

AtCor Medical Holdings Limited

ASX Half-year information – 31 December 2016

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 30 June 2016 Annual Report.

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AtCor Medical Holdings Limited

Interim report for the half-year ended 31 December 2016

(Previous corresponding period:

Half-year ended 31 December 2015)

Results for Announcement to the Market

				\$
Revenue from ordinary activities	Up	9%	to	\$1,839,255
Net loss from ordinary activities after tax attributable to members	Down	19%	to	\$1,868,095
Net loss for the period attributable to members	Down	19%	to	\$1,868,095

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Commentary on Results:

See *Review of Operations in Directors' Report*.

Explanation of Dividends

No dividends have been declared.

AtCor Medical Holdings Limited

Interim report for the half-year ended 31 December 2016

(Previous corresponding period:

Half-year ended 31 December 2015)

Supplementary Appendix 4D Information

NTA Backing

	Dec 2016	Dec 2015
Net tangible asset backing per ordinary share	1.2 cents	2.5 cents

Controlled entities acquired or disposed of

Nil.

Additional dividend/distributions information

No dividends have been declared or paid during or subsequent to the half-year ended 31 December 2016.

Dividend/distribution reinvestment plans

The company has adopted but not implemented a dividend reinvestment plan.

Associates and Joint Venture entities

Not applicable.

Foreign Accounting standards

Not applicable.

Audit Alert

Not applicable.

AtCor Medical Holdings Limited ABN 81 113 252 234

Interim report

for the half-year ended 31 December 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by AtCor Medical Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

AtCor Medical Holdings Limited and controlled entities Directors' report

Your directors present their report on the consolidated entity consisting of AtCor Medical Holdings Limited ('AtCor') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of AtCor Medical Holdings Limited during the whole of the half-year and up to the date of this report:

Donal O'Dwyer (Chairman)
Michael F O'Rourke
Duncan R Ross (Managing Director and CEO)
David L Brookes
R King Nelson

Review of operations

Sales for the first half were \$1.8 million, 9% greater than the same period last year and 13% higher when stated in constant currency.

Regionally, sales in the Americas, which comprise sales and services to the pharmaceutical industry and to researchers and clinicians, were higher than the prior corresponding period (pcp). Clinical sales were up 229%, vs. pcp, with 19 SphygmoCor XCEL units sold or leased to US clinicians; this was lower than anticipated due to uncertainty about the impact of the US election on the US Affordable Care Act (Obama Care) with regard to future levels of Medicaid reimbursement to hospitals. Sales to US researchers were 62% greater than pcp.

In the EMEA region, which is primarily a research market for AtCor, sales increased 21% versus pcp. Asia Pacific sales fell 18% due to product mix, although volumes were similar to pcp.

Gross margin was comparable to pcp at 74%, but lower than planned, attributable to changes in product and customer mix, including reduced pharmaceutical services revenue. It is anticipated that margins will improve in future periods as volume increases. Expenses for the half reduced marginally. The 1H2017 net loss was \$1.9 million (1H2016: \$2.3 million).

At 31 December 2016, AtCor held \$1.7 million, and had no debt. Net operating cash outflows were \$2.0 million. To improve the cash position, management implemented a number of cost saving measures in October and November, including reducing headcount, implementing salary cuts, delaying the planned expansion of the sales force and identifying and removing other costs. More than \$1.5m in annualised costs have been removed, which will significantly improve cash flow, beginning in January. Subsequent to balance date, AtCor received its R&D tax refund of \$0.47 million.

Management and the board continue to monitor the liquidity of the group. Further details on the preparation of the financial report on a going concern basis are set out in Note 1(a) of the financial report.

The Independent Auditors' Report is an unqualified review opinion with an emphasis of matter paragraph in respect of material uncertainty associated with going concern.

US Clinical Market

AtCor's primary focus is developing its largest market - US clinical practice. The company has been re-positioned as an advanced hypertension company and all communications material carries the positioning line "Essential for Hypertension Management". This reflects AtCor's vision for SphygmoCor to become the standard of care for advanced hypertension and arteriosclerosis management. Doctors support this vision and a number of testimonials are available on the company's website.

Initial results from the clinical sales pilot roll out:

AtCor identified four US metropolitan areas to roll out a pilot clinical practice sales program. The focus was on specialist, internal medicine/GP practices and early stage development of local integrated healthcare delivery networks (IDNs). In September, a review took place which resulted in AtCor reorientating its USA focus from the internal medicine/GP practice segment towards multi-doctor specialist practices and integrated delivery networks.

