

ImpediMed Limited

ABN 65 089 705 144

Appendix 4D

for the half-year ended 31 December 2016
(previous corresponding period : half-year ended 31 December 2015)

The information contained in this document should be read in conjunction with the financial statements for the year ended 30 June 2016 and any public announcements made by ImpediMed Limited and its controlled entities during the interim reporting period in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Results for announcement to the market			
	Current period	Previous corresponding period	
	\$000	\$000	\$000
2.1 Revenue from ordinary activities	3,053	2,735	
Increase in revenue:			318
Percentage increase:			12%
2.2 Loss from ordinary activities after tax attributable to members	(13,793)	(11,215)	
Increase in loss from ordinary activities after tax attributable to members			(2,578)
Percentage change:			(23%)
2.3 Net loss for the period attributable to members	(13,793)	(11,215)	
Increase in net loss for the period attributable to members:			(2,578)
Percentage change:			(23%)
2.4 Dividends	NIL	NIL	
There were no dividends declared and paid during the half year on ordinary shares. There were no dividends proposed and not yet recognised as a liability during the half year.			
2.5 Dividend Record Date	Not applicable		
2.6 Explanation of operating performance			
Refer to the operating and financial review in the Directors' Report of the Financial Report for the current reporting period.			

3	Net tangible assets per ordinary security		
		Current period	Previous corresponding period
	Net tangible assets (\$000)	\$ 72,432	\$ 24,122
	Issued share capital at reporting date (\$000)	\$ 219,335	\$ 147,583
	Number of shares on issue at reporting date	375,092,752	293,752,367
	Net tangible assets per ordinary security	\$ 0.19	\$ 0.08
4	Acquisitions and divestments		
	4.1	There were no entities over which control has been gained or lost during the current reporting period.	
	4.2	Not applicable	
	4.3	Not applicable	
5	Details of dividends		
		There were no dividends paid during the period, or payable at 31 December 2016.	
6	Dividend Reinvestment Plans		
		The Company has no dividend reinvestment plan.	
7	Associates and joint ventures		
		There are no equity accounted associates and joint venture entities.	
8	Accounting standards		
		The financial report for the group has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards.	
9	Auditors' review report		
		The review report prepared by the independent auditor Ernst & Young is not subject to any dispute or qualification, and is provided with the half-year financial statements.	

impedimed[®]



IMPEDIMED LIMITED

FINANCIAL REPORT

ABN 65 089 705 144

For the half-year ended 31 December 2016

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Corporate Information

ABN: 65 089 705 144

This financial report covers the consolidated entity comprising ImpediMed Limited (the "Parent" or "Company") with its wholly owned subsidiaries (the "Group"). The Parent's functional and presentation currency and the Group's presentation

currency is the Australian dollar (AUD or \$). A description of the Group's operations and of its principal activities is included in the operating and financial review in the Directors' Report. The Directors' Report is not part of the financial report.

Directors

Non-Executive Directors



Cherrell Hirst AO
Chairman
Non-executive Director



Gary Goetzke
Non-executive Director



Scott R. Ward
Non-executive Director

Managing Director



Richard Carreon
Managing Director and
Chief Executive Officer

Company Secretary



Leanne Ralph
Company Secretary

Corporate Information

ABN: 65 089 705 144

Half - Year Report

Registered Office

Unit 1, 50 Parker Court
Pinkenba QLD 4008

Principal Places of Business

US HEADQUARTERS

5900 Pasteur Court,
Suite 125
Carlsbad CA 92008 USA
T.: +1 760 585 2100

AU HEADQUARTERS

Unit 1, 50 Parker Court
Pinkenba QLD 4008
T.: +61 7 3860 7000

US REGIONAL OFFICE

2901 Metro Drive
Bloomington MN 55425 USA
T.: +1 760 585 2011

Share Register

Link Market Services
Level 15, 324 Queen Street
Brisbane QLD 4000
T.: +61 7 3320 2200

ImpediMed Limited shares are listed on the Australian Securities Exchange (ASX): ASX code "IPD".

Solicitors

Johnson Winter & Slattery
Level 25, 20 Bond Street
Sydney QLD 2000

Sheppard Mullin Richter & Hampton LLP
12275 El Camino Real, Suite 200
San Diego CA 92130-2006 USA

Bankers

Commonwealth Bank of Australia
240 Queen Street
Brisbane QLD 4000

Bank of America
450 B Street, Suite 1500
San Diego CA 92101-8001 USA

Auditors

Ernst & Young
Level 51, 111 Eagle Street
Brisbane QLD 4000

Remuneration Advisors to the Board of Directors

KPMG
147 Collins Street
Melbourne VIC 3000

Willis Towers Watson
300 S. Grand Avenue
Los Angeles CA 90071

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www.impedimed.com
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Directors' Report

Your Directors submit their report together with the consolidated interim financial report for ImpediMed Limited for the half-year ended 31 December 2016.

