

CardieX

A Global Health Technology Company



Annual Report

2020

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

CORPORATE DIRECTORY

DIRECTORS

Mr. Niall Cairns (Executive Chairman)
Mr. King Nelson
Mr. Craig Cooper
Mr Jarrod White (appointed 21 May 2020)

JOINT COMPANY SECRETARIES

Mr. Jarrod White
Mr. Philip Leighfield

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 Audit Pty Ltd
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**).

TABLE OF CONTENTS

Chairman's Report	Page	3
CEO's Report and Operational Update	Page	4
Directors' Report	Page	10
Remuneration Report	Page	15
Auditor's Independence Declaration	Page	19
Consolidated Statement of Profit or Loss and Other Comprehensive Income	Page	20
Consolidated Statement of Financial Position	Page	21
Consolidated Statement of Changes in Equity	Page	23
Consolidated Statement of Cash Flows	Page	24
Notes to the Consolidated Financial Statements	Page	25
Directors' Declaration	Page	68
Independent Auditor's Report	Page	69
Shareholder Information	Page	72



Chairman's Report

My Fellow Shareholders,

It is a pleasure to present the 2020 Annual Report for CardieX Limited.

This past year has been challenging as we all adapt to a new personal and business environment. Notwithstanding those challenges we finished the year strongly, as shown by our June quarterly cash flow report and the strength shown by our core ATCOR business which continues to perform as we move into 2021.

We have commenced the 2021 year in a position of strength - which has been further bolstered by our recent \$2.5m equity raising. Our focus remains on executing on our product plan with multiple new product releases planned over the course of the next year as we target new medical and consumer technology markets in excess of \$US500b globally. More details are included in the following letter from our CEO, as well as the Operations Update.

Over the last year our executive team and management have continued to deliver on our strategic plan including multiple new partners, customers, and product development initiatives – all of which are driving the future value of our Company. I would like to thank all staff for their continuing efforts in this regard. I would also like to thank my fellow board members Craig Cooper (Director & CEO), King Nelson (independent US based Director), and our newly appointed Director Jarrod White (Director & CFO).

I have great confidence for the years ahead as we continue to drive value for all our shareholders, and I would like to personally thank you for your ongoing support.

Best regards and keep healthy,

A handwritten signature in black ink that reads "Niall Cairns".

**Niall Cairns
Executive Chairman
CardieX Limited**



Chief Executive Officer's Report

My Fellow Shareholders,

It has been a significant year for us at CardieX as we continued our transition 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.

Importantly, we have made significant progress in regards to new product development and partnerships that form the ecosystem of our focus on remote patient monitoring and telehealth, clinician SaaS solutions, and consumer digital health – all representing multi-billion-dollar market opportunities for your Company.

Our core medical sales business, ATCOR, continues to perform strongly year-on-year with a focus on developing, marketing, and distributing medical technologies that measure patient risk for hypertension, cardiovascular disease and other related vascular disorders.

ATCOR's Clinical Trial Services team also continues to outperform with new contracts with major pharmaceutical companies such as AstraZeneca and Bayer AG – a strong sign that the current COVID-19 environment is not materially impacting the critical-need sector of cardiovascular health trials.

ATCOR.X, a newly created division of ATCOR, is expanding and developing out our core "vital signs" technology into new markets including connected fitness, smart devices, and wearables – sectors that I believe will be a significant opportunity for us over the coming years with the health wearable segment forecast to grow to \$US37b by 2025. The immediate focus of the ATCOR.X being to drive the successful execution of our partnership with Mobvoi, Google's in-country wearable partner in China, and to implement multiple new wearable partnerships for your Company over the course of 2021.

And finally, our partnerships and investments in inHealth (telehealth and lifestyle therapeutics) and Blumio (wearable radar sensors) continue to drive value for us as they each make progress on executing against their respective business plans. Most important in this regard is Blumio's recent announcement of their partnership with semiconductor company Infineon, which can only add to the value of our partnership with that company going forward.

This next year will be the most significant year for the Company since I became your CEO. The last two years have been about repositioning your Company to take advantage of new market opportunities that are unique to our FDA-cleared vital signs technology. Going into this next year I couldn't be more excited and energized about our new product development and the impact we are poised to make on global health solutions.

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. The last year has been a difficult one for many of us personally but we have been lucky to have a strong, cohesive team that shares our collective vision for the Company as we continue to execute on our business plan.

My best regards,

A handwritten signature in black ink, appearing to read "Craig Cooper".

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

**CARDIEX LIMITED
AND CONTROLLED ENTITIES
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Review of Operations

The Company operates sales, development, and marketing activities in 6 key market sectors:

1. The sale and marketing of XCEL and Oscar 2 medical devices for the management and diagnosis of cardiovascular disease, hypertension, and other vascular disorders (\$US2.5b mkt size: 2025);
2. The provision of clinical trial services to research and pharmaceutical companies and institutions;
3. Development of consumer & medical wearable technologies (\$US37.6b mkt size: 2025);
4. Technology licensing;
5. Digital health including telehealth, SaaS, and clinician and consumer digital portals and apps (\$US509b mkt size: 2025); and
6. The development of home vital signs monitors incorporating the company's patented & FDA-cleared SphygmoCor® technology.

All our product and development activity is founded in our core arterial waveform technology – known as SphygmoCor®. CardieX is the only company that has FDA clearance for measuring central blood pressure, arterial stiffness, and other proprietary cardiovascular parameters non-invasively in adults. The Company's SphygmoCor® technology currently has more than 4,500 installations globally and is used by leading research and pharmaceutical companies, such as Bayer, AstraZeneca, GSK and others.

The Company provides an update on business operations throughout the year as follows:

Wearable Sensor Technology Development

CardieX's strategy is to integrate its FDA (US Food and Drug Administration) cleared SphygmoCor® technology into the spectrum of smart wearable devices for consumer and medical settings. This involves a complex and significant technology and engineering effort in order to extract waveforms from a wearable plethysmogram ("PPG") based or otherwise) sensor that correlate well with those extracted by its current FDA-cleared device, which is considered the gold standard for measuring an aortic arterial pressure waveform with cardiovascular features.

In April, 2020, CardieX subsidiary ATCOR completed a major milestone in the development of its wearable sensor technology and derived a series of unique heart and arterial health features from a PPG sensor which have the potential to significantly expand the clinical and consumer applications of the SphygmoCor® technology. As a result, CardieX is now proceeding with the next phase of its JDA with Mobvoi, Google's Wear OS partner in China. The Company has also submitted a new US patent application for its proprietary technology for PPG wearable sensors as well as a number of trademark applications for the medical and clinical data sets that the Company has been able to extract so far.

ATCOR completed internal human studies (13 subjects, 157 signals, with an age range of 20 to 65 years, with results distinguishing between healthy, non-healthy, young and elderly participants) and in conjunction with Macquarie University. ATCOR has initially determined four unique and proprietary heart and arterial health features, which are believed to have been extracted from a PPG sensor for the first time (see below). This represented Phase 1 of the Company's PPG program, and ATCOR's engineering team is now working to complete Phase 2, which includes development of multiple new clinically relevant features for blood pressure management.

Mobvoi Development Partnership

CardieX also has a Joint Development Agreement (JDA) with Mobvoi for the development of novel and proprietary health technologies, applications and features to be integrated into Mobvoi's next generation smart wearables. Mobvoi is Google's official Wear OS partner in China. As a technology unicorn based in Beijing, Mobvoi boasts a stable of well-known investors, including Google, Volkswagen, ZhenFund and Sequoia Capital China.

The Company's partnership with Mobvoi is focused on the use of PPG sensors to derive unique consumer health functions for integration into Mobvoi smartwatches.

During the last quarter, ATCOR presented the results of its PPG research and engineering efforts to Mobvoi. CardieX is now looking at expanding the opportunities under the JDA to new markets and other applications, such as the provision of data and related technologies to Mobvoi under a "services & subscription model".

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

OPERATIONAL UPDATE

New Patent and Trademark Applications

On 1 June, CardieX submitted a US patent application in support of its wearable strategy. Provisional application 63/031,645 describes a system and method of measuring medically reliable heart & arterial health indicators from a PPG light sensor on a wearable device when a user places their finger on the sensor. The determination of a heart pulse with significant heart and arterial health indicators by way of the patent could previously only be obtained either invasively or through a medical device in a clinical setting.

The biometric data captured by the PPG sensor correlates well with waveforms extracted by the Company's gold standard SphygmoCor® algorithms, and the derived feature set includes:

- Heart Stress;
- Heart Age;
- Exercise Capacity; and
- Heart Rate-Plus.

As the most widely used sensors on wearables, PPG sensors are incorporated into a broad range of devices from the world's leading technology companies, including Apple, Samsung, Garmin, Mobvoi, Fitbit and others.

The first application of the patent will likely be on Mobvoi smartwatches, but CardieX also plans to license the technology to other wearable technology companies and include it in the Company's own medical and consumer wearable devices.

In parallel with product development efforts, CardieX has also applied for trademark protection for up to 20 proprietary new parameters and product/service brands in multiple geographies around the globe.

