 2015 ANNUAL GENERAL MEETING

The Company received more than 90% of "yes" votes on its remuneration report for the 2015 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
2016	**Directors fees $**	**Consulting fees $**	**Salary $**	**Bonus $**	**Super-annuation $**	**Termination benefits $**	**Equity shares/options $**	**$**	**%**	**%**
Non-Executive Director										
W. Paterson	101,850	-	-	-	-	-	9,552	111,402	-	-
J. Seaberg	90,017	-	-	-	-	-	9,552	99,569	-	-
M. Ratty [2]	10,275	-	-	-	-	-	-	10,275	-	-
C. Catlow [3]	63,886	-	-	-	6,041	-	-	69,927	-	-
G. Rowley [3]	44,827	-	-	-	4,248	-	-	49,075	-	-
P. Turvey [3]	44,060	-	-	-	4,171	-	-	48,231	-	-
Executive Directors										
L. Rodne [3 & 4]	-	-	400,000	100,000	50,000	586,604	-	1,136,604	-	9%
M. Bennett [4]	-	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		
Key Management Personnel										
S. Mann [4]	-	-	204,546	29,531	23,408	-	-	257,485	-	11%
J. Chick [4]	-	-	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**		

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
2015	**Directors fees $**	**Consulting fees $**	**Salary $**	**Bonus $**	**Super-annuation $**	**Equity shares/options $**	**$**	**%**	**%**
Non-Executive Director									
C. Catlow	100,000	-	-	-	10,000	-	110,000	-	-
G. Rowley	70,000	-	-	-	7,000	-	77,000	-	-
P. Turvey	70,000	-	-	-	7,000	-	77,000	-	-
J. Seaberg[5]	57,750	-	-	-	-	-	57,750	-	-
W. Paterson[5]	57,750	-	-	-	-	-	57,750	-	-
Executive Directors									
L. Rodne	-	-	400,209	100,000[3]	50,021	-	550,230	-	20
M. Bennett	-	240,000	-	-	24,000	-	264,000	-	-
Total directors compensation (Group)	355,500	240,000	400,209	100,000	98,021	-	1,193,730		
Key Management Personnel									
S. Mann	-	-	205,382	-	20,538	40	225,960	-	-
J. Chick	-	-	286,518	36,000[4]	32,252	40	354,810	-	15
Total key management personnel compensation (Group)	-	-	491,900	36,000	52,790	80	580,770		
TOTAL	**355,500**	**240,000**	**892,109**	**136,000**	**150,811**	**80**	**1,774,500**		

There are no termination or retirement benefits for Non-Executive Directors (other than statutory superannuation).
M. Ratty was appointed as Non-Executive Directors on 26 May 2016.
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 8 February 2016 and L. Rodne resigned as CEO and MD on 30 June 2016.
L. Rodne, M. Bennett, S. Mann and J. Chick achieved all performance milestones to receive bonus. No bonuses were forfeited or carried forward.
J. Seaberg and W. Paterson were appointed as Non-Executive Directors on 10 October 2014.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

D Service Agreements

On appointment, the Non-Executive Directors enter 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 Managing Director and Executive Director are formalised in service agreements. The major provisions relating to remuneration are set out below.

Wayne, Paterson, Interim CEO

- Term of agreement – commences on 20 May 2016 and shall continue until terminated;
- Base salary of USD$400,000 for the year ended 30 June 2016, to be reviewed annually;
- Motor vehicle allowance of $1,000 per month is payable under the agreement; and
- Contract may be terminated early by either party with two weeks' notice, subject to termination payments as outlined below.

Michael Bennett, Executive Director

- Term of agreement – 3 years from 2 July 2014;
- Base fee of $246,000 for the year ended 30 June 2016, to be reviewed annually;
- Superannuation of 10% is payable under the agreement; and
- No performance based benefits payable under the agreement.
- Contract may be terminated early by either party with six months' notice, subject to termination payments as outlined below.

Lee Rodne, Former Managing Director

- Term of agreement – resigned 30 June 2016;
- Base salary of $400,000 for the year ended 30 June 2015;
- Superannuation of 10% is payable under the agreement; and
- The board may, at its discretion, elect to provide annual bonus up to an amount equal to 100% of the base salary.
- Contract may be terminated early by either party with twelve months' notice, subject to termination payments as outlined below.

Termination benefits

Post-employment benefits include accrued long service leave, which is due and payable after every seven consecutive years of service. The service agreements provide Executive Directors (excluding interim roles) with three months of base fee in the event of redundancy. No other termination benefits are payable, unless the Company does not provide the required six month notice period of termination, then three months of base fee is payable.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

E Share-based Compensation

Options

On 21 July 2015 the Company issued 13,500,000 options to employees under the ESOP.

On 26 November 2015 the Company completed a share and option consolidation on a 10 for 1 basis.

On 10 December 2015 employees received 475,000 options as a sign-on bonus under the ESOP.

On 10 December 2015 directors received 200,000 options under the ESOP, approved by shareholders at 2015 AGM.

On 24 June 2016 employees received 250,000 options as a sign-on bonus under the ESOP.

During the period 200,000 of the 2,275,000 ESOP options (post consolidation) were issued to key management personnel (2015: 2,000,000).

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 Number	Exercised during the year Number	Balance at end of the year Number	Value at grant date $
12/08/2011	10/07/2016	0.60	2,500,000	-	(2,250,000)	-	250,000	101,500
22/08/2011	10/07/2016	0.60	48,800,000	-	(47,730,000)	(566,666)	503,334	419,680
18/05/2012	18/05/2017	0.60	2,133,334	-	(1,953,334)		180,000	55,986
18/06/2013	18/06/2018	0.95	5,000,000	-	(4,500,000)	-	500,000	57,295
16/12/2013	16/12/2018	2.70	7,000,000	-	(6,870,000)	-	130,000	125,985
30/06/2015	30/06/2020	1.17	2,000,000		(1,800,000)	-	200,000	80
10/12/2015	10/12/2020	1.39		200,000			200,000	103,056
23/12/2015	23/12/2020	0.79		190,000(1)			190,000	-
Total			**67,433,334**	**390,000**	**(65,103,334)(2)**	**(566,666)**	**2,153,334**	**863,582**

