



# CardieX

A Global Health Technology Company

Annual Report

2018



**CARDIEX LIMITED**  
(FORMERLY ATCOR MEDICAL HOLDINGS LIMITED)  
ABN 81 113 252 234  
AND CONTROLLED ENTITIES

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# LETTER FROM THE CHAIRMAN

Dear Shareholder,

It is my pleasure as the former Chairman of AtCor Medical Holdings Limited to write to you now my first Chairman's letter of 'Cardiex Limited', our newly rebranded Company.

As outlined in the CEO's report on pages 7 to 8, 2017/18 has been a challenging but exciting year during which AtCor has changed its operating model and cost structure to reduce its reliance on pharma revenues, which can fluctuate greatly year-to-year, while positioning the business for future growth and profitability in new market segments.

Renewal at both the board and senior management level continued during 2018, in line with the changes announced last year: principally being the retirement of Professor Michael O'Rourke, co-founder of the company and inventor of SphygmoCor technology, and Dr David Brookes, a longtime Non-Executive Director. Long-serving Managing Director, Duncan Ross, also transitioning out of his executive role during the year.

Since that time the Company appointed a new CEO, Mr Craig Cooper, who has brought a new energy and focus to the Company and has continued to look for new growth opportunities and ways to optimise our cost structure.

Mr Niall Cairns was also welcomed to the Board in late 2017 and together with Craig has worked to provide a new range of expertise and contacts that have assisted in the development and execution of a revised strategic plan.

In preparation of these changes and in putting in place the building blocks for such growth the company held a transformational Extraordinary General Meeting of shareholders in May 2018.

At this meeting the company received overwhelming shareholder support for some substantially accretive shareholder milestones:

- The rebranding and change of name of the listed parent entity from AtCor Medical Holdings Limited to Cardiex Limited and a revised ASX ticker code to ASX:CDX;
- The completion of a tranching funding facility of \$5,000,000 to position the Company to be funded for growth opportunities. It should be noted that the CEO Mr Craig Cooper and Director Mr Niall Cairns personally supported this fund raising by jointly contributing \$1,500,000 in funding (30% of the total \$5,000,000 raised);

- Announcement of and completion of the first tranche investment into Blumio, Inc, a Silicon Valley based developer of non-invasive radar-based sensors designed to measure blood pressure and other cardiovascular diagnostics. Under this transaction CardieX committed to invest up to USD\$600,000 in Blumio, Inc for a 7.5% shareholding.

The completion of these transactions and funding capabilities also led to the announcement of key restructures made effective prior to 30 June 2018 namely:

- Promotion of long serving employee Mr Doug Kurschinski. Doug has been promoted to Executive Vice President and Head of Global Sales of CardieX's AtCor Medical division in place of the Company's former CEO Mr Duncan Ross. This also consolidated the role of the Australian head of sales leading to further cost optimisations and synergies in the sales team;
- Appointment of Jarrod White as CFO and Company Secretary on an outsourced basis to provide local flexibility and scalability to the global business;
- Creation of a new role in the Director of Corporate Development and the appointment of Mr ZiHan Lin to that Role. Mr Lin was formerly the Director of North Asia for Masimo, Inc, the US\$5B market cap (NASDAQ:MASI) listed medical device company where he focused on the Chinese and Asian strategy for Masimo's portfolio of devices.
- Appointment of Ms Rhona Welch as a member of the Company's Advisory Board to lend support to the Board and Management. Ms Welch, who will be working closely with the Company's executive team in the development of new opportunities, is a 20-year veteran of the US healthcare industry and was a former Director of Health Policy Reimbursement at Johnson & Johnson.

The mobilization of this Executive Team means that CardieX is poised for transformational growth. A key focus is to identify further opportunities to expand the use and value of its core intellectual property in the areas of cardiovascular and hypertension measurement and diagnostics as well as pursue other technology opportunities in large scale population health disorders.

The Board continues to believe that the SphygmoCor technology has tremendous upside in both its current market segments and in new markets and applications. Investment will continue in developing new IP and evolving the current product suite.

The company appreciates the continued commitment which shareholders have shown throughout the year in raising over \$5,000,000 of equity funding through various capital raising initiatives.

These funds will be used to pursue our new strategy and vision to become a leading global health technology company.

We look forward to keeping you apprised of progress, and sincerely thank you for your continued support.



Donal O'Dwyer  
Sydney, Australia 31 October 2018

# CORPORATE DIRECTORY

## **Directors**

Mr. Donal O'Dwyer (Chairman)  
Mr. Niall Cairns, appointed 20 December 2017  
Mr. King Nelson  
Mr. Craig Cooper, appointed 01 December 2017  
Dr. David Brookes, resigned 03 April 2018  
Mr. Duncan Ross, resigned 20 December 2017  
Dr. Michael O'Rourke, resigned 30 November 2017

## **Company Secretary**

Mr. Jarrod White, appointed 05 March 2018  
Mr. Peter Manley, resigned 05 March 2018

## **Chief Financial Officer**

Mr. Jarrod White, appointed 05 March 2018  
Mr. Peter Manley, resigned 05 March 2018

## **Registered Office and Principal Place of Business**

Suite 11, 1059 – 1063 Victoria Road  
West Ryde NSW 2114

Telephone: (02) 9874 8761

Email: [info@cardiex.com](mailto:info@cardiex.com)

Website: [www.CardieX.com](http://www.CardieX.com)

## **Share Registry**

Link Market Services  
Level 12, 680 George street  
Sydney NSW 2000  
Telephone: (02) 8280 6000  
Website: [www.Linkmarketservices.com](http://www.Linkmarketservices.com)

## **Auditors**

BDO East Coast Partnership  
Level 11, 1 Margaret street  
Sydney NSW 2000  
Telephone: (02) 9251 4100  
Facsimile: (02) 9240 9821  
Website: [www.BDO.com.au](http://www.BDO.com.au)

## **Corporate Accountant**

Traverse Accountants  
Suite 305, Level 3  
35 Lime Street  
Sydney NSW 2000  
Website: [www.Traverseaccountants.com.au](http://www.Traverseaccountants.com.au)

## **Stock Exchange Listing**

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



# LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholders,

I am delighted to present my first Annual Report as the new CEO of CardieX - reflecting on a year where we embarked on a major restructuring program and laid the foundation to position our company as the world leader in hypertension and cardiovascular health management.

This past year has been a year of change with a new corporate name and brand - "CardieX" - (formerly "AtCor Medical"), a restructured executive team, and a new strategic vision.

Our fundamental market opportunity however remains the same as we continue to develop health solutions for large-scale population health disorders with a current focus on patients with hypertension, cardiovascular disease (CVD), and related conditions – such as stroke, diabetes, and Alzheimer's disease. With over half the USA adult population now considered hypertensive and at risk for CVD, CardieX is positioning itself as the gold standard for diagnosis, treatment and management of those patient populations with its core Sphygmocor® technology and (FDA approved) XCEL line of medical devices.

Our vision as we move forward is to create an ecosystem and portfolio of assets, medical & consumer devices, and digital health platforms that provide both patients and health practitioners with the key products they need to better manage patient outcomes. At the core of our global CVD strategy is our Sphygmocor® technology, as well as our intellectual property (IP) and patents, which all-together gives CardieX a significant competitive advantage as we leverage our technology and medical devices into new markets, products, and next generation health services.

One example of this is our recent financial and strategic partnership with Blumio, Inc, a Silicon Valley based developer of non-invasive radar-based sensors designed to measure blood pressure and other cardiovascular diagnostics. Earlier in the year CardieX committed to invest up to US\$600,000 in Blumio, Inc for a 7.5% Shareholding.

As part of this investment, Blumio, Inc and CardieX also signed a “Collaboration and Development Agreement” to co-develop wearable sensor technology to measure blood pressure (BP) which combines our Sphygmocor® IP with Blumio’s BP sensor.

Commensurate with our development efforts with Blumio, we are also continuing to pursue licensing opportunities and other partnerships to incorporate our Sphygmocor® technology and IP with other global leaders in consumer health wearables and devices. Further details are provided below in the “Operational Update”.

Another key shift is our focus on two new growth markets for sales of our products – China, as well as general medical and naturopathic health professionals and executive health clinics.

To date our sales focus has been in the USA where the majority of our global revenues are historically derived. Commensurate with the growth in CVD and other related health disorders in China we are expanding our (existing) distribution and sales network in that country for our existing “Chinese FDA” approved (CFDA) XCEL Sphygmocor® device - while also exploring the opportunities for other strategic partnerships in that region.