Directors

The names and details of the Parent's Directors (the "Board") in office during the half-year and until the date of this report are outlined below. Directors were in office for this entire period unless otherwise stated.

Cherrell Hirst AO,
FTSE, MBBS, BEdSt,
DUniv, FAICD
Non-executive Chairman

David Adams, Juris
Doctorate, BSc
Non-executive Director
(resigned Aug 2016)

Elizabeth Gaines
Non-executive Director
(retired Feb 2017)

Gary Goetzke,
Juris Doctorate
Non-executive Director
(appointed Aug 2016)

Michael Panaccio, PhD,
MBA, BSc (Hons), FAICD
Non-executive Director
(retired Aug 2016)

Scott R. Ward,
MS, BSc
Non-executive Director

Richard Carreon
Managing Director
and CEO

Principal Activities

ImpediMed is a global provider of medical technology to measure, monitor and manage fluid status and body composition.

The principal activities of the Group during the year were the development, manufacture and sale of bioimpedance instruments and consumables and the sale of electronic test and measurement devices.

Operating and Financial Review

Group Overview

ImpediMed Limited was founded in Brisbane, Australia in October 1999, and was listed on the ASX on 24 October 2007.

The Group consists of four entities:

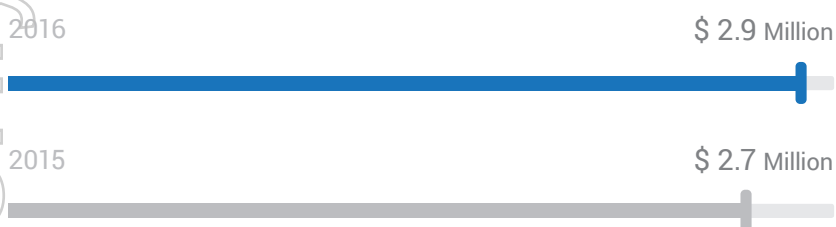
- **ImpediMed Limited**, the Parent company operating in medical markets in regions outside North America; incorporated in 1999 and listed on the ASX on 24 October 2007.
- **ImpediMed Hellas**, a Kalamaria, Greece corporation operating in a research & development and marketing capacity in Europe.
- **ImpediMed Incorporated**, a Delaware corporation operating in medical markets in North America.
- **XiTRON Technologies, Incorporated**, a California corporation operating in power test and measurement markets globally. XiTRON Technologies, Inc was acquired by ImpediMed Limited on 1 October 2007.

Directors' Report

Operating and Financial Review (Continued)

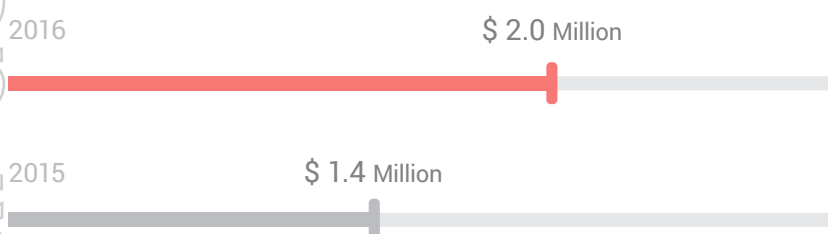
Revenue related to goods and services

(For the Half-Year ended 31 December)



Oncology Revenue

(For the Half-Year ended 31 December)



Operating Results for the Period

Total comprehensive loss for the period was \$11.7 million (31 December 2015: \$9.7 million). The loss from continuing operations after income tax for the period was \$13.8 million (31 December 2015: \$11.2 million). The increased loss, when compared with the prior year, is primarily attributed to an increase in research & development related expenses for the next generation device, SOZO™.

The Group reported revenue growth from the previous corresponding period in the Medical cash generating unit (CGU) of \$0.7 million, or 41%. Within the Medical CGU, Oncology revenue increased by 43% and Wellness related revenue increased by 33%. In the Test & Measurement (T&M) CGU, revenue decreased by 50%.

Revenue related to goods and services for the current period were \$2.9 million (31 December 2015: \$2.7 million), an increase of \$0.2 million, or 7%, over the previous corresponding

period. The change by operating segment was a \$0.7 million increase in the Medical CGU and a \$0.5 million decrease in T&M CGU, adjusted for rounding. The \$0.7 million increase in the Medical segment was due to a \$0.6 million increase in Oncology revenue and a \$0.1 million increase in Wellness related revenue.

Cost of goods sold for the current period were \$0.8 million (31 December 2015: \$0.7 million). The increase in cost of goods sold is largely consistent with the increase in revenue during the period.

During the period, the Group sold its products through a mix of employed sales reps and independent distributors. In the U.S. lymphoedema market, the Group has an employed, direct sales force that focuses on the sale of the L-Dex® U400 and its associated patient assessments.

