HeartWare

2006 Annual Report

Right Pump....

Right Time....

Right Team

Corporate Profile

HeartWare is a medical device company developing a family of implantable heart pumps, or Left Ventricular Assist Devices (**"LVADs"**), for the treatment of advanced heart failure. The Company is listed on the Australian Stock Exchange (ASX:HTW).

Heart failure is a degenerative, terminal disease affecting over 10 million patients worldwide. Heart transplantation is considered the best available treatment for patients with advanced heart failure but fewer than 4,000 donor hearts become available worldwide each year. The use of LVADs is gaining increasing acceptance, both as a bridge to transplantation and as an alternative long term therapy.

HeartWare's lead product, the HVAD™, is currently progressing through an international clinical trial involving five investigational centres in Europe and Australia. The HVAD™ is the smallest full-output LVAD in the clinic and the only "3rd generation" blood pump designed to be implanted above the diaphragm. The device's small size and novel configuration are expected to lead to significant clinical advantages relative to competing designs.

HeartWare is also developing a portfolio of further miniaturized devices, implantable by progressively less invasive surgery.

HeartWare's corporate head office is in Sydney, Australia. The Company's operating and manufacturing activities are based in Miramar, Florida.

HeartWare

HeartWare aims to provide a long term treatment option for patients suffering advanced heart failure.

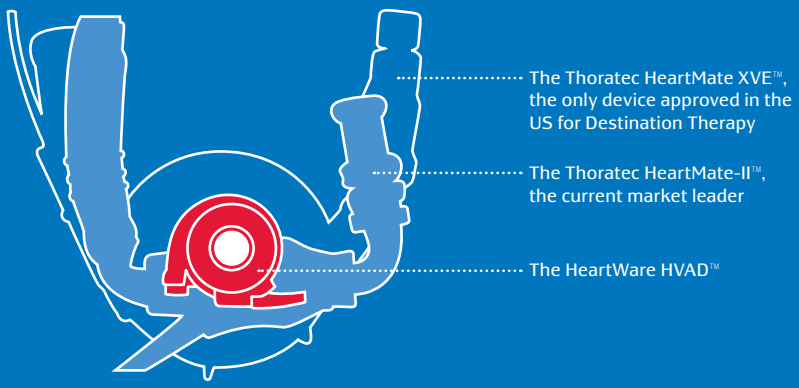
In 2006 we began our clinical trial. We have conducted nine implants across three centres in Europe and Australia. All patients are recovering well.

HeartWare is within a year of its first commercial sales. We aim to firmly establish the HVAD™ as the leading circulatory assist device and to establish a platform from which to build significant and sustained market leadership.

Right Pump… Right Time… Right Team

Right Pump… the most compelling technology platform in circulatory assist devices

The smallest 3rd Generation LVAD in the clinic



The only full output pump small enough to be implanted in the pericardial space

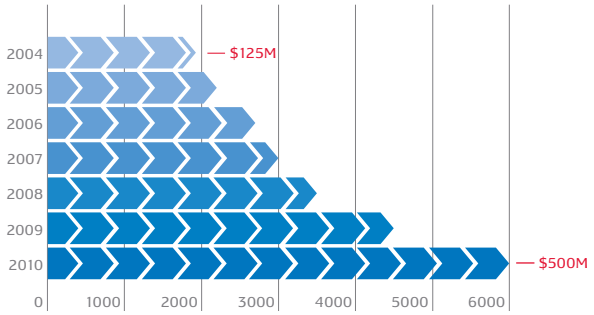
- No abdominal surgery
- Reduced surgical procedure time
- No pump pocket infections
- Improved post operative recovery

Designed for long term reliability

- Only one moving part
- No mechanical bearings
- Wear-less suspension
- Dual motor stators

A pipeline of further miniaturised devices

VAD Unit Sales in the US*



>12% pa compound growth in past 3 years with no new technology since 1998

*Source: 2006 Frost and Sullivan, US Congestive Heart Failure Device Markets; and HeartWare internal projections

Right Time... a market poised for substantial growth

- The clinical benefits of LVADs have been well demonstrated through the pioneering work of Thoratec Corporation and others
- LVAD usage has been growing steadily despite the recognised limitations of the currently approved devices
- The introduction of smaller, more reliable pumps is expected to drive an increase in implant numbers. In particular, the anticipated 2007 approval of Thoratec's HeartMate-II™ may be the catalyst for significant market growth
- HeartWare expects the HVAD™ to capture a growing share of a rapidly growing market following its EU commercial launch in 2008 and its US commercial launch in 2010

Right Team... strong operating backgrounds and proven execution capability

- An experienced team with a depth of management, operational, technical and clinical expertise
- Recently appointed Chief Executive Officer, Chief Operating Officer and Vice President, Clinical and Regulatory Affairs all with extensive medical device backgrounds
- Proven track records in developing, manufacturing and commercializing high end medical technologies

Chairman's Review

DEAR SHAREHOLDERS

The past year has seen a period of substantial advancement in every aspect of our operations.

Our clinical trial, aimed at achieving approval to sell the HVAD™ in Europe and Australia, is progressing well. As at the end of March we have implanted nine patients out of the twenty required for CE mark and have opened five clinical centres. All our patients are alive, with cumulative implant days now exceeding 1400. It is easy to forget that all of these patients were critically ill with a very limited life expectancy.

The feedback from surgeons who have used our pump has been particularly encouraging. They have all been pleased with the shorter operating time, relative ease of implant and rapid post operative recovery that they have seen with their HVAD™ patients. Our pump is positioned above the diaphragm, avoiding the abdominal surgery required to implant the much larger pumps of our competitors. This is considered to be a very important advantage.

It was unfortunate, but perhaps inevitable, that we experienced some transitional production issues through the year as we transformed from a Research and Development organisation into one with the manufacturing and clinical disciplines necessary to successfully commercialise an implantable device. I have been extraordinarily impressed with the way our team has systematically worked through these issues, resolved production challenges, bolstered supplier relationships and upgraded quality control systems. We now have surplus inventory and more than sufficient pumps on-hand for our CE mark trial requirements.

It is fair to say that the technical risk in the HeartWare pump has been largely removed. Having resolved the production issues of 2006, we are proceeding with an incremental scaling up of our manufacturing facility at Miramar. By year end we will have sufficient capacity to supply both our European commercial sales as well as the relatively high volume requirements of our US clinical trial beginning in 2008.

None of these achievements would have been possible without the dedication of our team under our CEO Doug Godshall. Doug joined us in September 2006 after 16 years with Boston Scientific Corporation. He brings to Heartware an exceptional breadth of medical device experience and deep operational skills. Over recent months, Doug's impact on the business has been

"As we drive down procedural invasiveness, we expect to access an ever increasing proportion of the heart failure population."

tremendous. He has demonstrated beyond doubt his ability to effectively lead Heartware through its clinical trial phase towards commercial launch and beyond.

We were also pleased to announce during the year that Bob Stockman has joined our Board. Bob is a seasoned US medical device executive who has led both the development and the financing of a number of successful medical companies. He brings exceptional industry specific experience to our Board.

This coming year should be very exciting for Heartware. It appears likely that we will secure CE mark approval, initiate our US clinical trial and earn our first revenues. We will also advance the development of our next generation products, the MVAD™ and IV-VAD™ as well as our implantable electronics program. Our goal is to remain at the forefront of innovation in the LVAD sector by bringing to market a portfolio of ever-smaller devices, implanted through progressively less invasive surgery. As we drive down procedural invasiveness, we expect to access an ever increasing proportion of the heart failure population, thus significantly expanding the number of patients who might benefit from our products.