Integrating Central Blood Pressure into New Home BP Monitors

CardieX is developing a vision for its Complete BP™ solution, a powerful combination of brachial and central blood pressure which gives clinicians and consumers alike a more complete picture of blood pressure – all from a home-based device.

In late June 2020, as part of the development of an ATCOR home BP monitor, CardieX programmed and shipped prototype chips to its ODM partner, who will commence integrating the Company's central blood pressure technology into a reference design for a standard brachial BP monitor. Further details of our device and market strategy remain confidential. Our new device development forms a key part of our remote patient monitoring and digital health solutions outlined below.

Strategic Partnership with Blumio Continues to Add Value

CardieX has several ongoing partnerships and development efforts, including a Co-Development Agreement (CDA) with Silicon Valley-based Blumio that integrates the Company's proprietary technology into the Blumio radar sensor. The partnership comprises two main parts:

1. A Co-Development Agreement (CDA) that provides for the integration of SphygmoCor® technology into the Blumio radar sensor, allowing for a unique and patented set of cardiovascular data features to be extracted by the Blumio sensor; and
2. The Company's investment in Blumio for 7.5% equity ownership with the potential to increase to 10% (for no additional cash investment) based on the achievement of certain additional milestones.

CardieX continues to integrate its algorithms and technology into the Blumio sensor under the CDA and has met all important milestones and technology standards to date. For its part, Blumio recently completed its first-generation sensor development kit as one of the major milestones under the CDA. The Blumio Sensor Development Kit consists of a radar sensor board, a wearable enclosure and a small processing unit running algorithms that generate an arterial waveform in real-time. This is the first step towards making Blumio's sensor technology commercially available to device makers as the development kit enables their partners—including CardieX—to execute product development efforts in parallel.

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

OPERATIONAL UPDATE

Large Global Players Partner with Blumio

Recognizing the importance of the global market opportunity for the Blumio sensor, Swiss healthcare technologies company, Roche, selected Blumio for a pilot project to explore the feasibility of integrating Blumio's sensor technology into Roche's next-generation diagnostics devices. As part of this pilot project, Blumio then introduced global semiconductor manufacturer Infineon Technologies AG into the dialogue with Roche, as Infineon currently manufactures a key component used in diagnostics devices from Roche.

These discussions led to Blumio signing an agreement with Infineon (separate from its pilot agreement with Roche) to co-develop a wearable, non-invasive blood pressure sensor by 2021 based on Infineon's XENSIV™ radar chipset. The new sensor has the potential to disrupt the \$US45 billion market for wearable cardiovascular monitoring devices by enabling continuous and precise BP measurement without a cuff.

Blumio's partnership with Infineon will further promote the accelerated commercialization of Blumio's technology in one of the largest healthcare technology markets. Upon successful completion, a kit combining Infineon's radar chipset and development board with Blumio's software and algorithms will be released to consumer and medical wearable device makers to integrate into their blood pressure monitoring devices.

All boats will rise as a result of this partnership between Infineon and Blumio, and CardieX will be working hard to further refine the integration of its SphygmoCor® technology into the Blumio sensor as development efforts continue. Ultimately from a commercial perspective, the Company's strategy is to continue working with Blumio in parallel to the Infineon/Blumio efforts, so that our algorithms are supported and included in the commercial product of the parties.

The Infineon Development Agreement and the Roche pilot project create the foundation for global development and application of Blumio's sensor technology through the combined networks of both Roche and Infineon.

SaaS, Digital Health, and Remote Patient Monitoring Platforms

Our digital platform consists of a full ecosystem of connected devices and digital solutions for remote patient monitoring and consumer health including:

- ArtyNet™, a connected HIPPA compliant patient portal for clinicians to remotely manage patient health;
- Arty™, a consumer app that provides unique consumer health data based on our proprietary algorithms;
- Connected devices including wearables and home monitors that remotely connect to both Arty™ and ArtyNet™;
- A telehealth, messaging, and data transfer platform integrated into Arty™ that provides a full suite of tools for telehealth and remote patient monitoring; and
- A subscription-based SaaS platform.

Together, these digital health assets provide clinicians and consumers with a proprietary suite of health tools unique to our FDA-cleared SphygmoCor® technology. Development work continues on the above with planned launch in 2021 to coincide with our new Complete BP™ device outlined above.

ATCOR ABPM Technology Recommended for MSAC Reimbursement

A recommendation in June 2020 from the High Blood Pressure Research Council (HBRCA) that Australia's Medical Services Advisory Committee (MSAC) and the Federal Minister for Health approve reimbursement of ambulatory blood pressure monitoring (ABPM) through the country's Medicare Benefits Schedule (MBS) could increase demand for the Oscar 2 with SphygmoCor Inside ABPM in Australia. The Oscar 2 is a 24-hour ambulatory blood pressure monitor (ABPM) by SunTech Medical that includes the Company's SphygmoCor® technology inside. This product is sold exclusively by ATCOR in Australia.

HBRCA recommends that reimbursement be made available for diagnosis of hypertension in patients who have measured clinic-based blood pressure between 140/90 mmHg and 180/110 mmHg, with reimbursement up to once every 12 months for individuals who have not commenced antihypertensive medication. The average recommended fee is A\$107.60.

HBRCA estimates that more than 700,000 ABPM procedures will be required over the first three years of coverage.

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

OPERATIONAL UPDATE

The Oscar 2 device adds ATCOR's proprietary central blood pressure algorithms to a standard ABPM, providing the benefits of central pressure waveform analysis for enhancement and individualization of patient care over standard blood pressure monitoring.

ATCOR Support for Pharmaceutical Clinical Trials Continues Apace

ATCOR generates significant revenue each year in our clinical trials business unit. We contract with pharmaceutical companies for the use of SphygmoCor® XCEL devices and the provision of core lab and data management services for clinical trials — providing end-to-end service that ultimately delivers clean datasets to study sponsors. SphygmoCor® technology has been utilized in pharma trials across the therapeutic spectrum, participating in clinical trials for hypertension, diabetes, heart failure, psoriasis, renal disease, and many other disease states. We are currently contracted for clinical trials that will enrol over 3,000 patients at more than 150 clinical trial sites in 20 countries across the globe.

ATCOR Technology to Feature Prominently in COVID-19 CARTESIAN Study

In a significant validation of our technology, our SphygmoCor® XCEL device was selected by the European ARTERY Society to exclusively measure central blood pressure and augmentation index in the CARTESIAN study — the first clinical trial to focus on the impact of COVID-19 on arterial stiffness and central hemodynamics.

The longitudinal, multicentre study will recruit individuals with recently confirmed infection by SARS-Cov-2, who will undergo two visits – 3 to 6 months and 1 year after COVID-19 diagnosis. During each visit, assessment of carotid-femoral pulse wave velocity and central hemodynamics will be performed.

Ancillary studies will explore additional biomarkers of accelerated vascular aging. The CARTESIAN study aims to identify early predictors of cardiovascular events and inform better preventive care in a post-coronavirus world.

Data from this study will also drive our product development going forward as we seek to refine our medical and consumer devices to better identify COVID-19 risk factors.

Restructuring of Agreement with and Investment in inHealth Medical Inc

After the end of Q4, CardieX announced it had restructured its partnership with and investment in inHealth Medical, following significant developments in both businesses since partnership commenced in 2018.

Since then, the inHealth business has developed significantly. The company has signed major global corporations as partners and clients and continued to grow its private practice, partnerships and enterprise business revenues. In addition, inHealth appointed experienced telehealth veteran and technology leader, Harry Kim, as CEO and Chairman, and three new executive hires have significantly enhanced the management team. Interest in US telehealth businesses is strong, and inHealth is well-positioned to raise new capital at significantly favourable valuations from US-based investors and strategic parties, a process the company has already launched.

CardieX and inHealth management teams agreed to restructure the partnership and investment to provide the best capital structure to facilitate new investment, while ensuring that management and founders are appropriately incentivized to drive growth and continued success. Key changes were reducing the outstanding convertible note to USD2.5 million by repayment of USD0.5 million, extending the maturity date to 1 July 2021, and exchanging the option to move to 50.5% for the issuance of 1% of the fully diluted equity of inHealth. This results in CardieX increasing its shareholding to 8.7% and up to 37%, depending on the conversion of the convertible note and before further capital raising.

Furthermore, CardieX and inHealth agreed to an ongoing Collaboration Agreement to develop hypertension and cardiovascular programs for the products, solutions and markets addressed by both parties. These include the current inHealth/CardieX “Central Blood Pressure” research project using SphygmoCor® XCEL device, “Telemedicine to Reduce Cardiovascular Disease Risk: A Randomised Clinical Trial”, with Dr. Jeremy McConnell from Florida, USA, as the lead investigator. Under the ongoing Collaboration Agreement, it is expected that a number of other projects may be undertaken on a commercial arms-length basis.

COVID-19 Update on Operations

The CardieX team is spread throughout its functional HQs in Australia, the United States, and China. CardieX management and staff have all continued to make progress tirelessly during COVID-19 restrictions – working remotely via video-conferencing and other virtual collaboration tools without any loss in productivity. Team members are now carefully migrating back to the office while maintaining appropriate physical distancing and mask-wearing protocols to protect the health and safety of the entire team.

