# CARDIEX LIMITED
# AND CONTROLLED ENTITIES
# ABN 81 113 252 234

# ANNUAL REPORT
## FOR THE YEAR ENDED 30 JUNE 2019

**CARDIEX LIMITED**
**ABN 81 113 252 234**
**AND CONTROLLED ENTITIES**

## CORPORATE DIRECTORY

### DIRECTORS

Mr. Niall Cairns (Executive Chairman)
Mr. King Nelson
Mr. Craig Cooper

### COMPANY SECRETARY

Mr. Jarrod White

### CHIEF FINANCIAL OFFICER

Mr. Jarrod White

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 303, Level 3
15 Lime Street
Sydney NSW 2000
Telephone: (02) 9874 8761
Email: info@CardieX.com
Website: www.CardieX.com

### SHARE REGISTRY

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Telephone: (02) 8280 6000
Website: www.linkmarketservices.com

### AUDITORS

BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000
Telephone: (02) 9251 4100
Facsimile: (02) 9240 9821
Website: www.bdo.com.au

### CORPORATE ACCOUNTANT

Traverse Accountants
Suite 305, Level 3
35 Lime Street
Sydney NSW 2000
Website: www.traverseaccountants.com.au

### STOCK EXCHANGE LISTING

CardieX Limited's shares are listed on the Australian Securities Exchange (ASX code: **CDX**).

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## Chairman's Report

Dear Fellow Shareholders,

It gives me great pleasure to present the 2019 Annual Report for CardieX Limited, my first as Chairman and a transformational year it has been. We have focused on instilling a new growth mindset within the Company, securing key partnerships and taking the strides forward required to create a world-class global healthcare company. We are doing this from the strong technology base that is provided by our world leading FDA approved SphygmoCor®, which is enabling us to address the needs of large (multi-billion dollar) global healthcare markets and build a CardieX ecosystem for long term value creation.

The transformation is being led by our CEO and Managing Director, Craig Cooper, with significant progress made and clear milestones achieved. This includes instilling a new growth mindset and can-do attitude, which has been embraced by the continuing CardieX team. Enhancing the team we have been able to attract a number of highly experienced and capable executives with great track records and expertise. Importantly, we now have global expertise, reach and track records across multiple markets (USA, China, Europe and Australia). This provides us with confidence that we have the team and culture to execute on the CardieX strategy.

Over the last 18 months the CardieX team has delivered significant progress and achievement of milestones throughout the year and post year end. They have included:

- Establishing a China operation, which has been instrumental in driving partnerships and positioning for growth in our traditional ATCOR business.
- China FDA approval for the Oscar 2, in partnership with SunTech, with first revenues expected before Christmas 2019.
- inHealth investment (current interest 7.5%, with an option to move to 50.5%), a leading US telehealth company that is part of a fast growing $25 billion market. Strong year-on-year growth is being generated from partnerships with NYSE listed Anthem (one of the largest US healthcare insurers), American Well and GEMDC (a leading global electronics and medical device group). In addition, inHealth has the potential to be a significant distribution channel for CardieX's medical and consumer devices/solutions.
- Blumio joint venture positions CardieX in the global multi-billion-dollar market for Ambulatory Blood Pressure Monitoring ("ABPM") for medical grade applications based on a unique new radar-based sensor technology. The Macquarie University trial and the US Deborah study have both produced great results further validating the technology and our investment.
- The Mobvoi Joint Development Agreement (JDA). Mobvoi is Google's official partner in China and one of the fastest growing consumer wearable electronic companies. They have a focus on consumer health applications using existing sensor technology. We see this JDA as a significant step towards having our technology in the wearables market globally. As announced, there are a number of milestones to be achieved, which if achieved will lead to significant revenue in FY2020.

In addition to the above significant achievements we remain focused on growing our exisiting ATCOR business. Though the core SphygmoCor® technology remains the focus, we are significantly redefining and enhancing the business model, market opportunities, outlook and reach. The new product and software strategy expands ATCOR into new high-growth markets, both professional/medical and consumer. Our new growth mindset is targeting a minimum 20% increase in sales for FY2020 and it is pleasing to be able to report that the results for the first months are on track to achieve this growth and we look forward to updating the market on future business progress.

The 2019 financial year delivered on its transformational promise and I wish to thank all of our CardieX team, our shareholders and my fellow Board members, Craig Cooper and King Nelson, for their efforts and support over the last two years. Also, I wish to extend deep appreciation to our retired Chairman, Donal O'Dwyer, who over 14 years steered your company through many challenging times and commenced the transformation in 2017.

Looking forward I am confident that the CardieX team will continue to deliver on key milestones, significant growth and value creation as we execute on the CardieX vision in the years ahead.

**Niall Cairns**
**Executive Chairman**
**CardieX Limited**

## Chief Executive Officer's Report

My Fellow Shareholders,

It has been a very rewarding year for us at CardieX and a year of significant progress whereby we transitioned from a pure medical device business to a multi-platform provider of consumer and medical device software/SaaS based solutions – all based on CardieX's unique, market leading, and patented software algorithms and technology.

Our key mission to improve the lives and lifespans of patients globally through better preventative health solutions has been at the forefront of our business activities, and we continue to significantly expand our footprint across new high-growth global health markets.

Our core medical business ATCOR remains focused on developing, marketing and distributing medical technologies that measure patient risk for hypertension, cardiovascular disease and other related vascular disorders.

Growing sales of the ATCOR division is a key priority for us and our vision is to have an ecosystem of devices and solutions all "powered by ATCOR". To this end, we are focused on establishing multiple partnerships and licensing agreements to incorporate SphygmoCor® into the next generation of medical devices, wearable solutions, and smart devices.

We've also significantly expanded CardieX's global footprint and are immensely proud of what we have achieved since our corporate rebranding. We've transitioned from having one business segment in medical devices to now having exposure to three high growth healthcare sectors in medical devices, wearable technologies, and digital and consumer health. Across all three of these business verticals our focus has been on establishing major strategic partnerships and driving significant value for shareholders.

Looking ahead, our focus is on growing revenue in our existing markets, new OEM and licensing partnerships, key executive recruitment, and new device and digital solutions – further expanding and building on our current market position.

We expect the year ahead to be another exciting one with the Company looking to secure further lucrative partnerships as we also continue to execute on our aggressive sales plan for 2020 - which we anticipate will see a return to profitability for our core ATCOR medical device division.

I would like to thank my fellow Board members and management and staff at CardieX who have worked tirelessly to realise our vision as we continue to grow shareholder value.

I'm personally very much looking forward to the year ahead.

**Craig Cooper**
**CEO & Managing Director**
**CardieX Limited**

**CARDIEX LIMITED**
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**OPERATIONAL UPDATE**

**Execution of Major Strategic Repositioning**

Following the announcement of the Company's major strategic repositioning in March 2018, significant internal changes were made across the year including key appointments, expansion into new high-growth global health markets and the investment in leading US digital and telehealth company inHealth Medical.

The Company has taken significant steps forward to create a world-class health technology company and has aligned itself with top-tier global health companies at the cutting edge of technology and innovation. Across the year, Cardiex launched its operations in China, secured key high-profile partnerships and established a local presence to accelerate its China growth strategy – rapidly accelerating its vision of implementing central blood pressure and related health technologies in the world's largest population market.

With a new sales and marketing strategy driven by new senior appointments, CardieX continues to make major progress to execute on its long-term growth strategy and create a leading healthcare company servicing the global healthcare markets.

**ATCOR Medical**

***Overview:*** *100% owned subsidiary. FDA approved devices and software services for measuring central blood pressure as a key determinant of cardiovascular and hypertension risk.*

***Strategic Value:*** *ATCOR is the only FDA approved technology for measuring central waveforms in order to measure hypertension and related vascular disorders and risk. Global policy is shifting towards the measurement of central blood pressure and arterial stiffness in order to drive better global health outcomes.*

*ATCOR is the gold standard in measurement of these indices and is looking to expand its market through partnerships, licensing, OEM integration, and next generation devices and software solutions.*

***Highlights:***

- Announcement of material and significant increase in sales targets for ATCOR Medical for FY2020 driven by expansion of addressable market to general practitioners, clinicians, and healthcare providers combined with new pricing and lead generation initiatives across digital and offline sales platforms;

- National Medical Products Administration ("NMPA", formerly the Chinese FDA) approval for Oscar 2 with ATCOR's "SphygmoCor® Inside" received by JV partner SunTech Medical. Oscar 2 is an Ambulatory Blood Pressure Monitor for the 24-hour patient monitoring of central and peripheral blood pressure;

- Oscar 2 now approved for sale in the USA, Europe, and China, Oscar 2 is the only available ABPM solution in China currently with "SphygmoCor® inside" and provides a unique market differentiation for ABPM devices in this significant market device segment;

- Forecast 3x increase in revenues in FY2020 from device and software sales related to Oscar 2 driven mainly by NMPA approval in China and expanded sales effort in that market;

- New CardieX corporate website and change of registered office. New ATCOR Medical website forecast completion Q1, FY2020 to help drive aggressive new sales targets and lead- generation for FY2020 and beyond;

- Major steps taken in global business development and corporate partnerships as the Company moves towards its software and SaaS strategy to enable medical and consumer wearables "powered by ATCOR";

## OPERATIONAL UPDATE

- New product strategy announced across consumer and home medical devices “powered by ATCOR” to rapidly drive sales and expand into new high-growth global health markets;

- Unique and proprietary feature and product offerings incorporating ATCOR’s SphygmoCor® technology in partnership with global medical and consumer device companies (see: “Product Strategy” below);

- Expansion of pharmaceutical trial contract with Bayer AG for an additional ~$AUD500K. Revenues have commenced, and expansion of trial has now increased to ~70 sites globally;

- The SphygmoCor® System is used in the top 20 hospitals as featured in the prestigious US News 2018-2019 Best Hospitals Honor Roll list. The Best Hospitals Honour Roll list ranks the top 20 hospitals in the United States;

- Initiation of an API-based OEM strategy targeting patient monitors, ambulatory blood pressure monitoring (BPM), home BPM, and smart wearable partnerships;

- Focus on expansion of the core ATCOR business into new markets and expanding integration of SphygmoCor® technology with OEM partnerships and other joint venture initiatives – vision is to have an end-to-end integration of the *SphygmoCor*® technology into multiple devices and markets all “powered by ATCOR”.

- Relocation of ATCOR’s Asia-Pacific sales operation to the USA, after 15 years in North Ryde, Sydney’s ATCOR Medical’s research and development team have moved to a more tech-focused space in the City of Sydney’s Barangaroo district.

- Increased sales targets for ATCOR’s key XCEL cardiovascular management device starting in FY2020. Minimum sales target increase of 20% in FY2020 with a return to profitability for the ATCOR Medical group company in that year;

- New partnerships and chip integrations in an expanding portfolio of devices in medical and consumer devices “powered by ATCOR”. Target of (2) new OEM partnerships in FY2020 with an additional home consumer device launch before Q2, FY2021. Material revenue impacts from each of these initiatives to accrue through FY2021; and

- Strong revenue start to FY2020 year with significant YOY increase in July sales over previous years.

### <u>Blumio</u>

***Overview:*** *50/50 partnership under a Joint Development Agreement (JDA) to develop non-invasive radar-based sensor for detecting blood pressure (BP) and central blood pressure (cBP) using CardieX technology.*

*7.5% direct ownership by CardieX in Blumio via Convertible Note increasing to 10% on satisfaction of certain milestones under the JDA.*

***Strategic Value:*** *The development of a non-invasive blood pressure monitoring sensor is considered to be one of the holy grails of medical technology which could displace and disrupt a $USD45B industry (CNBC).*

*A combined BP and cBP sensor using Blumio and CardieX technology is initially focused on the global market for 24-hour ambulatory blood pressure monitoring (ABPM). Initial revenue model to be based on licensing/sale of reference design and technology for the sensor.*

## OPERATIONAL UPDATE

***Highlights:***

- Achievement of successful measurement of central blood pressure using CardieX algorithm and Blumio Sensor via Macquarie University study further validating commercial opportunity for the group – and a significant milestone under the parties Joint Development Agreement (JDA);

- CardieX currently working on desktop app for Blumio/CDX algorithm as next milestone under the JDA – scheduled for completion in Q1, FY2020;

- Results of validation trials between CardieX and Blumio announced at global IEEE Conference further advancing and strengthening CardieX's wearables and direct-to- consumer health strategy;

- Initiation of 200-person Deborah study by Blumio to further develop Blumio's continuous, non-invasive blood pressure sensor. The Deborah study continues with anticipated completion late Q1 FY2020 - with full data analysis to commence by Blumio at that stage. Forecast availability of commercial reference design still on target for end of Q2/beginning of Q3; and

- Potential in Q4 FY2020 for initial revenues from chip and reference design sales related to the Blumio sensor and JDA.