IDNs are local, equity-based health systems that consist of a number of hospitals, out-patient service centres and multi-doctor multi-specialty practices. Each metropolitan market, depending on its size, has a number of

IDNs that dominate all aspects of local healthcare delivery. Contracting with an IDN on a multi-year agreement can yield anywhere from 30 to 80 SphygmoCor unit sales within the first 18 months of the contract. It affords efficiency of scale to sales investment and also is a catalyst for other IDNs in the local market to adopt SphygmoCor. As recently announced, Emory University and Emory Healthcare of Atlanta, GA have signed a multi-year agreement with AtCor and more IDNs are expected to sign prior to fiscal 2017 end.

In the private practice specialist market, AtCor is building good momentum. The specialties targeted are cardiology and nephrology (kidney). The ideal target is a practice of three or more doctors with one or more locations. These practices are well managed and have business managers to assist in driving a rational sales process to successful conclusion.

Key doctors supporting AtCor's efforts:

To assist AtCor with building product awareness and accelerating sales, a number of programs have been implemented, including doctors presenting SphygmoCor to colleagues with the AtCor sales rep, acting as reference sites, presenting SphygmoCor on educational webinars, and interviews with key media. To date two webinars have been delivered – one in September and one in November, with the next one planned for April. They are well attended, have generated new sales leads and assisted in closing current prospects. Replays, including last week's ABC news interview with Dr. Cordido from New Haven, Connecticut, are available on AtCor's website. In June, Dr. Cordido, partners and staff acquired three SphygmoCor devices which have had a very positive impact on their multi-location cardiology practice, both in terms of patient outcomes and practice economics.

New applications for SphygmoCor:

As the global gold standard in central aortic waveform analysis and measures of arterial stiffness, new applications continue to be developed for SphygmoCor, driven by research from prominent, global key opinion leaders.

Heart failure:

Dr Elazar Edelman presented "The Role of Non-invasive Central Aortic Pressures in Cardiovascular Disease" at the Cardiovascular Research Foundation's Transcatheter Cardiovascular Therapeutics conference in Washington, DC. He highlighted the clinical value of non-invasively measuring the central aortic blood pressure waveform for cardiovascular disease management, particularly in heart failure prediction and treatment, noting that central pressure contributes to better patient evaluation and that non-invasive measurements were easy to perform and were well validated. Dr. Edelman also noted that his research is focused to inform and expand the clinical potential of SphygmoCor technology beyond its current clinical use in advanced hypertension and arterial stiffness management. Dr. Edelman is the Thomas D. and Virginia W. Cabot Professor of Health Sciences and Technology at MIT, Professor of Medicine at Harvard Medical School, and Senior Attending Physician in the coronary care unit at the Brigham and Women's Hospital in Boston. He directs the Harvard-MIT Biomedical Engineering Center.

To follow on Dr. Edelman's work, results were reported on the second of two trials at Mayo Clinic led by Dr Barry Borlaug, which used SphygmoCor to manage heart failure patients. The second trial sought to understand what distinguished the responders (i.e. those that improved) from the non-responders when additional vasoactive drug therapy, managed by SphygmoCor, was added to their regimen. The responders in the original randomised controlled trial experienced a 20% improvement in peak oxygen capacity. The follow-on study found that the level of specific central aortic pressures prior to treatment determined who would benefit. The trial concluded that traditional brachial cuff blood pressure could neither identify the patients who would benefit, nor measure the improvement in central pressures as brachial pressure was unchanged. This was a major step toward personalised medicine - the application of SphygmoCor for heart failure patients improves outcomes for responders and obviates the need for additional and unnecessary medication for non-responders.

Cognitive function:

This has been an area of increasing interest and focus for AtCor in recent years. There is a growing body of evidence linking arterial stiffness, central pressures and cognitive decline. A very recent paper; in the Journal Clinical Hypertension (Suleman. R., et. al. **Association between central blood pressure, arterial stiffness, and mild cognitive impairment**, *Clinical Hypertension* (2017) 23:2) showed this clear association with mild cognitive decline, particularly in executive function. Brachial cuff blood pressure found no such association. Previous studies using SphygmoCor have included the ability to predict the rate of plaque accumulation, once a patient is diagnosed with Alzheimer's disease, based on the degree of aortic stiffness. AtCor is continuing its

research collaboration with Macquarie University in this important and emerging application. It has been established and accepted that senile dementia is directly linked to arterial health as, of course, are cerebrovascular events ("strokes"). SphygmoCor is emerging as a vital tool in medical management for preventing dementia.