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

OPERATIONAL UPDATE

While restrictions slowed down certain operations, such as in-person sales calls, on-site consultations, and live marketing events at industry conferences and trade shows, CardieX accelerated the ongoing ramp-up of its digital marketing strategy. Highlights include:

- eMarketing and hybrid email/phone campaigns to qualify warm leads, update our CRM database, and offer sales promotions to existing customers and new prospects languishing in COVID-19 limbo.
- Addition of high-value content to both the CardieX and ATCOR websites, including recent research on the correlation between chronic hypertension and cognitive impairment as well as articles exploring the cardiovascular complications of COVID-19.
- Launch of a new webinar series in collaboration with leading industry partner, The American Academy of Anti-Aging Medicine (A4M). The first webinar featured noted cardiologist and anti-aging expert, Dr. Mark Houston, discussing “New Approaches to Cardiovascular Aging—Central Pressure Waveforms & Arterial Stiffness Assessment.” Registrations and attendance were significant and follow-up interest has been solid to date.
- Launch of a new series of video interviews, entitled “No Pressure”. In the first of this series, ATCOR Sales Director, Ric Ruffhead, sat down with Dr. Lee Marcus, a preventive cardiologist from New York, to discuss the challenges of practicing cardiovascular medicine at the US epicentre of COVID-19, and the likely impact on his practice in the future.

Board and Management Appointments

CardieX announced the appointment of Mr. Jarrod White as a Director of CardieX in May, after the Board identified the practical issues and restrictions imposed on international travel during the COVID-19 pandemic.

Mr. White has been the CFO and Company Secretary of CardieX since early 2018, and he will continue in both roles with Philip Leighfield appointed as Joint Company Secretary. Mr. White’s appointment as a director is also recognition of his significant ongoing contribution to the Company.

In addition, CardieX made several significant advances on our digital health solutions strategy. To drive and accelerate that strategy, CardieX made several key hires in Q4:

- Dan Posnack, Director of Product Development - Digital Health;
- Sameer Molvi, Senior Engineering Program Manager;
- Scott Kolek, Senior Software Engineer;
- Ehad Akeila, Senior Firmware Engineer; and
- Rebecca Davis, UI/UX Designer.

Funding Status

In December 2019 we raised \$1.5 million, (including a commitment from major shareholder C2 Ventures for \$0.5 million, which is subject to shareholder approval) and in March 2020 we executed a \$1.5 million R&D loan facility with Mitchell Asset Management. Early in the new financial year (announced in late July and completed in early August 2020) we raised \$2.5 million - further increasing the Company’s cash reserves.

Outlook

Significant progress was achieved during the last year in relation to technological and commercial development as well as product expansion of the Company’s proprietary SphygmoCor® technology. The continued development of wearable sensor technologies in health-related devices provides a large market opportunity for CardieX in clinical and consumer applications, as does our future product portfolio of consumer, home, and clinician-focused medical devices and digital solutions.

The Company is set to release a number of new products over the remainder of calendar 2020 and during 2021 which will significantly expand the commercial opportunity for CardieX. Our strategy also continues to focus on developing the first “uncalibrated”, non-invasive and cuffless wearable sensor for monitoring blood pressure and other cardiovascular health vital signs – which is considered to one of the “Holy Grails” in wearable health monitoring. We look forward to updating the market on further progress in this regard as well as in relation to all our product development activities.

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

DIRECTORS' REPORT

The Directors of CardieX Limited (the “**Company**”) submit the financial report of the Company for the year ended 30 June 2020, 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 \$3,320,427 (30 June 2019 \$2,979,278).

The Group has generated total revenue of \$4,616,664, up from \$4,062,091 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 2020.

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:

- In July 2020, CardieX restructured its investment in inHealth and received US\$0.5m of the US\$3m Convertible Note, reducing the principal investment to US\$2.5m;
- CardieX signed a new Collaboration Agreement with inHealth resulting in a re-setting of the investment relationship between the entities;
- On 27 July 2020, CardieX completed a \$2.5 million placement from new strategic investors as \$0.03 per share with a 1 for 5 free attaching listed option (CDXO), resulting in the issue of 83,333,334 new Shares and 16,666,667 Listed Options.
- On 20 August 2020, AtCor Medical Inc, a CardieX Limited subsidiary, entered into a new contract for the lease of ATCOR devices and the provision of expanded data management services for Bayer’s “AVANTI” trial. The extension of the contract is valued at US\$420k.

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

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

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
Mr. King Nelson
Mr. Craig Cooper
Mr. Jarrod White (appointed 21 May 2020)

Joint Company Secretaries

Mr. Jarrod White
Mr. Philip Leighfield

Chief Financial Officer

Mr. Jarrod White

Information on Directors

**Mr. Niall Cairns
Executive Chairman and Director**

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:

Consolidated Financial Holdings Limited (formerly Chant West Holdings Limited), Tambla Limited

Former directorships (last 3 years):

Tru-Test Corporation Limited, Kestrel Growth Companies Limited, Com Ops Limited

Special responsibilities:

- Chairman of the Board.
- Chairman of the audit and risk committee.
- Member of remuneration and nomination committee.

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

DIRECTORS' REPORT (CONT.)

**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. King is also currently CEO of Q'Apel Medical – a Medical device company focused on Neurovascular disease

Other current directorships: None.
Former directorships (last 3 years): Uptake Medical Corporation
Special responsibilities:

- Chair of remuneration and nomination committee.
- 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.

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

DIRECTORS' REPORT (CONT.)

**Mr. Jarrod White
Non-executive Director**

Qualifications: B.Bus, CA
Appointed: 21 May 2020

Experience and expertise: Mr. White is a Chartered Accountant and founding Director of Traverse Accountants Pty Ltd, a Corporate Advisory and Chartered Accounting Firm. In conjunction with his Corporate Advisory roles at Traverse Mr. White has been appointed Company Secretary and Chief Financial Officer of several other listed entities that operate on the Australian Stock Exchange and has a sound knowledge of corporate governance and compliance. Jarrod has also been an advisor to a wide range of capital raisings, IPO's and reverse takeover transactions and has a focus on working with growing Companies in the exploration, technology and biotech space.

Other current directorships: None.
Former directorships (last 3 years): High Peak Royalties Limited (ASX.HPR)
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 2020 and the number of meetings attended by each Director were:

Director	Directors Meetings	
	Held Whilst in Office	Attended
Niall Cairns	5	5
King Nelson	5	4
Craig Cooper	5	5
Jarrod White	1	1

Directors' Interests

Information on the Directors' and their associates' interests in shares and options of the Company at 30 June 2020 can be found in the Remuneration Report on page 15.

Shares Issued on the Exercise of Options

During the financial year ended 30 June 2020, there were no shares issued 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.

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

DIRECTORS' REPORT (CONT.)

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 2020 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 19. The external auditor did not provide non-audit services to the Company during the year ended 30 June 2020.

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 19.

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

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
Mr. King Nelson	Non-executive Director
Mr. Craig Cooper	CEO and Executive Director
Mr. Jarrod White	Non-executive Director (appointed 21 May 2020)

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

REMUNERATION REPORT (CONT.)

Key Management Personnel Compensation

	Salary and directors fees	Share Based Payment Benefits	Post-Employment Benefits	Total
	\$	\$	\$	\$
2020				
Niall Cairns	179,000	-	-	179,000
King Nelson	26,925	-	-	26,925
Craig Cooper	446,828	464,297	-	911,125
Jarrold White ¹	8,129	857	-	8,986
Total Compensation	660,882	465,154	-	1,126,036
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

1. Appointed as key management personnel on 21 May 2020.
2. Ceased to be key management personnel in FY2019.

Shares Held by Key Management Personnel and Their Associates

	Balance 01 July 2019	Additions	Balance 30 June 2020
Niall Cairns	132,616,769	21,343,423 ¹	153,960,192
King Nelson	153,846	-	153,846
Craig Cooper	137,616,769	21,343,423 ¹	158,960,192
Jarrold White	-	3,257,577 ²	3,257,577
Total	270,387,384	45,944,423	316,331,807

1. A total of 21,343,423 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.
2. Shares held at appointment date of 21 May 2020.

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

REMUNERATION REPORT (CONT.)

Shares Held by Key Management Personnel and Their Associates

	Balance 01 July 2018	Additions	Balance 30 June 2019
Donal O'Dwyer	12,178,627	-	12,178,627 ²
Niall Cairns	78,000,000	54,616,769 ¹	132,616,769
King Nelson	153,846	-	153,846
Craig Cooper	75,000,000	62,616,769 ¹	137,616,769
Total	165,332,473	117,233,538	282,566,011

1. 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.
2. Held at date of resignation and ceased to be key management personnel in FY2019.