Directors' Report

Operating and Financial Review (Continued)

Activities effecting operating results



Entered into a three-year joint development agreement with the Mayo Clinic to advance new solutions for ImpediMed's fluid status and body composition monitoring technology



Partnered with Redox to expand the capabilities of electronic health record (EHR) integration for the SOZO device



Partnered with Vanderbilt University for a series of patient and clinician human factors testing using the SOZO device



Scripps Health will use the SOZO device in a validation study for monitoring patients with heart failure who are currently being tracked using pulmonary artery pressure monitoring



Mayo Clinic, together with the AtlanticHealthSystem, will use the SOZO device in a feasibility study for monitoring patients with heart failure, to provide real-world data necessary for the final design of the pivotal trial



Established European CHF Medical Advisory Board to advise the Company on the clinical utility for the use of BIS in fluid detection for chronic heart failure patients

Operating Results for the Period (continued)

Expenses for the period were \$16.1 million (31 December 2015: \$13.2 million). The major movements in expenses between the periods are noted below. A secondary component in the increase in expense related to the movement in the exchange rate. The average exchange rate for the reporting period was US dollar (USD) \$0.75 to Australian dollar (AUD) \$1.00. For the six-month period ending 31 December 2015 it was USD \$0.72 to AUD \$1.00. During the period, the Group incurred an unrealised mark-to-market foreign currency translation gain of \$39,000 (31 December 2015: \$76,000 gain).

Salaries and benefits for the current period were \$8.8 million (31 December 2015: \$6.5 million), an increase of 35%. The employee headcount at the end of the period was 78 (31 December 2015: 49). Salaries and benefits increased during the period primarily due to headcount required for the continued work in research and development for the SOZO device, as well as due to the commercialisation of L-Dex in the US marketplace and the increased activity related to the management of clinical trials.

Consultants and professional fees decreased to \$1.6 million (31 December 2015: \$1.8 million), a decrease of 11%. The decrease in the current period was primarily due to one-time patent and license fees in the prior period related to the Group's expansion of its Intellectual Property portfolio, slightly offset by additional legal and recruiting fees in the current period.

Clinical trial and Research and development expenses increased to \$3.2 million (31 December 2015: \$1.4 million), an increase of 129%. During the current financial year, the Group expanded its work on its next generation device, which included expenses for a pre-production run of SOZO devices, and continued its progress in the post-approval clinical trial for L-Dex. As of the end of the December 2016, the Group had over 800 patients enrolled in the randomised lymphoedema post-approval clinical trial, with over 200 of those patients having now surpassed their first year follow-up.

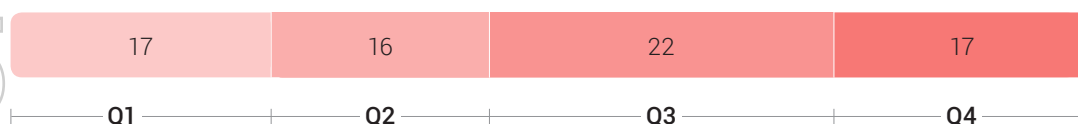
Directors' Report

Operating and Financial Review (Continued)

L-Dex® Commercial Launch in US

Trained Accounts in Calendar Year 2016

(72)



Targeted Accounts in Calendar Year 2016

(50)



Operating Results for the Period (continued)

Advertising and promotion expenses increased to \$0.6 million (31 December 2015: \$0.4 million), an increase of 50%. The increase in the current period was primarily related to additional branding and marketing campaigns related to the Group's product mix.

Administrative and governance fees increased to \$1.1 million (31 December 2015: \$0.7 million), an increase of 43%. The increase in the current period was primarily related to a provision of \$0.2 million taken on excess inventory. The Group holds a large quantity of certain end-of-life parts necessary in the build of current devices. A provision was taken on all parts held in excess of current build forecasts. The increase was also due to additional insurance fees of \$0.1 million, as

the Group expanded its insurance portfolio in response to changing factors such as the Group's increased market capitalisation over the prior period.

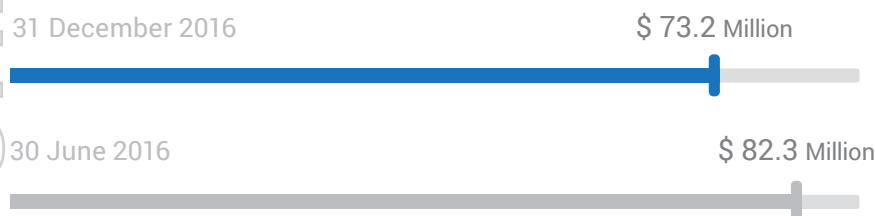
In addition, the non-cash expense of share-based payments decreased to \$0.9 million (31 December 2015: \$1.3 million), a decrease of 31%. A portion of the decrease related to prior years' grants being fully amortised, including the initial new hire grant for the Chief Executive Officer. This decrease was partially offset by additional option and performance right grants to executives and employees in the current financial year.