I would like to sincerely thank the Heartware team for their achievements during the year as well as your Directors, who have made a far greater contribution than meeting attendances might indicate. We continue to draw on the advice and counsel of our Medical Advisory Board and appreciate their ongoing support. We also greatly appreciate the efforts and dedication of the surgeons, cardiologists and clinical staff at all of our investigational centres.

Finally, a very sincere thanks to all of our patient shareholders. While we believe we have improved our communication to you through the year, we share your frustration about the slow recognition of your company's achievements. We are attracting increasing interest from US investors and are actively exploring ways to broaden our investor base. Our current plans anticipate a US listing within the next two years and we are evaluating the use of an ADR facility prior to this time.

ROBERT THOMAS
Chairman

Chief Executive Officer's Report

DEAR SHAREHOLDERS

When I was approached mid last year with the HeartWare opportunity, I was initially skeptical. The Left Ventricular Assist Device ("LVAD") industry has long held great promise but has yet to live up to expectations. LVADs are recognized as potentially the only viable treatment option for tens of thousands of heart failure patients and yet the market has never grown beyond a few thousand implants per year.

This mismatch between the enormous clinical need and the modest utilization of current devices is precisely why the HeartWare opportunity is so extraordinary. The market for LVADs has not been constrained by a lack of potential patients but rather by the technical limitations of the devices which have been available to physicians. Physicians have only had access to relatively large, unreliable pumps, particularly in the United States. What the market is seeking is a small pump which does minimal damage to the blood, is implantable quickly and easily and which has an anticipated reliability of more than ten years. Only with the introduction of such a device is it realistic to expect physicians to begin referring their patients for a "lifelong" LVAD implant.

With HeartWare's HVAD™ we believe that we have just such a device. Furthermore, HeartWare's pipeline products offer the potential for truly disruptive technology, with the prospect of fundamentally impacting the way heart failure is managed. Today, patients are nursed along on pharmaceuticals or pacemaker technologies which do not change the course of the disease. LVADs remain the only therapy that can restore cardiac output to end-stage heart failure patients. We believe that over coming years LVADs will become the primary treatment option for these patients.

Our Pump Works

I recently had the good fortune of spending time with the first ever HVAD™ patient. He has now been supported by his pump for over 12 months. Having suffered heart failure for 13 years, his quality of life had declined precipitously. He could not sleep lying down; he had difficulty digesting his food; he could barely climb a flight of stairs; he was constantly cold. In his own words, he was "waiting to die". Today, twelve months later, he is active, he rides a bicycle and he plays tennis. He has even returned to the stage to sing opera, a passion he had long since abandoned due to his condition.

Since initiating our clinical trial, we have conducted nine implants across three centres. All patients remain alive and they are generally enjoying a dramatically improved quality of life.

Since we are only part way through our trial, we cannot yet claim victory. We have yet to prove the safety and efficacy of our device, but the early clinical results are very encouraging. As virtually every physician has commented

> HeartWare's first patient, approximately 6 months following surgery at Vienna General Hospital.

Early Clinical Results Very Promising

- **9** implants/**3** centres/>1400 days
  - Vienna, Perth, Hannover
- 2 additional centres actively screening patients
  - Harefield, St Vincents
- Successful completion of primary study endpoint (180 days) for first 2 patients
  - First patient supported for over one year
- Rapid implant procedure and post-operative recovery
- First seven patients discharged from hospital*
- Excellent clinical feedback

*As at 31 March, HeartWare's 8th and 9th patients remain in hospital recovering from surgery

Chief Executive Officer's Report (continued)

when they hold the HVAD™, "If this works, why would I use anything else?"

Our Pipeline is Compelling

A key factor limiting the widespread use of LVADs is the invasiveness of the required surgery. HeartWare's HVAD™ is the first full-output pump designed to be implanted above the diaphragm, eliminating the need for abdominal surgery.

Our next generation miniature pump, the MVAD™, has been demonstrated in acute preclinical studies to work effectively. We are now actively developing surgical techniques which will enable physicians to implant the device without a major thoracotomy. The pacemaker industry began its meteoric growth once the devices could be implanted without a sternotomy. We believe that the less invasive implant procedure for the MVAD™ will yield a similar expansion of device utilization.

Ultimately, our third platform, the IV-VAD™, will be implanted via a catheter, further decreasing the invasiveness of the procedure. This program is in its early stages but holds tremendous promise.

Through this cadence of progressively less invasive products we expect to treat an increasing proportion of heart failure patients and to access patients at an earlier stage of their disease, thereby significantly expanding the size of our target patient population.

We also continue to work on our implantable electronics system. Our objective is to have both the battery and controller implanted so that patients do not have a cable exiting their skin. We expect that the elimination of this cable will lead to a further expansion of the use of our pumps.

Our Team is Delivering

HeartWare has an exceptionally strong team, with a depth of operational, technical, clinical and management talent unusual in a company of our size.

Our management ranks were bolstered during the year with the appointment of Mr Dozier Rowe as Chief Operating Officer and Ms Jennifer Foley as Vice President of Clinical and Regulatory Affairs. These senior appointments reflect the company's two overriding priorities - that we establish a robust manufacturing platform from which to scale up production and that we execute our clinical trial program flawlessly. Dozier and Jennifer, both previously senior executives at Boston Scientific Corporation, bring to HeartWare the experience to ensure that we deliver in these two critical areas.

The company's operations are in good order. During the year we embarked upon an extensive upgrade of our production and

"As virtually every physician has commented when they hold the HVAD™, "If this works, why would I use anything else?"

quality systems. The results have been a dramatic improvement in product throughput and manufacturing yields. Today we have on hand sufficient inventory to complete our international trial. Furthermore, we have the manufacturing capacity to reliably meet the requirements of both our US clinical trial and our European commercial sales in 2008.

Our Clinical Trial is Progressing Well

We were pleased recently to announce that St Vincent's Hospital in Sydney had joined the HVAD™ clinical trial. We now have implants underway at five centres.

The rate of enrolment in the trial depends entirely on the availability of suitable patients at each hospital. Despite the inherently unpredictable nature of this enrolment rate, it remains our objective to complete the twenty implants required under our trial protocol by the end of June this year. This will enable us to make our regulatory submissions during the third quarter and should lead to the HVAD™ receiving CE mark early in 2008.

While we look forward to commercializing in Europe and Australia next year, the US remains by far the largest market for LVADs. Our US plan is not dependent upon our international enrolment rates and the HeartWare team has been working diligently to prepare for the start of a US clinical trial. We expect to submit for an Investigational Device Exemption ("IDE") during the third quarter of 2007. Subject to FDA approval, we anticipate our first implants under a US IDE in late 2007 or early 2008. We expect to be reimbursed for devices implanted during the US trial.

Revenue in Sight

HeartWare is within one year of achieving its first commercial sale. The past year has been one of transition from product development into clinical trials. The year ahead sees us transitioning again, from clinical trials into commercial sales in Europe. It is our objective over this period to firmly establish the HVAD™ as the leading circulatory assist device and to establish a platform from which to build significant and sustained market leadership.

I would like to express my thanks to the entire HeartWare team, all of whom share the same vision for the company and a passion for the important work we are doing. I would like also to join our Chairman in thanking our shareholders for their support over the past year. We will continue to work diligently to build the value of your company by creating life transforming products for heart failure patients.

Doug Godshall
Chief Executive Officer

The HeartWare Opportunity

Over the past twelve months HeartWare has transitioned from a preclinical technology company into an early clinical stage medical device manufacturer. After 10 years of product development, the anticipated clinical advantages of our lead device are now being validated through our early clinical experience.

Heart Failure

Heart failure results from the progressive deterioration of the pumping function of the heart, leading to its inability to meet the metabolic demands of the body. While certain symptoms associated with the disease can be treated, the underlying functional impairment of the heart generally cannot.