**inHealth Medical (inHealth)**

*Major step forward in CardieX's digital and consumer health strategy in agreement to acquire majority interest in inHealth Medical Services, Inc in November 2018. With the companies to jointly pursue significant opportunities in telehealth, digital and online patient care and health coaching – a US$25 billion industry.*

***Overview:*** *Agreement allowing CardieX to invest in the telehealth services company in three tranches via a Convertible note to acquire a 50.5% shareholding.*

***Strategic Value:*** *inHealth provides digital telehealth solutions and health services that drive better health outcomes for its healthcare, private practice, and insurance partners.*

*Partnering with inHealth provides the opportunity to leverage inHealth's channels for CardieX's cardiovascular devices as well as giving ATCOR a digital health solution as part of a full cardiovascular health program.*

***Highlights:***

- Delivering initial revenue and patient growth via multi-year Anthem telehealth services contract.; (NYSE listed Anthem Inc (NYSE: ANTM) is a S&P 500 Company with US$65 billion market cap and one of the largest health insurers in United States);

- inHealth executes major 5-year co-marketing agreement with Anthem to jointly promote the services of inHealth across Anthem's customer network with a focus on Blue Cross Blue Shield Association of health insurance providers;

- Signed multi-year contract to provide telehealth services to one of the world's largest electronics and medical device companies (GEMDC). Rollout to clinician partnerships is underway. Additional information will be provided to the market when appropriate regarding this contract;

- CardieX converts Tranche 1 of convertible note for 7.70% of inHealth. Tranche 2 debt of $USD3M still remains in place and is due and repayable (with interest) by inHealth to CardieX by 31 July 2020 (Maturity Date) unless converted to equity by CardieX (at its option) on or before the Maturity Date;

- If converted, Tranche 2 would increase CardieX's shareholding in inHealth to 41.33%. CardieX also holds a further option to acquire shares or invest further new capital to increase its shareholding to 50.5% of inHealth;

- CardieX and inHealth announce landmark US study and collaboration on cardiovascular disease, hypertension, and telehealth utilising ATCOR Medical's SphygmoCor® technology;

- CardieX and inHealth announce collaboration on pilot program with leading Chinese telemedicine platform Health160 to investigate the deployment of inHealth's telehealth solutions in China, ~140M patient interactions to date through their platform;

- inHealth, Kaiser Permanente, and California State University Long Beach (CSULB) combine for one of the largest diabetes lifestyle intervention studies to be undertaken using inHealth's telehealth services. Kaiser Permanente is one of the largest managed healthcare organisations in the USA; and

- Launched hypertension pilot trial in Florida using SphygmoCor technology with collaboration from some of the leading research institutes in the USA. This is the first consumer trial of ATCOR technology aimed at showing a combined patient outcome with SphygmoCor technology and health coaching – further advancing CardieX's portfolio of health solutions.

***Initial growth generated by inHealth since January 2019 and key achievements include:***

- inHealth practitioner sessions have increased 5X from December 2018;

- Revenue and margins per session are as forecast;

- Sales team being expanded to drive Private Practice growth; and

- GEMDC exclusive multi-year agreement signed and planned for implementation.

**<u>Chinese Operations, Business Development and Key Partnerships</u>**

Local operations and initial team established in China, rapidly accelerating CardieX's vision of implementing central blood pressure and related health technologies in the world's largest population market. CardieX's senior executive team have completed a successful product and partnership roadshow in China and there are multiple SphygmoCor® OEM partnerships under discussion – with NDAs executed.

CardieX's China team reports directly to ZiHan (Zi) LI, VP of Corporate Development at CardieX. Zi previously spearheaded the greater China market expansion efforts for Masimo (NASDAQ: MASI USD$8 Billion), where he aggressively developed a renewed presence and growth in Masimo's patient monitoring space, rapidly growing their China operations threefold within three years.

Hypertension is a significant and growing market in China. The Company is focused on boosting growth in China by building on existing in-hospital customer base and launching new technology partnerships to integrate ATCOR's cutting-edge central blood pressure technology in China's rapidly growing health market and through providing digital health and wearable solutions in partnership with leading Chinese digital and smart wearable companies.

Post-year end CardieX entered into a multi-year Agreement to co-develop consumer wearable applications in partnership with Mobvoi Information Technology Co. Ltd ("Mobvoi"), Google's official operating partner in China for the development of smart-wearable solutions for Google's Wear OS platform.

Mobvoi is one of the fastest growing AI and consumer electronic companies in China in the smart wearables segment and CardieX will be the exclusive development partner in respect to the development of applications and features related to "smart heart health" and related functions which will be derived from CardieX's unique algorithms. Development activities and commercial execution of the agreement will be undertaken by ATCOR based on SphygmoCor® cardiovascular and hypertension algorithms and patents.

Business model, revenues, and commercialisation under the Agreement to be driven by a combination of licensing, royalty and subscription services and are forecast to be revenue accretive to CardieX in FY2021.

**Oversubscribed $5.5 Million Placement for inHealth Acquisition Completed**

Completion of oversubscribed $5.5 million placement for the acquisition of inHealth, strong support from preeminent Australian fund managers SG Hiscock and CVC Limited.

Cornerstone position from CEO Craig Cooper and Directors Niall Cairn taking $2.5 million of the placement, with Chairman Donal O'Dwyer and CFO/Company Secretary Jarrod White also participating.

**New Appointments and Board Restructure**

*To position CardieX for long-term growth and expansion into new markets, new appointments and senior executive team changes were made. Board restructure and new appointments to support CardieX's repositioning as a global health technology provider with ongoing restructure focused on new growth opportunities.*

- Former Senior Vice President of Marketing for Masimo Chris Dax appointed as VP of Operations to drive revenue and sales growth for ATCOR Medical. Chris has extensive pharmaceutical, biotech and medical device, commercial and general management experience with a proven track record of exceeding business and sales objectives;

- Doug Kurschinski promoted to Executive VP and Health of Global Sales of ATCOR Medical Division. Doug was previously Senior Vice President and General Manager of ATCOR Medical where he led the US sales team;

- Former Masimo, Inc Executive ZiHan Li joins as Director of Corporate Development to head CardieX's Asian strategy with a focus on the Chinese market. ZiHan is driving the commercialisation of CardieX's cardiovascular technologies into new devices and technologies and is focused on expanding the opportunity for CardieX's products;

- Senior med-tech executive Antony Sloan appointed to the role of Global Head of Marketing and Communications at CardieX. Antony's previous roles include VP of Marketing and Communications at global powerhouse Masimo (NASDAQ: MASI: USD$8 Billion). Antony is responsible for developing marketing and sales initiatives to support CardieX's sales and growth plans;

- Former Johnson & Johnson (NASDAQ: JNJ: USD$344 Billion) healthcare executive Rhonda Welch was appointed to the new role of Vice President of Global Marketing to manage new product initiatives and clinical strategy earlier this year and has recently made an internal move to the role of Vice President of Health Economics. In this role, Rhonda is focused on health insurance reimbursement clinical trial management, and overseeing the Company's initiatives to drive market and healthcare service adoption of CardieX's core technologies and health services;

- Sean Merritt, PhD former Director of Research and Product at Cercacor, and Algorithm Engineer at Masimo was appointed Director of Product Innovation. Sean will support CardieX as the Company rapidly moves forward with new product development and partnerships in both consumer and clinical device markets;

**OPERATIONAL UPDATE**

- Niall Cairns appointed Executive Chairman, previously non-executive director and joined the Board of inHealth. A Sydney-based growth investor, Niall has a 25-year track record of value creation restructuring and has assisted the growth of over 50 companies. Niall is a director and shareholder of C2 Ventures Pty Ltd, CardieX's largest shareholder; and

- Search has commenced for new Non-Executive Director to support and assist with the strategic growth of the company.

**Trials and Healthcare Policy Initiatives**

- Clinical abstract detailing extraction of central pressure waveforms from Blumio sensor using CardieX technology accepted for presentation at upcoming 2019 Asia-Pacific Congress on Hypertension;

- First Healthcare & Insurance Economics Report on CardieX 's central pressure technology anticipated Q2;

- Establishment of Hypertension Steering Committee headed by Rhonda Welch and Chis Dax together with key opinion leaders and medical advisors;

- New USA health guidelines announced which significantly increase CardieX's addressable market with upwards of 45% of US adults now considered to have hypertension and being at risk for cardiovascular disease;

- ATCOR Medical's SphygmoCor® technology used for central blood pressure monitoring in a clinical study published by the Clinical and Experimental Hypertension Journal. Clinical study led by the prestigious Shanghai Jiatong School of Medicine in China; and

- CardieX wins major contract to supply SphygmoCor® system for international pharmaceutical trial to assess heart failure treatment. AstraZeneca AB group are managing the trial which is seen as the first phase of a larger commercial opportunity for CardieX group.

**Corporate**

The Company's corporate website was updated to www.cardiex.com to reflect the change of name of the Company to CardieX and its new strategic direction. This follows the Company's change of listing code in June 2018 from ACG to CDX.

**Receipt of Subscription Proceeds from C2 Ventures**

- Receipt of subscription proceeds of $1,500,000 from C2 Ventures, a related party of CEO Craig Cooper and Executive Chairman Niall Cairns; and
- 
- Funds used to further execute against strategic direction of the Company.

**Corporate Conferences and Investor Relations Programme**

CardieX attended several conferences during the year including CES2019, A4M World Congress, ASN Kidney Week 2018, American College of Sports Medicine Annual Meeting, ACPM Preventative Medicine 2018, and the Renal Physicians 2018 Annual Meeting.

CardieX also conducted several roadshows across major Australian cities and held several investor presentations for investor broker and institutional networks.

## DIRECTORS' REPORT

The Directors of CardieX Limited (the "**Company"**) submit the financial report of the Company for the year ended 30 June 2019, which comprises the results of CardieX Limited and the entities it controlled during the period (the **"Group"**).

### Review of Operations

The loss for the Group after income tax amounted to $2,979,278 (30 June 2018: $2,961,225).

The Group has generated total revenue of $4,062,091, up from $4,022,554 in the previous year.

### Principal Activities

During the year the principal continuing activities of the Group consisted of designing, manufacturing and marketing medical devices for use in cardiovascular health management.

### Dividends

No dividends were paid or declared by the Group since the end of the previous financial year and the Directors do not recommend dividends be paid for the year ended 30 June 2019.

### Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group not outlined in the Review of Operations.

### Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

### Matters Subsequent to Year End

Subsequent to balance date the Group announced the following material events:

- Chris Dax was appointed as the President of ATCOR Medical;
- Antony Sloan was appointed as the Global Head of Marketing and Communications;
- Rhonda Welch was appointed to the newly created position of VP of Health Economics; and
- The Company entered into a multi-year Agreement to co-develop consumer wearable applications in partnership with Mobvoi Information Technology Co. Ltd ("Mobvoi"), Google's official operating partner in China for the development of smart-wearable solutions for Google's Wear OS platform.

No other significant subsequent event has arisen that significantly affects the operations of the Group.

**DIRECTORS' REPORT (CONT.)**

**Directors**

The following persons held office as Directors of CardieX Limited at any time during or since the end of the financial year:

Mr. Niall Cairns (appointed Executive Chairman 27 February 2019)
Mr. King Nelson
Mr. Craig Cooper
Mr. Donal O'Dwyer (resigned 27 February 2019)

**Company Secretary and Chief Financial Officer**

Mr. Jarrod White

**Information on Directors**

**Mr. Niall Cairns**
**Non-executive Director and Executive Chairman**

| | |
|---|---|
| Qualifications: | B.Ec, CA and FAICD |
| Appointed: | 20 December 2017, appointed Chairman on 27 February 2019 |
| Experience and expertise: | Mr Cairns is a Sydney based technology growth investor with over 25 years of track record of value creation, restructuring, and exits in both listed and unlisted companies having assisted in driving the global growth of over 50 companies in sectors as diverse as digital media, Agtech, Medtech, consumer Internet, and SaaS based businesses. Niall is currently the Chairman of ComOps Limited and a non-executive director of Chant West Holdings and Tru-Test Limited. |
| Other current directorships: | Tru-Test Corporation Limited, Kestrel Growth Companies Limited, Chant West Holdings Limited and ComOps Limited. |
| Former directorships (last 3 years): | None. |
| Special responsibilities: | • Chairman of the Board.<br>• Chairman of the audit and risk committee.<br>• Member of remuneration and nomination committee. |

**Mr. King Nelson**
**Non-executive Director**

| | |
|---|---|
| Qualifications: | BA, MBA |
| Appointed: | 13 November 2015 |
| Experience and expertise: | King was elected to the Board in November 2015. He brings more than 30 years of diverse experience and expertise with medical devices. He is a former President and CEO of Uptake Medical Corporation, a company focused on treatments for emphysema and lung cancer. Previously, he served as president and CEO of Kerberos Proximal Solutions, which was acquired by FoxHollow Technologies, and as president and CEO of VenPro, a heart valve business acquired by Medtronic. Both these companies specialized in devices for the cardiovascular system. Prior to that, he spent 19 years with Baxter International and American Hospital Supply Corporation in roles of increasing responsibility that included division president for Dade Diagnostics, Bentley Labs, and Baxter's Perfusion Services. |
| Other current directorships: | None. |
| Former directorships (last 3 years): | Uptake Medical Corporation |
| Special responsibilities: | • Chair of remuneration and nomination committee.<br>• Member of audit and risk committee. |

**Mr. Craig Cooper**
**Executive Director, Chief Executive Officer**

| | |
|---|---|
| Qualifications: | B.Ec, LLB (Hons) |
| Appointed: | 1 December 2017 |
| Experience and expertise: | Mr Cooper was appointed as Chief Executive Officer effective 1 December 2017. Mr Cooper has founded multiple successful health, digital media, technology, and wellness businesses – and was also the co-founder of the telecommunications company Boost Mobile - one of the leading mobile phone business in the USA. He is recognised as a global expert and thought leader in mobile and wireless technology as well as digital health and med-tech-related businesses. His venture capital funds have raised over A$1 billion in capital and have funded some of the most significant global digital media technology companies including Buzzfeed and The Huffington Post. |
| Other current directorships: | None. |
| Former directorships (last 3 years): | None. |
| Special responsibilities: | None. |

**Meetings of Directors**

The number of meetings of the Group's Board of Directors and of each Board Committee held during the financial year ended 30 June 2019 and the number of meetings attended by each Director were:

| | Directors Meetings | |
|---|---|---|
| **Director** | **Held Whilst in Office** | **Attended** |
| Niall Cairns | 7 | 7 |
| King Nelson | 7 | 6 |
| Craig Cooper | 7 | 7 |
| Donal O'Dwyer | 4 | 4 |

**Directors' Interests**

Information on the Directors' and their associates' interests in shares and options of the Company at 30 June 2019 can be found in the Remuneration Report on page 16.