Similarly, we are expanding our sales focus in the USA beyond our traditional specialist markets (Cardiologists and Nephrologists) to a wider medical health professional market increasing our potential addressable sales market size by over 30x. As part of this new market focus we will also be launching new product derivatives based on our existing XCEL Sphygmocor® that directly targets these non-specialist health markets.

And finally, we are progressing with a number of digital and mobile health initiatives that provide patients with better tools to manage their health and wellness. A number of these efforts are fuelled by recent changes in US CPT codes that provide for time-based reimbursement to medical professionals using digital health tools to remotely monitor patients.

In closing, I would like to take this opportunity to thank my fellow board members and the executive management and staff of CardieX. I also want to thank all shareholders for their ongoing support as we continue to position the Company for growth and new market opportunities.

I believe the success of our recent heavily oversubscribed share placement and rights issue shows strong validation for our new strategy and direction. I expect the year ahead to continue to be a transformative and exciting one as we execute against our plan and new strategic direction.



Craig Cooper  
CEO & Managing Director  
CardieX Limited

# OPERATIONAL UPDATE

## Overview of Corporate Strategy and Mission

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CardieX is a global health technology company focused on developing products and solutions for large-scale population health disorders. Our “AtCor Medical” division develops and markets products for the early detection of target organ damage and the management of hypertension, cardiovascular disease (CVD), and related health disorders – the #1 killer of humans globally. As discussed below (see: “Key Highlights”), this past year has been one of significant change with the Company’s operational, product, and sales focus over the last 12 months being directed towards:

- Aligning the Company with world-class partners in our mission to become the market leader in CVD and hypertension related medical devices.
- Positioning the Company to take advantage of new opportunities in digital health and new products and services through the recruitment of key new executive talent.
- Rebranding the Company’s corporate name, image, and messaging to reflect our focus on solutions for large scale population health disorders.
- Restructuring our product offerings to take advantage of new target market segments outside of our traditional specialist practitioner markets.
- Restructuring our global executive team and Board of Directors to maximize our in-house corporate intelligence around new market opportunities and technologies.
- Importantly - reducing the operating cash loss attributable to our existing “AtCor” business unit while reallocating cash reserves to new growth and business initiatives.
- Generally re-positioning the Company for growth in new geographies and health technology markets.

## Key Corporate, Strategic, and Sales Highlights

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The last 12 months have been a period of significant change and restructuring within the Company as CardieX positions itself for growth in new market segments and geographies.

### **Key Corporate Highlights Include:**

- Significant change in strategy and corporate vision implemented for the Company.
- Change of name and corporate branding to CardieX (ASX:CDX).
- Appointment of new CEO & Managing Director – Craig Cooper.
- Major restructuring of global executive and sales teams and Board of Directors.
- Successful heavily oversubscribed new capital raising to support new initiatives and growth strategy.
- Signed Convertible Note Purchase Agreement and “Development & Collaboration Agreement” with Blumio, Inc aligning CardieX with a strong Silicon Valley technology partner for our wearable device strategy.

- First instalment of investment capital in Blumio, Inc made in Q2, 2018. The Company is committed to pay the second instalment of US\$450,000 in Q4 2018.
- Completed successful CardieX/Blumio, Inc blood pressure sensor trial with Macquarie University.
- Zihan Lin appointed as “Director of Corporate Development” to focus on Chinese sales strategy, wearables, and digital health initiatives.
- New Chief Financial Officer & Company Secretary – Jarrod White.
- Ex-Johnson & Johnson executive, Rhonda Welch, appointed to assist in reimbursement and strategic initiatives in new health sectors.
- Appointment of a new communications and investor relations team (NWR Communications).
- Appointment of a new marketing agency to oversee new website development, corporate messaging and digital communications strategy.

#### **Key Sales Highlights Include:**

- Global sales force restructured. Duncan Ross & Mark Harding exited.
- Doug Kurschinski appointed new “EVP & Head of Global Sales”.
- Global distribution partnerships restructured in terms of management and country focus - all global distribution now managed from USA.
- Expansion of our sales and market focus in the USA to include a broader range of health & wellness professionals combined with a targeted “direct to practitioner” marketing strategy.
- Renewed market focus on Asia with enhanced distribution and sales strategy specifically in China.
- A signed agreement with New York University (NYU) - representing a major entry point into the New York health systems market.
- Three new contracts signed to supply Sphygmocor® systems and clinical trial support services to global pharmaceutical companies.
- A multi-practice supply agreement signed with executive health provider - Physioage Systems.

Further details on these select highlights and operational updates are provided below.

## Atcor Medical Division Sales Overview

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In clinical practice and clinical trials, Sphygmocor® XCEL is the industry standard for non-invasive central arterial waveform assessment and management. The Company's Sphygmocor® XCEL device provides measures of the central aortic blood pressure (the blood pressure at the heart) and pulse wave velocity, as well as assessment of arterial stiffness via waveform analysis.

The practical application of the Company's Sphygmocor® XCEL device is through the measurement of blood pressure (BP) dynamics at the organ level (e.g. heart/kidneys), compared to traditional measurements of BP via a standard brachial cuff. Measurement of BP and other blood flow dynamics at the organ with XCEL allows a more accurate diagnosis and reading of the state of a patient's cardiovascular health, thereby providing better, and more targeted treatment options.

During the past year the Company signed three new contracts and seven amendments, or extensions for existing contracted clinical trials, all with major international pharmaceutical companies. In these trials, the Company supplies Sphygmocor® systems and clinical trial support and data management services. The combined value of these agreements was AU\$1.55 million.

During July, the Company signed a two-year supply agreement with New York University (NYU). Under the agreement, the Company will provide Sphygmocor® systems to NYU owned and affiliated locations and practices.

During September 2017, Viking Yacht company, a leader in semi-custom fiberglass yacht production, added the Company's Sphygmocor® XCEL to its employee wellness program. With Sphygmocor®, Viking Yacht company employees receive access to leading technology for central blood pressure and arterial stiffness measurements, which help to better inform their blood pressure management. Corporate wellness is an emerging part of the clinical market and an important growth segment for the Company moving forward.

In January, the Company entered into a multi-year supply agreement with Physioage Systems, a leader in the use of biomarkers of aging and personalised health analytics. The two-year agreement will streamline the integration of Sphygmocor® into the Physioage program.

Sphygmocor® is now used in all 20 hospitals on the U.S. News 2018-2019 "Honor Roll". Each year, U.S. News & World Report releases its hospital honor roll of the top 20 hospitals in the USA. This last year also saw the Company highlighted in major journals and research reports including: Journal of the American Heart Association, Journal of the American Society of Hypertension, Journal of Alzheimer's Disease, and others.

## Blumio, Inc Financial & Strategic Partnership

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As part of the Company's focus on new technology markets the Company is aggressively focused on leveraging its core Sphygmocor® technology into new products, wearables, and devices. The global opportunity in wearable blood pressure and cardiovascular management sensors is over \$US2B and CardieX has a portfolio of specific patents and intellectual property (IP) that has significant commercial value in this market segment. In particular, our IP and experience in obtaining central blood pressure (CBP) is critical to proper diagnosis and management of hypertension and CVD. The development of a sensor-based wearable combining central blood pressure (CBP) and standard blood pressure (BP) is considered to be a game-changer

for continuous blood pressure monitoring in this multi-billion dollar market segment.

During March 2018, the Company took an initial step to position itself for growth in these new technology markets and signed a “Development and Collaboration Agreement” with Blumio, Inc, (Blumio), a California, Silicon Valley based developer of sensor and wearable technology for blood pressure detection and other cardiovascular diagnostics.

The agreement provides the framework for the development and integration of the Company’s IP, patents, and CBP technology into Blumio’s sensors and will see the parties collaborate and develop new technology applications for the sensor-based detection of cardiovascular disease.

An agreement was also made for CardieX to invest up to US\$600,000 (subject to certain capital raise, due diligence, and other conditions) in Blumio. This investment allows CardieX to obtain up to a 7.5% equity shareholding in Blumio.

During May 2018, CardieX announced that it would commence a preliminary trial of the feasibility of integrating its Sphygmocor® technology with Blumio’s sensor. The preliminary trial would be undertaken at the Faculty of Medicine and Health Sciences at Macquarie University, Sydney.

As part of the planned 15 patient 8-week trial, CardieX would independently assess the feasibility of obtaining cardiovascular BP-related data utilising the Blumio, Inc wearable sensor and analysing it via CardieX’s Sphygmocor® technology.

This was a multi-phase program: the first phase of the assessment was to collect sensor data from at least 15 human subjects covering different age groups, different genders and a range of BP characteristics. This first phase aimed to assist in determining the amount of cardiovascular-related information available from the sensor as well as define the next steps towards commercialisation of a wearable sensor-based product.