Looking ahead:

Over the next six months, greater traction in AtCor's US clinical business is anticipated, supported by growth and expansion in the activities noted above and the signing of new IDN contracts. This will lead to deeper penetration of the initial four metropolitan target markets and to the fine-tuning of the model for further geographical expansion.

In Asia Pacific, AtCor's partner in China has a number of initiatives underway to further expand the business. While sales in China have grown from a modest base by an average of 62% per annum over the past four years, there is an opportunity to move to the next level.

There are also exciting prospects in Japan. AtCor has had some success in sales to researchers in Japan, and Class 2 registration, which for the first time will allow AtCor to sell to clinicians in the world's second largest medical device market, should be received shortly. With central pressures being added to the Japanese Society of Hypertension Guidelines in 2014, this will place AtCor in a strong position for growth. AtCor's partner, A&D Company Ltd, is a leading blood pressure device company with an established strong sales organisation.

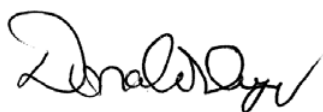
New business development efforts have focused on SphygmoCor being a companion device to assist in therapeutic management with larger med-tech companies, and collaborating with tech companies focused on the wearables and home market. This work will continue.

In summary, AtCor has taken steps to strengthen its balance sheet and more aggressively contain costs. AtCor's growth strategy to penetrate the US clinical market is progressing. New opportunities continue to develop as further clinical evidence is published showing the benefits of utilising SphygmoCor in patient care, including in new areas of heart failure and dementia.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is set out on page 5.

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



D O'Dwyer
Chairman

Sydney
24 February 2017



Auditor's Independence Declaration

As lead auditor for the review of AtCor Medical Holdings Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AtCor Medical Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'S Prakash'.

S Prakash
Partner
PricewaterhouseCoopers

Sydney
24 February 2017

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AtCor Medical Holdings Limited and controlled entities
Consolidated statement of comprehensive income
For the half-year ended 31 December 2016

	Notes	Half year	
		31	31
		December 2016 \$	December 2015 \$
Revenue from sale of goods and services	4	1,838,977	1,688,653
Cost of sales of goods		(468,384)	(420,705)
Gross profit		1,370,594	1,267,948
Other revenue	4	278	2,838
Other income	4	1,056,218	797,561
Marketing and sales expense		(2,285,206)	(2,168,032)
Product development and regulatory expense		(795,013)	(780,365)
Occupancy expense		(100,623)	(99,876)
Administration and other expense		(1,114,342)	(1,318,020)
Loss before income tax		(1,868,095)	(2,297,946)
Income tax expense		-	-
Net loss for the period		(1,868,095)	(2,297,946)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(573,626)	(253,366)
Other comprehensive loss for the period, net of tax		(573,626)	(253,366)
Total comprehensive loss for the period		(2,441,721)	(2,551,312)
Total comprehensive loss attributable to owners of AtCor Medical Holdings Limited		(2,441,721)	(2,551,312)
Earnings per share			
Basic earnings per share	8	(0.89)	(1.17)
Diluted earnings per share	8	(0.89)	(1.17)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

AtCor Medical Holdings Limited and controlled entities
Consolidated statement of financial position
As at 31 December 2016

	Notes	31 December 2016 \$	30 June 2016 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,747,247	1,773,950
Trade and other receivables		1,736,647	2,109,211
Inventories		516,293	418,206
Other		96,446	81,981
Total current assets		4,096,633	4,383,348
Non-current assets			
Property, plant and equipment		176,068	220,188
Total non-current assets		176,068	220,188
Total assets		4,272,701	4,603,536
LIABILITIES			
Current liabilities			
Trade and other payables		1,254,356	1,257,834
Provisions		105,349	125,825
Total current liabilities		1,359,705	1,383,659
Non-current liabilities			
Provisions		92,708	79,102
Total non-current liabilities		92,708	79,102
Total liabilities		1,452,413	1,462,761
Net assets		2,820,288	3,140,775
EQUITY			
Contributed equity	5	41,126,574	39,126,899
Reserves		1,323,773	1,775,840
Accumulated losses		(39,630,059)	(37,761,964)
Total equity		2,820,288	3,140,775

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

AtCor Medical Pty Limited and controlled entities
Consolidated statement of changes in equity
As at 31 December 2016