**Shares Issued on the Exercise of Options**

During the financial year ended 30 June 2019, there were no shares issued to Directors on the exercise of options.

**Environmental Regulations**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

**Indemnity and Insurance of Directors and Officers**

During the financial year the Group paid premiums in respect of a contract insuring Directors and Executives against a liability incurred in the ordinary course of business.

**Proceedings on Behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**Corporate Governance Statement**

A copy of the Corporate Governance Statement has not been disclosed within the Annual Report but is available on the website http://www.CardieX.com in accordance with the ASX Listing Rule 4.10.3.

**Declaration by Directors**

Before it approved the Company's 2019 financial statements, the Board was satisfied that the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Non-audit Services**

The Directors received the Auditor's Independence Declaration under s.307 of the *Corporations Act 2001*, which is set out on page 21. The external auditor did not provide non-audit services to the Company during the year ended 30 June 2019.

**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Officers of the Company who are former partners of BDO**

There are no officers of the Company who are former partners of BDO.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

## REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and executives of CardieX Limited. The information in this report has been audited as required by 308(3C) of the Corporations Act 2001.

### Principles used to determine the nature and amount of remuneration

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board also refers to external surveys to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors are entitled to receive share options, following approval by the shareholders of CardieX Limited.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The pool was increased to $360,000 at the 2015 shareholder meeting, excluding share-based payments that are subject to separate shareholder approval.

Executives

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

Alignment to shareholders' interests:
- has Company growth as a core component of plan design;
- focuses on sustained long-term growth in shareholder wealth; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:
- rewards capability and experience;
- reflects competitive reward for contribution to growth in Company value;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The Chief Executive Officer has been issued with 24 million performance rights in the year that will vest across 3 equal tranches subject to incremental improvements in the Company's share price. All other directors and key management personnel are on fixed remuneration as befitting their non-executive status.

Details of the nature and amount of each element of the emoluments of each Director of CardieX Limited are set out below.

### Directors

Names and positions held of key management personnel in office at any time during the financial year are:

| | |
|---|---|
| Mr. Niall Cairns | Executive Director and Chairman (appointed as Chairman 27 February 2019) |
| Mr. King Nelson | Non-executive Director |
| Mr. Craig Cooper | CEO and Executive Director |
| Mr. Donal O'Dwyer | Non-executive Director and Chairman (resigned 27 February 2019) |

**REMUNERATION REPORT (CONT.)**

**Key Management Personnel Compensation**

| | Salary and directors fees | Share Based Payment Benefits | Post-Employment Benefits | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2019** | | | | |
| Niall Cairns | 84,000 | 64,702 | - | 148,702 |
| King Nelson | 30,270 | 64,702 | - | 94,972 |
| Craig Cooper | 419,255 | 431,769 | - | 851,024 |
| Donal O'Dwyer[2] | 33,486 | - | 3,181 | 36,667 |
| **Total Compensation** | **567,011** | **561,173** | **3,181** | **1,131,365** |
| | | | | |
| **2018** | | | | |
| Donal O'Dwyer | 50,228 | - | 4,772 | 55,000 |
| Niall Cairns | 28,000 | - | - | 28,000 |
| King Nelson | 27,955 | - | - | 27,955 |
| Craig Cooper | 225,863 | 4,466 | - | 230,329 |
| David Brookes[1] | 18,949 | - | 3,551 | 22,500 |
| Duncan Ross[1] | 179,830 | - | 13,439 | 193,269 |
| Michael O'Rourke[1] | 9,513 | - | 904 | 10,417 |
| **Total Compensation** | **540,338** | **4,466** | **22,666** | **567,470** |

1. Ceased to be key management personnel in FY2018.
2. Ceased to be key management personnel in FY2019.

**Shares Held by Key Management Personnel and Their Associates**

| | Balance 01 July 2018 | Share split | Additions | Balance 30 June 2019 |
|---|---|---|---|---|
| Donal O'Dwyer | 12,178,627 | - | - | **12,178,627[4]** |
| Niall Cairns | 78,000,000 | - | 54,616,769[3] | **132,616,769** |
| King Nelson | 153,846 | - | - | **153,846** |
| Craig Cooper | 75,000,000 | - | 62,616,769[3] | **137,616,769** |
| **Total** | **165,332,473** | **-** | **117,233,538** | **282,566,011** |

3. A total of 54,616,769 shares acquired by Mr Cairns and Mr Cooper in the year are indirectly held by C2 Ventures, in which Mr Cairns and Mr Cooper are directors. These shares are subject to the Restriction Agreement and Deed of Undertaking as approved by members at the Extraordinary General Meeting held on 28 May 2018.
4. Held at date of resignation.

### REMUNERATION REPORT (CONT.)

### Shares Held by Key Management Personnel and Their Associates

| | Balance 01 July 2017 | Share split | Additions | Balance 30 June 2018 |
|---|---|---|---|---|
| Donal O'Dwyer | 6,067,517 | - | 6,111,110 | **12,178,627** |
| Niall Cairns | 3,000,000[1] | - | 75,000,000[2] | **78,000,000** |
| King Nelson | 153,846 | - | - | **153,846** |
| Craig Cooper | -[1] | - | 75,000,000[2] | **75,000,000** |
| David Brookes | 1,469,264 | - | 555,555 | **2,024,819[3]** |
| Duncan Ross | 4,603,052 | - | - | **4,603,052[3]** |
| Michael O'Rourke | 10,641,396 | - | 925,925 | **11,567,321[3]** |
| **Total** | **25,935,075** | **-** | **157,592,590** | **183,527,665** |

1. Shares held at date of appointment.
2. Shares acquired by Mr Cairns and Mr Cooper in the year are indirectly held by C2 Ventures, in which Mr Cairns and Mr Cooper are directors. These shares are subject to the Restriction Agreement and Deed of Undertaking as approved by members at the Extraordinary General Meeting held on 28 May 2018.
3. Held at date of resignation and ceased to be key management personnel in FY2018.

### Options Held by Key Management Personnel and Their Associates

| | Balance 01 July 2018 | Share split | Additions | Balance 30 June 2019 |
|---|---|---|---|---|
| Niall Cairns | 37,500,000 | - | 1,500,000 | **39,000,000[5]** |
| King Nelson | 450,000 | - | 1,500,000 | **1,950,000** |
| Craig Cooper | 37,500,000 | - | - | **37,500,000[5]** |
| Donal O'Dwyer | 3,150,000 | - | - | **3,150,000[4]** |
| **Total** | **78,600,000** | **-** | **3,000,000** | **81,600,000** |

4. Held at date of resignation.
5. Directors Mr Cairns and Mr Cooper hold 37,500,000 options indirectly through C2 Ventures Pty Limited, of which they are both directors.

**REMUNERATION REPORT (CONT.)**

**Options Held by Key Management Personnel and Their Associates**

| | Balance 01 July 2017 | Share split | Additions | Balance 30 June 2018 |
|---|---|---|---|---|
| Donal O'Dwyer | 650,000 | - | 2,500,000 | 3,150,000 |
| Niall Cairns | -[1] | - | 37,500,000[2] | 37,500,000 |
| King Nelson | 450,000 | - | - | 450,000 |
| Craig Cooper | -[1] | - | 37,500,000[2] | 37,500,000 |
| David Brookes | 450,000 | - | - | 450,000[3] |
| Duncan Ross | 3,100,000 | - | - | 3,100,000[3] |
| Michael O'Rourke | 450,000 | - | - | 450,000[3] |
| **Total** | **5,100,000** | **-** | **77,500,000** | **82,600,000** |

1. Options held at date of appointment.
2. Options acquired by Mr Cairns and Mr Cooper in the year are indirectly held by C2 Ventures, in which Mr Cairns and Mr Cooper are directors. These options are subject to the Restriction Agreement and Deed of Undertaking as approved by members at the Extraordinary General Meeting held on 28 May 2018.
3. Held at date of resignation.
4. Options acquired by key management personnel and their associates in the year related are free attaching options on shares purchased.

**Performance Rights Held by Key Management Personnel and Their Associates**

Mr Craig Cooper holds 36 million performance rights which vest subject to a set of Milestones as follows:

| | Number of performance rights | Will vest if 30 Day VWAP exceeds: | Expiry Date of Performance Milestone |
|---|---|---|---|
| **Tranche 2** | 8 million | $0.08 | 28/05/2021 |
| **Tranche 3** | 8 million | $0.12 | 28/05/2021 |
| **Tranche 4** | 4 million | $0.08 | 06/03/2022 |
| **Tranche 5** | 4 million | $0.12 | 06/03/2022 |
| **Tranche 6** | 12 million | $0.15 | 06/03/2022 |

**Employment Agreements**

Remuneration and other terms of employment for the CEO and the other key management personnel are formalised in employment agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits including health insurance and car allowances, and participation, when eligible, in the Cardiex Limited Employee Share Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with variable notice periods, subject to termination payments as detailed below.

*Craig Cooper – Chief Executive Officer*

- Agreement commenced on 1 December 2017.
- Base salary of US$300,000 per annum.
- Reimbursement for reasonable expenses incurred in running the US business, paid on a monthly basis up to US$5,000 per month.

**REMUNERATION REPORT (CONT.)**

*Niall Cairns – Executive Chairman and Director*

- Agreement commenced with an effective date of 1 March 2018.
- Monthly consulting fee for strategic review and consulting services of AU$7,000 per month.
- Reimbursement for reasonable expenses incurred.

**Loans to Directors and Key Management Personnel**

There were no loans made to directors or key management personnel of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

**Signed in accordance with a resolution of the Board of Directors, made pursuant to s.298(2) of the *Corporations Act 2001*.**

Niall Cairns

______________
**Niall Cairns**
**Executive Chairman**
**Sydney, 27 September 2019**

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Fax: +61 2 9240 9821
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Sydney NSW 2000
Australia

**DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF CARDIEX LIMITED**

As lead auditor of CardieX Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CardieX Limited and the entities it controlled during the period.

Grant Saxon
Partner

**BDO East Coast Partnership**

Sydney, 27 September 2019

**CARDIEX LIMITED**
**ABN 81 113 252 234**
**AND CONTROLLED ENTITIES**

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| Sales revenue | 2 | **3,907,093** | **4,006,091** |
| Other revenue | 2 | **154,998** | **16,463** |
| | | **4,062,091** | **4,022,554** |
| Other income | 3 | **831,957** | **418,368** |
| **Total income** | | **4,894,048** | **4,440,922** |
| Cost of sales | | **(804,401)** | (881,770) |
| Bad debts expense | | **(32,705)** | (133,308) |
| Inventory impairment expense | | **(55,792)** | (58,572) |
| Marketing and sales expense | | **(2,144,126)** | (2,433,348) |
| Product development and regulatory expense | | **(1,476,796)** | (1,543,420) |
| Occupancy expense | | **(296,087)** | (216,528) |
| Administration expense | | **(2,135,301)** | (1,712,510) |
| Share based payments | | **(864,714)** | (4,466) |
| Depreciation | | **(116,515)** | (61,174) |
| Interest expense | | **(99,447)** | (15,348) |
| Foreign exchange gain/(loss) | | **152,558** | (341,703) |
| **Loss before income tax expense** | | **(2,979,278)** | (2,961,225) |
| Income tax expense | 5 | **-** | - |
| **Loss attributable to members of the parent entity** | | **(2,979,278)** | (2,961,225) |
| **Other comprehensive income** | | | |
| Items that will be reclassified subsequently to profit or loss when specific conditions are met: | | | |
| Exchange differences on translating foreign operations | | **(35,917)** | 423,940 |
| **Total comprehensive loss for the period** | | **(3,015,195)** | (2,537,285) |
| Basic loss per share (cents) | 7 | **(0.5)** | (1.0) |
| Diluted loss per share (cents) | 7 | **(0.5)** | (1.0) |

These financial statements should be read in conjunction with the accompanying notes.

**CARDIEX LIMITED**
**ABN 81 113 252 234**
**AND CONTROLLED ENTITIES**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 8 | **4,980,826** | 2,736,517 |
| Trade and other receivables | 9 | **1,014,967** | 1,113,219 |
| Inventory | 10 | **218,930** | 490,362 |
| Other current assets | 11 | **741,751** | 1,774,152 |
| **TOTAL CURRENT ASSETS** | | **6,956,474** | 6,114,250 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | **613,351** | 97,079 |
| Intangible assets | | **44,183** | - |
| Financial assets | 17 | **5,597,966** | 202,578 |
| **TOTAL NON-CURRENT ASSETS** | | **6,255,500** | 299,657 |
| **TOTAL ASSETS** | | **13,211,974** | 6,413,907 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 14 | **498,448** | 986,724 |
| Contract liabilities | 15 | **861,884** | 188,503 |
| Provisions | 16 | **346,119** | 409,203 |
| Financial liabilities | 18 | **3,350,920** | - |
| Contract lease liabilities | 19 | **97,498** | - |
| Borrowings | | **-** | 185,000 |
| **TOTAL CURRENT LIABILITIES** | | **5,154,869** | 1,769,430 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 16 | **21,741** | 48,264 |
| Financial liabilities | 18 | **778,202** | - |
| Contract lease liabilities | 19 | **306,227** | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **1,106,170** | 48,264 |
| **TOTAL LIABILITIES** | | **6,261,039** | 1,817,694 |
| **NET ASSETS** | | **6,950,935** | 4,596,213 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 (CONT.)