Options Held by Key Management Personnel and Their Associates

	Balance 01 July 2019	Expired	Additions	Balance 30 June 2020
Niall Cairns	39,000,000	-	-	39,000,000 ⁴
King Nelson	1,950,000	(450,000)	-	1,500,000
Craig Cooper	37,500,000	-	-	37,500,000 ⁴
Jarrold White	-	-	1,897,728 ³	1,897,728
Total	78,450,000	(450,000)	1,897,728	79,897,728

3. Options held at appointment date of 21 May 2020.
4. Directors Mr Cairns and Mr Cooper hold 37,500,000 options indirectly through C2 Ventures Pty Limited, of which they are both directors.

Options Held by Key Management Personnel and Their Associates

	Balance 01 July 2018	Expired	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 ⁶
Total	78,600,000	-	3,000,000	81,600,000

5. Directors Mr Cairns and Mr Cooper hold 37,500,000 options indirectly through C2 Ventures Pty Limited, of which they are both directors.
6. Held at date of resignation and ceased to be key management personnel in FY2019.

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

REMUNERATION REPORT (CONT.)

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	30/11/2021
Tranche 3	8 million	\$0.12	30/11/2021
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 Cardix 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.

Niall Cairns – Executive Chairman and Director

- Current agreement commenced with an effective date of 1 August 2019.
- Monthly consulting fee for strategic review and consulting services of US\$10,000 per month.
- Reimbursement for reasonable expenses incurred.

Jarrold White – Director

- Jarrod White is the principal of Traverse Accountants Pty Ltd, who holds an engagement with the Group covering CFO services, Company Secretarial services, and other general accountancy services;
- Mr White will receive Directors Fees from 1 July 2020 for \$30,000 per annum in addition to the arms' length services paid to Traverse Accountants Pty Ltd.

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 s298(2) of the Corporations Act 2001.



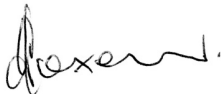
**Niall Cairns
Executive Chairman
Sydney, 31 August 2020**

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

As lead auditor of CardieX Limited for the year ended 30 June 2020, 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
Director

BDO Audit Pty Ltd

Sydney

31 August 2020

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
Sales revenue	2	4,292,552	3,907,093
Fair value adjustment	2	324,112	154,998
		<u>4,616,664</u>	<u>4,062,091</u>
Other income	3	673,726	984,515
Total income		5,290,390	5,046,606
Cost of sales		(698,176)	(804,401)
Bad debts expense		(68,936)	(32,705)
Inventory impairment expense		-	(55,792)
Marketing and sales expense		(433,731)	(392,517)
Product development and regulatory expense		(626,056)	(304,738)
Occupancy expense		(409,200)	(412,602)
Employee benefits expense		(4,853,172)	(4,732,815)
Administration expense		(1,356,806)	(1,190,867)
Interest expense		(164,740)	(99,447)
Loss before income tax expense		(3,320,427)	(2,979,278)
Income tax expense	5	-	-
Loss attributable to members of the parent entity		(3,320,427)	(2,979,278)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		97,886	(35,917)
Total comprehensive loss for the period		(3,222,541)	(3,015,195)
Basic loss per share (cents)	7	(0.46)	(0.46)
Diluted loss per share (cents)	7	(0.46)	(0.46)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	2,061,642	4,980,826
Trade and other receivables	9	819,523	1,014,967
Inventory	10	259,679	218,930
Financial assets	17	728,544	
Other current assets	11	823,960	645,179
TOTAL CURRENT ASSETS		4,693,348	6,859,902
NON-CURRENT ASSETS			
Property, plant and equipment	13	565,636	613,351
Intangible assets		56,192	44,183
Financial assets	17	5,299,848	5,597,966
Other non-current assets	11	60,252	96,572
TOTAL NON-CURRENT ASSETS		5,981,928	6,352,072
TOTAL ASSETS		10,675,276	13,211,974
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	711,530	498,448
Unearned revenue	15	1,524,861	861,884
Provisions	16	322,547	346,119
Financial liabilities	20	249,447	3,350,920
Lease liabilities	21	117,702	97,498
Borrowings	22	718,464	-
TOTAL CURRENT LIABILITIES		3,644,551	5,154,869
NON-CURRENT LIABILITIES			
Provisions	16	-	21,741
Financial liabilities	20	-	778,202
Lease liabilities	21	192,557	306,227
Borrowings	22	958,167	-
TOTAL NON-CURRENT LIABILITIES		1,150,724	1,106,170
TOTAL LIABILITIES		4,795,275	6,261,039
NET ASSETS		5,880,001	6,950,935

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020 (CONT.)

	Note	2020 \$	2019 \$
EQUITY			
Contributed equity	23	53,127,941	51,500,876
Reserves	24	1,969,548	1,613,332
Accumulated losses	26	<u>(49,217,488)</u>	<u>(46,163,273)</u>
TOTAL EQUITY		<u><u>5,880,001</u></u>	<u><u>6,950,935</u></u>

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2020

	Note	Shares on Issue \$	Reserves \$	Accumulated losses \$	Total \$
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	23	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
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
Balance at 1 July 2019		51,500,876	1,613,332	(46,163,273)	6,950,935
Loss for the year		-	-	(3,320,427)	(3,320,427)
Other comprehensive income		-	97,886	-	97,886
Total comprehensive income for the year		-	97,886	(3,320,427)	(3,222,541)
Transactions with equity holders in their capacity as owners.					
Capital placement	23	1,000,000	-	-	1,000,000
Share issue costs		(13,238)	-	-	(13,238)
Shares issued on conversion of convertible notes		640,303	(88,441)	-	551,862
Share based payments		-	612,983	-	612,983
Options expired		-	(266,212)	266,212	-
Balance at 30 June 2020		53,127,941	1,969,548	(49,217,488)	5,880,001

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		5,091,611	4,646,020
Payments to suppliers and employees		<u>(7,240,986)</u>	<u>(7,124,656)</u>
		(2,149,375)	(2,478,636)
Grant income		449,203	185,239
Interest received		1,321	2,624
Net cash used in operating activities	27	<u>(1,698,851)</u>	<u>(2,290,773)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		(175,203)	(203,849)
Payments for intangible assets		(33,693)	(45,415)
Payments for convertible notes		<u>(3,490,217)</u>	<u>(1,916,386)</u>
Net cash used in investing activities		<u>(3,699,113)</u>	<u>(2,165,650)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued		1,000,000	4,502,199
Share issue costs		(13,238)	(251,937)
Loans received		1,673,770	-
Finance costs		(44,375)	-
Finance lease payments		(142,738)	(49,530)
Net proceeds from convertible notes		<u>-</u>	<u>2,500,000</u>
Net cash provided by financing activities		<u>2,473,419</u>	<u>6,700,732</u>
Net (decrease)/increase in cash held		(2,924,545)	2,244,309
Cash and cash equivalents at beginning of financial year		4,980,826	2,736,517
Effects of foreign currency exchange		5,361	-
Cash and cash equivalents at end of financial year	8	<u><u>2,061,642</u></u>	<u><u>4,980,826</u></u>

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 31 August 2020 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 2020 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 \$3,320,427 (2019: \$2,979,278) and had net cash outflows from operating activities of \$1,698,851 for the year ended 30 June 2020 (2019: \$2,290,773). 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 \$2,061,642 as at 30 June 2020 (2019: \$4,980,826). As at that date, the Group had net assets of \$5,880,001 (2019: \$6,950,935). 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 \$1,000,000 in equity funding and \$1,500,000 in debt funding in the previous 12-month reporting period, as well as a further \$2,500,000 since 30 June 2020. 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 2020 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 Group 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 Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group 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. The Group recognises unearned revenue for lease income received in advance where the benefit from the use of the underlying asset has not been diminished. The unearned revenue is reported in the statement of financial position. Similarly, if the Group provides benefits from the underlying asset before it receives the consideration, the Group recognises either a contract lease 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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. Government Grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Research and development grant income

Research and development grant income is recognised when the Group is entitled to the research and development grant. The amount is treated as other income in the period in which the research and development costs were incurred.

Forgivable loans

Income resulting from the forgiveness of a Government loan is recognised when realised, meaning the final forgiveness amount has been determined and forgiveness has been issued by the Government. Until it is reasonably certain that forgiveness will be issued, the loan amount is recognised as a financial liability under AASB 9.

e. 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:

<i>Class of Fixed Asset</i>	<i>Useful lives</i>
Manufacturing plant and equipment	3 – 10 years
Furniture, fixtures and equipment	3 – 5 years
Devices leased to customers	3 – 4 years
Lease improvements	Life of lease

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

e. **Plant and Equipment (cont.)**

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.

f. **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.

g. **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)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

g. Financial Instruments (Cont.)

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.

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

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

g. Financial Instruments (Cont.)

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Trade and other receivables and contract assets

The Group 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 Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group 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.

Financial assets at fair value through other comprehensive income

The Group 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 Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group 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 Group 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 Group 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 Group 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 Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below. The Group'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 Group 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).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

h. 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.

i. 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.

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.

j. Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

k. Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

l. Equity-Settled Compensation

There has been no equity based compensation with the exception of that described in Note 25. 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.

m. 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.

n. 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.

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.

o. 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.

p. 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.

q. 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

q. **Provisions (Cont.)**

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.

r. **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.

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.

s. **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.

t. **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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

u. 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 21 for further details.

v. 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.