The results from this first phase trial were released in July 2018 and provided positive evidence that with the further application of CardieX’s machine learning algorithms and IP, central blood pressure (CBP) parameters can be successfully derived from the Blumio, Inc sensor towards a positive commercial outcome.

## Corporate Restructure And Name Change

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At the start of the year CardieX announced the first phase of a major company restructure to maximise profitability, reduce costs, and grow sales.

As part of the new strategic plan it was proposed that the Company change its name to CardieX Limited – reflecting the focus on “**ex**cellence in **cardi**vascular health”.

Following shareholder approval on 28 May, the Company’s name changed officially with the Australian Securities Investment Commission to CardieX Limited. The ASX listing code also changed from “ACG” to “CDX”.

The effective date for the change of company name and ticker code on the ASX was from commencement of trading on Monday 18 June 2018.

In order to provide consistency of branding in the existing line of medical devices, the “AtCor” cardiovascular device business will continue under the AtCor brand as an operating division of the parent company – CardieX.

In Q3 and Q4, 2018 the Company will implement a new corporate identity platform that represents CardieX's new brand, product and marketing focus.

## Management and Board Changes

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Mr Craig Cooper was appointed CEO & Managing Director of CardieX with immediate effect from 1 December 2017 and currently holds that position. Former CEO and Managing Director Mr Duncan Ross was appointed to the newly created role of "EVP & Head of Global Sales" on 1 December 2017. Mr Ross' employment was subsequently terminated on 29 June 2018.

Mr Cooper's appointment is the driving force behind the new strategic direction for the Company. He is focused on strengthening CardieX as the leader in hypertension management, expanding the Company's products into new health professional markets and geographies, and identifying new opportunities for the Company to expand in high growth health and med-tech areas.

Mr Cooper has founded several highly successful health, digital media, technology and wellness businesses and has a strong global network and experience across the medical, health technology and mobile sectors. He was the co-founder of the telecommunications company Boost Mobile USA and is recognised as a global expert and thought leader in mobile and wireless technology and digital health and Medtech related businesses.

The Company also appointed Mr. Niall Cairns as a Non-Executive Director with effect from 20 December 2017. Mr Cairns is a Sydney based technology growth investor with a 25-year 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.

In March 2018, Mr Peter Manley, the Company's CFO and Company Secretary was terminated. Mr. Jarrod White of Traverse Accountants was subsequently appointed Company Secretary and CFO to replace Mr Manley. Mr White is a founding Partner/Director at Traverse Accountants in Sydney and has significant experience in listed company compliance, transactions, finance, and accounts management.

Dr. Michael O'Rourke, Mr Duncan Ross, and Dr. David Brookes also retired from the Board of Directors during the year.

## Share Placement & Rights Issue

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During June 2018, CardieX successfully completed a AU\$5 million capital raising initiative which was previously announced on 23 April. The heavily oversubscribed placement and entitlement offer resulted in the return of \$907,882 entitlement acceptances to shareholders.

The \$5M capital raising led to the issue of a total of 250,000,000 new shares and 125,000,000 options on the following basis:

1. A placement to sophisticated and institutional investors at \$0.02 per share which raised \$2,375,906.

2. An investment made by a related party of certain Directors of the Company (Directors: Niall Cairns and Craig Cooper) raised \$1,500,000; and
3. A fully underwritten 1 for 5 non-renounceable entitlement offer at \$0.02 per share raised \$1,124,094 from Australian and New Zealand shareholders.

Placement and entitlement holder recipients were given one share and free attached new option for every 2 new shares subscribed for and issued. The new listed options trade as CDXO and have an exercise price of \$0.05 with a 30 November 2021 expiry.

The capital raise supports the renewed strategy and vision of CardieX as it focuses on high growth markets and new health technology opportunities.

## **Tax Refund**

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The Company received a refund from the Australian Tax Office under the R&D tax incentive program of \$418,368 on 26 October 2017 (2017: \$470,248).

# DIRECTORS' REPORT

The Directors of CardieX Limited (the "Company") (formerly AtCor Medical Holdings Limited) submit the financial report of the Company for the year ended 30 June 2018, which comprises the results of CardieX Limited and the entities it controlled during the period (the "Group").

## Review of Operations

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The loss for the Group after income tax amounted to \$2,961,225 (30 June 2017: \$4,363,571).

The Group has generated total revenue of \$4,022,554, down from \$4,327,836 in the previous year.

## Principal Activities

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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

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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 2018.

## Significant Changes in the State of Affairs

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- The Company changed its name to CardieX Limited – a name that recognises the Company's legacy in cardiovascular health while at the same time promoting excellence and expertise in global health solutions. The name change is part of a complete re-branding of the Company currently being implemented by executive management;
- The execution of a Development and Collaboration Agreement with Blumio, Inc, a Silicon Valley based developer of sensor and wearable technology for blood pressure detection. This agreement provides the framework for the development and integration of the Company's IP and patents into Blumio's sensors and the collaboration of the parties in developing new technology applications for sensor-based detection of cardiovascular disease; and
- The execution of an agreement between Blumio, Inc and CardieX Limited for an investment in Blumio, Inc of US\$600K (subject to certain capital raise, due diligence and other conditions) that will allow the Company to obtain up to a 7.5% Equity shareholding in Blumio, Inc.

## Likely Developments and Expected Results of Operations

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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

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- Recruitment of former Masimo, Inc (NASDAQ:MASI US\$5b) executive Zihan Lin to head of CardieX's Asian strategy with a focus on the Chinese market and new wearable device technologies.

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

## Directors

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

Mr. Donal O'Dwyer

Mr. Niall Cairns, appointed 20 December 2017

Mr. King Nelson

Mr. Craig Cooper, appointed 01 December 2017

Dr. David Brookes, resigned 03 April 2018

Mr. Duncan Ross, resigned 20 December 2017

Dr. Michael O'Rourke, resigned 30 November 2017

## Company Secretary and Chief Financial Officer

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Mr. Jarrod White has held the role of Company Secretary and Chief Financial Officer since 05 March 2018.

## Information on Directors

### MR. DONAL O'DWYER

#### CHAIRMAN

Qualifications:	B.Eng, MBA
Appointed:	07 March 2005
Experience and expertise:	Independent Director of the Group since September 2004 and Chairman since November 2004. Extensive experience in the cardiovascular sector. Prior to joining the CardieX Board he was worldwide President of Cordis Cardiology, the cardiology division of Johnson & Johnson.
Other current Directorships:	Non-Executive Director for 4 other listed public companies: Cochlear Ltd, Mesoblast Ltd, Fisher & Paykel Healthcare Corporation Ltd, and nib Holdings Ltd.
Former Directorships (last 3 years):	None.
Special responsibilities:	<ul style="list-style-type: none"> <li>▪ Chairman of the Board.</li> <li>▪ Member of Audit and Risk Committee.</li> <li>▪ Member of Remuneration and Nomination Committee.</li> </ul>

### MR. NIALL CAIRNS

#### NON-EXECUTIVE DIRECTOR

Qualifications:	B.Ec, CA and FAICD
Appointed:	20 December 2017
Experience and expertise:	Mr Cairns was appointed as a Non-Executive Director effective 20 December 2017. Mr Cairns is a Sydney based technology growth investor with a 25-year 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 Tambla Limited and a Non-Executive Director of Chant West Holdings and Tru-Test Limited.
Other current Directorships:	Tru-Test Corporation Limited, Kestrel Growth Companies Limited, Chant West Holdings Limited and Tambla Limited.
Former Directorships (last 3 years):	None.
Special responsibilities:	<ul style="list-style-type: none"> <li>▪ Chairman of the Audit and Risk Committee.</li> <li>▪ Member of Remuneration and Nomination Committee.</li> </ul>

## MR. KING NELSON

### NON-EXECUTIVE DIRECTOR

Qualifications:	BA, MBA
Appointed:	13 November 2015
Experience and expertise:	King Nelson 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 of these companies specialised 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 division.
Other current Directorships:	None.
Former Directorships (last 3 years):	Uptake Medical Corporation
Special responsibilities:	<ul style="list-style-type: none"> <li>▪ Chair of Remuneration and Nomination Committee.</li> <li>▪ Member of Audit and Risk Committee.</li> </ul>

## 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 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 AU\$1 billion in capital and have funded some of the most significant global digital media, health and technology companies. Prior to relocating to Los Angeles, Mr Cooper was also the co-founder of NRG Asia-Pacific, previously one of the largest independent power producers in Australia with over AU\$5 billion in energy assets.

Other current Directorships:	None.
Former Directorships (last 3 years):	None.
Special responsibilities:	None.