Directors' Report

Operating and Financial Review (Continued)



Cash and Cash Equivalents



Net Cash used in operating activities

(For the Half-Year ended 31 December)



Review of Financial Condition - Liquidity and Capital Resources

Cash and cash equivalents were \$73.2 million at 31 December 2016 (30 June 2016: \$82.3 million). Net cash used in operating activities for the period was \$11.4 million compared to \$9.1 million for the six months ending 31 December 2015. The increase in spend primarily related to research & development expenses as the Group continued to accelerate development of the next generation device, SOZO, and as the Group continued the commercialisation of L-Dex in the US market. This increased spend was slightly offset by the receipt of R&D Tax Incentive credits during the period, covering the 2015 and 2016 financial years.

The Group maintains a significant portion of available funds in U.S. dollars to match U.S. dollar expenditure needs. The loss from continuing operations for the period before income tax includes a realised foreign exchange loss arising from the operating expenses in the U.S. The spot exchange rate for the beginning and end of the reporting period was AUD \$1.00 to USD \$0.74 and USD \$0.72, respectively. The spot exchange rate for the beginning and end of the comparative period ending 31 December 2015 was AUD \$1.00 to USD \$0.77 and USD \$0.72, respectively.

Lymphoedema in the News

The Centers for Medicare and Medicaid Services (CMS) published the proposed outpatient payment rates for calendar year 2017, which include an increased payment rate for code 93702 when billed by a hospital outpatient facility to an average of USD \$127.42, an increase of 13.1%

Study on efficacy of L-Dex in routine clinical practice published, which demonstrates the impact L-Dex can have on patients at-risk for breast cancer related lymphoedema

Other News

The US Food and Drug Administration (FDA) issued new guidance surrounding digital health, which allows manufacturers of medical devices to use Real-World Evidence to support their application for submission to FDA for clearance and/or approval

The FDA released their guidance document "General Wellness: Policy for Low Risk Devices", which states that the agency does not intend to examine low risk, general wellness products. Devices and apps marketed to promote healthy behaviors have been exempted by the FDA

Significant events after the balance sheet date

On 17 January 2017, ImpediMed announced the retirement of Elizabeth Gaines from the Board. Ms Gaines' retirement followed the announcement of her appointment to the role of Chief Financial Officer of Fortescue Metals Group Limited, effective 6 February 2017.

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Corporate Governance

On 27 March 2014, the ASX Corporate Governance Council (CGC) released the third edition of their corporate governance principles and recommendations, including ASX listing rule 4.10.3.

Details of ImpediMed's corporate governance policies and procedures, including information about Board Committees and Corporate Charters, can be found on the Group's website under the Investors section:

<http://investors.impedimed.com/about/corporate-governance/>

Rounding of Amounts

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable and where noted (\$000)) under the option available to ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191. The Group is an entity to which the Class Order applies.

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Auditors' independence declaration and non-audit services

The Directors append to the Directors' Report the following declaration from our auditors, Ernst & Young.

Signed in accordance with a resolution of the Directors.



Cherrell Hirst AO
Chairman

Brisbane, 24 February 2017

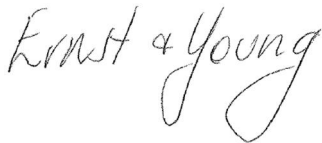
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Auditor's Independence Declaration to the Directors of ImpediMed Limited

As lead auditor for the review of ImpediMed Limited for the half-year ended 31 December 2016, I declare 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 ImpediMed Limited and the entities it controlled during the financial period.



Ernst & Young



Kellie McKenzie
Partner
24 February 2017

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Consolidated Statement of Comprehensive Income

Half - Year Report

For the Half-Year Ended 31 December 2016

	Notes	31 Dec 2016 \$000	31 Dec 2015 \$000
CONTINUING OPERATIONS			
Sale of goods	4	2,746	2,580
Rendering of services		128	131
Finance income	4	179	24
Revenue		3,053	2,735
Cost of goods sold		(761)	(712)
GROSS PROFIT		2,292	2,023
Other income / (expense)	5	1,481	(1)
Salaries and benefits	6	(8,766)	(6,510)
Consultants and professional fees	6	(1,568)	(1,756)
Advertising and promotion expenses	6	(588)	(365)
Clinical trials and Research & development	6	(3,191)	(1,365)
Travel expenses		(785)	(769)
Rent and property expenses		(241)	(151)
IT and other expenses		(305)	(211)
Administrative and governance fees		(1,075)	(722)
Depreciation and amortisation	6	(122)	(85)
Share-based payments	11	(925)	(1,303)
Loss from continuing Operations before income tax		(13,793)	(11,215)
Income tax		-	-
Loss from continuing Operations after income tax		(13,793)	(11,215)
NET LOSS FOR THE PERIOD		(13,793)	(11,215)
Other Comprehensive Income (loss)			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translations		2,072	1,487
Other Comprehensive gain for the period, net of tax		2,072	1,487
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(11,721)	(9,728)

	Notes	2016 \$	2015 \$
Basic and diluted loss per share	1	(0.04)	(0.04)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2016