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.

w. 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

x. **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.

y. **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.

z. **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.

aa. **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.

ab. **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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

ab. **Critical Accounting Judgements. Estimates and Assumptions**

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 Group 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, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available.

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 Group 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.

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 \$11,158,840 during the full year ended 30 June 2020 so as to enable the Board to determine more reliably the probability of utilising these tax assets in the foreseeable future.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

ab. **Critical Accounting Judgements. Estimates and Assumptions (Cont.)**

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

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.

Functional Currency

The Group has operations in both the US and Australia, however the functional currency is deemed to be Australian dollars as the Group is listed on the Australian stock exchange and the main operations are located in Australia.

Functional currency of AtCor Medical Inc.

In determining that United States dollar (US\$) is the functional currency of AtCor Medical Inc., management have applied judgement to assess the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions in AMI. Management have considered the currency that mainly influences sales prices for goods and services and labour, material and other costs of providing goods or services.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

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

IFRIC 23: Uncertainty Over Income Tax Treatments

The Group has adopted IFRIC 23 from 1 July 2019, which requires entities to consider if it is probable that the tax authority will accept an uncertain tax treatment.

At 30 June 2020, the Group has not identified any uncertain tax treatments and as a result, the adoption of IFRIC 23 did not have a significant impact on the financial performance or position of the Group as at 30 June 2020 or on opening accumulated losses at 1 July 2019.

**CARDIEX LIMITED
AND CONTROLLED ENTITIES
ABN 81 113 252 234
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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

ab. Critical Accounting Judgements. Estimates and Assumptions (Cont.)

The Group has adopted all other new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

As at 30 June 2020, the group has adopted all new and revised mandatory accounting standards applicable. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: REVENUE

	2020	2019
	\$	\$
<i>Sales revenue</i>		
Sale of goods	1,895,584	2,419,003
Lease income	1,495,974	686,805
Service income	632,099	620,028
Freight income	132,231	97,267
Royalty income	136,664	83,990
	<u>4,292,552</u>	<u>3,907,093</u>
<i>Other revenue</i>		
Fair value adjustment	324,112	154,998
Total revenue	<u>4,616,664</u>	<u>4,062,091</u>

CardieX leases multiple medical devices to customers as part of pharmaceutical trials. The amounts are paid over an accelerated term per the signed contract, and then revenue is recognised on a straight line basis based on the amount of equipment delivered. The equipment is leased to the customer for approximately 2 years which is not considered to be a major part of the economic life of the asset. The equipment is returned to CardieX at the end of the lease and the equipment can continue to be used without any major modification.

LESSOR COMMITMENTS

	Consolidated	
	2020	2019
	\$'000	\$'000
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	399,477	284,599
One to five years	86,783	108,337
More than five years	-	-
	<u>486,260</u>	<u>392,936</u>

NOTE 3: OTHER INCOME

R&D tax concession from the Australian Tax Office	433,886	801,771
Covid-19 Stimulus benefits from the Australian Tax Office	154,000	-
Foreign exchange gains	33,876	152,558
Other	51,964	30,186
	<u>673,726</u>	<u>984,515</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: EXPENSES

Loss before income tax includes the following specific expenses:

Depreciation on plant and equipment	92,580	58,589
Depreciation on right of use assets	112,662	57,926
Share based payments	612,983	864,714
Rental expense relating to short term leases	127,845	249,297

NOTE 5: INCOME TAX EXPENSE

Loss from continuing operations before income tax expense	(3,320,427)	(2,979,278)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2019: 27.5%):	(913,117)	(819,301)
<i>Add tax effect of:</i>		
— Other non-allowable items	529,983	576,075
Subtotal	(383,134)	(243,226)
<i>Less tax effect of:</i>		
— Items not assessable for taxation	(144,413)	(434,416)
— Items deductible for taxation but not accounting	(211,546)	(130,004)
Differences in overseas tax rates	135,860	119,182
Benefit of tax losses and temporary differences not recognised	603,233	688,464
Income tax expense	-	-

The Group has carried forward tax losses, calculated according to Australian income tax legislation of \$40,577,600 (2019: \$38,018,179), 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 \$11,158,840 at 30 June 2020 (2019: \$10,454,999).

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(r).

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: AUDITOR REMUNERATION

	2020	2019
	\$	\$
Remuneration of the auditor of the Group for:		
Audit services for the financial year – BDO ¹	<u>86,500</u>	<u>94,000</u>
Total:	<u>86,500</u>	<u>94,000</u>

1. The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 1 August 2020. The disclosures include amounts received or due and receivable by BDO East Coast Partnership and BDO Audit Pty Ltd.

NOTE 7: LOSS PER SHARE

a. Reconciliation of loss:		
Loss after tax	<u>(3,320,427)</u>	<u>(2,979,278)</u>
		No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating loss per share	726,773,815	607,756,877
		Cents
c. Basic loss per share	<u>(0.46)</u>	<u>(0.46)</u>
d. Diluted loss per share	<u>(0.46)</u>	<u>(0.46)</u>

There is no dilution impact arising from outstanding convertible notes, options and performance rights.

NOTE 8: CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
Cash at bank and on hand	<u>2,061,642</u>	<u>4,980,826</u>
Total	<u>2,061,642</u>	<u>4,980,826</u>

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables	887,687	1,153,452
Less: Provision for doubtful debts (a)	<u>(68,164)</u>	<u>(138,485)</u>
	<u>819,523</u>	<u>1,014,967</u>
Other receivables	<u>-</u>	<u>-</u>
Total receivables	<u>819,523</u>	<u>1,014,967</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: TRADE AND OTHER RECEIVABLES (CONT.)

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 2020 current trade receivables of the Group with a nominal value of \$68,164 (2019: \$138,485) were fully impaired.

At 1 July	138,485	108,859
Provision for impairment recognised during the year	67,815	32,705
Reversed of provision upon receipt of payment	(31,570)	-
Receivables written off during the year as uncollectible	(106,566)	(3,079)
At 30 June	68,164	138,485

(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 29 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 29.

NOTE 10: INVENTORY

Raw materials and stores - at cost	267,558	223,078
Finished goods at cost	68,087	71,818
Provision for inventory impairment	(75,966)	(75,966)
	259,679	218,930

There were no charges to write-off obsolete inventories in the year ended 30 June 2020 (2019: \$55,792).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: OTHER ASSETS

	2020	2019
	\$	\$
CURRENT		
Prepayments	75,614	114,228
Contract assets	185,711	92,879
R&D tax incentive receivable	466,694	431,532
Deposits	38,358	-
Other	57,583	6,540
	823,960	645,179
NON CURRENT		
Deposits	60,252	96,572

NOTE 12: CONTROLLED ENTITIES

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2020	2019
PARENT ENTITY:			
CardieX Limited	Australia		
SUBSIDIARIES OF CARDIEX LIMITED			
AtCor Medical Pty Limited	Australia	100	100
AtCor Medical Inc	USA	100	100
CardieX (Shanghai) Medical Technology Co., Ltd.	China	100	-

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 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	-	370
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)	(1,233,040)
Net book amount	42,396	109,213	91,356	370,386	613,351

	Manufacturing plant and equipment	Furniture, fixtures and equipment	Devices leased to customers	Property under lease (right-of use asset)	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2020					
Opening net book amount	42,396	109,213	91,356	370,386	613,351
Additions	-	44,553	124,142	-	168,695
Exchange differences	-	1,030	(1,612)	4,324	3,742
Depreciation charge	(25,445)	(52,438)	(30,478)	(111,791)	(220,152)
Closing net book amount	16,951	102,358	183,408	262,919	565,636

At 30 June 2020

Cost	508,680	849,061	228,199	432,890	2,018,830
Accumulated depreciation	(491,729)	(746,703)	(44,791)	(169,971)	(1,453,194)
Net book amount	16,951	102,358	183,408	262,919	565,636

NOTE 14: TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Trade creditors	537,404	354,939
Other payables	174,126	143,509
	<u>711,530</u>	<u>498,448</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: UNEARNED REVENUE

	2020	2019
	\$	\$
Unearned Revenue	1,524,861	861,884
	<u>1,524,861</u>	<u>861,884</u>

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

NOTE 16: PROVISIONS

CURRENT

Employee provisions	322,547	346,119
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NON-CURRENT

Employee provisions	-	21,741
	<u>322,547</u>	<u>367,860</u>

NOTE 17: FINANCIAL ASSETS

CURRENT

inHealth convertible note	728,544	-
	<u>728,544</u>	<u>-</u>

NON-CURRENT

Blumio convertible note	942,373	870,743
inHealth investment	343,974	343,974
inHealth convertible note	4,013,501	4,383,249
	<u>5,299,848</u>	<u>5,597,966</u>
TOTAL FINANCIAL ASSETS	<u>6,028,392</u>	<u>5,597,966</u>

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 fair value through profit and loss (FVTPL). It is measured at FVTPL as there is an embedded conversion feature. 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 2020, the total convertible note asset was \$942,373 made up of \$874,253 of payments and \$68,120 in interest.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: FINANCIAL ASSETS (CONT.)