A commonly accepted method for categorising chronic heart failure is the New York Heart Association Classification, which identifies four stages in the progression of the disease, as described opposite.

According to the American Heart Association, 4.9 million patients in the United States suffer from heart failure, with an additional 550,000 patients diagnosed each year. Worldwide in excess of ten million patients suffer the disease. Of these, approximately one million patients have reached "Class IV", the most advanced stage of the condition.

Heart transplantation remains the "gold standard" of treatment for patients in advanced heart failure. However, with fewer than 4,000 donor hearts becoming available worldwide each year, transplantation is not an available option for the vast majority of patients. While various drug based therapies are helpful in slowing the disease progression, drugs are generally ineffective in treating patients at an advanced stage of the condition.

The LVAD Market Opportunity

For almost twenty years, LVADs have been used to "bridge" heart failure patients temporarily until a donor heart becomes available. This Bridge to Transplant ("BTT") market opportunity is, however, constrained by the relatively small number of donor hearts.

The more significant opportunity is that of Destination Therapy ("DT") – the permanent or "lifelong" use of circulatory assist devices in patients suffering advanced heart failure. The National Institutes of Health (NIH) estimates that in the US approximately 100,000 patients every year could benefit from a device implant.

The viability of mechanical assist devices as a long-term treatment option was established in 2001 through a landmark clinical trial

Class I (least severe cases)	Class II	Class III	Class IV (most severe cases)
> 40% of patients	> 25% of patients	> 25% of patients	> 10% of patients
> No physical limitation	> Some physical limitation	> Marked limitation of activity	> Approximately 1 million patients in the developed world
> Little to no drug therapy	> Drug therapy	> Drug therapy, biventricular pacing, or surgery	> Symptoms at rest
			> Candidates for transplant and LVADs

known as "REMATCH" - for "Randomized Evaluation of a Mechanical Assistance Device for the Treatment of Congestive Heart Failure". The trial compared the use of a device (the HeartMate XVE™ from Thoratec Corporation) against the use of maximal medical therapy. The results demonstrated a statistically significant survival benefit and improved quality of life for patients supported by the device. This led to the US FDA approving the HeartMate XVE™ for Destination Therapy and the US authorities approving reimbursement for the procedure. The procedure currently attracts reimbursement of US$136,000. Of this, approximately US$70,000 is for the purchase of the device.

The Destination Therapy market, however, remains in its infancy. Market uptake has been constrained by the technical limitations of currently approved devices. These limitations relate specifically to the large device size and consequent invasiveness of the implant procedure as well as to the relatively poor device reliability over the long term. The introduction of smaller, improved second generation devices (such as Thoratec's HeartMate-II™) and superior third generation products (such as HeartWare's HVAD™) is expected to drive an acceleration in implant rates and to create a significant medical device market.

The Competitive Landscape

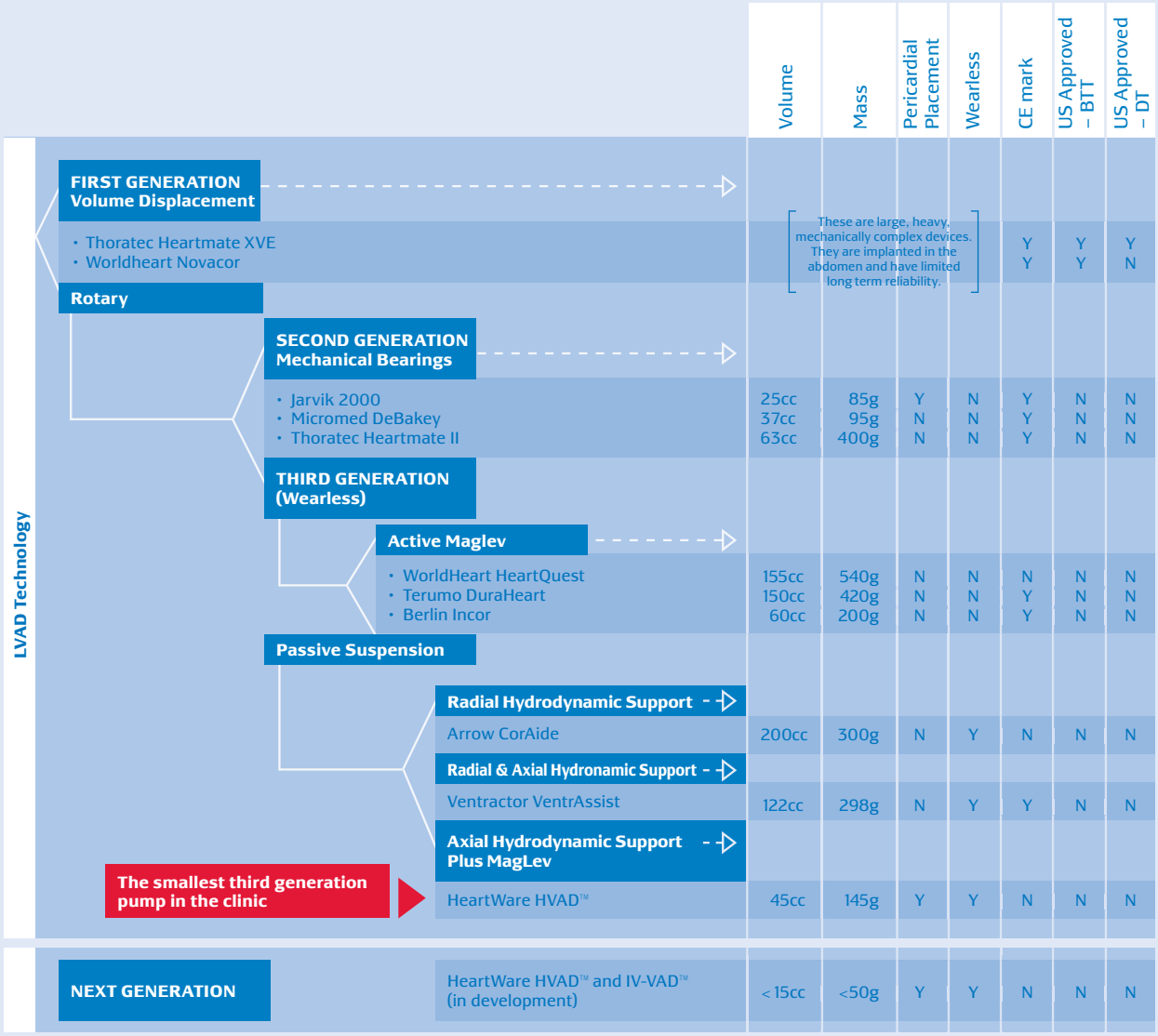
The schedule on page 12 shows the generational evolution of LVAD technologies.

The first generation devices are volume displacement pumps designed to replicate the heart's pulsatile flow. They are large and mechanically complex, with relatively poor long term reliability profiles. They are implanted in the abdomen and require extensive surgery. Their size, weight and limited durability restrict their clinical application for Destination Therapy. Despite this, the HeartMate XVE™, a first generation LVAD, remains the only device with FDA approval for Destination Therapy.

The second generation devices are continuous flow axial pumps. They have fewer moving parts, giving rise to greater expected long term reliability than the volume displacement devices. They are, however, characterised by their use of internal mechanical bearings which may over time compromise reliability. The most important of the second generation pumps is the HeartMate-II™ from Thoratec Corporation. The HeartMate-II™ recently completed its US clinical trial enrolment and FDA approval for Bridge to Transplant is anticipated in late 2007. Although still implanted in the abdomen, the HeartMate-II™ is expected to cause fewer complications than the much

The HeartWare Opportunity (continued)

The LVAD Competitive Landscape



> "The HVAD™ – the smallest third generation pump in the clinic"

larger Heartmate XVE™ and to demonstrate far better reliability. The approval of the HeartMate-II™ is expected to be an important catalyst for the LVAD industry and to help drive an overall increase in implant numbers.