(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	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)(1)	-	-	380,000	43,333	336,667
M. Ratty	-	-	-	190,000(2)	-	-	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)(1)	-	(125,000)	427,500	66,666	360,834
J. Chick	10,000,000	-	-	(8,602,500)(1)	-	(441,666)	955,834	66,666	889,168

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	Cancelled	Purchased	Expired/ Exercised	Balance at the end of the year	Unvested	Vested and exercisable
2015									
Directors of Admedus Limited									
C. Catlow	16,900,000	-	-	-	-	-	16,900,000	600,000	16,300,000
L. Rodne	23,000,000	-	-	-	-	-	23,000,000	2,533,334	20,466,666
G Rowley	8,500,000	-	-	-	-	-	8,500,000	333,334	8,166,666
M. Bennett	3,800,000	-	-	-	-	-	3,800,000	866,667	2,933,333
P. Turvey	1,166,667	-	-	-	-	(333,333)	833,334	333,334	500,000
J.Seaberg	-	-	-	-	-	-	-	-	-
W. Paterson	-	-	-	-	-	-	-	-	-
Other key management personnel of the group									
S. Mann	3,400,000	1,000,000	-	-	-	-	4,400,000	1,333,334	3,066,666
J. Chick	9,000,000	1,000,000	-	-	-	-	10,000,000	2,333,334	7,666,666

(1) The balance relates to the option consolidation on a 10 for 1 basis
(2) M. Ratty received warrants via participation in Placement prior to becoming a Non-Executive Director.
(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 2016 was 51.5 cents per option for Tranche A. The fair value at grant date is independently 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 30 June 2016 included:

Tranche A

(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:* $1.39
(c) *grant date:* 10 December 2015
(d) *expiry date:* 10 December 2020
(e) *share price at grant date:* $0.83
(f) *expected price volatility of the Company's shares:* 90%
(g) *risk-free interest rate:* 2.36%

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 2016 are summarised below:

	2016 $	2015 $	2014 $	2013 $	2012 $
Sales revenue	14,150,521	10,133,460	7,940,622	7,415,188	6,460,516
EBITDA	(28,220,840)	(23,120,891)	(8,559,638)	(2,750,544)	(10,082,174)
EBIT	(29,764,781)	(24,914,874)	(9,846,302)	(3,023,324)	(10,357,773)
Profit/(Loss) after tax	(25,130,409)	(26,799,970)	(9,048,843)	(2,418,497)	(10,222,135)

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

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

	2016 $	2015 $	2014 $	2013 $	2012 $
Share price at financial year end ($A)	0.33	0.70	1.35	0.49	0.18
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(12.58)	(16.48)	(6.22)	(2.08)	(15.07)

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
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
2015				
Directors of Admedus Limited				
C. Catlow	17,807,411	-	-	17,807,411
L. Rodne	26,279,398	-	714,286	26,993,684
G Rowley	20,059,215	-	-	20,059,215
M. Bennett	12,494,000	-	80,000	12,574,000
P. Turvey	2,442,202	333,333	396,504	3,172,039
J. Seaberg	-	-	-	-
W. Paterson	-	-	-	-
Other key management personnel of the group				
S. Mann	-	-	-	-
J. Chick	4,100,000	-	585,713	4,685,713

(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
12 Aug 2011	10 Jul 2016	60 cents	296,250	40.6 cents
22 Aug 2011	10 Jul 2016	60 cents	5,002,334	8.6 cents
18 May 2012	18 May 2017	60 cents	213,334	14.7 cents
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
Total			**20,316,925**	

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:
No unlisted options lapsed during the financial year (2015: 4,975,000).

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 or BDO Audit (WA) 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:

	2016 **$**	2015 $
Non-audit Services		
Related practices of HLB:		
Taxation services	-	-
Corporate finance services	-	-
	-	-
Related practices of BDO:		
Taxation services	-	-
Corporate finance services	-	8,058
	-	8,058

AUDITOR

In accordance with s327C of the *Corporations Act 2001*, HLB Mann Judd (WA Partnership) will continue to hold office until the next AGM at which time shareholders will formally approve the new auditor.

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.

WAYNE PATERSON

Chairman
Perth, Western Australia

Dated 31 August 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Admedus Limited for the year ended 30 June 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 audit; and

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

Perth, Western Australia
31 August 2016

B McVeigh
Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	CONSOLIDATED 2016 $	2015 $
Revenue from continuing operations		**14,150,521**	10,133,460
Cost of sales		**(9,028,415)**	(7,166,322)
Gross profit		**5,122,106**	2,967,138
Other income	4	**4,730,256**	1,263,752
Employee benefits		**(15,071,370)**	(12,124,703)
Consultancy and legal fees		**(3,537,924)**	(2,869,674)
Travel and conference expenses		**(3,879,003)**	(3,402,433)
Research and development costs		**(4,806,351)**	(2,545,522)
Share based payments	25	**(1,518,792)**	(1,054,649)
Asset write-downs		**4,866**	(203,961)
Depreciation and amortisation expense		**(1,543,942)**	(1,793,983)
Financing costs		**(73,514)**	(72,225)
Other expense		**(4,556,742)**	(4,035,078)
Loss before income tax from continuing operations		**(25,130,410)**	(23,871,337)
Income tax (expense)/benefit	5	**-**	(2,928,633)
Loss after income tax for the year		**(25,130,410)**	(26,799,971)
Total loss is attributable to:			
Equity holders of Admedus Limited		**(24,013,868)**	(25,253,843)
Non-controlling interest	18	**(1,116,542)**	(1,546,128)
		(25,130,410)	(26,799,971)
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)	**(12.58)**	(16.48)
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 2016

		CONSOLIDATED	
	Note	**2016 $**	2015 $
Loss for the year		**(25,130,410)**	(26,799,971)
FX translation		**543,515**	(79,415)
Other comprehensive income		**-**	-
Total comprehensive loss		**(24,586,895)**	(26,879,386)
Total comprehensive loss is attributable to:			
Equity holders of Admedus Limited		**(23,470,353)**	(25,333,258)
Non-controlling interest	18	**(1,116,542)**	(1,546,128)
		(24,586,895)	(26,879,386)