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” (T2) Convertible Note (the “inHealth Note”) securities;
- Both the debt and derivative components of the inHealth Note are measured as a single instrument at FVTPL;
- By 31 December 2019, the Company had paid the full US\$3,000,000 to inHealth under the Agreement for the T2 Notes;
- By 30 June 2020, the Company and inHealth had signed an agreement to restructure the partnership. Key changes were reducing the outstanding convertible note to US\$2,500,000 by repayment of US\$500,000, extending the maturity date to 1 July 2021, and exchanging the option to move to 50.5% for the issuance of 1% of the fully diluted equity of inHealth (Note 31);
- There is an intention for an additional US\$1,000,000 to be repaid by 30 June 2021;
- As at 30 June 2020, the total convertible note asset was \$4,742,045 made up of the initial \$4,371,266 payment and \$370,779 in interest. As at 30 June 2020, the Company holds 7.7% equity in inHealth Medical Services, Inc.

NOTE 18: FAIR VALUE MEASUREMENT

Fair value measurement hierarchy

The following tables detail the Group’s assets and liabilities, measured or disclosed at fair using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Convertible notes	-	-	5,648,418	5,648,418
Shares at FVTPL	-	-	343,974	343,974
Total Assets	-	-	6,028,392	6,028,392
<i>Liabilities</i>				
Convertible notes	-	-	249,447	249,447
Total Liabilities	-	-	249,447	249,447

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: FAIR VALUE MEASUREMENT (CONT.)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Convertible notes	-	-	5,253,992	5,253,992
Shares at fair value through other comprehensive income	-	-	343,974	343,974
Total Assets	-	-	5,597,966	5,597,966
<i>Liabilities</i>				
Convertible notes	-	-	778,202	778,202
Total Liabilities	-	-	778,202	778,202

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables are assumed to approximate their fair value due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities are the current market interest rate that is available for similar financial liabilities.

The following valuation techniques are used for instruments categorised in Level 3:

Convertible notes (Level 3) – The Group's holding of convertible notes issued by Blumio and inHealth are classified as loans held at FVTPL. The Group periodically reviews the fair value of the convertible notes by reviewing the credit risk posed by the borrowers and the operations of the underlying business.

Shares in inHealth (Level 3) – The fair value of this investment was determined based on an appropriate equity pricing model that takes into account the investee's expected future performance and based on an appropriate growth factor for a similar listed entity and a risk adjusted discount rate.

	Shares in Health \$	inHealth convertible note \$	Blumio convertible note \$	Total \$
Balance at 1 July 2018	-	-	202,578	202,578
Purchase of investment		4,480,661	638,195	5,118,856
Conversion of convertible note to shares	343,974	(343,974)	-	-
Fair value adjustment		137,133	17,865	154,998
Forex adjustment	-	109,429	12,105	121,534
Balance at 30 June 2019	343,974	4,383,249	870,743	5,597,966
Fair value adjustment		270,314	53,798	324,112
Forex adjustment	-	88,482	17,832	106,314
Balance at 30 June 2020	343,974	4,742,045	942,373	6,028,392

**CARDIEX LIMITED
AND CONTROLLED ENTITIES
ABN 81 113 252 234
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 19: IMPAIRMENT TESTING OF NON-FINANCIAL ASSETS

The recoverable amount of the consolidated entity's non-financial assets has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive.

The following key assumptions were used in the discounted cash flow model:

- 14.6% pre-tax discount rate;
- 10% per annum projected revenue growth rate;
- 3% per annum increase in operating costs and overheads.

The discount rate of 14.6% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the computer retailing division, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 10% revenue growth rate is prudent and justified, based on the revenue growth in the prior year and outlook for the following 12 months.

Management have reduced their estimation of the increase in operating costs and overheads, due to the lower inflation rate and also an effort by the consolidated entity to contain costs.

There were no other key assumptions for the ATCOR division.

Based on the above, it was assessed that the recoverable amount for the ATCOR division exceeded the carrying amount of the Group's non-financial assets, therefore there was no requirement to record any impairment.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: FINANCIAL LIABILITIES

CURRENT

	2020	2019
	\$	\$
Balance due on convertible note purchased	-	3,350,920
Convertible note liabilities	249,447	-

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 1 July 2019, US\$2,350,000 remained unpaid on the purchase price. The full balance was settled in August 2019.

	2020	2019
	\$	\$
NON-CURRENT		
Convertible note liabilities	-	778,202
Total Non-Current Financial liabilities	-	778,202
Total financial liabilities	249,447	4,129,122

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

On 6 March 2019, 1,638,503 notes were converted to shares and a further 640,303 notes were converted to shares on 21 November 2019. The current liability at 30 June 2020 relates to the remaining 221,194 notes to be converted in FY2021 at \$1 per note, plus \$28,253 in interest.

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

At 30 June 2020, the convertible note was split as follows:

	\$
Host debt liability	249,447
Derivative reserve	35,718
	285,165

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21: LEASE LIABILITIES

	2020	2019
	\$	\$
CURRENT		
Lease liabilities	117,702	97,498
NON-CURRENT		
Lease liabilities	192,557	306,227
TOTAL LEASE LIABILITIES	310,259	403,725

(a) Maturity analysis

	Less than 6 months	6 months to 1 year	1 to 5 years	5+ years	Total
	\$	\$	\$	\$	\$
Lease payments	75,883	73,382	224,399	-	373,664
Finance charges	(17,574)	(13,989)	(31,842)	-	(63,405)
Net present values	58,309	59,393	192,557	-	310,259

NOTE 22: BORROWINGS

	2020	2019
	\$	\$
CURRENT		
Paycheck Protection Program loan	251,770	-
Term loan facility	466,694	-
	718,464	
NON-CURRENT		
Term loan facility	958,167	-
	958,167	-
TOTAL BORROWINGS	1,676,631	-

Paycheck Protection Program

In April 2020, the Group received a non-dilutive loan under the US Government's Paycheck Protection Program (PPP). The PPP is a disaster relief program in the US providing loans to small businesses for the purposes of paying for payroll, rent and utilities. These small business loans have a loan forgiveness feature that may enable the foregoing of repayment on a portion of the loan amount. The terms of this loan are:

- 1% annual interest rate;
- The loan may be forgivable if more than 60% of the funds are used to cover payroll costs over a period of 24 weeks, with the balance required to be used for rent and utilities. The forgivability of the loan will be proportionate to the level of staff retained by the employer;
- Any outstanding amounts are repayable by April 2022.

The Group intends to apply for forgiveness in the first half of FY21.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: BORROWINGS (CONT.)

Term Loan Facility

On 20 March 2020, the Group secured a term loan facility of \$1,500,000 with Mitchell Asset Management Pty Ltd as a prepayment of the forecast research and development (R&D) tax incentive claim for the years ended 30 June 2020 and 30 June 2021. The terms of this loan are:

- 1.25% fixed monthly interest rate;
- FY2020 R&D tax incentive claim to be completed by 31 October 2020 and used to repay the loan;
- Any outstanding amounts are repayable by October 2021.

NOTE 23: ISSUED CAPITAL

	2020		2019	
	No of Shares	\$	No of Shares	\$
(a) Ordinary shares				
At the beginning of reporting period	695,502,228	51,500,876	531,018,793	46,832,833
Placements in the year	36,363,637	1,000,000	100,000,000	3,000,000
Shares issued on conversion of convertible notes	21,343,425	640,303	54,616,769	1,630,780
Shares issued in lieu of payment to key executives	-	-	9,800,000	287,000
Shares issued on exercise of options	-	-	66,666	2,200
Cost of raising capital	-	(13,238)	-	(251,937)
Closing balance at reporting date	753,209,290	53,127,941	695,502,228	51,500,876

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.

	2020		2019	
	No of Rights	\$	No of Rights	\$
(b) Rights on Issue				
At the beginning of reporting period	36,000,000	230,975	24,000,000	4,466
Issued under Performance Rights Plan	-	-	20,000,000	159,859
Rights converted during the year	-	-	(8,000,000)	(224,000)
Rights vesting expense during the year	-	464,297	-	290,650
Closing balance at reporting date	36,000,000	695,272	36,000,000	230,975

The terms of the performance rights on issue at 30 June 2020 are as follows (further details at Note 24):

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: ISSUED CAPITAL (CONT.)

	2020		2019	
	No of Options	\$	No of Options	\$
(c) Options on Issue				
At the beginning of reporting period	161,307,625	786,590	150,050,958	1,059,508
Options vesting expense	-	147,388	-	63,475
Options issue to key management personnel	-	-	3,000,000	129,404
Options issue to employees	1,000,000	1,298	15,300,000	92,896
Expired and lapsed employee options	(3,975,000)	(266,212)	(7,043,333)	(558,693)
Free attaching options (1 for 4) as attaching to placement	9,090,910	-	-	-
Closing balance at reporting date	167,423,535	669,064	161,307,625	786,590

Fair value of options granted

The weighted average assessed fair value at grant date of options granted during the year ended 2020 was 0.7¢ cents per option (2019: 2.97¢). 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.

Free attaching options

These options were provided to investors who participated in the Dec 2019 capital raising, where they were provided 1 option for every 4 shares with an exercise price of \$0.05. The options have no value as they were not provided for any consideration or services in return.