Third generation LVADs are continuous flow pumps which incorporate magnetic or hydrodynamic suspension systems to eliminate the need for internal mechanical bearings. This "wearless" suspension of the impeller significantly reduces the risk of mechanical failure. HeartWare believes its HVAD™ to be the best of the third generation designs. As the smallest of the third generation LVADs, it is the only one to be implantable within the pericardial space, directly adjacent to the heart. This is expected both to improve blood flow characteristics and to facilitate a less complex and less invasive operating procedure.

HeartWare's Lead Device

HeartWare's lead device, the HVAD™, is a small, permanently implantable centrifugal blood pump capable of generating up to 10 litres per minute of forward flow. The pump draws blood from the apex of the left ventricle and propels it through an outflow graft connected to the patient's ascending aorta.

With a displaced volume of only 45cc, the HVAD™ is the only full-output pump implantable in the pericardial space, directly adjacent to the heart. It is also the only centrifugal pump designed to be implanted above the diaphragm. The consequent reduced surgical invasiveness should lead to shorter surgery time and improved patient outcomes relative to competing devices. These are generally implanted in the abdomen in a surgically created pump "pocket".

The HVAD™ has only one moving part, the impeller, which is suspended within the pump housing through a combination of passive magnets and a hydrodynamic thrust bearing. The hydrodynamic thrust bearing operates by establishing a "cushion" of blood between the impeller and the pump housing. Once power is applied to the device, there are no points of mechanical contact within the device. This "wearless" design significantly enhances the long term durability of the pump, leading to an anticipated reliability profile in excess of 10 years.

Device reliability is further enhanced through the use of dual motor stators with independent drive circuitry, allowing a seamless transition between dual and single stator mode if required. The pump's inflow cannula is integrated with the device itself,

The HeartWare Opportunity (continued)

The HVAD™ is powered via a percutaneous driveline which connects the pump to an external, belt-worn controller and battery pack.

> The HVAD™ external components, including the controller, monitor, batteries and battery charger

The HVAD™ is implanted using a set of custom surgical tools and accessories developed by HeartWare in consultation with members of the Company's Medical Advisory Board.

> The HVAD™ surgical tools, including the Driveline Tunneler, Coring Knife, Sewing Ring Torque Wrench and Hex Driver

ensuring proximity between the heart and the pumping mechanism, facilitating ease of implant and helping to ensure optimal blood flow characteristics. The use of a wide-bladed impeller and the clear flow paths through the system help minimize any risk of pump induced haemolysis (damage to blood cells) or thrombus (blood clotting).

The HVAD™ Clinical Trial

The HeartWare HVAD™ is currently progressing through an international clinical trial aimed at achieving CE mark. To date nine patients have been enrolled in the trial, as outlined in the table opposite. On 22nd March our first patient reached his 12 month anniversary on the pump. On 19th April our second patient is expected to reach 12 months. The nine patients have been supported on a cumulative basis for a total of over 1,400 days. All patients continue to do well.

Hospital	Principal Investigator	HVAD™ Implants at 31 March 2007
Vienna General Hospital, Austria	Dr George Wieselthaler	4
Royal Perth Hospital, Australia	Dr Gerry O'Driscoll	3
Hannover Medical Center, Germany	Dr Martin Strüber	2
Harefield Hospital, UK	Dr Asghar Khaghani	0
St Vincents Hospital, Sydney, Australia	Dr Paul Jansz	0

The purpose of the trial is to evaluate the safety and feasibility of the HVAD™ as a bridge to transplantation in patients eligible for cardiac transplantation with refractory, end-stage heart failure at risk of death. The primary endpoint is survival to anesthetic induction for heart transplantation or survival to 180 days on the device.

The study is a multi-centre, prospective, non-randomized, single-arm study, enrolling twenty patients across five participating centres.

HeartWare anticipates completing the twenty patient enrolment by the end of June 2007. This will enable us to make regulatory submissions during the third quarter of 2007.

During the third quarter of 2007 HeartWare expects also to submit for an Investigational Device Exemption ("IDE") for the initiation of implants in the US. Subject to FDA approval, HeartWare expects to begin US implants in late 2007 or early 2008.

HeartWare's Product Pipeline

While the Company's primary focus is on the clinical progression of the HVAD™, HeartWare has a robust technology pipeline with two "next generation" devices in pre-clinical development.

The MVAD™

The MVAD™ is a development-stage axial flow pump, approximately one third the size of the HVAD™. The MVAD™ is based on the same impeller suspension technology used in the HVAD™, with a single moving part held

> HeartWare's MVAD™, currently in preclinical development, will be implanted by less invasive surgery

in place through a combination of passive-magnetic and hydrodynamic forces. The device is expected to require far less invasive surgery than that required for all current devices and to be implanted without a sternotomy of the rib cage. Preclinical studies are underway to develop an innovative minimally invasive surgical implant procedure for the device.

The HeartWare Opportunity (continued)

The IV-VAD™

HeartWare's IV-VAD™, currently at early prototype stage, is an axial flow pump, approximately one tenth the size of the HVAD™. The objective of the IV-VAD™ development program is to produce an intra-vascular pump that can be implanted using a catheter based delivery system. The pump relies on the same platform as the HVAD™ and MVAD™ devices, with a single moving part and a wearless design. The IV-VAD™ is not intended to provide full cardiac support and is aimed at treating heart failure patients at an earlier stage of their disease progression.

TETS

HeartWare's Transcutaneous Energy Transfer System (TETS) will enable a fully implanted battery pack to be periodically recharged using induction across the skin. This will allow implantation of the complete pump system, including batteries and controllers, and the elimination of the current need for an externalised driveline. The aim of the development program is to enable patients implanted with a HeartWare device to be free of any external charging system for extended periods of time.

The TETS platform is being developed to be compatible across all HeartWare pump designs.

Our Path to Market

We aim to complete enrolment in our international clinical trial by the end of June 2007. This will allow us to make regulatory submissions during the third quarter of this year. On this basis we expect to receive CE mark during the first quarter of 2008, allowing commercial sale of the HVAD™ throughout Europe and in various other countries. TGA registration in Australia is expected to follow receipt of CE mark.

We plan to submit an application for an IDE from the US FDA during the third quarter of 2007 and expect to begin implants in the US in late 2007 or early 2008.