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 2016

		CONSOLIDATED	
	Note	**2016 $**	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	21	**8,813,119**	24,025,859
Trade and other receivables	6	**4,217,828**	2,459,352
Inventories	7	**3,591,464**	3,022,405
Total Current Assets		**16,622,411**	29,507,616
Non-Current Assets			
Property, plant & equipment	8	**2,696,225**	2,957,922
Intangibles	9	**7,460,833**	8,794,928
Total Non-Current Assets		**10,157,058**	11,752,850
TOTAL ASSETS		**26,779,469**	41,260,466
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**2,599,901**	1,316,645
Provisions	12	**1,072,983**	924,424
Total Current Liabilities		**3,672,884**	2,241,069
Non-Current Liabilities			
Provisions	14	**466,830**	460,915
Total Non-Current Liabilities		**466,830**	460,915
TOTAL LIABILITIES		**4,139,714**	2,701,984
NET ASSETS		**22,639,753**	38,558,482
EQUITY			
Contributed equity	16	**87,887,942**	80,738,568
Reserves	17	**1,377,722**	(8,646)
Accumulated losses		**(68,517,342)**	(44,503,474)
Capital and reserves attributable to equity holders of Admedus		**20,748,322**	36,226,448
Non-controlling interest	18	**1,891,431**	2,332,034
TOTAL EQUITY		**22,639,753**	38,558,482

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 2016

	Share Capital $	Share-based payments reserve $	Other Reserves $	Foreign currency translation reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2014	**53,492,224**	**1,292,116**	**(758,701)**	**-**	**(19,249,631)**	**34,776,008**	**2,390,867**	**37,166,875**
Loss for the year	-	-	-	-	(25,253,843)	(25,253,843)	(1,546,128)	(26,799,971)
Total comprehensive loss	-	-	-	-	(25,253,843)	(25,253,843)	(1,546,128)	(26,799,971)
Transactions with non-controlling interest	-	-	(1,487,294)	-	-	(1,487,294)	1,487,294	-
Transactions with owners in their capacity as owners								
Shares issued during the period	28,149,234	-	-	-	-	28,149,234	-	28,149,234
Options issued during the period	-	1,024,648	-	-	-	1,024,648	-	1,024,648
Capital raising costs	(1,648,743)	-	-	-	-	(1,648,743)	-	(1,648,743)
Recognise tax effect on capital raising costs	587,409	-	-	-	-	587,409	-	587,409
Foreign currency - subsidiaries	-	-	-	(79,415)	-	(79,415)	-	(79,415)
Shares issued in lieu of contractor fees	30,000	-	-	-	-	30,000	-	30,000
Exercise of options	128,444	-	-	-	-	128,444	-	128,444
Balance at 30 June 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 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)	-	-	-	-	(608,547)	-	(608,547)
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**	**1,891,431**	**22,639,753**

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 2016

	Note	CONSOLIDATED 2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**13,461,729**	9,436,178
Payment to suppliers		**(38,790,965)**	(32,123,910)
Income taxes paid		**-**	-
R&D tax refund		**3,296,408**	1,024,795
Grant income		**-**	147,990
Interest paid		**(73,514)**	(72,225)
Interest received		**165,818**	90,968
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	21(e)	**(21,940,524)**	(21,496,204)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		**(279,722)**	(433,631)
Payments for intangible assets		**(106,144)**	(91,213)
Additional shares acquired in subsidiary		**-**	(165,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(385,866)**	(689,844)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share or options issues		**7,727,922**	28,277,678
Share issue transaction costs		**(608,547)**	(1,648,743)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**7,119,375**	26,628,935
NET (DECREASE)/INCREASE IN CASH HELD		**(15,207,015)**	4,442,887
CASH AT BEGINNING OF THE YEAR		**24,025,859**	19,582,972
Exchange rate adjustments		**(5,725)**	-
CASH AT END OF THE YEAR	21(a)	**8,813,119**	24,025,859

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 2016

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 of 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.

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.

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 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 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 a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

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 30.

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 2016 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. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, due to the fact that 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.

As a consequence:

- An exercise is performed to fair value the assets and liabilities of the legal acquirer, Admedus Limited;
- The cost of the investment held by the legal parent (Admedus Limited) in the legal subsidiary (Admedus Investments Pty Limited) is reversed on consolidation and the cost of the reverse acquisition is eliminated on consolidation against the consolidated equity and reserves of Admedus Investments Pty Limited and its consolidated entities at date when control is passed. The effect of this is to restate the consolidated equity and reserves balances to reflect those of Admedus Investments Pty Limited at the date of acquisition;
- The amount recognised as issued equity instruments are determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination; and
- The consolidated financial statements are issued under the name of the legal parent (Admedus Limited) but are a continuation of the financial statements of the deemed acquirer (Admedus Investments Pty Limited) under the reverse acquisition rules.

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 the acquisition-date fair value. 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 also 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reserve in equity.

The foreign currency 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.

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 Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 utilise 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.

Admedus Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime from 1 July 2013. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the ‘separate taxpayer within group’ approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognizes 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.

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 realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised 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 the purpose of 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 according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation 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, and, where applicable, transfers from cash flow hedging reserves in equity. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, 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. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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 surplus 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, so as 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of up to 17 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of up to 17 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation 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 as a result of 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, taking into account 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The cost of equity-settled transactions are 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 are 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 or not 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.

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, maximising the use of relevant observable inputs and minimising 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.

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 take into account 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

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 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 Group and, therefore, no change is necessary to Group accounting policies.

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 taking into account 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.

Provision for impairment of receivables

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

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account 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 by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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

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 have been determined based on value-in-use calculations. These 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.

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 particular 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 a number of 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 utilise 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 taken into account.

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.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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	
	2016	2015
	$	$
Financial assets		
Cash and cash equivalents	**8,813,119**	24,025,859
Trade and other receivables	**4,217,828**	2,459,352
	13,030,947	26,485,211
Financial liabilities		
Trade and other payables	**2,599,901**	1,316,645
	2,599,901	1,316,645
Net financial assets	**10,431,046**	25,168,566

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 2016

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 2016 Consolidated			
Financial assets			
Cash and cash equivalents	21	0.3%	8,813,119
30 June 2015 Consolidated			
Financial assets			
Cash and cash equivalents	21	0.3%	24,025,859

Sensitivity
At 30 June 2016, if interest rates had increased by 0.15% or decreased by 0.2% from the year end rates with all other variables held constant, post-tax loss for the year would have been $13,220 lower/$17,626 higher (2015 changes of 0.15%/0.2%: $36,039 lower/ $48,052 higher), mainly as a result 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, taking into account its financial position, past 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.