## Meetings of Directors

The number of meetings of the Group's Board of Directors and of each Board Committee held during the financial year ended 30 June 2018 and the number of meetings attended by each Director were:

Director	Directors Meetings	
	Held Whilst in Office	Attended
Mr. Donal O'Dwyer	11	11
Mr. Niall Cairns	6	6
Mr. King Nelson	11	10
Mr. Craig Cooper	6	6
Dr. David Brookes	7	7
Mr. Duncan Ross	5	5
Dr. Michael O'Rourke	5	5

## Directors' Interests

Information on the Directors' and their associates' interests in shares and options of the Company at 30 June 2018 can be found in the Remuneration Report on page 21.

## Shares Issued on the Exercise of Options

No shares were issued during the financial year ended 30 June 2018 on the exercise of options.

## Environmental Regulations

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

## Indemnity and Insurance of Directors and Officers

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

## Proceedings on Behalf of the Company

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

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

## Corporate Governance Statement

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A copy of the Corporate Governance Statement has not been disclosed within the Annual Report but is available on the website [www.CardieX.com](http://www.CardieX.com) in accordance with the ASX listing rule 4.10.3.

## Declaration by Directors

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Before it approved the Company's 2018 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

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The Directors received the Auditor's Independence Declaration under s.307 of the Corporations Act 2001, which is set out on page 26. The external auditor did not provide non-audit services to the Company during the year ended 30 June 2018.

## Indemnity and Insurance of Auditor

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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

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

## Auditor's Independence Declaration

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A copy of the Auditor's Independence Declaration as required under section 307c of the Corporations Act 2001 is set out on page 26.

## Auditor

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BDO was elected as auditor at an EGM held on 28 May 2018. BDO holds office in accordance with section 327 of the Corporations Act 2001.

# 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

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### 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

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

Mr. Donal O'Dwyer	Non-Executive Director and Chairman
Mr. Niall Cairns	Non-Executive Director (appointed 20 December 2017)
Mr. King Nelson	Non-Executive Director
Mr. Craig Cooper	CEO and Executive Director (appointed 1 December 2017)
Dr. David Brookes	Non-Executive Director (resigned 03 April 2018)
Mr. Duncan Ross	Executive Director (resigned 20 December 2017)
Dr. Michael O'Rourke	Non-Executive Director (resigned 30 November 2017)

## Key Management Personnel Compensation

	Salary and Directors fees	Performance Rights Issued	Post-Employment Benefits	Total
	\$	\$	\$	\$
<b>2018</b>				
Mr. Donal O'Dwyer	50,228	-	4,772	55,000
Mr. Niall Cairns	28,000	-	-	28,000
Mr. King Nelson	27,955	-	-	27,955
Mr. Craig Cooper	225,863	4,466	-	230,329
Dr. David Brookes	18,949	-	3,551	22,500
Mr. Duncan Ross	179,830	-	13,439	193,269
Dr. Michael O'Rourke	9,513	-	904	10,417
<b>Total Compensation</b>	<b>540,338</b>	<b>4,466</b>	<b>22,666</b>	<b>567,470</b>
<b>2017</b>				
Mr. Donal O'Dwyer	68,750	-	16,597	85,347
Mr. King Nelson	37,182	-	11,490	48,672
Dr. David Brookes	37,500	-	11,490	48,990
Mr. Duncan Ross	429,619	-	69,688	499,307
Dr. Michael O'Rourke	31,250	-	11,490	42,740
<b>Total Compensation</b>	<b>604,301</b>	<b>-</b>	<b>120,755</b>	<b>725,056</b>

## Shares Held by Key Management Personnel and Their Associates

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

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

## Options Held by Key Management Personnel and Their Associates

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

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

## Performance Rights Held Key Management Personnel and Their Associates

Mr Craig Cooper holds 24 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
<b>Tranche 1</b>	8 million	\$0.05	28/05/2021
<b>Tranche 2</b>	8 million	\$0.08	28/05/2021
<b>Tranche 3</b>	8 million	\$0.12	28/05/2021

## Employment Agreements

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

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

**Craig Cooper – Chief Executive Officer**

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

**Niall Cairns – Non-Executive Director**

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

**Loans to Directors and Key Management Personnel**

During the year the Company entered into a Deed of Undertaking with C2 Ventures Pty Limited, a related party of Mr Niall Cairns and Mr Craig Cooper.

Under the Deed of Undertaking C2 Ventures Pty Limited subscribed for 75,000,000 shares and 37,500,000 free attaching options on a one for two basis on the same terms as offered to shareholders under the entitlements issue. Under the Deed of Undertaking C2 Ventures Pty Limited is required to pay the total subscription monies (\$1,500,000) in full before 30 November 2018.

The arrangement was approved by shareholders at the Extraordinary General Meeting held on 28 May 2018.

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

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



Donal O'Dwyer  
Chairman  
Sydney, 31 August 2018

# AUDITOR'S INDEPENDENCE DECLARATION



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Australia

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

As lead auditor of CardieX Limited for the year ended 30 June 2018, 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.

A handwritten signature in black ink, appearing to read 'Grant Saxon', with a stylized flourish at the end.

Grant Saxon  
Partner

**BDO East Coast Partnership**

Sydney, 31 August 2018

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For Year Ended 30 June 2018

	Note	2018	2017
		\$	\$
Sales revenue	2	4,006,091	4,327,283
Other revenue	2	16,463	553
		4,022,554	4,327,836
Other income	3	418,368	473,124
<b>Total income</b>		<b>4,440,922</b>	4,800,960
Cost of sales		(881,770)	(1,016,673)
Bad debts expense		(133,308)	-
Inventory impairment expense		(58,572)	-
Marketing and sales expense		(2,433,348)	(4,074,219)
Product development and regulatory expense		(1,543,420)	(1,475,724)
Occupancy expense		(277,702)	(179,979)
Administration expense		(1,716,976)	(2,021,775)
Interest expense		(15,348)	-
Foreign exchange loss		(341,703)	(396,161)
<b>Loss before income tax expense</b>		<b>(2,961,225)</b>	(4,363,571)
Income tax expense	5	-	-
<b>Loss attributable to members of the parent entity</b>		<b>(2,961,225)</b>	(4,363,571)
<b>Other comprehensive income</b>			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		423,940	371,990
<b>Total comprehensive loss for the period</b>		<b>(2,537,285)</b>	(3,991,581)
Basic earnings per share (cents)	7	(1.0)	(2.0)
Diluted earnings per share (cents)	7	(1.0)	(2.0)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018	2017
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	2,736,517	677,917
Trade and other receivables	9	1,113,219	1,582,453
Inventory	10	490,362	463,633
Other	11	1,774,152	86,668
<b>Total current assets</b>		<b>6,114,250</b>	2,810,671
<b>Non-current assets</b>			
Property, plant and equipment	13	97,079	149,422
Financial assets	16	202,578	-
<b>Total non-current assets</b>		<b>299,657</b>	149,422
<b>Total assets</b>		<b>6,413,907</b>	2,960,093
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,469,402	1,404,991
Provisions	15	115,028	121,910
Borrowings	17	185,000	-
<b>Total current liabilities</b>		<b>1,769,430</b>	1,526,901
<b>Non-current liabilities</b>			
Provisions	15	48,264	104,706
<b>Total non-current liabilities</b>		<b>48,264</b>	104,706
<b>Total liabilities</b>		<b>1,817,694</b>	1,631,607
<b>Net assets</b>		<b>4,596,213</b>	1,328,486
<b>Equity</b>			
Contributed equity	18	46,832,833	41,126,573
Reserves	19	1,571,498	2,327,448
Accumulated losses	21	(43,808,118)	(42,125,535)
<b>Total equity</b>		<b>4,596,213</b>	1,328,486

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For Year Ended 30 June 2018

	Note	Shares on Issue	Reserves	Accumulated losses	Total
		\$	\$	\$	\$
<b>Balance at 1 July 2016</b>		39,126,899	1,775,840	(37,761,964)	3,140,775
Loss for the year		-	-	(4,363,571)	(4,363,571)
Other comprehensive income		-	371,990	-	371,990
Total comprehensive income for the year		-	371,990	(4,363,571)	(3,991,581)
<b>Transactions with equity holders in their capacity as owners.</b>					
Capital placement & rights issue (net)		1,756,874	-	-	1,756,874
Options exercised		242,800	-	-	242,800
Options issued		-	179,618	-	179,618
		1,999,674	179,618	-	2,179,292
<b>Balance at 30 June 2017</b>		<b>41,126,573</b>	<b>2,327,448</b>	<b>(42,125,535)</b>	<b>1,328,486</b>
<b>Balance at 1 July 2017</b>		<b>41,126,573</b>	<b>2,327,448</b>	<b>(42,125,535)</b>	<b>1,328,486</b>
Loss for the year		-	-	(2,961,225)	(2,961,225)
Other comprehensive income		-	423,940	-	423,940
Total comprehensive income for the year		-	423,940	(2,961,225)	(2,537,285)
<b>Transactions with equity holders in their capacity as owners.</b>					
Capital placement (net)	18	5,706,260	-	-	5,706,260
Options issued	19	-	98,752	-	98,752
Options expired		-	(1,278,642)	1,278,642	-
<b>Balance at 30 June 2018</b>		<b>46,832,833</b>	<b>1,571,498</b>	<b>(43,808,118)</b>	<b>4,596,213</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For Year Ended 30 June 2018