	Contributed Equity \$	Reserves \$	Accumulated losses \$	Total Equity \$
Balance at 1 July 2015	35,830,567	1,459,498	(32,956,072)	4,333,993
Loss for the half year	-	-	(2,297,946)	(2,297,946)
Other comprehensive income	-	(253,366)	-	(253,366)
Total comprehensive loss for the half-year	-	(253,366)	(2,297,946)	(2,551,312)
Transactions with equity holders in their capacity as equity holders:				
Shares issued	3,214,061	-	-	3,214,061
Share issue expenses	(204,743)	-	-	(204,743)
Employee share options expensed	-	108,771	-	108,771
	<u>3,009,318</u>	<u>108,771</u>	<u>-</u>	<u>3,118,089</u>
Balance at 31 December 2015	<u>38,839,885</u>	<u>1,314,903</u>	<u>(35,254,018)</u>	<u>4,900,770</u>
Balance at 1 July 2016	39,126,899	1,775,840	(37,761,964)	3,140,775
Loss for the half year	-	-	(1,868,095)	(1,868,095)
Other comprehensive loss	-	(573,626)	-	(573,626)
Total comprehensive loss for the half-year	-	(573,626)	(1,868,095)	(2,441,721)
Transactions with equity holders in their capacity as equity holders:				
Shares issued	2,124,550	-	-	2,124,550
Share issue expenses	(124,875)	-	-	(124,875)
Employee share options expensed	-	121,559	-	121,559
	<u>1,999,675</u>	<u>121,559</u>	<u>-</u>	<u>2,121,234</u>
Balance at 31 December 2016	<u>41,126,574</u>	<u>1,323,773</u>	<u>(39,630,059)</u>	<u>2,820,288</u>

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

AtCor Medical Holdings Limited and controlled entities
Consolidated statement of cash flows
For the half-year ended 31 December 2016

	Half year	
	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,685,282	2,186,300
Payments to suppliers and employees (inclusive of goods and services tax)	(4,715,458)	(4,884,512)
	(2,030,176)	(2,698,212)
Interest received	278	2,838
Net cash outflow from operating activities	(2,029,898)	(2,695,374)
Cash flows from investing activities		
Payments for property, plant and equipment	(5,637)	(21,449)
Net cash outflow from investing activities	(5,637)	(21,449)
Cash flows from financing activities		
Issue of shares	2,124,550	3,214,061
Cost of share issue	(124,875)	(204,743)
Net cash inflow from financing activities	1,999,675	3,009,318
Net (decrease)/increase in cash and cash equivalents	(35,860)	292,495
Cash and cash equivalents at the beginning of the half-year	1,773,950	3,449,943
Effects of exchange rate changes on cash and cash equivalents	9,157	42,004
Cash and cash equivalents at the end of the half-year	1,747,247	3,784,442

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

AtCor Medical Holdings Limited and controlled entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2016

Note 1 Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by AtCor Medical Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

a) Basis of going concern

During the half year ended 31 December 2016, the Group incurred an operating loss after tax of \$1,868,095 (1H FY2016: \$2,297,946) and net operating cash outflows of \$2,029,898 (1H FY2016: \$2,716,823). As at 31 December 2016 the Group has cash and cash equivalents of \$1,747,247 (Dec 2015: \$3,784,442). Since 31 December 2016 AtCor has also received its R&D tax refund of \$472,133.

The Group has made progress engaging with large US buying groups, known as integrated delivery networks (IDN's), as a supplier into their hospital and medical systems. Access to these IDN's will provide a clearer market for AtCor's product which is also expected to speed up the sales process. To enable the Group to continue its operations, it needs to meet its cash flow forecasts which are highly dependent on achieving the sales forecast. To preserve the cash on hand the Board and management have also implemented a number of cost savings measures to reduce the expense base, including reducing headcount.

As a result of these matters, there is a material uncertainty that may cast significant doubt on 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. The Group's ability to continue as a going concern and meet its commitments as and when they fall due is dependent on the ability of the Group to meet its sales targets.

The Group is established in its key sales markets and has strong clinical evidence to support adoption of the SphygmoCor system by clinicians. Additionally, negotiations are in progress with a number of pharmaceutical and medical device companies for supply of systems that may generate considerable operating cash. These are not currently included in these forecasts. Accordingly, the Directors believe that the Group will be successful in the above and hence, have prepared the financial report on a going concern basis.