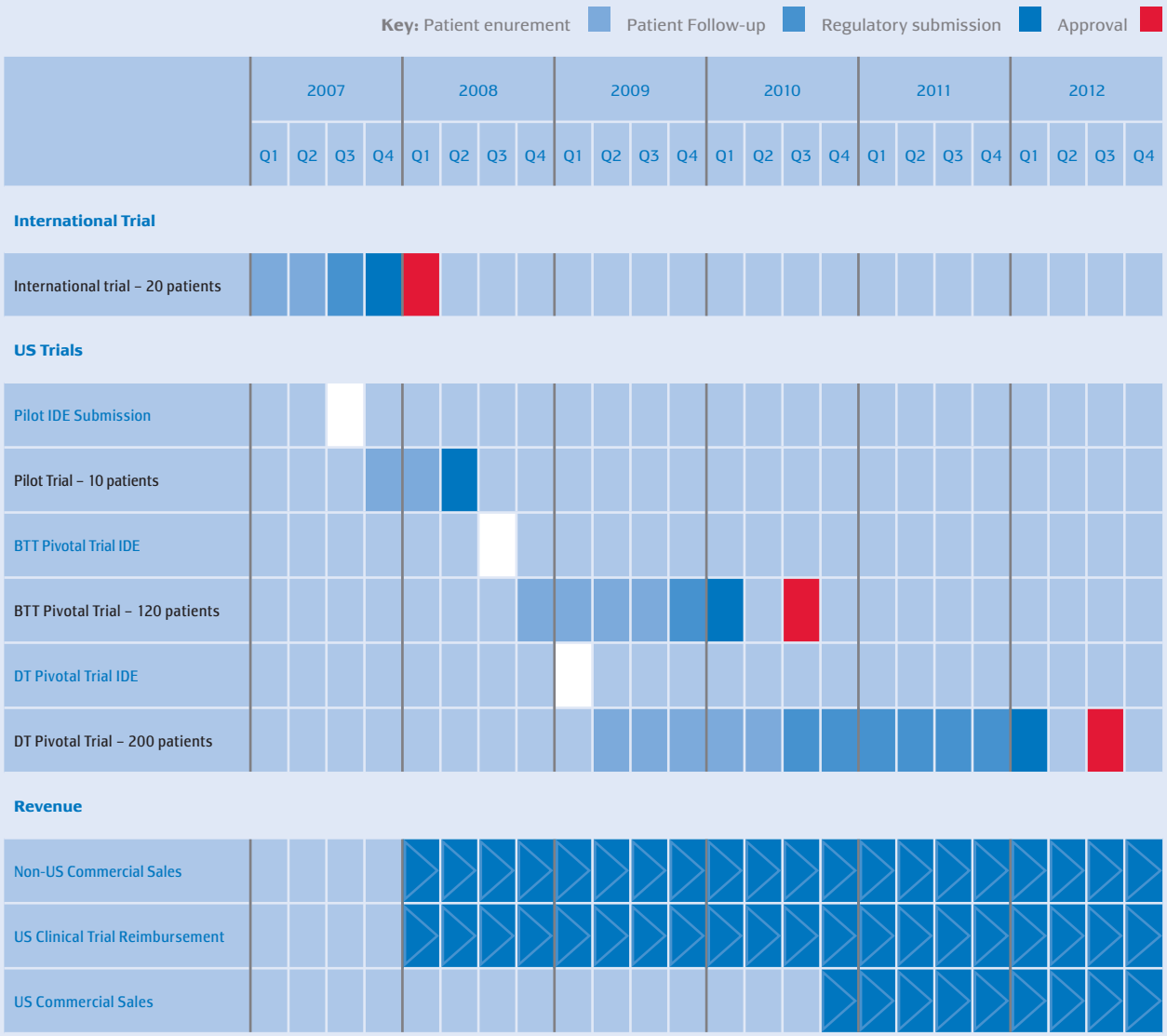
In the US we expect initially to run a Pilot Study, involving up to 10 patients. Following completion of the Pilot, we expect to run two distinct US trials, for BTT and DT respectively. It is expected that the BTT trial will be a single arm study requiring approximately 120 patients. The DT trial will likely require approximately 200 implants randomised on a 2:1 basis against a control arm of 100 patients.

These expectations reflect historic trial requirements in the LVAD sector. HeartWare will be investigating a variety of alternative trial designs with the FDA prior to submitting its IDE. The anticipated timing of key milestones is as follows:

"I expect this pump to play a significant role in expanding the use of ventricular assist devices"

Dr Martin Strüber
Hannover Medical Center, Germany

HVAD Regulatory Timeline



Board of Directors

Mr Robert Thomas
Non-Executive Chairman

Rob has over 30 years experience in the securities industry, having recently retired as Chairman, Citigroup Corporate and Investment Bank, Australia and New Zealand. He is also Chairman of the Securities & Derivatives Industry Association and Australian Wealth Management Limited.

Mr Doug Godshall
President, CEO

Doug is an experienced medical device executive, having established and led executive teams through the clinical development, market launch and commercial rollout of a range of medical devices. Prior to joining HeartWare, Doug spent over 16 years at Boston Scientific Corporation, most recently as President of the Vascular Surgery Division. He previously spent five years as Vice President, Business Development where he was instrumental in developing the acquisition strategies for the cardiology, electrophysiology and vascular surgery divisions. He led the negotiation and structuring of over 70 transactions and represented Boston Scientific on the Boards of 11 companies.

Dr Seth Harrison
Non-Executive Director

Seth is Managing General Partner of Apple Tree Partners, a New York based healthcare venture capital fund manager and HeartWare's cornerstone investor. A qualified surgeon, Seth is an experienced life-sciences investor, with over 15 years experience at several leading venture capital firms, including Oak Investment Partners and Sevin Rosen Funds.

HeartWare's executive team comprises an experienced group of industry professionals with extensive track records in the medical device arena. The HeartWare team was substantially bolstered during 2006, with the appointment of a new Chief Executive Officer, Chief Operating Officer and Vice President of Clinical and Regulatory Affairs.

Our management team is supported by a Board of Directors with a depth of relevant financial, commercial and industry experience. The Company was pleased to welcome Mr Bob Stockman to the Board late last year.

HeartWare also draws substantially on the expertise of its Medical Advisory Board, which includes a number of pre-eminent cardiac surgeons and cardiologists.

Mr Robert (Bob) Stockman
Non-Executive Director

Bob joined HeartWare as a director in December 2006. He has over twenty years experience in managing and financing medical technology companies. Bob is President and CEO of Group Outcome LLC, a US based merchant banking firm which deploys its capital and that of its financial partners in private equity and venture capital investments in medical technology companies. He is also the Chairman of REVA Medical, Inc, a stent company which he helped co-found.

Dr Denis Wade
Non-Executive Director

Denis has a wealth of experience in the development and commercialization of research based health care products. He was formerly Managing Director of Johnson & Johnson Research Pty Ltd. For 10 years he was a member of J&J's US-based Corporate Office of Science & Technology. Denis previously had a distinguished academic career, holding the position of Foundation Professor of Clinical Pharmacology at the University of New South Wales.

Dr Christine Bennett
Non-Executive Director

Christine is an experienced company director, with a diverse background in clinical care, strategic planning and senior management in both the public and private health sectors. Christine was recently appointed Group Executive, Health and Financial Solutions and Chief Medical Officer of MBF Australia, a leading health insurance provider. She was previously Chief Executive Officer of Research Australia, a national alliance of organizations promoting health and medical research.

Please refer to pages 37 to 39 for detailed biographies of HeartWare's Board of Directors.

Medical Advisory Board

O. HOWARD 'BUD' FRAZIER, MD
Chairman & Chief Transplant Services, Director Cardiovascular Research, Texas Heart Institute

For more than 25 years, Dr Frazier has been a pioneer in the surgical treatment of severe heart failure. He has been director of cardiopulmonary transplantation for 20 years. He serves on the editorial boards of several distinguished journals, including Circulation, the premier journal of the American Heart Association. He has authored or co-authored more than 1,000 scientific publications, presented over 1,200 lectures around the world, and written or edited numerous books in the field.

Dr Frazier is a former chairman of the Federal Affairs Committee for the American Society for Artificial Internal Organs and has served on other prominent committees, including the Education Committee of the American Society of Transplant Surgeons and the Advisory Board of the National Heart, Lung and Blood Institute. In 2001, he was elected president of the American Society for Artificial Internal Organs.

Dr Frazier's academic appointments include Professor of Surgery at the University of Texas Health Science Center in Houston, Clinical Associate Professor of Surgery at the University of Texas M.D. Anderson Cancer Center, and Clinical Professor at Baylor College of Medicine in Houston.