	Note	2018	2017
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		4,316,651	4,790,031
Payments to suppliers and employees		(6,959,455)	(8,326,462)
		(2,642,804)	(3,536,431)
Other income		603,369	470,248
Interest received		16,463	553
Interest paid		(15,348)	-
<b>Net cash used in operating activities</b>	22	<b>(2,038,320)</b>	<b>(3,065,630)</b>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment	13	(4,916)	(17,245)
Payments for financial assets		(202,578)	-
<b>Net cash used in investing activities</b>		<b>(207,494)</b>	<b>(17,245)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from shares issued		4,304,029	1,999,674
<b>Net cash provided by financing activities</b>		<b>4,304,029</b>	<b>1,999,674</b>
<b>Net increase/(decrease) in cash held</b>		<b>2,058,215</b>	<b>(1,083,201)</b>
Cash and cash equivalents at beginning of financial year		677,917	1,773,950
Effects of foreign currency exchange		385	(12,832)
<b>Cash and cash equivalents at end of financial year</b>	8	<b>2,736,517</b>	<b>677,917</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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'). CardieX Limited changed its name from AtCor Medical Holdings Limited on 28 May 2018 following a special resolution at an Extraordinary General Meeting of shareholders on the same day. The separate financial statements and notes of CardieX Limited as an individual parent entity 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 2018 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 2018 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

### c. **Going Concern (Cont.)**

that the Group incurred a loss after tax of \$2,961,225 (2017: \$4,363,571) and had net cash outflows from operating activities of \$2,038,320 for the year ended 30 June 2018 (2017: \$3,065,630). 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 \$2,736,517 as at 30 June 2018 (2017: \$677,917). As at that date, the Group had net current assets of \$4,344,820 (2017: \$1,283,770) and net assets of \$4,596,213 (2017: \$1,328,486). 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, even in the absence of obtaining additional funding;
- If required, the Group has the ability to continue to raise additional funds on a timely basis pursuant to the Corporations Act 2001. The Group has raised in excess of \$4 million in the previous 12-month reporting period and the Directors have no reason to believe that it will not be able to continue to source equity or alternative funding if required; and
- The Group has the ability to scale back a significant portion of its development activities if required.

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 2018 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**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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

**Sale of goods**

Sales of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

**Lease sales**

The Group earned rental income from operating leases of goods. Rental income is recognised on a straight-line basis over the term of the lease. At the end of the financial year, the Group no longer provides operating leases to customers.

**Finance lease sales**

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessor in this type of arrangement, sales revenue recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

**Government grants**

Revenue from the research and development tax incentive scheme is recognised on receipt.

**Other revenue**

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

d. **Plant and Equipment**

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

**Depreciation**

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

The useful lives used for depreciable assets are:

<b>Class of fixed asset</b>	<b>Useful lives</b>
Manufacturing plant and equipment	3 - 10 years
Furniture, fixtures and equipment	3 – 5 years
Devices leased to customers	3 – 4 years

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

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

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

e. **Impairment of Assets**

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

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.

f. **Financial Instruments**

*Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the Group 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 expires, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

*Classification and 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:

- Loans and receivables
- Financial assets at Fair Value Through Profit or Loss (FVTPL)
- Held-To-Maturity (HTM) investments

All financial assets, except for those at FVTPL, 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. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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.

g. **Employee Benefits**

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

#### h. **Equity-Settled Compensation**

There has been no equity based compensation with the exception of that described in Note 18. 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 section 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.

#### i. **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.

#### j. **Trade and Other Receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

Other receivables are recognised at amortised cost, less any provision for impairment.

#### k. **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.

#### l. **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.

m. **Provisions**

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

**Short-term employee benefits**

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

**Other long-term employee benefits**

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

n. **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.

o. **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.

p. **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.

q. **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 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.

r. **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.

s. **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.

t. **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.

u. **Comparative Figures**

Comparative figures have been derived from the financial statements for CardieX Limited for the year ended 30 June 2018, and changes in presentation are made where necessary to comply with Accounting Standards.

v. **Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Valuation of options issued**

The Company issued 2,500,000 options to the service providers in 2018 financial year as disclosed in Note 20. There is significant judgement in relation to the assumptions used in the Black Scholes Option pricing models. Judgement is required with regards to the fair value of the shares at the issue date, the market volatility, the expected exercise period, and a number of other inputs into the models.

**Recovery of deferred tax assets**

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

**Impairment – general**

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

**Platform and product development costs**

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

w. **New and Revised Accounting Standards Not Yet Mandatory or Early Adopted**

At the date of authorisation of the financial statements the following new standards and interpretations have not been early adopted. The below are a list of the standards.

At reporting date the Group had not made a formal assessment of the likely impact of the new Accounting Standards.

Standard/Interpretation	Effective for Annual Reporting periods beginning on or after	Initially applied in the financial year ending	Likely impact on initial application
AASB 9 'Financial Instruments' (December 2014)	1 January 2018	30 June 2019	The Group has not yet assessed the impact of this accounting Standard on its transactions and balances.
AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019	The Group has not yet assessed the impact of this accounting Standard on its transactions and balances.
AASB 16 Leases	1 January 2019	30 June 2020	The Group has not yet assessed the impact of this accounting Standard on its transactions and balances.

**NOTE 2: REVENUE**

	2018	2017
	\$	\$
<i>Sales revenue</i>		
Sale of goods	<b>4,006,091</b>	4,327,283
	<b>4,006,091</b>	4,327,283
<i>Other revenue</i>		
Interest received	<b>16,463</b>	553
Total revenue	<b>4,022,554</b>	4,327,836

**NOTE 3: OTHER INCOME**

	2018	2017
	\$	\$
R&D tax concession received from the Australian Tax Office (ATO)	<b>418,368</b>	470,248
Other	-	2,876
	<b>418,368</b>	473,124

#### NOTE 4: EXPENSES

	2018	2017
	\$	\$
Loss before income tax includes the following specific expenses:		
Depreciation on plant and equipment	61,174	84,990
Employee benefit expense	3,723,253	5,176,595
Rental expense relating to operating leases	198,828	179,979
Research and development	790,143	1,089,301

#### NOTE 5: INCOME TAX EXPENSE

	2018	2017
	\$	\$
Loss from continuing operations before income tax expense	(2,961,225)	(4,363,571)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2017: 27.5%):	(814,337)	(1,199,982)
Add tax effect of:		
— Other non-allowable items	291,553	49,664
Subtotal	(522,784)	(1,150,318)
Less tax effect of:		
— Items not assessable for taxation	(115,052)	(182,874)
— Items deductible for taxation but not accounting	(166,603)	-
Differences in overseas tax rates	130,597	451,061
Benefit of tax losses and temporary differences not recognised	673,842	882,131
Income tax expense	-	-

The Group has carry forward tax losses, calculated according to Australian income tax legislation of \$35,512,116 (2017: \$33,069,324), which will be deductible from future assessable income provided that income is derived, and:

- The Company and its controlled entities carry on a business of, or a business that includes software development in Australia; and
- 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 \$9,765,832 at 30 June 2018 (2017: \$9,094,064).

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(n).

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

## NOTE 6: AUDITOR REMUNERATION

	2018	2017
	\$	\$
Remuneration of the auditor of the Group for:		
Audit services for the financial year - PWC	48,307	119,835
Audit services for the financial year - BDO	60,000	-
Total	108,307	119,835

## NOTE 7: EARNINGS PER SHARE

	2018	2017
	\$	\$
a. Reconciliation of earnings:		
Loss after tax	(2,961,225)	(4,363,571)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating EPS	294,429,146	221,263,936
	Cents	Cents
c. Basic EPS	(1.0)	(2.0)
d. Diluted EPS	(1.0)	(2.0)

## NOTE 8: CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash at bank and on hand	2,736,517	677,917
Total	2,736,517	677,917

## NOTE 9: TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
CURRENT		
Trade receivables	1,222,078	1,554,875
Less: Provision for doubtful debts (a)	(108,859)	(16,842)
	1,113,219	1,538,033
Other receivables	-	44,420
Total current assets	1,113,219	1,582,453

## 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 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

As at 30 June 2018 current trade receivables of the Group with a nominal value of \$53,600 (2017: \$16,842) were fully impaired.