Half - Year Report

	Notes	as at 31 Dec 2016 \$000	as at 30 June 2016 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	7	73,236	82,254
Trade and other receivables		1,949	3,507
Inventories		1,558	1,378
Other current assets		402	510
Total Current Assets		77,145	87,649
Non Current Assets			
Other financial assets		124	48
Property and equipment	8	559	396
Intangible assets	9	36	41
Goodwill	9	2,518	2,436
Total Non-Current Assets		3,237	2,921
TOTAL ASSETS		80,382	90,570
LIABILITIES			
Current Liabilities			
Trade and other payables		3,422	2,599
Provisions		1,781	2,602
Total Current Liabilities		5,203	5,201
Non-Current Liabilities			
Provisions		193	115
Total Non-Current Liabilities		193	115
TOTAL LIABILITIES		5,396	5,316
NET ASSETS		74,986	85,254
EQUITY			
Issued capital	10	219,335	218,807
Reserves		19,095	16,098
Accumulated losses		(163,444)	(149,651)
TOTAL EQUITY		74,986	85,254

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the Half-Year Ended 31 December 2016

Half - Year Report

	Notes	31 Dec 2016 \$000	31 Dec 2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST and US sales tax)		3,001	2,863
Payments to suppliers and employees (inclusive of GST and US sales tax)		(17,385)	(12,026)
Interest received		179	28
Other receipts		2,803	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(11,402)	(9,135)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(220)	(32)
Proceeds from the sale of property and equipment		-	-
Purchase of intangible assets		-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(220)	(32)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		585	259
Transaction costs from capital raising		(21)	(9)
Other proceeds from financing activities		-	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		564	250
Net increase (decrease) in cash and cash equivalents		(11,058)	(8,917)
Net foreign exchange differences		2,040	1,487
Cash and cash equivalents at beginning of period		82,254	32,582
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	73,236	25,152

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

Half - Year Report

For the Half-Year Ended 31 December 2016

	Notes	Issued Capital \$000	Share Reserves \$000	Foreign Currency Translation Reserve \$000	Total Reserves \$000	Accumulate Losses \$000	Total \$000
At 1 July 2015		147,349	7,665	3,494	11,159	(123,671)	34,837
Loss for the period						(11,215)	(11,215)
Other comprehensive income				1,487	1,487		1,487
Total comprehensive loss for the period		-	-	1,487	1,487	(11,215)	(9,728)
Equity Transactions:							
• Share-based payment			1,303		1,303		1,303
• Allotment of ordinary shares		245					245
• Costs of capital raising		(11)					(11)
At 31 December 2015		147,583	8,968	4,981	13,949	(134,886)	26,646
At 1 July 2016		218,807	10,182	5,916	16,098	(149,651)	85,254
Loss for the period						(13,793)	(13,793)
Other comprehensive loss				2,072	2,072		2,072
Total comprehensive loss for the period		-	-	2,072	2,072	(13,793)	(11,721)
Equity Transactions:							
• Share-based payment			925		925		925
• Allotment of ordinary shares		547					547
• Costs of capital raising		(19)					(19)
At 31 December 2016		219,335	11,107	7,988	19,095	(163,444)	74,986

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

CONTENT

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Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

1. Earnings per share (EPS)

The following reflects the net loss attributable to ordinary equity holders and the weighted average number of ordinary shares used in the calculations of basic earnings per share (in thousands except for share data):

	31 Dec 2016	31 Dec 2015
	\$000	\$000
Net loss used in calculating basic and diluted earnings per share	(13,793)	(11,215)
	No.	No.
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	374,281,958	293,396,210
	\$	\$
Basic and diluted loss per share	(0.04)	(0.04)

During the current period, all issuances of new shares related to the exercise of options by employees and consultants.

Diluted EPS is calculated by taking the net loss attributable to ordinary equity holders and dividing it by the sum of the weighted average number of ordinary shares and the weighted average number of convertible instruments. For the current period ended 31 December 2016,

diluted EPS is equal to basic EPS as the Group is currently in a loss position and any conversion of instruments to ordinary shares would have an antidilutive effect on earnings per share.

As of the end of current period there were 30,129,387 (30 June 2016: 28,709,232) options and 3,999,000 (30 June 2016: 2,760,000) performance rights on issue.

2. Dividends paid and proposed

There were no dividends paid or proposed during the current reporting period or in the prior corresponding period.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

3. Segment reporting

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2016 and 31 December 2015.

During the half-year, the Chief Executive Officer, who is the Chief Operating Decision Maker, continued reviewing the business revenue

information categorised by the Group's three product lines: Oncology and Wellness in the medical segment and the Test & Measurement ("T&M") segment.

This reporting is consistent with the prior half-year financial report.

Medical

The medical segment is a supplier of non-invasive medical devices to two under-served markets: (1) aiding in the subclinical assessment of individuals at risk of secondary lymphoedema (Oncology or ONC) and (2) the monitoring of body composition and hydration (Wellness or WLN). The Medical cash generating unit is the core business of the Group and is the main strategic operating segment.