STEVEN W. BOYCE, MD
Director of Heart Transplantation and Cardiac Assist Device Programmes, Washington Hospital Center

Dr Boyce has served as Director of the Cardiac Transplantation and Mechanical Circulatory Assist Device Programs for the Washington Hospital Center, as well as Director of the Cardiac Surgery Research Program for over ten years. He is certified with the American Board of Thoracic Surgery, and performs approximately 500 adult cardiac surgeries per year.

Dr Boyce has served as principal investigator on a number of FDA pharmaceutical and device investigational protocols. He has worked with a variety of mechanical circulatory support devices, both investigational and commercially available.

Dr Boyce graduated from Johns Hopkins University's undergraduate program and the University of Maryland's medical school program. He completed his residency and chief residency in general surgery at the University of California, San Francisco and then trained at UCLA in cardiothoracic surgery. Dr Boyce has a number of professional affiliations, including the International Society of Heart and Lung Transplantation, the American College of Surgeons, the Society of Thoracic Surgeons, the American College of Cardiology, the Heart Failure Society of America, and the International Society for Minimally Invasive Cardiac Surgery. He has published and presented on a range of topics on the surgical management of end stage heart failure.

LAMAN A. GRAY, JR, MD
Professor of Surgery and Director of the Division of Thoracic and Cardiovascular Surgery at the University of Louisville School of Medicine

Dr Gray is highly experienced in the fields of cardiac surgery and development of artificial hearts and circulatory support systems. He was an original investigator for the Novacor Ventricular Assist System, he performed the first clinical use of ABIOMED's SupraCor IABP and he implanted the first AbioCor Implantable Replacement Heart.

Dr Gray has been the Director of the University of Louisville School of Medicine's Division of Thoracic and Cardiovascular Surgery for more than 20 years, is a founding member of the Jewish Hospital Heart and Lung Institute and is currently the Director of the Cardiovascular Innovation Institute.

Dr Gray received his Bachelor of Arts degree with

distinction in chemistry from Wesleyan University in Middletown. He then received his M.D. from Johns Hopkins University in Baltimore, and completed his training and residencies in general and thoracic surgery at the University of Michigan.

LESLIE MILLER, MD
Director of Cardiology, Washington Hospital Center
Walters Chair of Cardiology, Georgetown School of Medicine

Dr Miller joined the Washington Hospital Center in 2006. He was previously Professor and Director of the Cardiovascular Division and Director of the Heart Failure/Heart Transplant Program at the University of Minnesota in Minneapolis.

Dr Miller has been an investigator in over 80 clinical trials studying the safety and efficacy of therapies for heart failure, cardiac transplantation and ventricular assist devices. He is a Past President of the International Society for Heart & Lung Transplantation and the American Society of Transplant Physicians and is currently a Member of the Board of the American Heart Association. He is Founder and Chairman of the Working Group of Transplant Cardiologists and a member of the Cardiac Transplant Research Database Executive Committee. Dr Miller is also a current member on the US Federal Agency Advisory Committees for national coverage policy for the use of left ventricular assist devices and the American Heart Association Committee on Heart Failure/Transplantation. Dr Miller has contributed more than 285 medical papers and serves on the editorial boards and as a reviewer for major cardiovascular journals.

Dr Miller received his medical degree from the University of Missouri School of Medicine. His postgraduate training includes serving as Chief Resident in Medicine at Washington University and Barnes Hospital, Missouri, Cardiology Fellow at Peter Bent Brigham Hospital, and Senior Resident in Surgery at Boston University. He is a Fellow of the American College of Cardiology, the American College of Chest Physicians and the American Heart Association Council on Clinical Cardiology.

GERRY O'DRISCOLL, MB, BCH, BAO, DMED, PHD
Professor of Cardiology at University of Notre Dame, Western Australia
Consultant Cardiologist at Royal Perth Hospital

Dr O'Driscoll is Consultant Cardiologist at Royal Perth Hospital and Medical Head of West Australian Advanced Heart Failure & Cardiac Transplant Services. He is also Head of the Cardiovascular Research Group at Royal Perth Hospital and a Board Member of the Heart & Lung Transplant Foundation of Western Australia.

Dr O'Driscoll has worked extensively with a wide range of mechanical circulatory support devices over the past decade. He has experience with the Thoratec, Heartmate, Novacor, Ventrassist, Biomedicus, Abiomed, Jarvik and HeartWare devices.

Dr O'Driscoll serves as a reviewer for several national funding bodies including the National Heart Foundation and National Health and Medical Research Council. He is a member of several national committees in clinical cardiology and a reviewer for a number of international scientific journals, including the American Journal of Cardiology, Lancet, Circulation and the Journal of the American College of Cardiology.

Dr O'Driscoll received his medical degree from the University College Cork in Ireland. He received his DMed from the National University of Ireland and his PhD from the University of Western Australia. He is a Fellow of the Royal Australasian College of Physicians, the Cardiac Society of Australia & New Zealand, the European Society of Cardiology and the American College of Cardiology.

Medical Advisory Board (continued)

STEPHEN WESTABY, FRCS, MD, BSC, PHD
Consultant Cardiothoracic Surgeon, John Radcliffe Hospital, Oxford, UK

Mr Stephen Westaby is an adult and paediatric cardiac surgeon in Oxford, United Kingdom and performs over 500 such operations per year. His main clinical interests are non transplant surgery of heart failure, surgery of the thoracic aorta and the development of new heart valve prostheses.

Mr Westaby began his medical career at the Charing Cross Hospital Medical School, University of London, having obtained degrees in biochemistry, medicine and surgery. His PhD thesis was on Bioengineering of Artificial Hearts and he is co-editor of the Journal of Congestive Heart Failure & Circulatory Support. He was awarded a scholarship to the Albert Einstein Medical College in New York City, has trained in general surgery at Cambridge University and took a research fellowship at the University of Alabama.

Mr Westaby was formerly Senior Registrar at Hammersmith, Great Ormond Street Hospital for Sick Children and Harefield Hospital. In 1986, he was appointed Chief of Cardiac Surgery for the regional Cardiothoracic Centre in Oxford. In 1996, Mr Westaby in conjunction with colleagues from the Texas Heart Institute, USA, performed the first permanent implants of the Thermo Cardio Systems artificial heart in patients who were not eligible for heart transplantation. Mr Westaby and the Oxford Heart Centre now have an international reputation for their work on mechanical hearts and treatment of heart failure.

GEORG M. WIESELTHALER, MD
Clinical Director of Mechanical Circulatory Support, University of Vienna, Dept of Cardiothoracic Surgery, Vienna General Hospital

Dr Wieselthaler has extensive experience with numerous ventricular assist device systems. He is the primary surgeon implanting VAD systems and supervising patient care at the University of Vienna and Vienna General Hospital.

Dr Wieselthaler has implanted a range of circulatory assist devices. He was the first to implant the MicroMed DeBakey rotary LVAD and has since supported more than 40 patients with this pump. Dr Wieselthaler conducted the first ever implant of the HeartWare HVAD™.

Dr Wieselthaler is currently the Secretary General of the International Society of Rotary Blood Pumps.

Executive Management Team

DOUGLAS GODSHALL
Managing Director, Chief Executive Officer

Doug joined HeartWare as Chief Executive Officer in September 2006.

For a detailed biography, please refer to page 39.

DAVID MCINTYRE
Chief Financial Officer, Company Secretary

David joined HeartWare shortly after the IPO. He is an experienced medical device industry executive with both development-stage and large corporate credentials.

Prior to joining HeartWare, David was the Chief Financial Officer and General Counsel to another ASX-listed medical device company. He has previously served as a corporate and commercial law specialist in major international law firms, advising some of the world's largest corporations in various areas including mergers and acquisitions, corporate fundraising and securities law. He has also held senior financial roles in multinational companies, among them Rio Tinto.