	2018	2017
	\$	\$
At 1 July	16,842	45,765
Provision for impairment recognised during the year	133,308	15,387
Receivables written off during the year as uncollectible	(41,291)	(44,310)
At 30 June	108,859	16,842

### 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 24 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 24.

## NOTE 10: INVENTORIES

	2018	2017
	\$	\$
Raw materials and stores at cost	334,506	359,633
Finished goods at cost	214,428	104,000
Provision for inventory impairment	(58,572)	-
	490,362	463,633

Inventories recognised as expense during the year ended 30 June 2018 amounted to \$256,059 (2017: \$411,714). A charge of \$58,572 was taken to write-off obsolete inventories in the year ended 30 June 2018 (2017: \$nil).

## NOTE 11: OTHER CURRENT ASSETS

	2018	2017
	\$	\$
Prepayments	63,232	63,742
Finance lease receivable	159,252	-
Amounts due from related parties	1,500,000	-
Other	51,668	22,926
	1,774,152	86,668

## NOTE 11: OTHER CURRENT ASSETS (CONT.)

### *Amounts Due from Related Parties*

On 31 May 2018, the Company issued 75 million shares to C2 Ventures, in which Mr Cairns and Mr Cooper are Directors. Consideration for these shares remains payable and these shares are held on escrow and subject to a holding lock until the full amount of consideration of \$1.5 million is received, anticipated to be November 2018. Interest is accruable on the balance outstanding at the NAB's published rate for term deposits of 6 months.

## NOTE 12: CONTROLLED ENTITIES

Controlled Entities Consolidated			
	Country of Incorporation	Percentage Owned (%)*	
		2018	2017
<b>Parent Entity</b>			
CardieX Limited	Australia		
<b>Subsidiaries of CardieX Limited</b>			
AtCor Medical Pty Limited	Australia	100	100
AtCor Medical Inc	USA	100	100

\* Percentage of voting power is in proportion to ownership

## NOTE 13: PLANT AND EQUIPMENT

	Manufacturing plant and equipment	Furniture, fixtures and equipment	Devices leased to customers	Total
	\$	\$	\$	\$
<b>Year Ended 30 June 2017</b>				
Opening net book amount	120,648	94,127	5,413	220,188
Additions	288	13,041	3,916	17,245
Exchange differences	-	(3,103)	82	(3,021)
Depreciation charge	(32,408)	(49,539)	(3,043)	(84,990)
Closing net book amount	88,528	54,526	6,368	149,422
<b>At 30 June 2017</b>				
Cost	508,210	748,922	9,443	1,266,575
Accumulated depreciation	(419,682)	(694,396)	(3,075)	(1,117,153)
Net book amount	88,528	54,526	6,368	149,422

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

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

### NOTE 14: TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
CURRENT		
Trade payables	<b>728,958</b>	482,684
Customer prepayments	<b>188,503</b>	169,449
Employee benefits – annual leave	<b>294,175</b>	356,639
Other payables	<b>257,765</b>	396,219
	<b>1,469,402</b>	1,404,991

### NOTE 15: PROVISIONS

	2018	2017
	\$	\$
CURRENT		
Employee provisions	<b>115,028</b>	121,910
NON-CURRENT		
Employee provisions	<b>48,264</b>	104,706
	<b>163,292</b>	226,616

## NOTE 16: FINANCIAL ASSETS

	2018	2017
	\$	\$
NON-CURRENT FINANCIAL ASSETS		
Partial payment of convertible note	202,578	-
Total	202,578	-

In March 2018, the Company entered into a Convertible Note Purchase Agreement for the acquisition of a convertible note (the "Note") issued by Blumio, Inc, payable in two instalments.

As at 30 June 2018, US\$150,000 of a total US\$600,000 has been paid to the issuer, the balance of US\$450,000 is payable by November 2018, upon which date the Note will be issued. The Directors consider that given the short-term nature of the financial asset, the fair value approximates the carrying value.

## NOTE 17: BORROWINGS

	2018	2017
	\$	\$
CURRENT		
Research and development tax incentive facility	185,000	-
Total	185,000	-

In the 2018 year, a facility was established under which the Company is entitled to withdraw funds to for general liquidity management purposes. The facility is intended to be repaid by proceeds of the Company's 2018 R&D tax incentive refund. The facility has a maximum limit of \$320,000 and fixed interest rate of 1.25% per month based on the drawn facility at the end of that month. The Company has signed a general security agreement in favour of the lender. The termination date of the facility is the earlier of 31 December 2018 or 10 business days after the receipt of the Company's R&D tax refund.

## NOTE 18: ISSUED CAPITAL

	2018		2017	
	No of Shares	\$	No of Shares	\$
<b>(a) Ordinary shares</b>	<b>531,018,793</b>	<b>46,832,833</b>	233,630,539	41,126,573
At the beginning of reporting period	233,630,539	41,126,573	201,720,539	39,126,899
Placements in the year	220,958,254	4,674,906	28,950,000	1,881,750
Shares issued subject to Restriction Agreement*	75,000,000	1,500,000	-	-
Shares issued in lieu of payment to suppliers	1,430,000	62,150	-	-
Shares issued on exercise of options	-	-	2,960,000	242,800
Cost of raising capital	-	(530,796)	-	(124,876)
Closing balance at reporting date	531,018,793	46,832,833	233,630,539	41,126,573

\* On 31 May 2018, the Company issued 75 million shares subject to a Restriction Agreement. These shares are held on escrow and subject to a holding lock until the full amount of consideration of \$1.5 million is received, anticipated to be November 2018. See Note 26 for further information.

## NOTE 18: ISSUED CAPITAL (CONT.)

All other ordinary shares are fully paid.

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.

### (b) Performance rights on issue

During 2018, 24,000,000 performance rights were issued under the following terms (further detail at Note 20):

Tranche	Number of performance rights	Will vest if 30 day VWAP exceeds:
1	8,000,000	\$0.05
2	8,000,000	\$0.08
3	8,000,000	\$0.12

Throughout the period \$4,466 was expensed and added to the share-based payments reserve in recognition of these performance rights.

	2018		2017	
	No of Options	\$	No of Options	\$
<b>(c) Options on issue</b>	<b>150,050,958</b>	<b>45,430,602</b>	17,233,333	2,243,864
At the beginning of reporting period	17,233,333	2,243,864	17,233,333	2,064,246
Options issued to broker in November 2017 Placement	2,500,000	31,517	-	-
Options expired and transferred to accumulated losses (Note 20)	(4,680,000)	(1,278,642)	-	-
Vesting of issued options to employees	-	-	-	179,618
Free attaching options (1 for 2) as part of Entitlements Issue	28,099,975	-	-	-
Free attaching options (1 for 2) as attaching to placement	59,397,650	-	-	-
Free attaching options issued subject to Restriction Agreement*	37,500,000	-	-	-
Options issued to broker in May 2018 placement	10,000,000	62,769	-	-
Closing balance at reporting date	<b>150,050,958</b>	<b>1,059,508</b>	17,233,333	2,243,864

\* On 31 May 2018, the Company issued 75 million shares subject to a Restriction Agreement. These shares carried the right to a one for two free attaching option on the same terms as the placement shares issued at the same time. Both the options and shares are held on escrow and subject to a holding lock until the full amount of consideration of \$1.5 million is received, anticipated to be November 2018.

## NOTE 18: ISSUED CAPITAL (CONT.)

### *Fair Value of Options Granted*

The weighted average assessed fair value at grant date of options granted during the year ended 2018 was 1.28 cents per option as no options were issued during the year (2017: \$nil). The fair value at grant date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted and accrued during the year ended 30 June 2018 included:

	<b>Options Granted 30 Nov 2017</b>	<b>Options Accrued at 30 Jun 2018</b>
(a) Number issued	2,500,000	10,000,000
(b) Exercise price	\$0.038	\$0.050
(c) Term	4 years	3.5 years
(d) Share price at grant date	\$0.028	\$0.020
(e) Share price volatility	60%	74%
(f) Expected dividend yield	-	-
(g) Risk-free interest rate	2.16%	2.3%

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

### **Capital Management**

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

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

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

## NOTE 19: RESERVES

	2018	2017
	\$	\$
Share-based payments reserve	1,063,974	2,243,864
Foreign currency translation reserve	507,524	83,584
	<b>1,571,498</b>	<b>2,327,448</b>

### *Share-Based Payments Reserve*

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

### *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	Total
	\$	\$	\$
Balance at 1 July 2016	2,064,246	(288,406)	1,775,840
Additions during the year	179,618	371,990	551,608
Balance at 30 June 2017	<b>2,243,864</b>	<b>83,584</b>	<b>2,327,448</b>
Additions during the year	98,752	423,940	522,692
Transfers to accumulated losses	(1,278,642)	-	(1,278,642)
Balance at 30 June 2018	<b>1,063,974</b>	<b>507,524</b>	<b>1,571,498</b>

## NOTE 20: SHARE BASED PAYMENTS

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

The CardieX (formerly AtCor Medical Holdings) Employee Option Plan was approved by shareholders at the 2005 Annual General Meeting and amendments were approved at the 2006 & 2008 Annual General Meetings. All staff are eligible to participate in the plan at the discretion of the Directors (including Executive Directors) following recommendations from the remuneration committee, a sub-committee of the CardieX Limited Board of Directors.