Test & Measurement

The Test & Measurement segment is a supplier of power precision testing and measuring equipment.

Half-Year Ended 31 December 2016	Medical			T&M \$000	Total \$000
	ONC \$000	WLN \$000	Total Medical \$000		
Revenue					
Consumable and operating lease revenue	1,324	88	1,412	7	1,419
Device revenue	645	322	967	360	1,327
Rendering of services	17	17	34	94	128
Total Segment Revenue	1,986	427	2,413	461	2,874
Unallocated revenue - finance income					179
Total Consolidated Revenue					3,053

Half-Year Ended 31 December 2015	Medical			T&M \$000	Total \$000
	ONC \$000	WLN \$000	Total Medical \$000		
Revenue					
Consumable and operating lease revenue	1,029	67	1,096	12	1,108
Device revenue	324	250	574	898	1,472
Rendering of services	8	14	22	109	131
Total Segment Revenue	1,361	331	1,692	1,019	2,711
Unallocated revenue - finance income					24
Total Consolidated Revenue					2,735

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

3. Segment reporting (continued)

Segment assets

The following table presents segment assets of the Group's operating segments as at 31 December 2016 and 30 June 2016.

As at 31 December 2016	Medical \$000	T&M \$000	Total \$000
Segment assets	79,053	1,329	80,382

As at 30 June 2016	Medical \$000	T&M \$000	Total \$000
Segment assets	89,092	1,478	90,570

Adjustments and eliminations

Finance income and finance costs are not allocated to individual segments as the underlying instruments are managed on an overall Group basis. These are included in adjustments and eliminations in the segment disclosures:

Half-Year Ended 31 December 2016	Medical \$000	T&M \$000	Total \$000
Results			
Segment result	(13,394)	(456)	(13,850)
Income tax expense	-	-	-
Net Allocated Loss For the Period	(13,394)	(456)	(13,850)
Unallocated results (finance income less costs)			179
Depreciation and amortisation			(122)
Net Loss For the Period			(13,793)

Half-Year Ended 31 December 2015	Medical \$000	T&M \$000	Total \$000
Results			
Segment result	(11,099)	(55)	(11,154)
Income tax expense	-	-	-
Net Allocated Loss For the Period	(11,099)	(55)	(11,154)
Unallocated results (finance income less costs)			24
Depreciation and amortisation			(85)
Net Loss For the Period			(11,215)

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

4. Revenue

	2016 \$000	2015 \$000
Sale of Goods		
Consumable and lease revenue	1,419	1,108
Device revenue	1,327	1,472
	2,746	2,580
Finance income		
Interest income - bank deposits	6	24
Interest income - term deposits and money market funds	173	-
	179	24

5. Other income

	2016 \$000	2015 \$000
R&D tax incentive (i)	1,478	-
Gain / (Loss) on asset disposals	3	(1)
	1,481	(1)

(i) The Group receives payments for research & development (R&D) tax credits under the AusIndustry R&D Tax Incentive program. This program is a broad-based entitlement program that aims to promote innovation within Australia for eligible R&D activities. The income in the current year relates to an accrual of \$1.1 million related to the expected refund for eligible activities conducted in the first half of the current financial year, as well as \$0.4 million related to an additional refund for the 2016 financial year in excess of what was accrued at 30 June 2016.

6. Expenses

Salaries and benefits

	2016 \$000	2015 \$000
Wages and salaries	6,191	4,152
Performance & sales incentives	1,711	1,938
Superannuation	213	142
Annual leave & long service leave	237	75
Other employee benefits	414	203
Sub-Total Salaries and benefits	8,766	6,510
Share-based payments to employees	920	1,292
Total Salaries and benefits	9,686	7,802

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

6. Expenses (continued)

Consulting and professional fees

	2016 \$000	2015 \$000
Professional fees	340	146
Consulting fees	671	706
Patent and trademark fees (i)	557	904
Total Consulting and professional fees	1,568	1,756

(i) A portion of the expense during the prior period related to the purchase of intellectual property, which included all rights, title, and interest in bioimpedance spectroscopy and other associated technology related to the field of chronic heart failure. This purchase did not meet the asset recognition criteria and was therefore expensed to patent fees during the prior period.

Advertising and promotion expenses

	2016 \$000	2015 \$000
Tradeshows, sponsorships and donations	211	225
Branding and marketing campaigns	315	97
Other advertising and promotion expenses	62	43
Total Advertising and promotion expenses	588	365

Clinical trials and Research & development

	2016 \$000	2015 \$000
R&D design, documentation and validation	2,007	599
R&D preproduction run	578	2
Clinical trials and registries	606	764
Total Clinical trials and Research & development	3,191	1,365

Administrative and governance fees

	2016 \$000	2015 \$000
Directors' fees	234	282
Governance and regulatory fees	376	244
Insurance	164	88
Administrative expenses (i)	301	108
Total Administrative and governance fees	1,075	722

(i) During the period, the Group took a provision of \$0.2 million on excess inventory. The Group holds a large quantity of certain end-of-life parts necessary in the build of current devices. A provision was taken on all parts held in excess of current build forecasts.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

Half - Year Report

6. Expenses (continued)

Depreciation and amortisation included in Consolidated Statement of Comprehensive Income

	2016 \$000	2015 \$000
Depreciation of property and equipment	72	39
Depreciation of demo and loan devices	34	30
Amortisation of leasehold improvements	9	11
Amortisation of patents and licenses	1	1
Amortisation of software	6	4
	122	85
Depreciation of operating lease and PSA devices (i)	8	12
Total Depreciation and amortisation	130	97

(i) This depreciation relates to devices on operating lease or PSA and has been included in cost of goods sold.