David holds a Bachelor of Economics, majoring in accounting from the University of Sydney and a Bachelor of Laws from the University of Technology, Sydney. He is admitted as a Solicitor of the Supreme Court of New South Wales and is a member of the Law Society of New South Wales and CPA Australia.

DOZIER ROWE
Chief Operating Officer

Dozier joined HeartWare as Chief Operating Officer in April 2006. He has primary responsibility for managing all internal operational functions of the business.

Dozier brings to HeartWare over 20 years of experience in the medical device industry, having held senior positions at Boston Scientific Corporation, St Jude Medical Inc. and Baxter Healthcare Corporation. He has worked with a variety of Class III implantable medical devices with responsibility across all elements of manufacturing, quality control, regulatory affairs, materials management, supply chain and operations.

Executive Management Team (continued)

He previously held the position of Vice President and General Manager, Operations at Boston Scientific's Miami operations centre, where he had responsibility for over 1,000 staff and a budget in excess of USD100 million per year.

JEFFREY A. LAROSE
Chief Scientific Officer

Jeff has been the primary force behind the development of HeartWare's technology for over eight years. He is responsible for all aspects of the design of the HeartWare HVAD™ and he leads the development of HeartWare's device miniaturisation program.

Jeff has over 20 years experience in hydraulic technology development including roles with AEA Technology Engineering Software and Babcock and Wilcox. He holds a Master of Science in Mechanical Engineering.

JENNIFER FOLEY
Vice President, Clinical and Regulatory Affairs

Jennifer joined HeartWare in January 2007. She has responsibility for the design and execution of HeartWare's clinical trial program and regulatory plan.

Prior to joining HeartWare, she held the position of Vice-President, Clinical Sciences, Clinical Program Management and Operations at Boston Scientific Corporation. As one of the most senior executives within Boston Scientific's clinical affairs organization, she was responsible for overseeing the execution of clinical trials across 9 of the company's divisions. Prior to joining Boston Scientific in 2002, Jennifer was responsible for managing major trials with The Medicines Company and Glaxo (now GlaxoSmithKline). She previously spent 5 years in leadership positions at Parexel International Corporation, one of the world's largest contract research organizations.

JANE REEDY
Vice President, Sales and Marketing

Jane has over 20 years experience in directing clinical affairs, sales and marketing in the circulatory assist device industry.

She previously served as the Director of Clinical Services, Director of Sales and Director of Market Development for Thoratec Corporation. She has developed clinical and regulatory strategies for complex medical products, designed and directed multi-centre studies, formulated and executed global sales and marketing strategies and managed a network of distributors and clinical specialists worldwide.

Jane has a Master of Science in nursing from St. Louis University and has served as Department Head of Cardiothoracic Services at St. Louis University Hospital.

BARRY M. YOMTOV
Vice President, Product Development

Barry joined HeartWare in August 2006. He is responsible for the design and development of new products with a particular focus on HeartWare's electronics programs.

Barry has over 28 years experience in the medical device industry specializing in Class III implantable medical devices. Prior to joining HeartWare, Barry has held senior management positions at MicroCHIPS, Inc, Abiomed, Inc., and InControl, Inc. He also spent 10 years at Cordis Corp. in the design and development of pacemakers, neurostimulators and defibrillators. Barry received a Masters of Engineering in Biomedical Engineering from Rensselaer Polytechnic Institute. He has 9 patents issued, 2 patents pending, plus 10 publications in the field of medical devices.

RAMON AUGUSTO PAZ
Director, Quality Assurance

Ramon joined HeartWare Inc. as Director of Quality Assurance in October 2004. He has primary responsibility for establishing and managing the company's Quality Management System.

Ramon's has over 23 years of multifunctional experience in the medical device industry across Quality, Manufacturing, Engineering, Regulatory and Clinical organizations. He began his career with Cordis Corporation, where he spent 15 years in a range of positions across the Quality, Manufacturing and Product Development groups. In 1998 Ramon joined World Medical, a start-up company which was later acquired by MedtronicAVE, where Ramon was Head of Quality, with expanded responsibility for managing the regulatory and clinical groups responsible for the clinical study of the TALENT stent graft.

HOWARD LEIBMAN
Director, Corporate Development

Howard joined HeartWare soon after the Company's IPO in 2005. Based at HeartWare's corporate head office in Sydney, Australia, he is responsible for financial strategy, investor relations and corporate communications.

Prior to joining HeartWare, Howard was Associate Director at Emerging Growth Capital, a specialist life sciences investment house. He advised on a number of successful Initial Public Offerings, private capital raisings and other corporate transactions. While at Emerging Growth Capital, Howard played a key role in HeartWare's capital raising and listing on the Australian Stock Exchange.

Howard's previous roles include Executive Director at Aeris Technologies, a company listed on the ASX, and Design Engineer at General Electric Company. He holds a Bachelor of Engineering and a Bachelor of Arts from the University of New South Wales and an MBA from the Australian Graduate School of Management and London Business School.

2006 Financial Statements

Directors' Report

The Board of Directors of HeartWare Limited ("the Company" or "HeartWare") is pleased to submit its Directors' Report for the Company and its controlled entities ("the HeartWare Group" or "the Economic Entity") for the year ended 31 December 2006.

Directors

The names of the directors in office at any time during or since the end of the financial year are as follows:

Mr Robert (Rob) B Thomas (Appointed 26 November 2004)

Dr Seth L Harrison (Appointed 26 November 2004)

Mr Douglas E Godshall (Appointed 28 October 2006)

Dr Christine C Bennett (Appointed 15 December 2004)

Dr Denis N Wade AM (Appointed 15 December 2004)

Mr Robert (Bob) B Stockman (Appointed 11 December 2006)

Mr Stuart B McConchie (Appointed 26 November 2004) (Resigned 4 September 2006)

Directors have been in office from the start of the year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the HeartWare Group are the development and commercialisation of its circulatory assist device technology.

There were no significant changes in the nature of the principal activities of the HeartWare Group during the year ended 31 December 2006.

Financial Results for the Year Ended 31 December 2006

During the year the HeartWare Group continued to commercialise the HVAD™, the first of its range of circulatory assist devices or "heart pumps", which are used for the treatment of congestive heart failure. The HeartWare Group also commenced its clinical trials, conducted additional research and development on its future range of products including the intravascular pump or "IV VAD", miniaturised ventricular assist device or "MVAD" and its fully implantable electronics system (i.e. transcutaneous energy transfer system ("TETS")).

Accordingly, the net loss of the HeartWare Group for the year ended 31 December 2006 after providing for income tax was $25,461,888 (2005: $17,749,209). The increase in the loss over the preceding year reflects the Company's progression into international clinical trials and early-stage manufacturing. No development costs (2005: $2,729,726) were capitalised during the year within Intangible Assets in the Balance Sheet.

Total revenue for the year was $1,143,912 (2005: $966,326). Revenue comprises interest revenue only. The Company has no sales revenue as it has not received regulatory approval which permits sales of its heart pumps. Sales of the HVAD™ are anticipated in the second half of 2007.

Dividends

As the Company has not made a profit for the year ended 31 December 2006 and has no accumulated retained earnings it is not possible to recommend, declare or pay a dividend. For this reason no dividends have been, or were able to be, recommended, declared or paid during the year.

Review of Operations

Overview

During the 2006 calendar year and over the early months of 2007 HeartWare has achieved a number of significant milestones, the most significant of which is the substantial progress with its European and Australian clinical trial. This clinical trial is anticipated to comprise twenty (20) patients implanted with the HVAD™ at up to 5 clinical centres in Australia and Europe, the primary objective of which is for the Company to secure regulatory approval to sell its HVAD™ in Europe (CE Mark) and Australia (TGA approval). The results of this international clinical trial will then be used to commence a bridge-to-transplant clinical trial in the United States of America during the second half of 2007.