	CONSOLIDATED	
	2016	2015
	$	$
Cash at bank and short-term bank deposits		
AA	**8,813,119**	24,025,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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	
	2016	2015	**2016**	2015
	$	$	**$**	$
US Dollars	**45,894**	20,615	**1,405,310**	543,615
Euros	**146,430**	17,230	**148,548**	186,421
NZ Dollars	**2,578**	-	**248,516**	193,336
Singapore Dollars	**6,881**	-	**16,733**	100,335
Total	**201,783**	37,845	**1,819,107**	1,023,707

(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 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**
Group – At 30 June 2015							
Non-derivatives							
Trade and other payables	1,316,645	-	-	-	-	1,316,645	1,316,645
Non-interest bearing	-	-	-	-	-	-	-
Total non-derivatives	1,316,645	-	-	-	-	1,316,645	1,316,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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	
	2016	2015
	$	$
Breakdown of Other income		
Grant income	**-**	147,990
Interest income	**165,818**	90,967
Research and development tax incentive	**4,542,068**	1,024,795
Sundry income	**22,371**	-
Total other income	**4,730,256**	1,263,752

5. INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2016	2015
	$	$
(a) Income tax expense/(benefit)		
Current tax	**-**	(59,949)
Deferred tax – origination and reversal of temporary differences	**425,424**	496,245
Deferred tax – reversal of prior period temporary differences (c)	**-**	2,492,337
	425,424	2,928,633
Deferred tax included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets (Note 10)	**-**	2,928,633
Deferred tax – origination and reversal of temporary differences	**-**	2,928,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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

	CONSOLIDATED	
	2016	2015
	$	$
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	**(25,130,410)**	(23,871,337)
Tax at the Australian tax rate of 30% (2015: 30%)	**(7,539,123)**	(7,161,401)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Share based payments	**455,637**	316,395
Legal expenses	**589,592**	423,691
R&D Tax Incentive eligible expenditure	**-**	735,801
R&D Tax Incentive income	**(1,313,716)**	(307,439)
Amortisation	**111,146**	373,034
Current and past year share issue expenses	**-**	(216,163)
Sundry items – net non-deductible/(non-assessable)	**444,074**	(156,739)
	(7,252,390)	(5,992,821)
Deferred tax – current year benefits not recognised	**7,252,390**	6,429,117
Deferred tax – reversal of prior period temporary differences (c)	**-**	2,492,337
Income tax expense/(benefit)	**-**	2,928,633

(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 as a result, 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, as a result of the consolidation, to offset future wholly owned Australian controlled entity profits.

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

Deferred tax assets (Note 10)	-	587,409

6. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2016	2015
	$	$
Current		
Trade receivables	**2,332,841**	1,819,883
	2,332,841	1,819,883
Other receivables and prepayments	**1,884,987**	639,469
	4,217,828	2,459,352

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 2015.

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 2016

6. TRADE AND OTHER RECEIVABLES

(a) Past due but not impaired

As at 30 June 2016, trade receivables of $218,194 (2015: $135,719) 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 2016. The ageing analysis of these trade receivables is as follows:

	2016	2015
	$	$
Over 90 days	**218,194**	135,719

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	
	2016	2015
	$	$
Raw materials – at cost	**150,500**	175,066
Work in progress – at net realisable value	**192,693**	174,699
Finished goods – at net realisable value	-	390,897
Finished goods – at cost	**3,248,271**	2,281,743
	3,591,464	3,022,405

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2016 amounted to $0 (2015: $186,990).

8. PROPERTY, PLANT & EQUIPMENT

	CONSOLIDATED	
	2016	2015
	$	$
Plant & equipment		
Cost	**4,408,989**	4,129,267
Accumulated depreciation	**(1,712,764)**	(1,171,345)
Net book amount	**2,696,225**	2,957,922
Reconciliation		
Opening net book amount	**2,957,922**	3,297,854
Additions	**279,722**	433,631
Disposals – Cost	-	(63,919)
Disposals – Accumulated depreciation	-	63,919
Depreciation charge	**(541,419)**	(773,563)
Closing net book amount	**2,696,225**	2,957,922

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

9. INTANGIBLE ASSETS

	CONSOLIDATED	
	2016	2015
	$	$
Patents	**276,637**	367,283
Intellectual property	**2,277,102**	2,526,483
Technology Licence	**3,317,801**	4,311,870
Goodwill	**1,589,293**	1,589,293
	7,460,833	8,794,929
Reconciliation - Patents		
Opening net book value	**367,283**	276,070
Additions - acquisitions	**106,144**	91,213
Amortisation	**(196,790)**	
Closing net book value	**276,637**	367,283
Reconciliation – Intellectual property		
Opening net book value	**2,526,483**	2,775,863
Amortisation	**(249,381)**	(249,380)
Closing net book value	**2,277,102**	2,526,483
Reconciliation – Technology Licence		
Opening net book value	**4,311,870**	5,305,935
Amortisation	**(994,069)**	(994,065)
Closing net book value	**3,317,801**	4,311,870
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 technology licence and goodwill from Admedus Vaccines transaction were calculated on 30 June 2013. An impairment test was completed at 30 June 2016 and 30 June 2015 with no impairment calculated. The impairment test was performed on the basis of utilising the fair value less costs to sell valuation methodology.