The model inputs for options granted and accrued during the year ended 30 June 2020 included:

	Options Granted 30 Nov 2017	Options Accrued at 30 Jun 2018	Options Granted 15 Jan 2019	Options Granted 26 Feb 2019	Options Granted 1 Mar 2020
(a) Number issued	2,500,000	10,000,000	15,300,000	3,000,000	1,000,000
(b) Exercise price	\$0.038	\$0.050	0.050	0.050	0.050
(c) Term	4 years	3.5 years	5 years	5 years	4 years
(d) Share price at grant date	\$0.028	\$0.020	\$0.041	\$0.060	\$0.020
(e) Share price volatility	60%	74%	89%	88%	65%
(f) Expected dividend yield	-	-	-	-	-
(g) Risk-free interest rate	2.16%	2.30%	1.91%	1.74%	0.44%

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: ISSUED CAPITAL (CONT.)

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 24: RESERVES

	2020	2019
	\$	\$
Share-based payments reserve	1,364,336	1,017,565
Derivative reserve	35,719	124,160
Foreign currency translation reserve	569,493	471,607
	1,969,548	1,613,332

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 FY20, 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 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
Convertible notes issued	-	-	-	-
Share based payments	612,983	-	-	612,983
Rights and options exercised / expired	(266,212)	-	-	(266,212)
Conversion of convertible notes	-	-	(88,441)	(88,441)
Other comprehensive loss	-	97,886	-	97,886
Balance at 30 June 2020	1,364,336	569,493	35,719	1,969,548

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25: 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.

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

2020:

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
28-Aug-14	28-Aug-19	\$0.112	975,000	-	-	(975,000)	-	-
20-Aug-15	20-Aug-20	\$0.256	1,535,000	-	-	-	1,535,000	1,535,000
13-Nov-15	13-Nov-19	\$0.261	2,000,000	-	-	(2,000,000)	-	-
13-Nov-15	13-Nov-20	\$0.250	1,000,000	-	-	-	1,000,000	1,000,000
15-Jan-19	15-Jan-24	\$0.050	15,300,000	-	-	(1,000,000)	14,300,000	6,100,000
01-Mar-20	01-Apr-24	\$0.050	-	1,000,000	-	-	1,000,000	-
Total			20,810,000	1,000,000	-	(3,975,000)	17,835,000	8,635,000
Weighted average exercise price			\$0.098	\$0.050	-	\$0.171	\$0.079	\$0.110

1,000,000 options were forfeited during 2020 due to terminating employment, (2019: 1,945,000) and 2,975,000 options expired (2019: 5,098,333) in the same period. No options were exercised during 2020 (2019: NIL).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25: SHARE BASED PAYMENTS (CONT.)

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	\$0.098

(b) Performance rights

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

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:

	2020	2019
	\$	\$
Rights issued under Option and Performance Rights Plan	464,297	431,769
Options issued under Employee Share Option Plan	148,686	240,541
Shares issued to employee	-	63,000
Other options issued	-	129,404
	612,983	864,714

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

NOTE 26: ACCUMULATED LOSSES

	2020	2019
Opening balance at 1 July	(46,163,273)	(43,808,118)
Losses for the year	(3,320,427)	(2,979,278)
Transfer from share-based payments reserve	266,212	624,123
Closing balance at 30 June	(49,217,488)	(46,163,273)

NOTE 27: CASH FLOW INFORMATION

	2020	2019
	\$	\$

Reconciliation of Cash Flow from Operations with Loss after Income Tax

Loss after income tax	(3,320,427)	(2,979,278)
<i>Non-cash flows in profit:</i>		
Depreciation and amortisation	220,152	116,515
Inventory impairment expense	-	55,792
Share based payments expense	612,983	864,714
Bad debts expense	68,936	32,705
Interest income on convertible notes	(291,128)	(128,080)
Unrealised foreign exchange difference	136,486	(93,235)
Interest expense	100,102	116,007
<i>Changes in current assets and liabilities:</i>		
Decrease / (increase) in trade and other receivables	(15,951)	(402,052)
(Increase) / decrease in inventories	(40,749)	215,640
Increase / (decrease) in trade and other payables	191,341	(993,973)
Increase / (decrease) in unearned revenue	662,977	673,381
Increase / (decrease) in provisions	(23,573)	231,091
Net cash used in operating activities	(1,698,851)	(2,290,773)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 28: NON-CASH INVESTING AND FINANCING ACTIVITIES

	Lease liabilities	Convertible note liabilities	Borrowings	Total
	\$	\$		\$
Balance at 1 July 2018	-	-		-
<i>Changes in liabilities from cash financing activities</i>				
Net cash from/(used in) financing activities	(49,530)	2,500,000		2,450,470
<i>Changes in liabilities from non-cash financing activities</i>				
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)		(1,366,189)
Balance at 30 June 2019	403,725	778,202		1,181,927

	Lease liabilities	Convertible note liabilities	Borrowings	Total
	\$	\$		\$
Balance at 1 July 2019	403,725	778,202	-	1,181,927
<i>Changes in liabilities from cash financing activities</i>				
Net cash from/(used in) financing activities	(142,738)	-	1,673,770	1,531,032
<i>Changes in liabilities from non-cash financing activities</i>				
Acquisition of property, plant and equipment by means of finance leases	-			-
Interest charges	44,676	51,560	2,861	96,236
Foreign exchange	4,596	-	-	4,596
Converted to shares	-	(580,315)	-	(580,315)
Balance at 30 June 2020	310,259	249,447	1,676,631	2,233,476

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 29: 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.

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

	30 June 2020		30 June 2019	
	In USD	In EUR	In USD	In EUR
Cash and Cash Equivalents	785,161	101,153	172,041	434,484
Trade Receivables	541,829	43,971	643,898	107,881
Trade Payables	(244,354)	(5,685)	(186,323)	(1,208)

Sensitivity

Based on the financial instruments held at 30 June 2020, 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 \$143,409/(\$157,750) (2019: \$81,617/(\$89,778)). 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 \$20,743/(\$22,818) (2019: \$79,721/(\$87,694)).

(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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 29: CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT.)

(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) Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk.

(e) 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 30: SEGMENT REPORTING

(a) Description of segments

In the 2020 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)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 30: SEGMENT REPORTING (CONT.)

(b) Segmental information provided to the Board

2020	Americas	Europe	Asia Pacific	Inter- segment eliminations/ unallocated	Consolidated
	\$	\$	\$	\$	\$
Sales to external customers	3,371,835	426,878	493,839	-	4,292,552
Intersegment sales	202,471	-	1,233,785	(1,436,256)	-
Total sales revenue	3,574,306	426,878	1,727,624	(1,436,256)	4,292,552
Other revenue/income	-	-	324,112	-	324,112
Total segment revenue/income	3,574,306	426,878	2,051,736	(1,436,256)	4,616,664
Segment result	(1,962,035)	243,800	(1,465,254)	(136,938)	(3,320,427)
Unallocated revenue less unallocated expenses					-
Loss before income tax					(3,320,427)
Income tax expense					-
Loss for the year					(3,320,427)
Segment assets	14,816,680	-	55,328,046	(59,469,450)	10,675,276
Segment liabilities	34,152,482	-	48,266,740	(77,623,947)	4,795,275
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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 30: SEGMENT REPORTING (CONT.)

(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 2020 (2019: \$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.

2020	Americas	Europe	Asia Pacific	Consolidated
	\$	\$	\$	\$
Sale of goods	1,126,516	417,025	352,043	1,895,584
Lease income	1,495,974	-	-	1,495,974
Service income	622,137	6,574	3,388	632,099
Freight income	127,208	3,279	1,744	132,231
Royalty income	-	-	136,664	136,664
Total sales revenue	3,371,835	426,878	493,839	4,292,552
Other revenue/income			324,112	324,112
Total revenue/income	3,371,835	426,878	817,951	4,616,664

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31: RELATED PARTY TRANSACTIONS

Subsidiaries

The group's principal subsidiaries at 30 June 2020 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	
		2020	2019
AtCor Medical Pty Ltd	Australia	100%	100%
AtCor Medical, Inc. (Delaware C Corp)	USA	100%	100%
CardieX (Shanghai) Medical Technology Co., Ltd.	China	100%	-

Key Management Personnel Compensation

	Salary and directors fees	Share Based Payment Benefits	Post-Employment Benefits	Total
	\$	\$	\$	\$
2020				
Niall Cairns	179,000	-	-	179,000
King Nelson	26,925	-	-	26,925
Craig Cooper	446,828	464,297	-	911,125
Jarrold White ¹	8,129	857	-	8,986
Total Compensation	660,882	465,154	-	1,126,036
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

1. Appointed as key management personnel on 21 May 2020.
2. Ceased to be key management personnel in FY2019.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31: RELATED PARTY TRANSACTIONS

Shares Held by Key Management Personnel and Their Associates

	Balance 01 July 2019	Additions	Balance 30 June 2020
Niall Cairns	132,616,769	21,343,423 ¹	153,960,192
King Nelson	153,846	-	153,846
Craig Cooper	137,616,769	21,343,423 ¹	158,960,192
Jarrold White	-	3,257,577 ²	3,257,577
Total	270,387,384	45,944,423	316,331,807

1. A total of 21,343,423 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.
2. Shares held at appointment date of 21 May 2020.