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | **$** | **$** |
| **EQUITY** | | | |
| Contributed equity | 20 | **51,500,876** | 46,832,833 |
| Reserves | 21 | **1,613,332** | 1,571,498 |
| Accumulated losses | 23 | **(46,163,273)** | (43,808,118) |
| **TOTAL EQUITY** | | **6,950,935** | 4,596,213 |

These financial statements should be read in conjunction with the accompanying notes.

**CARDIEX LIMITED**
**ABN 81 113 252 234**
**AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2019**

| | Note | Shares on Issue | Reserves | Accumulated losses | Total |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Balance at 1 July 2017** | | 41,126,573 | 2,327,448 | (42,125,535) | 1,328,486 |
| **Loss for the year** | | - | - | (2,961,225) | (2,961,225) |
| Other comprehensive income | | - | 423,940 | - | 423,940 |
| Total comprehensive income for the year | | - | 423,940 | (2,961,225) | (2,537,285) |
| **Transactions with equity holders in their capacity as owners.** | | | | | |
| Capital placement | | 6,237,056 | - | - | 6,237,056 |
| Share issue costs | | (530,796) | - | - | (530,796) |
| Options issued | | - | 98,752 | - | 98,752 |
| Options expired | | - | (1,278,642) | 1,278,642 | - |
| | | 5,706,260 | (1,179,890) | 1,278,642 | 5,805,012 |
| **Balance at 30 June 2018** | | **46,832,833** | **1,571,498** | **(43,808,118)** | **4,596,213** |
| | | | | | |
| **Balance at 1 July 2018** | | **46,832,833** | **1,571,498** | **(43,808,118)** | **4,596,213** |
| **Loss for the year** | | - | - | (2,979,278) | (2,979,278) |
| Other comprehensive loss | | - | (35,917) | - | (35,917) |
| Total comprehensive income for the year | | - | (35,917) | (2,979,278) | (3,015,195) |
| **Transactions with equity holders in their capacity as owners.** | | | | | |
| Capital placement | 20 | 3,002,200 | - | - | 3,002,200 |
| Shares issued on conversion of convertible notes | | 1,630,780 | - | - | 1,630,780 |
| Share issue costs | | (251,937) | - | - | (251,937) |
| Share based payments | | 63,000 | 801,714 | - | 864,714 |
| Options issued | | - | - | - | - |
| Rights and options exercised / expired | | 224,000 | (848,123) | 624,123 | - |
| Convertible notes issued | | - | 124,160 | - | 124,160 |
| **Balance at 30 June 2019** | | **51,500,876** | **1,613,332** | **(46,163,273)** | **6,950,935** |

These financial statements should be read in conjunction with the accompanying notes.

## CARDIEX LIMITED
## ABN 81 113 252 234
## AND CONTROLLED ENTITIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | **$** | **$** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **4,646,020** | 4,316,651 |
| Payments to suppliers and employees | | **(7,124,656)** | (6,959,455) |
| | | **(2,478,636)** | (2,642,804) |
| Other income | | **185,239** | 603,369 |
| Interest received | | **2,624** | 16,463 |
| Interest paid | | **-** | (15,348) |
| **Net cash used in operating activities** | 24 | **(2,290,773)** | (2,038,320) |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments to acquire property, plant and equipment | | **(203,849)** | (4,916) |
| Payments for intangible assets | | **(45,415)** | - |
| Payments for convertible notes | | **(1,916,386)** | (202,578) |
| **Net cash used in investing activities** | | **(2,165,650)** | (207,494) |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from shares issued | | **4,502,199** | 4,834,825 |
| Share issue costs | | **(251,937)** | (530,796) |
| Finance lease payments | | **(49,530)** | - |
| Net proceeds from convertible notes | | **2,500,000** | - |
| **Net cash provided by financing activities** | | **6,700,732** | 4,304,029 |
| | | | |
| **Net increase in cash held** | | **2,244,309** | 2,058,215 |
| Cash and cash equivalents at beginning of financial year | | **2,736,517** | 677,917 |
| Effects of foreign currency exchange | | **-** | 385 |
| **Cash and cash equivalents at end of financial year** | 8 | **4,980,826** | 2,736,517 |

These financial statements should be read in conjunction with the accompanying notes.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report includes the consolidated financial statements and notes of CardieX Limited and controlled entities (‘Consolidated Group’ or ‘Group’). The separate financial statements and notes of CardieX Limited as an individual parent entity (‘Company’) have not been presented within the financial report as permitted by the *Corporations Act 2001*. CardieX Limited is a for-profit entity.

The financial statements were authorised for issue on 27 September 2019 by the directors of the Company.

**Basis of Preparation**
The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001.*

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are reported below. They have been consistently applied unless stated otherwise. All applicable new accounting standards have been adopted for the year ended 30 June 2019 unless otherwise stated and their adoption did not have a significant impact on the financial performance or position of the consolidated entity.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**Accounting Policies**

a. **Going Concern**

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

At the date of signing, the Directors have assessed that there is a material uncertainty related to going concern that may cast significant doubt over the ability of the Group to continue as a going concern given that the Group incurred a loss after tax of $2,979,278 (2018: $2,961,225) and had net cash outflows from operating activities of $2,433,581 for the year ended 30 June 2019 (2018: $2,038,320). As a result of these conditions the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that there are reasonable grounds that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group has cash and cash equivalents of $4,980,826 as at 30 June 2019 (2018: $2,736,517). As at that date, the Group had net current assets of $1801,605 (2018: $4,344,820) and net assets of $6,950,935 (2018: $4,596,213). The Group has performed a cash flow forecast and determined that it has adequate cash resources in place to fund its operations for the next 12 months, subject to additional capital raisings taking place.
- If required, the Group has the ability to continue to raise additional funds on a timely basis pursuant to the Corporations Act 2001. The Group has raised in excess of $5.5 million in the previous 12-month reporting period and the Directors have no reason to believe that it will not be able to continue to source equity or alternative funding if required; and
- The Group has the ability to scale back a significant portion of its development activities if required.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

a. **Going Concern (Cont.)**

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

b. **Principles of Consolidation**

A controlled entity is any entity CardieX Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a 30 June 2019 financial year-end for this current year.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year ended.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

c. **Revenue Recognition**

To determine whether to recognise revenue and what price, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Company has identified the following revenue streams:

***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 control is transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

***Lease income***

The Group earned lease income from both finance and operating lease of goods, and continues to recognise related income in line with AASB 16 *Leases.*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

c. **Revenue Recognition (Cont.)**

For operating leases the lease income and interest in relation to the goods are recognised over time per the terms set in the contract with the customer.

For goods sold on a finance lease, income is recognised at the point of sale, which is where the customer has taken delivery of the goods, the control is transferred to the customer and there is a valid sales contract. Any associated interest income is recognised over the life of the lease in line with the terms set in the contract with the customer.

***Service income***

Service income is recognised over time in line with management's assessment of the performance obligations under each contract.

***Freight income***

Freight income is recognised when the control is transferred to the customer and there is a valid sales contract.

***Royalty income***

Royalty income is recognised when entitled under royalty agreements.

***Other revenue***

Other revenue is recognised when it is received or when the right to receive payment is established.

d. **Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

*Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The useful lives used for depreciable assets are:

| *Class of Fixed Asset* | *Useful lives* |
|---|---|
| Manufacturing plant and equipment | 3 – 10 years |
| Furniture, fixtures and equipment | 3 – 5 years |
| Devices leased to customers | 3 – 4 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

e. **Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

f. **Financial Instruments**

**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and subsequent measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 9, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

**Hybrid contracts**

If a hybrid contract contains a host that is a financial asset, the policies applicable to financial assets are applied consistently to the entire contract.

**Subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVPL)
- debt instruments at fair value through other comprehensive income (FVOCI)
- equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

f. **Financial Instruments (Cont.)**

**Financial assets at fair value through profit or loss (FVPL)**

Financial assets that are held within a business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

**Debt instruments at fair value through other comprehensive income (Debt FVOCI)**

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at FVOCI. Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

**Equity instruments at fair value through other comprehensive income (Equity FVOCI)**

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

**Impairment of Financial assets**

AASB 9's new impairment model use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Trade and other receivables and contract assets**

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

All financial assets, except for those at fair value through profit or loss (FVPL) and equity investments at fair value through other comprehensive income (equity FVOCI), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

f. **Financial Instruments (cont.)**

**Financial assets at fair value through other comprehensive income**

The Company recognises 12 months expected credit losses for financial assets at FVOCI. As most of these instruments have a high credit rating, the likelihood of default is deemed small. However, at each reporting date the Company assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Company relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Company only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Company would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Company considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrowers operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Company recognises for this instrument or class of instruments the lifetime expected credit losses.

**Classification and measurement of financial liabilities**

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

g. **Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash flows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of the cash flows.

h. **Leases**

AASB 16 was issued in February 2016 for adoption from January 2019. The Group has decided to early adopt the standard from 1 July 2018. It has resulted in almost all the Group's leases being recognised on the statement of financial position as right-of-use assets, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

h. **Leases (cont.)**

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under the preceding standard, AASB 117 *Leases*.

Where a lease is identified at inception, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the ignition amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is location, less any leased incentives received.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined at leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense son a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB117.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial acquisition.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

i. **Equity-Settled Compensation**

There has been no equity based compensation with the exception of that described in Note 20. The capital subscribed to as per this note was acquired at fair value at the time of purchase.

Options issues have their fair value determined with reference to an approved valuation methodology, such as the Black-Scholes valuation method. On issue, the fair value of an option is taken to the Income Statement as equity settled compensation, with a corresponding credit to the options reserve. This is then disclosed as other comprehensive income in the Statement of Comprehensive Income to show other net profit position of the Group from a third party perspective.

Shares have their value determined using the direct method of share price at date of issue multiplied by the number of shares issued.

j. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

k. **Trade and Other Receivables**

Trade receivables are recognised when the control of ownership of the underlying sales transactions have passed to the customer in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

k. **Trade and Other Receivables (Cont.)**

The Group has adopted AASB 9 from 1 July 2018. The Group's trade and other receivables at year end and now assessed under the new impairment requirements which use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12 month ECL method unless the credit risk on a financial asset has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

l. **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

m. **Trade and Other Payables**

Liabilities for creditors and other amounts are carried at amortised cost, which is the present value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. The carrying period is dictated by market conditions but is generally less than 30 days.

n **Provisions**

The Group's provisions consist of short-term and long-term employee benefits.

**Short-term employee benefits**

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

**Other long-term employee benefits**

The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur. The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

o. **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 the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

CardieX Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of July 1, 2005.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

o. **Income Tax (Cont.)**

The head entity, CardieX Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

p. **Finance Costs**

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in the period in which they are incurred.

q. **Right of Use Asset**

The right-of-use asset is initially measured at cost, which comprised the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying or the site on which it is located, less any lease incentives received.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expenses on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

r. **Lease Liabilities**

The lease liability is initially measured at the present value of fixed lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Variable lease payments are only included in measuring the lease liability if they depend on a rate. In such cases, the initial measurement of the lease liability assumed the variable element will remain unchanged throughout the lease term.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in further lease payments arising from a change in the market rate.

Refer to Note 19 for further details.

s. **Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

s. **Goods and Services Tax (GST) (Cont.)**

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows. There is provision made in the Statement of Cash Flows to disclose the applicable GST refunds/payments that have been remitted to the ATO to accurately show the cash position of CardieX Limited.

t. **Foreign Currency Translation**

*Functional currency*

Items included in the financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency').

The functional currency of the Company and controlled entities registered in Australia is Australian dollars (AU$).

The functional currency of the AtCor Medical Inc is United States dollars (US$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

*Presentation currency*

The financial statements are presented in Australian dollars, which is the Group's presentation currency.

Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rate is recognised in the statement of comprehensive income.

u. **Issued Capital**

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.

v. **Foreign Currency Translation Reserve**

Foreign currency translation reserve comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into $AUD.

w. **Earnings Per Share**

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Group excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

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 financial 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 the dilutive potential ordinary shares.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

x. **Comparative Figures**

Comparative figures have been derived from the financial statements for CardieX Limited for the year ended 30 June 2019, and changes in presentation are made where necessary to comply with accounting standards.

y. **Critical Accounting Judgements. 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 judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, 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.

**Revenue from contracts with customers involving sale of goods**

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

**Allowance for expected credit losses**

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

**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.

**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.

**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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

y. **Critical Accounting Judgements. Estimates and Assumptions (cont.)**

**Recovery of deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences where management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant judgement is required on the part of management and the Board to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the future years together with future tax planning strategies. Management and the Board have determined not to raise any deferred tax assets which are estimated at $9,765,832 during the full year ended 30 June 2018 so as to enable the Board to determine more reliably the probability of utilising these tax assets in the foreseeable future.

**Impairment – general**

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**Platform and product development costs**

Platform and development costs have been expensed in the year in which incurred. These amounts have not been capitalised on the basis that the directors consider that the expenditures do not meet the recognition criteria of development costs as defined by AASB 138 Intangible Assets.

z. **New Accounting Standards and Interpretations Adopted**

***AASB 9: Financial Instruments***

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets.