The fair value has been determined by Griffith Hack (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 24.6% (2015: 25.0%) and cash flows are calculated using Implied Peak Sales of $2.0B to $3.8B for HSV-2 and $1.2B for HPV (2015: HSV-2 $2.0B to$3.8B and HPV $1.2B) using a cumulative probability of success of 24% HSV-2 and 14% HPV (2015: 24% HSV-2 and 14% HPV) and royalty of 4.75% (2015: 4.75%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

10. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The composition and movement of deferred assets is as follows:

	Balance 30 June 14 $	Recognised in profit or loss $	Recognised in equity $	Balance 30 June 15 $	Recognised in profit or loss $	Recognised in equity $	Balance 30 June 16 $
Provisions	**344,306**	98,308	-	**442,614**	-	-	**442,614**
Accruals	**10,500**	120,846	-	**131,346**	(35,479)	-	**95,867**
Share issue costs through equity	**475,737**	-	587,409	**1,063,146**	-	-	**1,063,146**
Property, plant and equipment	**(977,159)**	342,199	-	**(634,960)**	98,852	-	**(536,108)**
Intangible assets	**(2,424,539)**	431,188	-	**(1,993,351)**	316,562	-	**(1,676,789)**
Tax losses carried forward	**8,804,154**	1,676,383	-	**10,480,537**	4,995,030	-	**15,475,567**
Sub-total	**6,232,999**	2,668,924	587,409	**9,489,332**	5,374,965	-	**14,864,297**
Unrecognised net deferred tax assets	**(3,891,775)**	(5,597,557)	-	**(9,489,332)**	(5,374,965)	-	**(14,864,297)**
Tax assets	**2,341,224**	(2,928,633)	587,409	**-**	-	-	**-**

Deferred tax assets are attributable to the following:

Consolidated	**Assets**		**Liabilities**		**Net**	
	2016 $	2015 $	**2016 $**	2015 $	**2016 $**	2015 $
Provisions	**442,614**	442,614	**-**	-	**442,614**	442,614
Accruals	**95,867**	131,346	**-**	-	**95,867**	131,346
Share issue costs through equity	**1,063,146**	1,063,146	**-**	-	**1,063,146**	1,063,146
Property, plant and equipment	**-**	-	**(536,108)**	(634,960)	**(536,108)**	(634,960)
Intangible assets	**-**	-	**(1,676,789)**	(1,993,351)	**(1,676,789)**	(1,993,351)
Tax losses carried forward	**15,475,567**	10,480,537	**-**	-	**15,475,567**	10,480,537
Sub-total	**17,077,194**	12,117,643	**(2,212,897)**	(2,628,311)	**14,864,297**	9,489,332
Set off of tax	**(2,212,897)**	(2,628,311)	**2,212,897**	2,628,311	**-**	-
Unrecognised net deferred tax assets	**(14,864,297)**	(9,489,332)	**-**	-	**(14,864,297)**	(9,489,332)
Tax assets	**-**	-	**-**	-	**-**	-

(a) Tax losses

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

Australian losses	**30,828,845**	24,544,946
Foreign losses	**20,756,377**	8,338,671
Sub-total	**51,585,222**	32,883,617
Potential tax benefit at 30%	**15,475,567**	9,865,085

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 2016

11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2016	2015
	$	$
Trade payables	**1,058,079**	720,165
Other payables and accruals	**1,541,822**	596,480
	2,599,901	1,316,645

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

12. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2016	2015
	$	$
Employee benefits (a)	**1,072,983**	924,424

(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 also 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 past 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	
	2016	**2015**
	$	**$**
Provision for income tax	-	-

14. NON CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2016	2015
	$	$
Lease make good (a)	**466,830**	460,915

(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. Provision based on valuation by Griffin Valuation Advisory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

15. CONSOLIDATED 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 2016 %	2015 %	Cost to Company 2016 $	2015 $
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	**88.9**	88.9	**11,406,556**	11,406,556
Admedus Corporation	Ordinary	USA	**100**	100	**104**	104
Admedus Vaccines Pty Limited	Ordinary	Australia	**72.8**	66.3	**13,000,049**	9,500,049
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
					54,828,328	51,328,328

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 2016

16. CONTRIBUTED EQUITY

	SHARES		$	
	2016	2015	**2016**	2015
(a) Share Capital				
Ordinary shares				
Fully paid	**196,254,798**	1,845,399,036	**87,887,943**	80,738,568

	Date	Notes	No. shares	Issue Price	$
(b) Movements in Ordinary Share Capital					
Details					
Balance	**30/6/14**		**1,441,087,921**		**53,492,224**
Shares issued in lieu of consulting fees		(d)	200,937	0.1493	30,000
Rights issue		(e)	230,631,912	0.07	16,144,234
Share placement		(f)	171,500,000	0.07	12,005,000
Conversion of options		(g)	1,978,266	0.065	128,444
Recognise tax effect on capital raising costs			-		587,409
Transaction costs					(1,648,743)
Balance	**30/6/15**		**1,845,399,036**		**80,738,568**
Shares issued in lieu of employee bonuses		(h)	143,196	0.077	11,026
Conversion of options		(i)	1,620,833	0.06	97,250
Share consolidation		(j)	(1,662,445,029)		-
Shares issued in lieu of consulting fees		(k)	38,119	0.787	30,000
Shares issued in lieu of directors fees		(l)	214,643	0.809	173,646
Share placement		(m)	11,260,000	0.66	7,431,600
Conversion of options		(n)	24,000	0.60	14,400
Transaction costs			-		(608,548)
Balance	**30/6/16**		**196,254,798**		**87,887,942**

(c) 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.

(d) Shares issued in lieu of consulting fees

In October 2014, a consultant elected to receive their fee as shares at an issue price of $0.1493 (based on the 10 day VWAP).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

16. CONTRIBUTED EQUITY (continued)

(e) Share Rights Issue

A non-renounceable rights issue of shares was undertaken at an issue price of $0.07 per share.

(f) Share placement

In March 2015, current shareholders and sophisticated investors were approached to make further investment in the Group at a $0.07 per share.

(g) Shares under option

Between 1 July and 30 June 2015, 1,703,333 unlisted options were exercised at $0.06 each, 249,933 unlisted options were exercised at $0.095 each and 25,000 unlisted options were exercised at $0.10 each. Information in relation to the current options issued, exercised or lapsed during the financial year is set out Note 17 (a).

(h) 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).

(i) 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).

(j) Share Consolidation

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

(k) 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).

(l) 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).

(m) Share placement

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

(n) 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).