7. Cash and cash equivalents

	As at 31 Dec 2016 \$000	As at 30 Jun 2016 \$000
Cash at bank and in hand	73,236	82,254
Cash and cash equivalents	73,236	82,254

8. Non-current assets – property and equipment

During the six months ended 31 December 2016, the Group acquired assets with a cost of \$129,000 (six months ended 31 December 2015: \$32,000) in relation to computer equipment. In addition, the Group acquired assets with a cost of \$99,000 (six months ended 31 December 2015: nil) in relation to leasehold improvements and additional equipment and fixtures.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

9. Intangible assets and goodwill

Intangible assets decreased in the current period due to the normal amortisation of computer software and licences. This decrease was partially offset by foreign currency exchange movements.

Goodwill increased in the current period due to foreign currency exchange movements.

Goodwill tests for impairment bi-annually (as at 31 December and 30 June) and when circumstances indicate the carrying value may be impaired. The key inputs used in impairment testing were disclosed in the annual consolidated financial statements for the year ended 30 June 2016.

All assumptions used in the calculation are based on budgets and forecasts and consider the size of markets available to the Group. Management believes that no reasonably possible change in any of the key inputs or assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

The Group found no evidence of impairment of goodwill or other assets, and as a result, no impairment loss has been recognised at the reporting date.

10. Issued capital

Ordinary shares

	Number of Shares	\$000
At 31 December 2015	293,752,367	147,583
Issued during the period as a result of:		
Issue of ordinary shares	79,025,398	75,074
Employee exercise of options	806,706	115
Transactions costs		(3,965)
At 30 June 2016	373,584,471	218,807
Issued during the period as a result of:		
Issue of ordinary shares		
Employee exercise of options	1,508,281	547
Transactions costs		(19)
At 31 December 2016	375,092,752	219,335

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

11. Share-based payment plans

For the six months ended 31 December 2016, the Group had \$0.9 million (31 December 2015: \$1.3 million) of share-based payment transactions expense in the Consolidated Statement of Comprehensive Income

During the period, the Group granted awards under the Employee Incentive Plan ("EIP"). The EIP was approved at the Group's Annual General Meeting held on 30 October 2014.

The weighted average fair value of the options granted during the six-month period was \$0.89 (31 December 2015: \$0.56).

During the current period, 4,025,500 share options (31 December 2015: 3,772,000) and 1,419,000 performance rights (31 December 2015: 500,000) were granted under the EIP. The award grants included 2,575,000 share options (31 December 2015: 2,075,000) and 1,187,000 performance rights (31 December 2015: 500,000) granted to key management personnel ("KMP") during the period. The exercise price of the options was valued at the share price on the date of issue using the five-day weighted average share price.

The fair value of awards granted, as mentioned above, were estimated on the date of grant using the following assumptions:

	Options	Performance Rights
Expected volatility (%)	75.90	75.90
Risk-free rate of return (%)	1.93	1.93
Dividend yield (%)	-	-
Average expected life (years)	4.24	3.00
Strike price (\$)	1.53 - 1.66	-

Share options

For options granted during the period, one-fourth of the options vest one year from the respective dates of grant. The remaining options vest evenly on an annual basis over the next three years if the participant is still employed on such dates. All outstanding unvested options shall fully vest on an accelerated basis immediately before a Change of Control Event. The fair value of the options granted is estimated at the date of grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted.

Performance rights

For performance rights granted during the period, the rights were granted for nil consideration and fully vest on the third anniversary of the respective dates of grant, subject to the participant's continuous employment with the Company or other Group entity and to the extent that performance hurdles are satisfied, if applicable. The extent to which a performance condition is satisfied will be determined by the Remuneration Committee, whose decision is final and binding on the participant.

The Remuneration Committee may determine that a performance condition has been satisfied at or between "minimum" and "maximum", in which case the percentage of performance rights that vest will be determined by the Remuneration Committee. If any performance rights do not vest (as determined by the Remuneration Committee), those performance rights will lapse. The Board may declare that some, none or all outstanding unvested performance rights are free of performance conditions and may vest on an accelerated basis immediately before a Change of Control Event.