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The adoption of AASB 9 did not have any significant impact on the financial performance or position of the Group as at 30 June 2019 or on opening accumulated losses 1 July 2018.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

z. **New Accounting Standards and Interpretations Adopted (Cont.)**

Refer to the respective notes for further details on the company's accounting policies on financial instruments.

***AASB 15: Revenue from Contracts with Customers***

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition.

The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue.

The adoption of AASB 15 did not have any significant impact on the financial performance or position of the Group as at 30 June 2019 or on opening accumulated losses 1 July 2018.

Refer to Note 1.c. for further details on the Group's revenue recognition policy.

***AASB 16: Leases***

The Group has adopted AASB 16 *Leases* 1 July 2018. On transition to AASB 16, the Group recognised $428,567 of right-of-use assets and $403,725 of lease liabilities. The Group have recognised an additional depreciation charge of $57,926 in relation to depreciation of the right-of-use asset, and additional finance costs of $24,693 due to interest expense on the lease liability. After amortisation the balance of leased assets totalled $370,386 as at balance date. No adjustment was required from comparative information as all operating leases commenced in the current financial year.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at date of initial application of AASB 16. The rate applied was 12.27%.

Operating cashflows have increased and financing cashflows decreased by $49,530 as repayment of the principal portion of the lease liabilities will be classified as cashflows from financing activities.

Impact on Earnings Per Share is nil.

aa. **New and Revised Accounting Standards not yet mandatory or early adopted**

As at 30 June 2019, the group has adopted all new and revised mandatory accounting standards applicable.

## NOTE 2: REVENUE

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| *Sales revenue* | | |
| Sale of goods | **3,907,093** | 4,006,091 |
| | **3,907,093** | 4,006,091 |
| *Other revenue* | | |
| Interest received | **154,998** | 16,463 |
| Total revenue | **4,062,091** | 4,022,554 |

## NOTE 3: OTHER INCOME

| | | |
|---|---|---|
| R&D tax concession from the Australian Tax Office | **801,771** | 418,368 |
| Other | **30,186** | - |
| | **831,957** | 418,368 |

## NOTE 4: EXPENSES

| | | |
|---|---|---|
| Loss before income tax includes the following specific expenses: | | |
| Depreciation on plant and equipment | **58,589** | 61,174 |
| Depreciation on right of use assets | **57,926** | - |
| Employee benefit expense | **3,868,101** | 3,723,253 |
| Share based payments | **864,714** | 4,466 |
| Rental expense relating to operating leases | **249,297** | 198,828 |
| Research and development | **674,586** | 790,143 |

## NOTE 5: INCOME TAX EXPENSE

| | | |
|---|---|---|
| Loss from continuing operations before income tax expense | **(2,979,278)** | (2,961,225) |
| Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2018: 27.5%): | **(819,301)** | (814,337) |
| *Add* tax effect of: | | |
| — Other non-allowable items | **576,075** | 291,553 |
| Subtotal | **(243,226)** | (522,784) |
| *Less* tax effect of: | | |
| — Items not assessable for taxation | **(434,416)** | (115,052) |
| — Items deductible for taxation but not accounting | **(130,004)** | (166,603) |
| Differences in overseas tax rates | **119,182** | 130,597 |
| Benefit of tax losses and temporary differences not recognised | **(688,464)** | 673,842 |
| Income tax expense | **-** | - |

**NOTE 5: INCOME TAX EXPENSE (CONT.)**

The Group has carried forward tax losses, calculated according to Australian income tax legislation of $38,449,011 (2018: $35,512,116), which will be deductible from future assessable income provided that income is derived, and:

a) The Company and its controlled entities carry on a business of, or a business that includes software development in Australia; and
b) No change in tax legislation adversely affects the Group and its controlled entities in realising the benefit from the deduction for the losses.

The benefit of these losses will only be recognised where it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Deferred tax assets are estimated but not recognised at $10,573,478 at 30 June 2019 (2018: $9,765,832).

CardieX Limited and its wholly-owned Australian controlled entities are consolidated for income tax purposes. The accounting policy in relation to this legislation is set out in note 1(o).

As at the date of this report the entities in the tax consolidation group had not entered into a tax sharing agreement. No compensation has been received or paid for any current tax payable or deferred tax assets relating to tax losses assumed by the parent entity since implementation of the tax consolidation regime.

**NOTE 6: AUDITOR REMUNERATION**

| | **2019** | **2018** |
|---|---|---|
| | **$** | **$** |
| Remuneration of the auditor of the Group for: | | |
| Audit services for the financial year - PWC | **-** | 48,307 |
| Audit services for the financial year - BDO | **94,000** | 60,000 |
| Total: | **94,000** | 108,307 |

**NOTE 7: LOSS PER SHARE**

| | | | |
|---|---|---|---|
| a. | Reconciliation of loss: | | |
| | Loss after tax | **(2,979,278)** | **(2,961,225)** |
| | | **No.** | **No.** |
| b. | Weighted average number of ordinary shares outstanding during the year used in calculating loss per share | **607,756,877** | **294,429,146** |
| | | **Cents** | **Cents** |
| c. | Basic loss per share | **(0.5)** | (1.0) |
| d. | Diluted loss per share | **(0.5)** | (1.0) |

**NOTE 8: CASH AND CASH EQUIVALENTS**

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | **4,980,826** | 2,736,517 |
| Total | **4,980,826** | 2,736,517 |

**NOTE 9: TRADE AND OTHER RECEIVABLES**

| | 2019 | 2018 |
|---|---|---|
| CURRENT | | |
| Trade receivables | **1,153,453** | 1,222,078 |
| Less: Provision for doubtful debts (a) | **(138,485)** | (108,859) |
| | **1,014,967** | 1,113,219 |
| Other receivables | **-** | - |
| Total receivables | **1,014,967** | 1,113,219 |

**(a) Impaired trade receivables**

Trade receivables and other receivables are non-interest bearing and are generally on 30 to 60 day terms.

The Group has adopted AASB 9 from 1 July 2018. The Group's trade and other receivables at year end are now assessed under the new impairment requirements which use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial asset has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

As at 30 June 2019 current trade receivables of the Group with a nominal value of $108,859 (2018: $53,600) were fully impaired.

| | 2019 | 2018 |
|---|---|---|
| At 1 July | **108,859** | 16,842 |
| Provision for impairment recognised during the year | **32,705** | 133,308 |
| Receivables written off during the year as uncollectible | **(3,079)** | (41,291) |
| At 30 June | **138,485** | 108,859 |

**(b) Fair value, foreign exchange and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 26 for more information on the risk management policy of the Group, the credit quality and foreign currency risk of the Group's trade receivables.

**(c) Interest rate risk**

Detail regarding interest rate risk exposure is disclosed in Note 26.

**NOTE 10: INVENTORY**

| | 2019 | 2018 |
|---|---|---|
| Raw materials and stores - at cost | **223,079** | 334,506 |
| Finished goods at cost | **71,818** | 214,428 |
| Provision for inventory impairment | **(75,966)** | (58,572) |
| | **218,930** | 490,362 |

A charge of $55,792 was taken to write-off obsolete inventories in the year ended 30 June 2019 (2018: $58,572).

**NOTE 11: OTHER CURRENT ASSETS**

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Prepayments | **114,228** | 63,232 |
| Contract assets | **92,879** | 159,252 |
| Amounts due from related parties | **-** | 1,500,000 |
| R&D Tax Incentive | **431,532** | - |
| Other | **103,112** | 51,668 |
| | **741,751** | 1,774,152 |

**NOTE 12: CONTROLLED ENTITIES**

**Controlled Entities Consolidated**

| | Country of Incorporation | Percentage Owned (%)* | |
|---|---|---|---|
| | | 2019 | 2018 |
| PARENT ENTITY: | | | |
| CardieX Limited | Australia | | |
| | | | |
| SUBSIDIARIES OF CARDIEX LIMITED | | | |
| AtCor Medical Pty Limited | Australia | **100** | 100 |
| AtCor Medical Inc | USA | **100** | 100 |

** Percentage of voting power is in proportion to ownership*

**NOTE 13: PLANT AND EQUIPMENT**

| | Manufacturing plant and equipment | Furniture, fixtures and equipment | Devices leased to customers | Property under lease (right-of use asset) | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Year ended 30 June 2018** | | | | | |
| Opening net book amount | 88,528 | 54,526 | 6,368 | - | 149,422 |
| Additions | 469 | 878 | 3,569 | - | 4,916 |
| Exchange differences | 2,437 | 189 | 1,289 | - | 3,915 |
| Depreciation charge | (26,207) | (31,038) | (3,929) | - | (61,174) |
| Closing net book amount | 65,227 | 24,555 | 7,297 | - | 97,079 |
| | | | | | |
| **At 30 June 2018** | | | | | |
| Cost | 508,679 | 677,143 | 14,433 | - | 1,200,255 |
| Accumulated depreciation | (443,452) | (652,588) | (7,136) | - | (1,103,176) |
| Net book amount | 65,227 | 24,555 | 7,297 | - | 97,079 |

## NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONT.)

| | Manufacturing plant and equipment | Furniture, fixtures and equipment | Devices leased to customers | Property under lease (right-of use asset) | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Year ended 30 June 2019** | | | | | |
| Opening net book amount | **65,227** | **24,555** | **7,297** | **-** | **97,079** |
| Additions | **-** | **110,571** | **93,279** | **428,567** | **632,417** |
| Exchange differences | **-** | **314** | **56** | **-** | **371** |
| Depreciation charge | **(22,831)** | **(26,227)** | **(9,276)** | **(58,181)** | **(116,515)** |
| Closing net book amount | **42,396** | **109,213** | **91,356** | **370,386** | **613,351** |
| **At 30 June 2019** | | | | | |
| Cost | **508,679** | **803,477** | **105,668** | **428,567** | **1,846,391** |
| Accumulated depreciation | **(466,283)** | **(694,264)** | **(14,312)** | **(58,181)** | **1,233,041** |
| Net book amount | **42,396** | **109,213** | **91,356** | **370,386** | **613,351** |

## NOTE 14: TRADE AND OTHER PAYABLES

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Trade creditors | **354,939** | 728,958 |
| Other payables | **143,509** | 257,766 |
| | **498,448** | 986,724 |

## NOTE 15: CONTRACT LIABILITIES

| | | |
|---|---|---|
| Contract liabilities | **861,884** | 188,503 |
| | **861,884** | 188,503 |

The above contract liabilities relates to contracts where payments have been received, but revenue has not yet been recognised.

## NOTE 16: PROVISIONS

| | | |
|---|---|---|
| CURRENT | | |
| Employee provisions | **346,119** | 409,203 |
| NON-CURRENT | | |
| Employee provisions | **21,741** | 48,264 |
| | **367,860** | 163,292 |

**NOTE 17: FINANCIAL ASSETS**

| | **2019** | **2018** |
|---|---|---|
| NON-CURRENT FINANCIAL ASSETS | **$** | **$** |
| Blumio convertible note | **870,743** | 202,578 |
| inHealth investment | **343,974** | |
| inHealth convertible note | **4,383,249** | - |
| Total | **5,597,966** | 202,578 |

*Blumio Inc*

In March 2018, the Company entered into a convertible note purchase agreement for the acquisition of a Convertible Note (the "Blumio Note") issued by Blumio Inc, payable in two instalments. The full principal balance of US$600,000 payable under the Blumio Note agreement was met on 14 March 2019.

Both the debt and derivative components of the Blumio Note are measured as a single instrument at amortised cost, accruing interest at 6% per annum. The term of the Blumio Convertible Note continues until a fundraising event of more than $8,000,000 occurs at which point the investment will convert into shares in the Blumio at a 20% discount to the price of the fundraising.

As at 30 June 2019, the total convertible note asset was $870,743 made up of $855,503 of payments and $15,240 in interest.

At 30 June 2019, review of available information on Blumio did not indicate that the Blumio Convertible Note investment was impaired.

*inHealth Medical Services*

On 31 January 2019, the Company exercised in full its option under the agreement to purchase US$3,000,000 of inHealth Medical Services "Tranche 2" Convertible Note (the "inHealth Note") securities.

Both the debt and derivative components of the inHealth Note are measured as a single instrument at amortised cost, accruing interest at 6% per annum.

By 30 June 2019, the Company has paid US$650,000 to inHealth under the Agreement for the Tranche 2 Notes. The Company considers that it has wholly acquired all Tranche 2 Notes available under the Agreement and all rights conferred to those Notes under the Agreement.

As at 30 June 2019, the total convertible loan asset was $4,383,249 made up of the initial $4,265,746 principal and $117,503 in interest.

In addition, at 30 June 2019 the Company had converted $343,974 to shares from "Tranche 1" of the Convertible Note.

At 30 June 2019, management did not consider the inHealth Convertible Note investment or shares in inHealth to be impaired based on fair value estimates of inHealth's enterprise value.

**NOTE 17: FINANCIAL ASSETS (CONT.)**

*Impairment of Financial Assets*

Value in use was determined by discounting the future cash flows generated from the continuing use of the inHealth unit and was based on the following key assumptions:

| | |
|---|---|
| Revenue growth in approved forecast for the year ended 30 June 2020[1] | 505% |
| Revenue growth in approved forecast for the year ended 30 June 2021 | 73% |
| Annual average revenue growth 2020 - 2023 | 163% |
| Average inflation per annum | 1.95% |
| Average price growth per annum[2] | - |
| Average cost growth per annum | 4.25% |
| Pre-tax discount rate | 21.1% |

1) Revenue only commenced in January 2019; and
2) No price growth was factored into future cash flow estimates as it is too dependent on future negotiations that have not yet been contemplated.