(o) 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 2016

17. EQUITY – RESERVES

	CONSOLIDATED	
	2016 $	2015 $
(a) Reserves		
Share based payments	**3,835,556**	2,316,764
Other reserve	**(2,921,934)**	(2,245,995)
Foreign currency translation reserve	**464,100**	(79,415)
	1,377,722	(8,646)

Reconciliation - Share based payment	Date	No. options/ warrants	Valuation	$
Balance	**30/6/14**	109,983,334		1,292,116
Unlisted options exercised		(1,978,266)	0.065	-
Unlisted options cancelled		(4,975,000)	0.10	-
Unlisted options issued		4,100,000	0.21	14,695
Unlisted options issued		18,850,000	0.117	748
Share based payment		-	-	1,009,205
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

	CONSOLIDATED	
Reconciliation – Other reserve	**2016 $**	2015 $
Opening balances	**(2,245,995)**	(758,701)
Gain in Non-Controlling Interests	**(675,939)**	(1,487,294)
Closing balance	**(2,921,934)**	(2,245,995)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

17. EQUITY – RESERVES (continued)

	CONSOLIDATED	
Reconciliation – Foreign currency translation reserve	**2016 $**	2015 $
Opening balances	**(79,415)**	-
Foreign exchange on subsidiaries	**543,515**	(79,415)
Closing balance	**464,100**	(79,415)

(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	
	2016 $	2015 $
Interest in:		
Share Capital	**17,081,028**	19,652,479
Reserves	**2,921,934**	2,245,995
Accumulated losses	**(18,111,531)**	(19,566,440)
	1,891,431	2,332,034

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	
	2016 $	2015 $	**2016 $**	2015 $
Current assets	**1,911,835**	310,615	**2,294,042**	4,448,034
Current liabilities	**195,552**	170,690	**288,514**	105,105
Current net assets	**1,716,283**	139,925	**2,005,528**	4,342,928
Non-current assets	**4,912,260**	5,909,004	**2,641,260**	2,999,117
Non-current liabilities	**-**	-	**-**	-
Non-current net assets	**4,912,260**	5,909,004	**2,641,260**	2,999,117
Net assets	**6,628,543**	6,048,929	**4,646,787**	7,342,045
Accumulated non-controlling interests	**1,369,164**	1,505,374	**517,187**	826,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

18. NON-CONTROLLING INTEREST (continued)

Revenue	**-**	-	**2,955,786**	1,405,981
Loss for the year/Total comprehensive loss	**(2,921,502)**	(3,826,114)	**(2,695,258)**	(2,162,530)
Loss allocated to non-controlling interests	**(816,560)**	(1,235,931)	**(299,982)**	(310,197)
Cash flows from operating activities	**(1,837,239)**	(3,088,104)	**(3,027,471)**	(1,832,233)
Cash flows from investing activities	**-**	(9,313)	**(117,695)**	(2,342,484)
Cash flows from financing activities	**3,500,000**	3,000,000	**-**	8,212,000
Net increase/(decrease) in cash and cash equivalents	**1,662,761**	(97,417)	**(3,145,166)**	4,037,283

(a) Transactions with non-controlling interests

On 23 June 2016, the consolidated entity acquired an additional 0.7% of the issued capital of Admedus Regen Pty Ltd for $500,000. Immediately prior to the purchase, the carrying amount of the existing 27.9% non-controlling interest was $1,505,374. The consolidated entity recognised a decrease in non-controlling interests of $39,306 and a decrease in equity attributable to the owners of Admedus Limited of $96,544.

On 1 July 2015, the consolidated entity acquired an additional 5.8% of the issued capital of Admedus Vaccines Pty Ltd for $3,000,000. Immediately prior to the purchase, the carrying amount of the existing 33.8% non-controlling interest was $1,505,374. The consolidated entity recognised a decrease in non-controlling interests of $259,105 and a decrease in equity attributable to the owners of Admedus Limited of $579,395.

During the 2015 year the consolidated entity acquired an additional 9.1% of the issued capital of Admedus Vaccines Pty Ltd for $3,000,000. Immediately prior to the purchase, the carrying amount of the existing 42.8% non-controlling interest was $2,265,284. The consolidated entity recognised a decrease in non-controlling interests of $480,782 and a decrease in equity attributable to the owners of Admedus Limited of $531,884. The consolidated entity also acquired an additional 9.8% of the issued capital of Admedus Regen Pty Ltd via two investments of $4,042,000 and $4,170,000. Immediately prior to the purchase, the carrying amount of the existing 20.87% non-controlling interest was ($94,456). The consolidated entity recognised a decrease in non-controlling interests of $56,296 and a decrease in equity attributable to the owners of Admedus Limited of $955,410.

The overall effect of these transactions on the equity attributable to the owners of Admedus Limited during 2016 and 2015 is summarised as follows:

	CONSOLIDATED	
	2016 **$**	2015 $
Carrying amount of non-controlling interest acquired	**2,824,061**	9,724,706
Consideration paid to non-controlling interest	**(3,500,000)**	(11,212,000)
Excess of consideration paid recognised in other reserves within equity	**(675,939)**	(1,487,294)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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	
	2016 $	2015 $
(a) Audit Services		
HLB Mann Judd (WA Partnership)		
Audit and review of financial reports and other audit work under the Corporations Act 2001	**39,000**	-
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the Corporations Act 2001	**86,621**	89,415
(b) Non-audit Services		
Corporate Finance services		
Related entities to HLB Mann Judd (WA Partnership)	**-**	-
Related entities to BDO Audit (WA) Pty Ltd	**-**	8,058
	-	8,058

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

20. EARNINGS PER SHARE

	CONSOLIDATED	
	2016 Number	2015 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	**190,841,109**	153,281,069
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	**(24,013,868)**	(25,253,842)
Basic earnings/(loss) per share	**(12.58)**	(16.48)
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 2016

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

	CONSOLIDATED	
	2016	2015
	$	$
(a) Reconciliation to Cash at the End of the Year		
Cash at bank and in hand	**8,813,119**	24,025,859
Total cash at the end of the year	**8,813,119**	24,025,859

(b) Cash at Bank and On Hand

These are interest bearing accounts held at bank with average interest rates of 0.15% (2015: 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