Shares Held by Key Management Personnel and Their Associates

	Balance 01 July 2018	Additions	Balance 30 June 2019
Donal O'Dwyer	12,178,627	-	12,178,627 ²
Niall Cairns	78,000,000	54,616,769 ¹	132,616,769
King Nelson	153,846	-	153,846
Craig Cooper	75,000,000	62,616,769 ¹	137,616,769
Total	165,332,473	117,233,538	282,566,011

1. 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.
2. Held at date of resignation and ceased to be key management personnel in FY2019.

Options Held by Key Management Personnel and Their Associates

	Balance 01 July 2019	Expired	Additions	Balance 30 June 2020
Niall Cairns	39,000,000	-	-	39,000,000 ²
King Nelson	1,950,000	(450,000)	-	1,500,000
Craig Cooper	37,500,000	-	-	37,500,000 ²
Jarrold White	-	-	1,897,728 ¹	1,897,728
Total	78,450,000	(450,000)	1,897,728	79,897,728

1. Options held at appointment date of 21 May 2020.
2. Directors Mr Cairns and Mr Cooper hold 37,500,000 options indirectly through C2 Ventures Pty Limited, of which they are both directors.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31: RELATED PARTY TRANSACTIONS (CONT.)

Options Held by Key Management Personnel and Their Associates

	Balance 01 July 2018	Expired	Additions	Balance 30 June 2019
Niall Cairns	37,500,000	-	1,500,000	39,000,000¹
King Nelson	450,000	-	1,500,000	1,950,000
Craig Cooper	37,500,000	-	-	37,500,000¹
Donal O'Dwyer	3,150,000	-	-	3,150,000²
Total	78,600,000	-	3,000,000	81,600,000

1. Directors Mr Cairns and Mr Cooper hold 37,500,000 options indirectly through C2 Ventures Pty Limited, of which they are both directors.
2. Held at date of resignation and ceased to be key management personnel in FY2019.

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	30/11/2021
Tranche 3	8 million	\$0.12	30/11/2021
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 Cardix 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.

Niall Cairns – Non-Executive Director

- Current agreement commenced with an effective date of 1 August 2019.
- Monthly consulting fee for strategic review and consulting services of US\$10,000 per month.
- Reimbursement for reasonable expenses incurred.

Jarrold White – Director

- Jarrold White is the principal of Traverse Accountants Pty Ltd, who holds an engagement with the Group covering CFO services, Company Secretarial services, and other general accountancy services.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31: RELATED PARTY TRANSACTIONS (CONT.)

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 6 March 2019, 1,638,503 convertible notes were converted to ordinary shares, and a further 640,303 notes were converted on 21 November 2019, all at \$0.03 per share per \$1 convertible note.

The balance of the facility subject to conversion as at balance date was \$221,194 representing 221,194 convertible notes.

Loans to Directors and Key Management Personnel

At 30 June 2020 there were no loans to Directors or Key Management Personnel.

NOTE 32: MATTERS SUBSEQUENT TO YEAR END

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

- In July 2020, CardieX restructured its investment in inHealth and received US\$0.5m of the US\$3m Convertible Note, reducing the principal investment to US\$2.5m;
- CardieX signed a new Collaboration Agreement with inHealth resulting in a re-setting of the investment relationship between the entities;
- On 27 July 2020, CardieX completed a \$2.5 million placement from new strategic investors as \$0.03 per share with a 1 for 5 free attaching listed option (CDXO), resulting in the issue of 83,333,334 new Shares and 16,666,667 Listed Options.
- On 20 August 2020, AtCor Medical Inc, a CardieX Limited subsidiary, entered into a new contract for the lease of ATCOR devices and the provision of expanded data management services for Bayer's "AVANTI" trial. The extension of the contract is valued at US\$420k.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 33: PARENT ENTITY DISCLOSURES

	2020	2019
	\$	\$
Financial position		
Assets		
Total current assets	1,189,510	833,016
Total assets	<u>24,682,605</u>	<u>26,889,597</u>
Liabilities		
Total current liabilities	1,037,161	3,577,610
Total liabilities	<u>13,480,371</u>	<u>16,343,616</u>
Equity		
Contributed equity	59,585,230	57,958,165
Reserves	1,400,055	1,141,725
Accumulated losses	<u>(49,783,051)</u>	<u>(48,553,909)</u>
Total equity	<u><u>11,202,234</u></u>	<u><u>10,545,981</u></u>
Financial performance		
Loss for the year	(1,495,352)	(942,754)
Other comprehensive income	-	-
Total comprehensive loss	<u><u>(1,495,352)</u></u>	<u><u>(942,754)</u></u>

(a) Explanation of loss in 2020 Financial Year

The increase in loss in the parent entity is primarily due to a decrease in reported grant income.

(b) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity during 2020 or 2019.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

NOTE 34: CAPITAL COMMITMENTS

(a) Operating lease payable commitments

	2020	2019
	\$	\$
Total lease expenditure contracted at reporting date but not recognised in the financial statements		
Payable no later than one year	3,948	3,948
Payable later than one, not later than five years	9,870	13,818
Total lease expenditure payable	<u><u>13,818</u></u>	<u><u>17,776</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 34: CAPITAL COMMITMENTS (CONT.)

Leases now fall under AASB 16 and are presented in Note 21. Operating leases in the comparative period reflect lease disclosures under AASB 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.

(b) Other capital commitments

There were no other capital commitments as at 30 June 2020.

NOTE 35: 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

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 20 to 67, 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 2020 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 2020;
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 15 to 18 of the Directors' Report (as part of the Audited Remuneration Report) for the year ended 30 June 2020, 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, 31 August 2020

INDEPENDENT AUDITOR'S REPORT

To the members of CardieX Limited

Report on the Audit of the Financial Report

Qualified 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 2020, 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, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, 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 2020 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 qualified opinion

The Group's financial assets balance includes investments in convertible notes which are carried in the statement of financial position at \$6,028,392 as at 30 June 2020 as detailed in Note 17. Due to the investees being at their development stage, there was limited evidence available to support the carrying value of the investment. The economic uncertainty associated with the global COVID-19 outbreak has further impacted the availability of appropriate documentation to support the carrying value of the investment. As a result of the information not being available, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's financial assets as at 30 June 2020. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 (including Independence Standards)* (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 qualified 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

Except for the matters described in the *Basis for Qualified Opinion* section and *Material uncertainty related to going concern* section, we have determined that there are no other key audit matters to communicate in our report.

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 2020, 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 pages 15 to 18 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of CardieX Limited, for the year ended 30 June 2020, 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 Audit Pty Ltd



Grant Saxon

Director

Sydney, 31 August 2020

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

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 28 August 2020

Spread of Holdings	No. of Holders	Shares
100,001 and Over	681	794,770,006
10,001 to 100,000	952	41,320,393
5,001 to 10,000	150	1,238,038
1,001 to 5,000	103	362,106
1 to 1,000	77	10,883
Total	1,963	837,701,426

Unmarketable parcels

There were 268 shareholders holding less than a marketable parcel totalling 995,154 shares as at 28 August 2020.

Top 20 Holdings as at 28 August 2020

Holder Name	Balance at 31 Aug 2020	%
C2 VENTURES PTY LIMITED	158,960,192	18.98
MR PAUL COZZI	86,926,624	10.38
MR PAUL JOSEPH COZZI	32,155,435	3.84
CB CO PTY LTD	15,470,000	1.85
MR DARRYL PATTERSON & MRS MARGARET STEWART PATTERSON	15,009,287	1.79
ASLAN EQUITIES PTY LTD	14,633,446	1.75
CAMPBELL KITCHENER HUME & ASSOCIATES PTY LTD	9,585,122	1.14
DRUMNADROCHIT FUTURES PTY LTD	9,556,086	1.14
CITICORP NOMINEES PTY LIMITED	8,218,544	0.98
MR BILAL AHMAD	7,733,333	0.92
BNP PARIBAS NOMINEES PTY LTD	7,670,134	0.92
VELCORP INVESTMENTS PTY LTD	7,500,000	0.90
DUNDRUM INVESTMENTS PTY LTD	7,250,392	0.87
MRS JANE GREENSLADE	7,176,504	0.86
MR DONALD O'DWYER & MRS JUDITH O'DWYER	6,594,902	0.79
PEHILA PTY LTD	5,896,951	0.70
PROF MICHAEL FRANCIS O'ROURKE	5,670,370	0.68
MRS GLENIS NITA O'DONNELL	5,500,000	0.66
MR JAMES O'ROURKE & MS ROZLYN GAY SCOTNEY	5,212,488	0.62
MR PHILIP WAYNE RIECK	5,001,170	0.60
TOTAL	421,720,980	50.34

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

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	158,960,192	18.98
PAUL COZZI	119,082,029	14.22

The name of the Company Secretary is:

Jarrold Travers 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