**NOTE 18: FINANCIAL LIABILITIES**

CURRENT

| | 2019 | 2018 |
|---|---|---|
| | **$** | **$** |
| Balance due on convertible note purchased | **3,350,920** | - |

On 31 January 2019, the Company exercised in full its option under the inHealth Convertible Note Purchase Term Sheet Agreement to purchase US$3,000,000 of InHealth's "Tranche 2" Convertible Note securities ("T2 Notes"). At 30 June 2019, US$2,350,000 remains unpaid on the purchase price. The full balance was settled by August 2019.

NON-CURRENT

| | | |
|---|---|---|
| Convertible note liabilities | **778,202** | - |
| | **4,129,122** | - |

In January 2019, C2 Ventures Pty Ltd applied to the Company for 2,500,000 convertible notes at $1 per note.

The convertible notes issued by the Group have been split into the debt liability and a derivative component. The debt liability has been valued at amortised cost and the derivative component of convertible notes issued has been calculated as the residual value of the notes once the fair value of the debt has been deducted from the face value of the notes.

Key terms of the convertible notes per the Convertible Note Deed (the "Deed") are as follows:

| | |
|---|---|
| Term: | 36 months |
| Drawdown date: | 23 January 2019 |
| Funds received: | AU$2,500,000 |
| Interest payable: | 6% per annum, accrued daily, capitalised quarterly |
| Conversion: | Convertible to fully paid ordinary shares at a $0.03 per convertible note |

**NOTE 18: FINANCIAL LIABILITIES (CONT.)**

At issue date, the convertible note was split as follows:

| | $ |
|---|---|
| Host debt liability | **778,202** |
| Derivative reserve | **124,160** |
| | **902,362** |

On 6 March 2019, 1,638,503 notes were converted to shares.

**NOTE 19: CONTRACT LEASE LIABILITIES**

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| CURRENT | | |
| Contract lease liabilities | **97,498** | - |
| NON-CURRENT | | |
| Contract lease liabilities | **306,257** | - |
| TOTAL LEASE LIABILITIES | **403,725** | - |

**(a) Maturity analysis**

| | Less than 6 months | 6 months to 1 year | 1 to 5 years | 5+ years | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Lease payments | **71,982** | **69,662** | **357,776** | **10,742** | **510,161** |
| Finance charges | **(23,558)** | **(20,588)** | **(62,044)** | **(247)** | **(106,436)** |
| **Net present values** | **48,424** | **49,074** | **295,732** | **10,496** | **403,725** |

**NOTE 20: ISSUED CAPITAL**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | No of Shares | $ | No of Shares | $ |
| **(a) Ordinary shares** | **695,502,228** | **51,500,876** | 531,018,793 | 46,832,833 |
| At the beginning of reporting period | **531,018,793** | **46,832,833** | 233,630,539 | 41,126,573 |
| Placements in the year | **100,000,000** | **3,000,000** | 220,958,254 | 4,674,906 |
| Shares issued subject to restriction agreements | **54,616,769** | **1,630,780** | 75,000,000 | 1,500,000 |
| Shares issued in lieu of payment to key executives | **9,800,000** | **287,000** | 1,430,000 | 62,150 |
| Shares issued on exercise of options | **66,666** | **2,200** | - | - |
| Cost of raising capital | | **(251,937)** | - | (530,796) |
| Closing balance at reporting date | **695,502,228** | **51,500,876** | 531,018,793 | 46,832,833 |

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**NOTE 20: ISSUED CAPITAL (CONT.)**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **No of Rights** | **$** | **No of Rights** | **$** |
| **(b) Rights on Issue** | | | | |
| At the beginning of reporting period | **24,000,000** | **4,466** | - | - |
| Issued under Performance Rights Plan | **20,000,000** | **159,859** | 24,000,000 | 4,466 |
| Rights converted during the year | **(8,000,000)** | **(224,000)** | - | - |
| Rights vesting expense during the year | **-** | **290,650** | - | - |
| Closing balance at reporting date | **36,000,000** | **230,975** | 24,000,000 | 4,466 |

The terms of the performance rights on issue at 30 June 2019 are as follows (further details at Note 22):

| Tranche | Number of performance rights | Will vest if 30 day VWAP exceeds: |
|---|---|---|
| 2 | 8,000,000 | $0.08 |
| 3 | 8,000,000 | $0.12 |
| 4 | 4,000,000 | $0.08 |
| 5 | 4,000,000 | $0.12 |
| 6 | 12,000,000 | $0.15 |

Throughout the period the 8,000,000 Tranche 1 performance rights vested when the 30 day VWAP exceeded $0.05 in March 2019.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **No of Options** | **$** | **No of Options** | **$** |
| **(c) Options on Issue** | | | | |
| At the beginning of reporting period | **150,050,958** | **1,059,508** | 17,233,333 | 2,243,864 |
| Options issued to broker in November 2017 Placement | **-** | **-** | 2,500,000 | 31,517 |
| Options expired and transferred to accumulated losses (Note 22) | **-** | **-** | (4,680,000) | (1,278,642) |
| Free attaching options (1 for 2) as part of Entitlements Issue | **-** | **-** | 28,099,975 | - |
| Free attaching options (1 for 2) as attaching to placement | **-** | **-** | 59,397,650 | - |
| Free attaching options issued subject to restriction agreement* | **-** | **-** | 37,500,000 | - |
| Options issued to broker in May 2018 placement | **-** | **-** | 10,000,000 | 62,769 |
| Options vesting expense | **-** | **63,475** | - | - |
| Options issue to key management personnel | **3,000,000** | **129,404** | - | - |
| Options issue to employees | **15,300,000** | **92,896** | - | - |
| Expired and lapsed employee options | **(7,043,333)** | **(558,693)** | - | - |
| Closing balance at reporting date | **161,307,625** | **786,590** | 150,050,958 | 1,059,508 |

**NOTE 20: ISSUED CAPITAL (CONT.)**

*Fair value of options granted*

The weighted average assessed fair value at grant date of options granted during the year ended 2019 was ¢2.97 cents per option as no options were issued during the year (2018: ¢1.28). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted and accrued during the year ended 30 June 2019 included:

| | | **Options Granted 30 Nov 2017** | **Options Accrued at 30 Jun 2018** | **Options Granted 15 Jan 2019** | **Options Granted 26 Feb 2019** |
|---|---|---|---|---|---|
| (a) | Number issued | 2,500,000 | 10,000,000 | 15,300,000 | 3,000,000 |
| (b) | Exercise price | $0.038 | $0.050 | 0.050 | 0.050 |
| (c) | Term | 4 years | 3.5 years | 5 years | 5 years |
| (d) | Share price at grant date | $0.028 | $0.020 | $0.041 | $0.060 |
| (e) | Share price volatility | 60% | 74% | 89% | 88% |
| (f) | Expected dividend yield | - | - | - | - |
| (g) | Risk-free interest rate | 2.16% | 2.30% | 1.91% | 1.74% |

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.

**Capital Management**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital, shares and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distribution to shareholders and share issues.

**NOTE 21: RESERVES**

| | **2019** | **2018** |
|---|---|---|
| | **$** | **$** |
| Share-based payments reserve | **1,017,565** | 1,063,974 |
| Derivative reserve | **124,160** | - |
| Foreign currency translation reserve | **471,607** | 507,524 |
| | **1,613,332** | 1,571,498 |

**NOTE 21: RESERVES (CONT.)**

*Share-based payments reserve*
The based-payments reserve records the fair value of options and performance rights on issue.

*Derivative reserve*
The derivative reserve records the issue date value of the derivative financial instruments recognised in equity. In FY19, the increase in the derivative reserve resulted from the issue of convertible notes. The value of the derivative component of convertible notes issued has been calculated as the residual value of the notes once the fair value of the debt has been deducted from the face value of the notes.

*Foreign currency reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

| | **Share-based payments reserve** | **Foreign currency translation reserve** | **Derivative reserve** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Balance at 1 July 2017 | 2,243,864 | 83,584 | - | 2,327,448 |
| Additions during the year | 98,752 | 423,940 | - | 522,692 |
| Transfers to accumulated losses | (1,278,642) | - | - | (1,278,642) |
| Balance at 30 June 2018 | **1,063,974** | **507,524** | - | **1,571,498** |
| Convertible notes issued | **-** | **-** | **124,160** | **124,160** |
| Share based payments | **801,714** | | | **801,714** |
| Rights and options exercised / expired | **(848,123)** | **-** | **-** | **(848,123)** |
| Other comprehensive loss | **-** | **(35,917)** | **-** | **(35,917)** |
| Balance at 30 June 2019 | **1,017,565** | **471,607** | **124,160** | **1,613,332** |

**NOTE 22: SHARE BASED PAYMENTS**

**(a) Employee Share Option Plan (ESOP)**

The CardieX Employee Option Plan was approved by shareholders at the 2005 annual general meeting and amendments were approved at the 2006 & 2008 annual general meetings. All staff are eligible to participate in the plan at the discretion of the directors (including executive directors) following recommendations from the remuneration committee, a sub-committee of the CardieX Limited Board of Directors.

Options are granted under the plan for no consideration. Options are granted for a 5-year period, and 33.3% of each new tranche vests and is exercisable after each of the first 3 anniversaries of the date of grant.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into 1 ordinary share.

The exercise price of options is no less than the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the 5 trading days immediately before the options are granted.

**NOTE 22: SHARE BASED PAYMENTS (CONT.)**

Set out below are summaries of options granted under the plan:

**2019:**

| Grant Date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Expired/ Forfeited during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|
| 29-Aug-13 | 29-Aug-18 | $0.139 | 2,998,333 | - | - | (2,998,333) | - | - |
| 31-Oct-13 | 31-Oct-18 | $0.181 | 2,100,000 | - | - | (2,100,000) | - | - |
| 28-Aug-14 | 28-Aug-19 | $0.112 | 1,825,000 | - | - | (850,000) | 975,000 | 975,000 |
| 20-Aug-15 | 20-Aug-20 | $0.256 | 2,430,000 | - | - | (895,000) | 1,535,000 | 1,535,000 |
| 13-Nov-15 | 13-Nov-19 | $0.261 | 2,000,000 | - | - | - | 2,000,000 | 2,000,000 |
| 13-Nov-15 | 13-Nov-20 | $0.250 | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 |
| 12-Feb-16 | 12-Feb-21 | $0.199 | 200,000 | - | - | (200,000) | - | - |
| 15-Jan-19 | 15-Jan-24 | $0.050 | - | 15,300,000 | - | - | 15,300,000 | - |
| **Total** | | | **12,553,333** | **15,300,000** | **-** | **(7,043,333)** | **20,810,000** | **5,510,000** |
| Weighted average exercise price | | | $0.194 | $0.050 | - | $0.092 | $0.162 | $0.101 |

1,945,000 options were forfeited during 2019 due to terminating employment, (2018: 500,000) and 5,098,333 options expired (2018: 4,180,000) in the same period. No options were exercised during 2019 (2018: NIL).

**2018:**

| Grant Date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Expired/ Forfeited during the year Number | Balance at end of the year Number | Exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|
| 23-Aug-12 | 23-Aug-17 | $0.075 | 2,455,000 | - | - | (2,455,000) | - | - |
| 5-Oct-12 | 5-Oct-17 | $0.075 | 200,000 | - | - | (200,000) | - | - |
| 26-Oct-12 | 26-Oct-17 | $0.084 | 1,400,000 | - | - | (1,400,000) | - | - |
| 19-Nov-12 | 19-Nov-17 | $0.085 | 125,000 | - | - | (125,000) | - | - |
| 29-Aug-13 | 29-Aug-18 | $0.139 | 2,998,333 | - | - | - | 2,998,333 | 2,998,333 |
| 31-Oct-13 | 31-Oct-18 | $0.181 | 2,100,000 | - | - | - | 2,100,000 | 2,100,000 |
| 28-Aug-14 | 28-Aug-19 | $0.112 | 1,825,000 | - | - | - | 1,825,000 | 1,825,000 |
| 24-Mar-15 | 24-Mar-20 | $0.194 | 350,000 | - | - | (350,000) | - | - |
| 20-Aug-15 | 20-Aug-20 | $0.256 | 2,430,000 | - | - | - | 2,430,000 | 1,620,000 |
| 13-Nov-15 | 13-Nov-19 | $0.261 | 2,000,000 | - | - | - | 2,000,000 | 2,000,000 |
| 13-Nov-15 | 13-Nov-20 | $0.250 | 1,000,000 | - | - | - | 1,000,000 | 666,667 |
| 12-Feb-16 | 12-Feb-21 | $0.199 | 350,000 | - | - | (150,000) | 200,000 | 133,333 |
| Total | | | 17,233,333 | - | - | (4,680,000) | 12,553,333 | 11,343,333 |
| Weighted average exercise price | | | $0.17 | - | - | $0.09 | $0.19 | $0.19 |

**NOTE 22: SHARE BASED PAYMENTS (CONT.)**

**(b) Performance rights**

The CardieX Option and Performance Rights Plan (was approved by shareholders at the extraordinary general meeting held on 28 May 2018.