If the participant ceases employment with the Group where such cessation of employment is due to the participant's death, permanent illness or permanent physical or permanent mental incapacity (as certified by a medical practitioner who is approved in writing by the Board), the Board may, in its discretion, determine the performance rights will fully vest [on the third anniversary of the Date of Grant] on the same basis as if the Participant was still employed by the Group.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

12. Related party disclosure

For the current period, no new transactions with Directors occurred that would be considered related party transactions. Directors' fees accrued and not paid were nil at 31 December 2016 (30 June 2016: \$35,000).

Transactions with all related parties are made at arm's length both at normal market prices and on normal commercial terms.

13. Commitments and contingencies

Operating commitments

At 31 December 2016, the Group had operating commitments of \$1.1 million (30 June 2016: \$1.0 million) primarily relating to the office leases for one Australian facility, three US-based facilities, and one Greek facility, with a range of one year to five years remaining on the leases.

Expenditure commitments

At 31 December 2016, the Group had expenditure commitments of \$2.6 million (30 June 2016: \$1.9 million) relating to the funding of clinical trials, research & development endeavours, future product builds, advertising and promotional activities, and other activities. The expenditure commitments primarily relate to the continued focus on the commercialisation of L-Dex in the US marketplace, as well as the Group's acceleration of research and development and clinical trials for the SOZO device. A further breakdown of the Group's expenditure commitments is detailed below:

	As at 31 Dec 2016 \$000	As at 30 Jun 2016 \$000
Clinical trials and Research & development	1,349	991
Manufacturing (future product builds)	1,155	669
Sales and marketing activities	28	10
Other activities	117	203
	2,649	1,873

Litigation

At 31 December 2016, the Group had no known open formal claims or lawsuits against it.

14. Events after the balance sheet date

On 17 January 2017, ImpediMed announced the retirement of Elizabeth Gaines from the Board. Ms Gaines' retirement followed the announcement of her appointment to the role of Chief Financial Officer of Fortescue Metals Group Limited, effective 6 February 2017.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

15. Basis of preparation and changes to the Group's accounting policies

Corporate information

The consolidated financial statements of ImpediMed Limited for the six months ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 24 February 2017.

ImpediMed Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the

Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Basis of preparation

The interim consolidated financial statements ("financial report") for the half-year ended 31 December 2016 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by the Group during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

15. Basis of preparation and changes to the Group's accounting policies (continued)

Changes in accounting policies, accounting standards and interpretations

The Group has not adopted any new or amended Australian Accounting Standards and AASB interpretations as of 1 July 2016.

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the half year reporting period ended 31 December 2016. The Group is yet to assess the impact of IFRS 16, AASB 15 and AASB 9. These standards and interpretations are outlined in the table below:

Reference	Title	Application date of standard*	Application date for Group*
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 January 2017	1 July 2017
AASB 9	Financial Instruments	1 January 2018	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018
IFRS 16	Leases	1 January 2019	1 July 2019

* Designates the beginning of the applicable annual reporting period.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

15. Basis of preparation and changes to the Group's accounting policies (continued)

Going concern

The going concern basis of accounting contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities. This report adopts the going concern basis.

The Group has realised a loss after income tax of \$13.8 million for the half-year ended 31 December 2016 (31 December 2015: \$11.2 million) and net operating cash outflow of \$11.4 million for the half-year ended 31 December 2016 (31 December 2015: \$9.1 million).

The Directors believe that the Group continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period in excess of 12 months from the date of signing this report due to the following:

(i) As at 31 December 2016, the Group had net assets of \$75.0 million (30 June 2016: \$85.3 million). At the same date, the market capitalisation of ImpediMed Limited was \$386.3 million (30 June 2016: \$353.0 million) and current assets of the Group exceeded current liabilities by a ratio of 15:1 (30 June 2016: 17:1).

(ii) The Group had cash at its disposal of \$73.2 million at 31 December 2016 (30 June 2016: \$82.3 million) and had no borrowings from banks or other financial institutions at 31 December 2016 (30 June 2016: nil).

(iii) The Group has the ability to vary certain expenditures; therefore cash outflows can be adjusted.

(iv) The operating plans have been set such that cash on hand at the date of signing is expected to last in excess of 12 months from the date of issue of the financial report.

On this basis the Directors believe that the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

In accordance with a resolution of the Directors of ImpediMed Limited, we state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity for the half-year ended 31 December 2016 are in accordance with the *Corporations Act 2001*, including:
- (i) 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
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



Cherrell Hirst AO
Chairman

Brisbane, 24 February 2017

To the members of ImpediMed Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ImpediMed Limited which comprises the interim consolidated balance sheet as at 31 December 2016, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the 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 controls as the directors determine are 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 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 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 ImpediMed Limited and the entities it controlled during the half year, 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.

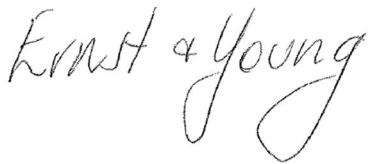
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 ImpediMed Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) 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) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Kellie McKenzie
Partner
Brisbane
24 February 2017

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