	2016 $	2015 $
Loss for the year	**(25,130,410)**	(26,799,970)
Depreciation/Amortisation expense	**1,981,451**	2,017,008
Inventory write-down	**-**	186,990
Bad debts	**(4,866)**	16,971
Non-cash share expense – share based payments	**1,518,791**	1,054,648
Foreign exchange differences	**543,515**	(79,414)
Additional shares acquired in subsidiary (Finance activities)	**-**	165,000
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
Increase in receivables	**(1,753,611)**	(836,406)
Increase in inventories	**(569,059)**	(70,160)
(Increase)/decrease in net tax asset	**-**	(7,338)
Increase in deferred tax	**-**	2,928,632
(Decrease)/increase in creditors	**1,319,191**	(432,661)
Increase in other provisions	**154,474**	360,496
Net cash outflow from operating activities	**(21,940,524)**	(21,496,204)

(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 2016

22. COMMITMENTS

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

	CONSOLIDATED	
	2016	2015
	$	$
(a) Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	**583,287**	501,436
Later than one year but no later than five years	**670,169**	785,623
Later than five years	**-**	-
	1,253,456	1,287,059

The Company leases office space in Brisbane under an operating lease that expires in January 2019 and photocopiers expiring December 2016 and August 2019.
Admedus Regen Pty Ltd leases office space in Melbourne under an operating lease that expiring in May 2018 and leases office space in Sydney under an operating lease that expires in April 2017.
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 2017.
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 2016

23. SEGMENT REPORTING (continued)

Segment information

	Medical products and devices $	Bio Implant operations $	Regenerative medicine R&D $	Immunotherapies R&D $	Total $
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)**
2015					
Total segment revenue	7,495,614	2,637,846	-	-	10,133,460
Segment profit/(loss)	(186,443)	(9,799,771)	(2,274,128)	(3,826,114)	(16,086,456)
Segment assets	5,132,976	6,051,349	7,575,214	6,226,329	24,985,868
Segment liabilities	874,466	903,685	105,105	170,690	2,053,946
Other information					
Acquisition of non-current assets	21,984	327,292	130,329	9,313	488,918
Depreciation & amortisation	12,540	703,031	286,850	995,662	1,998,084
Asset write downs	11,057	53,175	68,950	-	133,181

(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	
	2016 **$**	2015 $
Segment revenue	**14,150,521**	10,133,460
Total revenue from continuing operations	**14,150,521**	10,133,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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	
	2016 **$**	2015 $
Segment loss	**(15,763,159)**	(16,086,456)
Unallocated:		
Depreciation and amortisation	**(26,005)**	(18,924)
Asset write downs	**-**	(70,780)
Share-based payments	**(1,518,791)**	(1,054,649)
Other corporate and administration (expenses)/benefits	**(7,822,456)**	(6,640,528)
Loss before income tax from continuing operations	**(25,130,410)**	(23,871,337)

(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	
	2016 **$**	2015 $
Segment assets	**22,643,994**	24,985,868
Intersegment eliminations		-
Unallocated:		
Cash and cash equivalents	**3,500,067**	15,918,432
Trade and other receivables	**588,323**	284,621
Property, Plant & Equipment	**36,121**	60,580
Intangibles	**10,965**	10,965
Total assets per the statement of financial position	**26,779,469**	41,260,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

23. SEGMENT REPORTING (continued)

Reportable segment liabilities reconciled to total liabilities as follows:

	CONSOLIDATED	
	2016	2015
	$	$
Segment liabilities	**1,885,277**	2,053,946
Intersegment eliminations	**-**	-
Unallocated:		
Trade and other payables	**1,354,840**	506,856
Provisions	**899,597**	141,182
Total liabilities per the statement of financial position	**4,139,714**	2,701,984

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 2016

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) 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 has 2,275,000 staff options over ordinary shares (post consolidation) in the Company as at 30 June 2016 (2015: 22,950,000).

On 21 July 2015 the Company issued 13,500,000 options to employees under the ESOP.

On 26 November 2015 the Company completed a share and option consolidation on a 10 for 1 basis.

On 10 December 2015 employees received 475,000 options as a sign-on bonus under the ESOP.

On 10 December 2015 directors received 200,000 options under the ESOP, approved by shareholders at 2015 AGM.

On 24 June 2016 employees received 250,000 options as a sign-on bonus under the ESOP.

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	Cancelled Number	Exercised 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)**	**2,06,749**
Weighted average exercise price			$0.11	$0.19	$0.12	$0.60	$1.13	

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

25. SHARE BASED PAYMENTS (Continued)

Grant date	Expiry date	Exercise price $	Balance at start of the year Number	Granted during the year Number	Cancelled Number	Exercised during the year Number	Balance at end of the year Number	Value at grant date
		2015						
22/10/2009	22/10/2014	0.10	5,000,000	-	(4,975,000)	(25,000)	-	200,000 [a]
12/8/2011	10/7/2016	0.06	3,916,667	-	-	(250,000)	3,666,667	300,440 [a]
22/8/2011	10/7/2016	0.06	52,300,000	-	-	(1,120,000)	51,180,000	460,960 [a]
18/5/2012	18/5/2017	0.06	2,466,667	-	-	(333,333)	2,133,334	85,453 [a]
24/4/2013	1/3/2018	0.06	2,000,000	-	-	-	2,000,000	13,153
18/6/2013	18/6/2018	0.095	15,300,000	-	-	(249,933)	15,050,067	175,323
16/12/2013	16/12/2018	0.27	9,000,000	-	-	-	9,000,000	161,981
28/3/2014	1/2/2019	0.245	2,000,000	-	-	-	2,000,000	16,386
21/5/2014	1/7/2018	0.17	3,000,000	-	-	-	3,000,000	63,968
21/5/2014	21/5/2019	0.17	15,000,000	-	-	-	15,000,000	39,565
5/11/2014	5/11/2019	0.21	-	4,100,000	-	-	4,100,000	14,695
30/6/2015	30/6/2020	0.117	-	18,850,000	-	-	18,850,000	748
Total			**109,983,334**	**22,950,000**	**(4,975,000)**	**(1,978,266)**	**125,980,068**	**1,532,672**
Weighted average exercise price			$0.105	$0.134	$0.100	$0.065	$0.111	