During 2019, 20,000,000 performance rights were issued under the following terms:

| Tranche | Number of performance rights | Will vest if 30 day VWAP exceeds: |
|---|---:|---:|
| 4 | 4,000,000 | $0.08 |
| 5 | 4,000,000 | $0.12 |
| 6 | 12,000,000 | $0.15 |

(a) the Performance Rights will be issued for no consideration and if they vest and are exercised, the resulting Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing ordinary shares.
(b) no individual has previously received securities under this scheme as this is the first time the Company has proposed an issue of securities under the Scheme; and
(c) no loans or other financial assistance have or will be made by the Company in connection with the issue of the relevant Performance Rights.

**(c) Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | **2019** | **2018** |
|---|---:|---:|
| | **$** | **$** |
| Rights issued under Option and Performance Rights Plan | **431,769** | 4,466 |
| Options issued under Employee Share Option Plan | **240,541** | - |
| Shares issued to employee | **63,000** | - |
| Other options issued | **129,404** | - |
| | **864,714** | 4,466 |

**NOTE 23: ACCUMULATED LOSSES**

| | | |
|---|---:|---:|
| Opening balance at 1 July | **(43,808,118)** | (42,125,535) |
| Losses for the year | **(2,979,278)** | (2,961,225) |
| Transfer from share-based payments reserve | **624,123** | 1,278,642 |
| Closing balance at 30 June | **(46,163,273)** | (43,808,118) |

## NOTE 24: CASH FLOW INFORMATION

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| **Reconciliation of Cash Flow from Operations with Loss after Income Tax** | | |
| Loss after income tax | **(2,979,278)** | (2,961,225) |
| *Non-cash flows in profit:* | | |
| Depreciation and amortisation | **116,515** | 61,174 |
| Inventory impairment expense | **55,792** | 58,572 |
| Share based payments expense | **864,714** | 26,482 |
| Bad debts expense | **32,705** | 133,308 |
| Interest income on convertible notes | **(128,080)** | - |
| Unrealised foreign exchange difference | **(93,235)** | 491,910 |
| Other expenses | **116,007** | - |
| *Changes in current assets and liabilities:* | | |
| Decrease in trade and other receivables | **(402,052)** | 108,664 |
| Increase in inventories | **215,640** | (85,301) |
| (Increase) in other operating assets | **-** | - |
| Increase in trade and other payables and provisions | **(89,501)** | 128,096 |
| Net cash used in operating activities | **(2,290,773)** | (2,038,320) |

## NOTE 25: NON-CASH INVESTING AND FINANCING ACTIVITIES

| | Contract lease liabilities | Convertible note liabilities | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 1 July 2017** | - | - | - |
| *Changes in liabilities from cash financing activities* | | | |
| Net cash from/(used in) financing activities | - | - | - |
| *Changes in liabilities from non-cash financing activities* | | | |
| Acquisition of property, plant and equipment by means of finance leases | - | - | - |
| Interest charges | - | - | - |
| Allocated to reserve | - | - | - |
| Converted to shares | - | - | - |
| **Balance at 30 June 2018** | - | - | - |

**NOTE 25: NON-CASH INVESTING AND FINANCING ACTIVITIES (CONT.)**

| | Contract lease liabilities | Convertible note liabilities | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 1 July 2018** | - | - | - |
| *Changes in liabilities from cash financing activities* | | | |
| Net cash from/(used in) financing activities | (49,530) | 2,500,000 | 2,450,470 |
| *Changes in liabilities from non-cash financing activities* | | | |
| Acquisition of property, plant and equipment by means of finance leases | 428,562 | - | 428,562 |
| Interest charges | 24,693 | 33,142 | 57,835 |
| Allocated to reserve | | (388,751) | (388,751) |
| Converted to shares | | (1,366,189) | (1366,189) |
| **Balance at 30 June 2019** | 403,725 | 778,202 | 1,181,927 |

**NOTE 26: CAPITAL AND FINANCIAL RISK MANAGEMENT**

**Capital management**
The group's objectives when managing the Company's share capital, reserves and accumulated losses, which represents the group's capital, are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- sustain future product development.

**Financial risk management**
The Group's activities expose it to a variety of financial risks: market risk (primarily currency risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange risk and aging analysis for credit risk.

Financial risk management is carried out by the Chief Financial Officer (CFO) and overseen by the Audit & Risk Committee, a subcommittee of the Board of Directors.

**(a) Market risk**

*Foreign exchange risk*
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.
The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US Dollar and the Euro.

**NOTE 26: CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT.)**

The Group's exposure to foreign currency exchange risk at the reporting date was as follows:

| | **30 June 2019** | | 30 June 2018 | |
|---|---|---|---|---|
| | **In USD** | **In EUR** | In USD | In EUR |
| Cash and Cash Equivalents | **172,041** | **434,484** | 83,952 | 40,865 |
| Trade Receivables | **643,898** | **107,881** | 1,062,768 | 226,063 |
| Trade Payables | **(186,323)** | **(1,208)** | (437,188) | (14,136) |

*Sensitivity*
Based on the financial instruments held at 30 June 2019, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's pre-tax result for the year would have varied by $81,617/($89,778) (2018: $47,762/($58,375)). Had the Australian dollar weakened/strengthened by 10% against the Euro with all other variables held constant, the Group's pre-tax result for the year would have varied by $79,721/($87,694) (2018: $36,283/($44,346)).

**(b) Credit risk**
Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has no significant concentrations of credit risk. For banks and financial institutions, only independently rated and reputable parties are accepted. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Terms of trade provided to creditworthy customers are between 30 and 90 days, whilst customers deemed higher risk arrange a letter of credit or prepay for goods. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

**(c) Liquidity risk**
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**(d) Fair value estimation**
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities approximates their carrying values.

**NOTE 27: SEGMENT REPORTING**

**(a) Description of segments**

In the 2019 financial year, the Group operated in one operating segment, being sales of cardiovascular devices and services to hospitals, clinics, research institutions and pharmaceutical companies.

Management has determined the reporting segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board generally considers the business from a geographical perspective and has identified three reportable segments by geographic area.

Geographic areas are:

- Americas (includes global pharmaceutical trials business)
- Europe (includes Middle East and Africa)
- Asia Pacific (includes Asia & Australia/NZ)

**(b) Segmental information provided to the Board**

| 2019 | Americas | Europe | Asia Pacific | Inter-segment eliminations/ unallocated | Consolidated |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Sales to external customers | **2,933,713** | **502,594** | **470,786** | **-** | **3,907,093** |
| Intersegment sales | **-** | **-** | **98,923** | **(98,923)** | **-** |
| Total sales revenue | **2,933,713** | **502,594** | **569,709** | **(98,923)** | **3,907,093** |
| Other revenue/income | **-** | **-** | **154,998** | **-** | **154,998** |
| Total segment revenue/income | **2,933,713** | **502,594** | **724,707** | **(98,923)** | **4,062,091** |
| **Segment result** | **(1,724,691)** | **185,368** | **(2,217,878)** | **777,923** | **(2,979,278)** |
| Unallocated revenue less unallocated expenses | | | | | - |
| Loss before income tax | | | | | **(2,979,278)** |
| Income tax expense | | | | | - |
| **Loss for the year** | | | | | **(2,979,278)** |
| Segment assets | **14,255,517** | **-** | **59,989,317** | **(61,032,860)** | **13,211,974** |
| Segment liabilities | **31,291,658** | **-** | **53,867,830** | **(78,898,449)** | **6,261,039** |

**NOTE 27: SEGMENT REPORTING (CONT.)**

| **2018** | **Americas** | **Europe** | **Asia Pacific** | **Inter-segment eliminations/ unallocated** | **Consolidated** |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Sales to external customers | 2,746,127 | 706,346 | 553,618 | - | 4,006,091 |
| Intersegment sales | - | - | 1,525,347 | (1,525,347) | - |
| Total sales revenue | 2,746,127 | 706,346 | 2,078,965 | (1,525,347) | 4,006,091 |
| Other revenue/income | - | - | 434,831 | - | 434,831 |
| Total segment revenue/income | 2,746,127 | 706,346 | 2,513,796 | (1,525,347) | 4,420,922 |
| **Segment result** | **(1,494,774)** | **(70,081)** | **(994,830)** | **(406,098)** | **(2,965,783)** |
| Unallocated revenue less unallocated expenses | | | | | 4,558 |
| Loss before income tax | | | | | **(2,961,225)** |
| Income tax expense | | | | | - |
| **Loss for the year** | | | | | **(2,961,225)** |
| Segment assets | 18,492,094 | - | 58,751,024 | (70,829,211) | **6,413,907** |
| Segment liabilities | 33,016,707 | - | 55,911,613 | (87,110,626) | **1,817,694** |

**(c) Notes to and forming part of the segment information**

*Inter-segment transfers*
Segment revenues, expenses and results include transfers between segments. The group transfer inventory and finished goods between its group companies. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

*Segment revenue*
There was no significant concentration of revenue attributable to one customer in 2019 (2018: $NIL).

**(d) Disaggregation of revenue**

Revenue is disaggregated by the country in which the customer is located as this depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

### NOTE 27: SEGMENT REPORTING (CONT.)

| **2019** | **Americas** | **Europe** | **Asia Pacific** | **Consolidated** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Sale of goods | **1,562,355** | **497,536** | **359,112** | **2,419,003** |
| Lease income | **686,805** | **-** | **-** | **686,805** |
| Service income | **594,075** | **373** | **25,580** | **620,028** |
| Freight income | **90,478** | **4,685** | **2,104** | **97,267** |
| Royalty income | **-** | **-** | **83,990** | **83,990** |
| Total sales revenue | **2,933,713** | **502,594** | **470,786** | **3,907,093** |
| Other revenue/income | **-** | **-** | **154,998** | **154,998** |
| **Total revenue/income** | **2,933,713** | **502,594** | **625,784** | **4,062,091** |

| **2018** | **Americas** | **Europe** | **Asia Pacific** | **Consolidated** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Sale of goods | 1,634,746 | 688,688 | 477,609 | 2,801,043 |
| Lease income | 578,662 | 2,760 | 3,086 | 584,508 |
| Service income | 501,182 | 12,149 | 4,239 | 517,570 |
| Freight income | 31,537 | 2,749 | 415 | 34,701 |
| Royalty income | - | - | 68,269 | 68,269 |
| Total sales revenue | 2,746,127 | 706,346 | 553,618 | 4,006,091 |
| Other revenue/income | - | - | 16,463 | 16,463 |
| **Total revenue/income** | **2,746,127** | **706,346** | **570,081** | **4,022,554** |

### NOTE 28: RELATED PARTY TRANSACTIONS

*Subsidiaries*

The group's principal subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

| **Name of entity** | **Country of incorporation** | **Percentage owned** | |
|---|---|---|---|
| | | **2019** | **2018** |
| AtCor Medical Pty Ltd | Australia | **100%** | 100% |
| AtCor Medical, Inc. (Delaware C Corp) | USA | **100%** | 100% |

## NOTE 28: RELATED PARTY TRANSACTIONS (CONT.)

### Key Management Personnel Compensation

| | Salary and directors fees | Share Based Payment Benefits | Post-Employment Benefits | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2019** | | | | |
| Niall Cairns | **84,000** | **64,702** | **-** | **148,702** |
| King Nelson | **30,270** | **64,702** | **-** | **94,972** |
| Craig Cooper | **419,255** | **431,769** | **-** | **851,024** |
| Donal O'Dwyer[2] | **33,486** | **-** | **3,181** | **36,667** |
| **Total Compensation** | **567,011** | **561,173** | **3,181** | **1,131,365** |
| | | | | |
| **2018** | | | | |
| Donal O'Dwyer | 50,228 | - | 4,772 | 55,000 |
| Niall Cairns | 28,000 | - | - | 28,000 |
| King Nelson | 27,955 | - | - | 27,955 |
| Craig Cooper | 225,863 | 4,466 | - | 230,329 |
| David Brookes[1] | 18,949 | - | 3,551 | 22,500 |
| Duncan Ross[1] | 179,830 | - | 13,439 | 193,269 |
| Michael O'Rourke[1] | 9,513 | - | 904 | 10,417 |
| **Total Compensation** | **540,338** | **4,466** | **22,666** | **567,470** |

1. Ceased to be key management personnel in FY2018.
2. Ceased to be key management personnel in FY2019.

### Shares Held by Key Management Personnel and Their Associates

| | Balance 01 July 2018 | Share split | Additions | Balance 30 June 2019 |
|---|---|---|---|---|
| Donal O'Dwyer | 12,178,627 | - | - | **12,178,627[4]** |
| Niall Cairns | 78,000,000 | - | 54,616,769[3] | **132,616,769** |
| King Nelson | 153,846 | - | - | **153,846** |
| Craig Cooper | 75,000,000 | - | 62,616,769[3] | **137,616,769** |
| **Total** | **165,332,473** | - | 117,233,538 | **282,566,011** |

3. A total of 54,616,769 shares acquired by Mr Cairns and Mr Cooper in the year are indirectly held by C2 Ventures, in which Mr Cairns and Mr Cooper are directors. These shares are subject to the Restriction Agreement and Deed of Undertaking as approved by members at the Extraordinary General Meeting held on 28 May 2018.
4. Held at date of resignation.