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

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

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

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

## NOTE 20: SHARE BASED PAYMENTS (CONT.)

### a. Employee Share Option Plan (ESOP) (Cont.)

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

#### 2018:

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

500,000 Options were forfeited during 2018 due to terminating employment, (2017: 965,000) and 4,180,000 options expired (2017: 1,297,500) in the same period. No options were exercised during 2018 (2017: 1,500,000).

## NOTE 20: SHARE BASED PAYMENTS (CONT.)

### a. Employee Share Option Plan (ESOP) (Cont.)

#### 2017:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ Forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
21-Oct-11	21-Oct-16	\$0.084	1,500,000	-	(1,500,000)	-	-	-
16-Feb-12	16-Feb-17	\$0.098	1,297,500	-	-	(1,297,500)	-	-
23-Aug-12	23-Aug-17	\$0.075	2,555,000	-	-	(100,000)	2,455,000	2,455,000
5-Oct-12	5-Oct-17	\$0.075	200,000	-	-	-	200,000	200,000
26-Oct-12	26-Oct-17	\$0.084	1,400,000	-	-	-	1,400,000	1,400,000
19-Nov-12	19-Nov-17	\$0.085	125,000	-	-	-	125,000	125,000
29-Aug-13	29-Aug-18	\$0.139	3,193,333	-	-	(195,000)	2,998,333	2,998,333
31-Oct-13	31-Oct-18	\$0.181	2,100,000	-	-	-	2,100,000	2,100,000
28-Aug-14	28-Aug-19	\$0.112	1,825,000	-	-	-	1,825,000	1,216,667
24-Mar-15	24-Mar-20	\$0.194	350,000	-	-	-	350,000	233,333
20-Aug-15	20-Aug-20	\$0.256	2,600,000	-	-	(170,000)	2,430,000	1,620,000
13-Nov-15	13-Nov-19	\$0.261	2,000,000	-	-	-	2,000,000	2,000,000
13-Nov-15	13-Nov-20	\$0.250	1,000,000	-	-	-	1,000,000	333,334
18-Jan-16	18-Jan-21	\$0.197	500,000	-	-	(500,000)	-	-
12-Feb-16	12-Feb-21	\$0.199	350,000	-	-	-	350,000	116,667
Total			20,995,833	-	(1,500,000)	(2,262,500)	17,233,333	14,798,334
Weighted average exercise price			\$0.16	-	\$0.08	\$0.13	\$0.17	\$0.16

### b. Performance rights

The CardieX Option and Performance Rights Plan was approved by shareholders at the Extraordinary General Meeting held on 28 May 2018.

During 2018, 24,000,000 performance rights were issued under the following terms:

Tranche	Number of performance rights	Will vest if 30 day VWAP exceeds:
1	8,000,000	\$0.05
2	8,000,000	\$0.08
3	8,000,000	\$0.12

- 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.
- No individual has previously received securities under this plan as this is the first time the Company has proposed an issue of securities under the plan; and
- No loans or other financial assistance have or will be made by the Company in connection with the issue of the relevant performance rights.

## NOTE 20: SHARE BASED PAYMENTS (CONT.)

### 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:

	2018	2017
	\$	\$
Options issued to broker	-	179,618
Rights issued under Option and Performance Rights Plan	4,466	-

## NOTE 21: ACCUMULATED LOSSES

	2018	2017
	\$	\$
Opening balance at 1 July	(42,125,535)	(37,761,964)
Losses for the year	(2,961,225)	(4,363,571)
Transfer from share based payments reserve	1,278,642	-
Closing balance at 30 June	(43,808,118)	(42,125,535)

## NOTE 22: CASH FLOW INFORMATION

### Reconciliation of Cash Flow from Operations with Loss after Income Tax

Loss after income tax	(2,961,225)	(4,363,571)
<i>Non-cash flows in profit:</i>		
Depreciation and amortisation	61,174	84,990
Inventory impairment expense	58,572	-
Share based payments expense	26,482	179,618
Bad debts expense	133,308	-
Unrealised foreign exchange difference	491,910	387,844
<i>Changes in current assets and liabilities:</i>		
Decrease in trade and other receivables	108,664	526,757
Increase in inventories	(85,301)	(45,426)
(Increase) in other operating assets	-	(4,687)
Increase in trade and other payables and provisions	128,096	168,845
Net cash used in operating activities	(2,038,320)	(3,065,630)

## NOTE 23: EVENTS AFTER THE BALANCE SHEET DATE

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

## NOTE 24: 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 2018		30 June 2017	
	In USD	In EUR	In USD	In EUR
Trade Receivables	1,062,768	226,063	107,156	165,802
Financial Assets	83,952	40,865	50,672	92,158
Trade Payables	(437,188)	(14,136)	(112,236)	(18,938)

## **NOTE 24: CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT.)**

### *Sensitivity*

Based on the financial instruments held at 30 June 2018, 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 \$47,762/(\$58,375) (2017: \$6,600/(\$5,939)). 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 \$36,283/(\$44,346) (2017: \$39,483/(\$35,536)).

### **b. Credit risk**

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

### **c. Liquidity risk**

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

### **d. Fair value estimation**

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

## **NOTE 25: SEGMENT REPORTING**

### **a. Description of segments**

In the 2018 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 segment by geographic area.

Geographic areas are:

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

## NOTE 25: SEGMENT REPORTING (CONT.)

### b. Segmental information provided to the Board

2018	Americas	Europe	Asia Pacific	Inter segment eliminations/ unallocated	Consolidated
	\$	\$	\$	\$	\$
Sales to external customers	2,813,689	708,717	483,685	-	4,006,091
Intersegment sales		-	1,525,347	(1,525,347)	-
Total sales revenue	2,813,689	708,717	2,009,032	(1,525,347)	4,006,091
Other revenue/income	-	-	434,831	-	434,831
Total segment revenue/income	2,813,689	708,717	2,443,863	(1,525,347)	4,420,922
<b>Segment result</b>	<b>(1,467,704)</b>	<b>(69,131)</b>	<b>(1,022,850)</b>	<b>(406,098)</b>	(2,965,783)
Unallocated revenue less unallocated expenses					4,558
Loss before income tax					(2,961,225)
Income tax expense					-
<b>Loss for the year</b>					<b>(2,961,225)</b>
Segment assets	18,492,094	-	58,751,024	(70,829,211)	<b>6,413,907</b>
Segment liabilities	33,016,707	-	55,911,613	(87,110,626)	<b>1,817,694</b>
<b>2017</b>	<b>Americas</b>	<b>Europe</b>	<b>Asia Pacific</b>	<b>Inter segment eliminations/ unallocated</b>	<b>Consolidated</b>
	\$	\$	\$	\$	\$
Sales to external customers	2,849,885	721,549	755,849	-	4,327,283
Intersegment sales	-	-	1,498,766	(1,498,766)	-
Total sales revenue	2,849,885	721,549	2,254,615	(1,498,766)	4,327,283
Other revenue/income	-	-	470,248	-	470,248
Total segment revenue/income	2,849,885	721,549	2,724,863	(1,498,766)	4,797,531
<b>Segment result</b>	<b>(1,197,713)</b>	<b>53,583</b>	<b>(2,826,155)</b>	<b>-</b>	(3,970,285)
Unallocated revenue less unallocated expenses					(393,286)
Loss before income tax					(4,363,571)
Income tax expense					-
<b>Loss for the year</b>					<b>(4,363,571)</b>
Segment assets	17,791,103	-	45,383,977	(60,259,408)	<b>2,915,672</b>
Segment liabilities	29,593,588	-	48,494,247	(76,500,649)	<b>1,587,186</b>