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

(b) Expenses Arising from Share Based Payment Transactions

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

	CONSOLIDATED	
	2016	2015
	$	$
Employee bonus shares		-
Options issued under employee option plan	**1,518,792**	1,054,649
Total expenses from share-bases transactions	**1,518,792**	1,054,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 was 40.9 cents per option for Tranche A, 51.5 cents per option for Tranche B, 58.5 cents per option for Tranche C and 16.3 cents per option for Tranche D. The fair value at grant date is independently 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 30 June 2016 included:

	Tranche A	**Tranche B**	**Tranche C**	**Tranche D**
Details:	All Tranches of options are granted for no consideration and vest based on holder still being employed by Admedus Limited over a three year period. Vested options are exercisable for a period up to expiry date.			
Exercise price:	$1.44	$1.39	$0.83	$0.30
Grant date:	21 July 2015	10-Dec-15	10-Dec-15	24-Jun-16
Expiry date:	21 July 2020	10-Dec-20	10-Dec-20	24-Jun-21
Share price at grant date:	$0.86	$0.83	$0.83	$0.30
Expected price volatility of the company's shares:	90%	90%	90%	70%
Risk-free interest rate:	2.25%	2.36%	2.36%	1.63%
Fair value at grant date:	$0.409	$0.515	$0.585	$0.163

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 2016

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 - 2016	$	$	$	$
Assets				
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**
Liabilities				
Lease make good provision	-	**466,830**	-	**466,830**
Total liabilities	-	**466,830**	-	**466,830**

	Level 1	Level 2	Level 3	Total
Consolidated - 2015	$	$	$	$
Assets				
Intellectual Property	-	4,311,870	-	4,311,870
Property, plant and equipment	-	2,376,406	-	2,376,406
Total assets	-	6,688,276	-	6,688,276
Liabilities				
Lease make good provision	-	460,915	-	460,915
Total liabilities	-	460,915	-	460,915

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 has since been adjusted for amortization, depreciation and interest.

27. CONTINGENT LIABILITIES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 13 July 2016, the Group announced cancellation of 5,298,584 unlisted options that expired on 10 July 2016.

On 15 July 2016, the Group announced the resignation of BDO Audit (WA) Pty Ltd and appointed of HLB Mann Judd (WA Partnership) as the new auditors. HLB will continue to hold office until the next AGM at which time the shareholders will formally appoint.

On 2 August 2016, the Group announced Prospectus -Entitlement Offer. Under the offer shareholder have the rights to purchase 1 share for every 9 shares held at $0.33 per share.

On 5 August 2016, the Group announced the issue of 30,303,031 shares each at an issue price of $0.33 via a private placement.

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 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	THE COMPANY	
	2016	2015
	$	$
Current assets	**4,196,235**	16,304,620
Non-current assets	**16,912,530**	19,647,533
Total assets	**21,108,765**	35,952,153
Current liabilities	**2,270,275**	1,816,430
Non-current liabilities	**-**	-
Total liabilities	**2,270,275**	1,816,430
Contributed equity	**112,298,999**	105,150,741
Accumulated losses	**(97,772,034)**	(73,807,752)
Reserves	**4,311,525**	2,792,734
Total equity	**18,838,490**	34,135,723
Profit/(loss) for the year	**(23,964,282)**	(24,230,828)
Other comprehensive income/(loss) for the year	**-**	-
Total comprehensive income/(loss) for the year	**(23,964,282)**	(24,230,828)

Contingent liabilities of the parent entity

The contingent liabilities for the parent entity as at 30 June 2016 are detailed in note 27.

Commitments of the parent entity

The commitments for the parent entity as at 30 June 2016 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 2016 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 2016, comply with section 300A of the *Corporations Act 2001*.

4. The Directors have been given the declarations by the Managing Director 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:

WAYNE PATERSON
Chairman

Perth, Western Australia

Dated 31 August 2016

HLB Mann Judd
Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Admedus Limited

Report on the Financial Report

We have audited the accompanying financial report of Admedus Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view 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 company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd

Auditor's Opinion

In our opinion:

(a) the financial report of Admedus Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Admedus Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

B McVeigh

HLB Mann Judd
Chartered Accountants

B McVeigh
Partner

Perth, Western Australia
31 August 2016

SHAREHOLDER DETAILS

The number of shares held by the substantial shareholders as at 21 September 2016:

Name	No. ordinary shares held	% of issued capital held
Minderoo Group Pty Ltd	14,815,000	5.89

Voting rights
The shares carry the right to one vote for each share held.

Distribution of shareholders
Number of ordinary shareholders: 7,992

Number of ordinary shares	No. of shareholders
1 - 1,000	1,429
1,001 - 5,000	2,380
5,001 - 10,000	1,219
10,001 - 100,000	2,546
100,001 and over	418
Total	7,992

Twenty Largest Shareholders

Name	No. ordinary shares held	% of issued capital held
Minderoo Group Pty Ltd	14,815,000	5.89
MC Management Group Pty Ltd <The MC Master A/C>	10,373,532	4.12
Merrill Lynch (Australia) Nominees Pty Ltd <MLPRO A/C>	6,334,648	2.52
Citicorp Nominees Pty Ltd	4,255,414	1.69
Rosherville Pty Ltd	4,000,000	1.59
Mr Lee Eric Rodne	2,810,587	1.12
Washington H Soul Pattinson and Company Ltd	2,693,603	1.07
J P Morgan Nominees Australia Ltd	1,976,199	0.79
HSBC Custody Nominees (Australia) Ltd	1,973,433	0.78
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,717,522	0.68
Broadscope Pty Ltd <The Catlow Family A/C>	1,710,000	0.68
Alocasia Pty Ltd <Camellia Super Fund A/C>	1,646,539	0.65
Mr Athanasioa Farmakis	1,600,000	0.64
Jetmax Trading Pty Ltd	1,577,778	0.63
HSBC Custody Nominees (Australia) Ltd – A/C3	1,556,501	0.62
Mr Adrian Avotins	1,251,515	0.50
Dr Russell Kay Hancock	1,209,877	0.48
Peninsula Exploration Pty Ltd	1,200,000	0.48
Parerg Pty Ltd	1,100,000	0.44
National Nominees Ltd	1,092,474	0.43

The 20 largest shareholders hold 25.78% of the Company's issued capital.

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INNOVATIVE HEALTH SOLUTIONS

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