**NOTE 28: RELATED PARTY TRANSACTIONS (CONT.)**

**Shares Held by Key Management Personnel and Their Associates**

| | Balance 01 July 2017 | Share split | Additions | Balance 30 June 2018 |
|---|---|---|---|---|
| Donal O'Dwyer | 6,067,517 | - | 6,111,110 | **12,178,627** |
| Niall Cairns | 3,000,000[1] | - | 75,000,000[2] | **78,000,000** |
| King Nelson | 153,846 | - | - | **153,846** |
| Craig Cooper | -[1] | - | 75,000,000[2] | **75,000,000** |
| David Brookes | 1,469,264 | - | 555,555 | **2,024,819[3]** |
| Duncan Ross | 4,603,052 | - | - | **4,603,052[3]** |
| Michael O'Rourke | 10,641,396 | - | 925,925 | **11,567,321[3]** |
| **Total** | **25,935,075** | **-** | **157,592,590** | **183,527,665** |

1. Shares held at date of appointment.
2. Shares acquired by Mr Cairns and Mr Cooper in the year are indirectly held by C2 Ventures, in which Mr Cairns and Mr Cooper are directors. These shares are subject to the Restriction Agreement and Deed of Undertaking as approved by members at the Extraordinary General Meeting held on 28 May 2018.
3. Held at date of resignation and ceased to be key management personnel in FY2018.

**Options Held by Key Management Personnel and Their Associates**

| | Balance 01 July 2018 | Share split | Additions | Balance 30 June 2019 |
|---|---|---|---|---|
| Niall Cairns | 37,500,000[5] | - | 1,500,000 | **39,000,000** |
| King Nelson | 450,000 | - | 1,500,000 | **1,950,000** |
| Craig Cooper | 37,500,000[5] | - | - | **37,500,000** |
| Donal O'Dwyer | 3,150,000 | - | - | **3,150,000[4]** |
| **Total** | **78,600,000** | **-** | **3,000,000** | **81,600,000** |

4. Held at date of resignation.
5. Directors Mr Cairns and Mr Cooper hold 37,500,000 options indirectly through C2 Ventures Pty Limited, of which they are both directors.

**NOTE 28: RELATED PARTY TRANSACTIONS (CONT.)**

**Options Held by Key Management Personnel and Their Associates**

| | Balance 01 July 2017 | Share split | Additions | Balance 30 June 2018 |
|---|---|---|---|---|
| Donal O'Dwyer | 650,000 | - | 2,500,000 | 3,150,000 |
| Niall Cairns | -[1] | - | 37,500,000[2] | 37,500,000 |
| King Nelson | 450,000 | - | - | 450,000 |
| Craig Cooper | -[1] | - | 37,500,000[2] | 37,500,000 |
| David Brookes | 450,000 | - | - | 450,000[3] |
| Duncan Ross | 3,100,000 | - | - | 3,100,000[3] |
| Michael O'Rourke | 450,000 | - | - | 450,000[3] |
| **Total** | **5,100,000** | **-** | **77,500,000** | **82,600,000** |

1. Options held at date of appointment.
2. Options acquired by Mr Cairns and Mr Cooper in the year are indirectly held by C2 Ventures, in which Mr Cairns and Mr Cooper are directors. These options are subject to the Restriction Agreement and Deed of Undertaking as approved by members at the Extraordinary General Meeting held on 28 May 2018.
3. Held at date of resignation.
4. Options acquired by key management personnel and their associates in the year related are free attaching options on shares purchased.

**Performance Rights Held Key Management Personnel and Their Associates**

Mr Craig Cooper holds 36 million performance rights which vest subject to a set of Milestones as follows:

| | Number of performance rights | Will vest if 30 Day VWAP exceeds: | Expiry Date of Performance Milestone |
|---|---|---|---|
| **Tranche 2** | 8 million | $0.08 | 28/05/2021 |
| **Tranche 3** | 8 million | $0.12 | 28/05/2021 |
| **Tranche 4** | 4 million | $0.08 | 06/03/2022 |
| **Tranche 5** | 4 million | $0.12 | 06/03/2022 |
| **Tranche 6** | 12 million | $0.15 | 06/03/2022 |

Throughout the period the 8,000,000 Tranche 1 performance rights vested when the 30 day VWAP exceeded $0.05 in March 2019.

**Employment Agreements**

Remuneration and other terms of employment for the CEO and the other key management personnel are formalised in employment agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits including health insurance and car allowances, and participation, when eligible, in the Cardiex Limited Employee Share Option Plan. Other major provisions of the agreements relating to remuneration are set out below. All contracts with executives may be terminated early by either party with variable notice periods, subject to termination payments as detailed below.

*Craig Cooper – Chief Executive Officer*

- Agreement commenced on 1 December 2017.
- Base salary of US$300,000 per annum.
- Reimbursement for reasonable expenses incurred in running the US business, paid on a monthly basis up to US$5,000 per month.

**NOTE 28: RELATED PARTY TRANSACTIONS (CONT.)**

*Niall Cairns – Non-Executive Director*

- Agreement commenced with an effective date of 1 March 2018.
- Monthly consulting fee for strategic review and consulting services of AU$7,000 per month.
- Reimbursement for reasonable expenses incurred.

**Convertible Notes Issued to Directors and Their Associates**

In January 2019, C2 Ventures Pty Ltd, a related party Mr Niall Cairns and Mr Craig Cooper, applied to the Company for 2,500,000 convertible notes at $1 per note. Key terms of the convertible notes per the Convertible Note Deed (the “Deed”) are as follows:

| | |
|---|---|
| Term: | 36 months |
| Currency: | AUD |
| Drawdown date: | 23 January 2019 |
| Funds received: | $2,500,000 |
| Interest payable: | 6% per annum, accrued daily, capitalised quarterly |
| Conversion: | Convertible to fully paid ordinary shares at a $0.03 per convertible note |

On 3 March 2019, 1,638,503 convertible notes were converted to ordinary shares at $1 per note.

**Loans to Directors and Key Management Personnel**

At 30 June 2019 there were no loans to Directors or Key Management Personnel.

**NOTE 29: MATTERS SUBSEQUENT TO YEAR END**

Subsequent to balance date the Group announced the following material events:

- Chris Dax was appointed as the President of ATCOR Medical;
- Antony Sloan was appointed as the Global Head of Marketing and Communications;
- Rhonda Welch was appointed to the newly created position of VP of Health Economics;
- The Company entered into a multi-year Agreement to co-develop consumer wearable applications in partnership with Mobvoi Information Technology Co. Ltd (“Mobvoi”), Google’s official operating partner in China for the development of smart-wearable solutions for Google’s Wear OS platform.

No other significant subsequent event has arisen that significantly affects the operations of the Group.

**NOTE 30: PARENT ENTITY DISCLOSURES**

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| **Financial position** | | |
| **Assets** | | |
| Total current assets | **857,664** | 1,508,603 |
| Total assets | **26,889,597** | 23,834,293 |
| **Liabilities** | | |
| Total current liabilities | **3,505,895** | 1,270,305 |
| Total liabilities | **16,343,616** | 17,672,116 |
| **Equity** | | |
| Contributed equity | **57,958,165** | 53,387,892 |
| Reserves | **1,141,725** | 1,001,205 |
| Accumulated losses | **(48,553,910)** | (48,226,920) |
| **Total equity** | **10,545,981** | 6,162,177 |
| | | |
| **Financial performance** | | |
| Loss for the year | **(942,754)** | (638,021) |
| Other comprehensive income | **-** | - |
| Total comprehensive loss | **(942,754)** | (638,021) |

**(a) Explanation of loss in 2019 Financial Year**

The increase in loss in the parent entity is primarily due to an increase in share based payments expense.

**(b) Guarantees entered into by the parent entity**

No guarantees have been entered into by the parent entity during 2019 or 2018.

**(c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

**NOTE 31: CAPITAL COMMITMENTS**

**(a) Balance due on convertible note purchased**

At 30 June 2019, the parent entity had a contractual commitment to pay the balance of US$2,350,000 under the Convertible Note Purchase Agreement with inHealth Medical Services Inc. This obligation was completed on 30 August 2019.

**(b) Operating lease payable commitments**

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| **Total lease expenditure contracted at reporting date but not recognised in the financial statements** | | |
| Payable no later than one year | **3,948** | 107,506 |
| Payable later than one, not later than five years | **13,818** | - |
| **Total lease expenditure payable** | **17,776** | 107,506 |

**NOTE 31: CAPITAL COMMITMENTS (CONT.)**

Leases now fall under AASB 16 and are presented in Note 19. Operating leases in the comparative period reflect lease disclosures under AABS 117. In the current year the Group has no short-term lease commitments, and one low-value lease commitment. Operating lease commitments includes contracted amounts for various offices and plant and equipment under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various clauses. On renewal, the terms of the leases are renegotiated.

**NOTE 32: COMPANY DETAILS**

**The registered office of the Company is:**

CardieX Limited
Suite 303, Level 3
15 Lime Street
Sydney NSW 2000

**The principal place of business is:**

CardieX Limited
Suite 303, Level 3
15 Lime Street
Sydney NSW 2000

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 22 to 64, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards and the Corporations Regulations 2001; and
    b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Company and Consolidated Group.
2. the Company has included in note 1 to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards;
3. the Directors have been given the declaration required by Section 295A of the Corporations Act from the Chief Executive Officer for the financial year ended 30 June 2019;
4. in the Director's 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; and
5. the remuneration disclosures included on pages 16 to 20 of the Directors' Report (as part of the Audited Remuneration Report) for the year ended 30 June 2019, comply with section 300A of the Corporations Act 2001.

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

**Niall Cairns**
Executive Chairman
Sydney, 27 September 2019

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Fax: +61 2 9240 9821
www.bdo.com.au

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Sydney NSW 2000
Australia

**INDEPENDENT AUDITOR'S REPORT**

To the members of CardieX Limited

## Report on the Audit of the Financial Report

**Opinion**

We have audited the financial report of CardieX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for opinion**

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Material uncertainty related to going concern**

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of Investments - Impairment

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| Included in Financial Assets of the Group, are investments in Convertible Notes issued by Blumio and inHealth Medical Inc.<br><br>The investments are at their initial stage and as such, the determination of the recoverable amount involves significant judgements such as the future profitability and cash flows of the business and the discount and growth rates applied to the future cash flows. Consequently, we considered this a key audit matter.<br><br>Refer to Note 17 of the financial report for key disclosures relating to the Financial Assets. | Our procedures included, amongst others:<br>• Reviewing the discounted cash flow analysis and evaluating the Group's assumptions and estimates used to determine the recoverable amount of its assets;<br>• Performing sensitivity analysis to stress test the key assumptions used in determining the recoverable amount;<br>• Reviewing the relevant agreements and legal documentation to determine the nature of contractual obligations for the investee to repay the funds; and<br>• Assessing the adequacy of the Group's disclosures in Note 17 in relation to the impairment testing performed. |

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

## Responsibilities of the directors for the Financial Report

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

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

**Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of CardieX Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO East Coast Partnership**

BDO

Grant Saxon
Partner

Sydney, 27 September 2019

## ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below.

### Distribution Schedule of Equity Securities as at 24 September 2019

| Spread of Holdings | No. of Holders | Shares |
|---|---|---|
| 100,001 and Over | 573 | 657,940,238 |
| 10,001 to 100,000 | 823 | 35,983,085 |
| 5,001 to 10,000 | 147 | 1,188,794 |
| 1,001 to 5,000 | 107 | 379,770 |
| 1 to 1,000 | 73 | 10,343 |
| **Total** | **1,723** | **695,502,230** |

### Unmarketable parcels

There were 480 shareholders holding less than a marketable parcel totalling 3,728,663 shares as at 24 September 2019.

### Top 20 Holdings as at 24 September 2019

| Holder Name | Balance at 24 Sep 2019 | % |
|---|---|---|
| C2 VENTURES PTY LIMITED | 137,616,769 | 19.79 |
| MR PAUL COZZI | 59,479,957 | 8.55 |
| CITICORP NOMINEES PTY LIMITED | 17,768,606 | 2.55 |
| CB CO PTY LTD | 15,470,000 | 2.22 |
| MR PAUL JOSEPH COZZI | 13,973,617 | 2.01 |
| CAMPBELL KITCHENER HUME & ASSOCIATES PTY LTD | 11,570,923 | 1.66 |
| DRUMNADROCHIT FUTURES PTY LTD | 10,068,574 | 1.45 |
| MRS JANE GREENSLADE | 9,996,504 | 1.44 |
| MR DARRYL PATTERSON & MRS MARGARET STEWART PATTERSON | 8,596,340 | 1.24 |
| CPO SUPERANNUATION FUND PTY LTD | 7,330,000 | 1.05 |
| CALAMA HOLDINGS PTY LTD | 7,325,353 | 1.05 |
| DUNDRUM INVESTMENTS PTY LTD | 7,250,392 | 1.04 |
| PONDEROSA INVESTMENTS (WA) PTY LTD | 7,250,000 | 1.04 |
| ANNLEW INVESTMENTS PTY LTD | 7,050,000 | 1.01 |
| SYMINGTON PTY LTD | 6,894,649 | 0.99 |
| MR DONALD O'DWYER & MRS JUDITH O'DWYER | 6,594,902 | 0.95 |
| PEHILA PTY LTD | 5,896,951 | 0.85 |
| PROF MICHAEL FRANCIS O'ROURKE | 5,670,370 | 0.82 |
| BNP PARIBAS NOMINEES PTY LTD | 5,127,845 | 0.74 |
| AUSTRALIAN EXECUTOR TRUSTEES LIMITED | 4,950,000 | 0.71 |
| **TOTAL** | **355,881,752** | **51.17** |

## ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

**Substantial Shareholders**

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act 2001 are:

| Holder Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|
| C2 VENTURES PTY LIMITED | 137,616,769 | 19.79 |
| PAUL COZZI | 73,453,574 | 10.56 |

**The name of the Company Secretary is:**

Jarrod Travers White

**Registered Office and Principal Place of Business**

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