## NOTE 25: SEGMENT REPORTING (CONT.)

### c. Notes to and forming part of the segment information

#### *Intersegment 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 2018 (2017: \$nil).

## NOTE 26: RELATED PARTY TRANSACTIONS

### *Subsidiaries*

The Group's principal subsidiaries at 30 June 2018 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	
		2018	2017
AtCor Medical Pty Ltd	Australia	100%	100%
AtCor Medical, Inc. (Delaware C Corp)	USA	100%	100%

## NOTE 26: RELATED PARTY TRANSACTIONS (CONT.)

### Key Management Personnel Compensation

	Salary and Directors Fees	Performance Rights Issued	Post-Employment Benefits	Total
	\$	\$	\$	\$
<b>2018</b>				
Mr. Donal O'Dwyer	50,228	-	4,772	55,000
Mr. Niall Cairns	28,000	-	-	28,000
Mr. King Nelson	27,955	-	-	27,955
Mr. Craig Cooper	225,863	4,466	-	230,329
Dr. David Brookes	18,949	-	3,551	22,500
Mr. Duncan Ross	179,830	-	13,439	193,269
Dr. Michael O'Rourke	9,513	-	904	10,417
<b>Total Compensation</b>	<b>540,338</b>	<b>4,466</b>	<b>22,666</b>	<b>567,470</b>
<b>2017</b>				
Mr. Donal O'Dwyer	68,750	-	16,597	85,347
Mr. King Nelson	37,182	-	11,490	48,672
Dr. David Brookes	37,500	-	11,490	48,990
Mr. Duncan Ross	429,619	-	69,688	499,307
Dr. Michael O'Rourke	31,250	-	11,490	42,740
<b>Total Compensation</b>	<b>604,301</b>	<b>-</b>	<b>120,755</b>	<b>725,056</b>

### Shares held by key management personnel and their associates

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

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

## NOTE 26: RELATED PARTY TRANSACTIONS (CONT.)

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

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

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

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

Mr Craig Cooper holds 24 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
<b>Tranche 1</b>	8 million	\$0.05	28/05/2021
<b>Tranche 2</b>	8 million	\$0.08	28/05/2021
<b>Tranche 3</b>	8 million	\$0.12	28/05/2021

### Employment agreements

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

#### Craig Cooper – Chief Executive Officer

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

## NOTE 26: RELATED PARTY TRANSACTIONS (CONT.)

### Niall Cairns – Non-Executive Director

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

### Loans to Directors and Key Management Personnel

During the year the Company entered into a Deed of Undertaking with C2 Ventures Pty Limited, a related party of Mr Niall Cairns and Mr Craig Cooper. Under the Deed of Undertaking C2 Ventures Pty Limited subscribed for 75,000,000 shares and 37,500,000 free attaching options on a one for two basis on the same terms as offered to shareholders under the entitlements issue. Under the Deed of Undertaking C2 Ventures Pty Limited is required to pay the total subscription monies (\$1,500,000) in full before 30 November 2018.

The arrangement was approved by shareholders at the Extraordinary General Meeting held on 28 May 2018.

There were no other 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.

## NOTE 27: PARENT ENTITY DISCLOSURES

	2018	2017
	\$	\$
<b>Financial position</b>		
<b>Assets</b>		
Total current assets	1,508,603	237,051
Total assets	23,834,293	16,763,571
<b>Liabilities</b>		
Total current liabilities	1,270,305	771,380
Total liabilities	17,672,116	15,800,785
<b>Equity</b>		
Contributed equity	53,387,892	47,583,863
Reserves	1,001,205	2,243,864
Accumulated losses	(48,226,920)	(48,864,942)
Total equity	6,162,177	962,785
<b>Financial performance</b>		
Loss for the year	(638,021)	(32,742,938)
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive loss</b>	<b>(638,021)</b>	<b>(32,742,938)</b>

## **NOTE 27: PARENT ENTITY DISCLOSURES (CONT.)**

### **a. Explanation of loss in 2017 financial year**

In the 2017 financial year, the investment in subsidiaries of \$15,132,000 was written down to nil due to the results of the Group. Additionally, an impairment of \$17,000,000 was recognised against the intercompany receivables in the parent entity.

No further impairment was recognised in the 2018 financial year.

### **b. Guarantees entered into by the parent entity**

No guarantees have been entered into by the parent entity during 2018 or 2017.

### **c. Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017

## **NOTE 28: CAPITAL COMMITMENTS**

At 30 June 2018, the parent entity had a contractual commitment to pay US\$450,000 under the Convertible Note Purchase Agreement with Blumio, Inc.

The Company has committed to pay US\$450,000 in November 2018 as the second and final payment for its total US\$600,000 investment in Blumio, Inc.

There are no other capital commitments present for the Group at balance date.

## **NOTE 29: COMPANY DETAILS**

### **The Registered Office of the Company is:**

CardieX Limited  
Suite 11  
1059-1063 Victoria road  
West Ryde NSW 2114

### **The Principal Place of Business is:**

CardieX Limited  
Suite 11  
1059-1063 Victoria road  
West Ryde NSW 2114

# DIRECTORS' DECLARATION

## The Directors of the Company Declare that:

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1. The financial statements and notes, as set out on pages 27 to 58, 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 2018 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 2018;
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 21 to 25 of the Directors' Report (as part of the Audited Remuneration Report) for the year ended 30 June 2018, comply with section 300A of the Corporations Act 2001.
6. This declaration is made in accordance with a resolution of the Board of Directors.



**Donal O'Dwyer**

Chairman

Sydney, 31 August 2018

# INDEPENDENT AUDITOR'S REPORT



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 Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of CardieX Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of CardieX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



### **Material uncertainty related to going concern**

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have determined that there are no key audit matters to communicate in our report in addition to the matter described in the *Material uncertainty related to going concern* section.

### **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 2018, 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 at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of CardieX Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

### BDO East Coast Partnership

A stylized, handwritten-style logo of the letters 'BDO' in black ink, with a horizontal line underneath.

A handwritten signature in black ink that reads 'Grant Saxon'.

Grant Saxon  
Partner

Sydney, 31 August 2018

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

## Distribution Schedule of Equity Securities

Spread of Holdings	No. of Holders	Shares
100,001 and Over	472	501,053,944
10,001 to 100,000	716	30,172,549
5,001 to 10,000	148	1,181,456
1,001 to 5,000	113	403,340
1 to 1,000	58	7,505
<b>Total</b>	<b>1,507</b>	<b>532,818,794</b>

## Unmarketable Parcels

There were 397 shareholders holding less than a marketable parcel totalling 2,554,378 shares as at 29 August 2018.

## Top 20 Holdings as at 29 August 2018

Holder Name	Balance at 29 Aug 2018	%
C2 VENTURES PTY LIMITED	75,000,000	14.08
MR PAUL COZZI	22,287,782	4.18
SAFARI CAPITAL PTY LTD	16,300,337	3.06
CB CO PTY LTD	15,470,000	2.90
MRS JANE GREENSLADE	10,996,504	2.06
MR PAUL JOSEPH COZZI	10,640,284	2.00
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,118,421	1.71
DRUMNADROCHIT FUTURES PTY LTD	9,068,574	1.70
CPO SUPERANNUATION FUND PTY LTD	8,830,000	1.66
CITICORP NOMINEES PTY LIMITED	7,928,325	1.49
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	7,274,389	1.37
DUNDRUM INVESTMENTS PTY LTD	6,983,725	1.31
PEHILA PTY LTD	5,896,951	1.11
PROF MICHAEL FRANCIS O'ROURKE	5,670,370	1.06
CALAMA HOLDINGS PTY LTD	5,625,353	1.06
MR DONALD O'DWYER & MRS JUDITH O'DWYER	5,194,902	0.97
BNP PARIBAS NOMINEES PTY LTD	4,912,225	0.92
MR PAWEL REJ & MRS MIROSLAWA REJ	4,490,901	0.84
PUNTERO PTY LTD	4,074,262	0.76
SYMINGTON PTY LTD	3,894,649	0.73
<b>TOTAL</b>	<b>239,657,954</b>	<b>44.98</b>

## 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	75,000,000	14.08
Paul Cozzi	32,928,066	6.20

## Statement Regarding Use of Cash and Assets

CardieX Limited utilised cash and assets in a form readily convertible to cash that it had at the time of admission consistent with the business objectives and use of funds stated in the prospectus lodged with the ASX and dated 23 April 2018.

## The Name of the Company Secretary is:

**Jarrold Travers White**

## Registered Office and Principal Place of Business

1059-1063 Victoria Rd

West Ryde NSW 2114

Telephone: (02) 9874 8761

Email: [info@cardiex.com](mailto:info@cardiex.com)

Website: [www.CardieX.com](http://www.CardieX.com)

**CardieX**  
A Global Health Technology Company