Note 2 Segment information

Half-year	Americas	Europe	Asia/ Pacific	Inter- segment eliminations/ unallocated	Consolidated
31 December 2016	\$	\$	\$	\$	\$
Sales to external customers	1,097,543	380,553	360,881	-	1,838,977
Intersegment sales	-	-	890,585	(890,585)	-
Revenue from sale of goods	<u>1,097,543</u>	<u>380,553</u>	<u>1,251,46</u>	<u>(890,585)</u>	<u>1,838,977</u>
Other revenue	-	-	470,855	-	470,855
Total segment revenue	<u>1,097,543</u>	<u>380,553</u>	<u>1,722,321</u>	<u>(890,585)</u>	<u>2,309,832</u>
Segment result	<u>(1,673,178)</u>	<u>79,158</u>	<u>(860,323)</u>	<u>-</u>	<u>(2,454,343)</u>
Unallocated revenue less unallocated expenses					<u>586,248</u>
Loss before income tax					<u>(1,868,095)</u>
Income tax expense					<u>-</u>
Net loss for the period					<u>(1,868,095)</u>
Half-year					
31 December 2015					
Sales to external customers	932,478	314,973	441,202	-	1,688,653
Intersegment sales	-	-	505,426	(505,426)	-
Revenue from sale of goods	<u>932,478</u>	<u>314,973</u>	<u>946,628</u>	<u>(505,426)</u>	<u>1,688,653</u>
Other revenue	-	-	461,916	-	461,916
Total segment revenue	<u>932,478</u>	<u>314,973</u>	<u>1,408,544</u>	<u>(505,426)</u>	<u>2,150,569</u>
Segment result	<u>(1,528,763)</u>	<u>(36,021)</u>	<u>(1,071,645)</u>	<u>-</u>	<u>(2,636,429)</u>
Unallocated revenue less unallocated expenses					<u>338,483</u>
Loss before income tax					<u>(2,297,946)</u>
Income tax expense					<u>-</u>
Net loss for the period					<u>(2,297,946)</u>

AtCor Medical Holdings Limited and controlled entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2016
(Continued)

Note 3 Dividends

No dividends were paid or declared since 30 June 2016 and the directors do not recommend the payment of a dividend.

Note 4 Revenue

From continuing operations	Half-year	
	2016	2015
	\$	\$
<i>Sales revenue</i>		
Sale of goods	1,753,834	1,516,680
Sales of services	85,143	171,973
	1,838,977	1,688,653
<i>Other revenue</i>		
Interest	278	2,838
	278	2,838
	1,839,255	1,691,491
<i>Other Income</i>		
R&D tax concession	470,248	461,916
Foreign Exchange gains	585,971	335,645
	1,056,218	797,561

Note 5 Equity securities issued

	2016	2015	2016	2015
	Shares	Shares	\$	\$
Issues of ordinary shares during the half-year				
Issue of new fully paid ordinary shares	31,910,000	17,943,393	2,124,550	3,214,061
Costs of issue			(124,875)	(204,743)
Net funds received			1,999,675	3,009,318

Note 6 Contingent liabilities

There are no contingent liabilities.

Note 7 Event occurring after reporting date

No matter or circumstance has arisen since 31 December 2016 that has significantly affected or may affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

AtCor Medical Holdings Limited and controlled entities

Notes to the consolidated financial statements

For the half-year ended 31 December 2016

(Continued)

Note 8 Earnings per share

	Half-year	
	2016	2015
	Cents	Cents
Basic earnings per share	(0.89)	(1.17)
Diluted earnings per share	(0.89)	(1.17)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	209,098,963	196,533,647
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	209,098,963	215,461,980

Options

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. As at 31 December 2016 there were 18,725,833 options outstanding (31 December 2015: 24,528,333) and no options were considered dilutive (31 December 2015: 18,928,333).

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AtCor Medical Holdings Limited and controlled entities
Directors' declaration
31 December 2016

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that AtCor Medical Holdings Limited will be able to pay its debts as and when they become due and payable.

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



D O'Dwyer
Director

Sydney
24 February 2017



Independent auditor's review report to the shareholders of AtCor Medical Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AtCor Medical Holdings Limited (the Company), which comprises:

- the consolidated statement of financial position as at 31 December 2016
- the consolidated statement of comprehensive income for the half-year then ended
- the consolidated statement of changes in equity for the half-year then ended
- the consolidated statement of cash flows for the half-year then ended
- selected explanatory notes
- the directors' declaration for AtCor Medical Holdings Limited (the consolidated entity).

The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AtCor Medical Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AtCor Medical Holdings Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report, which indicates that the consolidated entity incurred an operating loss after tax of \$1,868,095 and net cash outflows from operating activities of \$2,029,898 for the half-year ended 31 December 2016 and comments on the consolidated entity being highly dependent on successfully achieving the sales and cash flow forecasts to enable it to continue its operations. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 31 December 2016 included on AtCor Medical Holdings Limited's web site. The Company's directors are responsible for the integrity of the AtCor Medical Holdings Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

S Prakash
Partner

Sydney
24 February 2017