As at the date of this report, HeartWare has implanted eight (8) patients across its four 4 clinical centres, with more than 1,160 accumulative implant days. The early clinical results of the international trial are excellent and the Company expects to complete its enrolment in this regard by no later than June 2007.

The Company also further developed and stabilized its manufacturing processes, particularly towards the end of 2006 with the result that the Company is now in a position to easily meet the needs of its international clinical trial. The progress with manufacturing and the commencement of clinical trials has seen the Company grow accordingly with the Company ending the 2006 year with 65 employees, up from 41 employees for the preceding year.

The Company has opened 2007 with adequate inventory of its products, a stable manufacturing environment and with strong clinical results. These are excellent foundations for the Company as it looks forward to the commencement of US clinical trials and, importantly, "first revenue" later this year.

Regulatory Approvals

Our commercial focus at present is the rapid advancement of our lead product, the HVAD™ device, through clinical trials with a view to obtaining regulatory approval, particularly in the United States.

All our products will require regulatory approval prior to commercialization. Regulation by government authorities in the United States of America and foreign countries is a significant factor in the research and development, manufacturing, and marketing of our current and future products.

Medical device regulations are enforced in the United States of America by the US Food and Drug Administration ("FDA"), the Therapeutic Goods Administration ("TGA") in Australia and by the European Medical Device Directives in the European Union.

Regulatory requirements also include ISO-13485-2003 compliance for the manufacturing and assembly of medical devices. Various regulatory approvals will also be required as product development advances into commercialization. Following launch, there will be an ongoing requirement to file yearly reports with the FDA and to report any adverse events.

As noted above, our European and Australian clinical trial calls for the implantation of the HVAD™ in 20 patients with advanced heart failure who are listed for heart transplantation. The end point for the trial is survival to the earlier of 180 days or transplantation. To date, we have implanted the HVAD™ in eight (8) patients in four (4) centers, with cumulative support duration of greater than 1,160 days. Two (2) patients have reached successful completion of the 180-day endpoint, with 1 of these 2 patients also having been supported on the HVAD™ for nearly 1 year. Though early in the study, we have had encouraging clinical outcomes and very positive surgeon review.

While it is difficult to predict the amount of time required for regulatory processes, we anticipate that by filing with the FDA for an Investigational Device Exemption in mid 2007, we expect to have an approval to commence our US trial in 2007. Our plan is to file for a CE mark in September or October 2007 which would lead to commercialization within the European Union at the end of 2007 or beginning of 2008.

Financial Position

HeartWare's cash reserves as at 31 December 2006 were $21.1 million (2005: $13.7 million).

Expenditure grew significantly during 2006 as the Company transformed itself from a focus on product development to one that is focussed on developing manufacturing processes required of an early-stage manufacturer of a Class III medical device. The Company also successfully entered clinical trials in both Europe and Australia and further advanced its pipeline of miniaturized pumps through additional research and development and animal trials.

The growth of the Company is reflected in the increase in head count from 41 employees to 65 employees, with a parallel increase in annual employee entitlements costs to $10 million (2005: $5.6 million). The 2006 cost was larger than expected due to the unanticipated one-off employee termination costs for two senior employees of approximately $650,000.

Other notable increases in costs include additional clinical and regulatory consulting costs of $1.6 million (2005: $0.3 million) incurred in consequence of the commencement of our international clinical trials. The Company also expensed $1.6 million of inventory that it will use for its international clinical trial during 2007. This amount was not capitalized in the Balance Sheet because this is not permitted under applicable Australian accounting standards as our international clinical trials are not reimbursed and therefore the product cannot be classified as inventory as it is not "held for resale". This amount is included in the Income Statement in the line item titled "Raw materials and consumables used".

Other non-operating expenses included in this year's loss are the share-based payments expense of $1.2 million (2005: $2.6 million), together with amortization and depreciation expense of $2.9 million (2005: $2.7 million) which has increased this year largely by virtue of the Company determining to amortize its intangible assets over 15 years, instead of 20 years as was applied previously during 2005 (as is permitted under the Company's accounting policies (see Note 1 to the Financial Statements)).

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the HeartWare Group occurred during the year:

(a) On 5 January 2006 the Company announced that it had received regulatory approval to commence human implants of the HVAD™. Approval was received from the Austrian Minister of Health following receipt of Ethics Approval from the Vienna General Hospital, one of the world's leading centres for device-based treatment of cardiac failure.

(b) On 31 January 2006 the Australian Stock Exchange released 996,779 ordinary shares from escrow.

(c) On 1 February 2006 the FORUS limitation on HeartWare's shares was removed thereby allowing US residents to purchases shares in the Company.

(d) On 8 March 2006 the Company announced that it had received regulatory approval from the Therapeutic Goods Administration, allowing implants of the HVAD™ to proceed in Australia.

(e) On 24 March 2006 HeartWare announced that it had commenced human implants of the HVAD™. On 22 March 2006 a patient with advanced heart failure received the first ever implant of the device at the Vienna General Hospital.

(f) On 19 April 2006 the HVAD™ was successfully implanted in a second patient at Vienna General Hospital.

(g) On 21 April 2006 the Company announced the appointment of Mr Dozier Rowe as Chief Operating Officer with responsibility for all internal operations of the Company.

(h) On 22 May 2006 the Company received regulatory approval from the Medicines and Regulatory Healthcare Regulatory Agency ("MHRA") to commence implanting its HVAD™ in the United Kingdom.

(i) On 23 May 2006 the Company completed a private placement to sophisticated and institutional investors in Australia and the United States, raising approximately $32.65 million.

(j) On 4 September 2006 the Company announced the appointment of Mr Douglas Godshall as Chief Executive Officer of the Company replacing Mr Stuart McConchie who also resigned on 4 September 2006. Mr Godshall was subsequently appointed as an executive director of the Company on 28 October 2006.

(k) On 23 October 2006 the Company recommenced its implant program by implanting its first female patient at the Royal Perth Hospital. This occurred after the Company spent a number of months upgrading elements of its manufacturing and operating processes as part of its transition from a late-stage product development company to an early-stage manufacturing company.

(l) On 22 November 2006 the Company announced that Ms Jen Foley would assume the position of Vice President, Clinical and Regulatory Affairs with effect from 2 January 2007. Ms Foley, formerly of Boston Scientific, has significant experience in conducting multi-centre clinical trials.

(m) On 11 December 2006 the Company announced the appointment of US-based Mr Robert (Bob) Stockman to the position of non-executive director of the Company. Mr Stockman has more than 30 years of experience in the US medical device and capital market communities.

Except as stated above there were no material changes to the Economic Entity during the year.

Post-Balance Date Events

The matters or circumstances that have arisen since the end of the year which have or may significantly affect the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in future financial years are as follows:

(a) On 2 January 2007 the Company granted 1,150,000 options to new senior appointments under the Company's Employee Share Option Plan, at an exercise price of $1.10.

(b) On 31 January 2007 the Australian Stock Exchange released 87,003,221 ordinary shares from escrow. The Company's largest shareholder, Apple Tree Partners, holds all of these shares. In addition, a further 2,264,204 options and the Company's outstanding convertible note were also released from escrow.

Except as stated above, no other matters or circumstances have arisen since the end of the year that have significantly affected or may significantly affect the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in future financial years.

Likely Developments

The likely developments in the operations of the Economic Entity and the expected results of those operations in future financial years are as follows:

(a) Notwithstanding the commencement of human clinical trials in both Europe and Australia, the Company has not, as at the date of this report, commenced human clinical trials in the world's largest medical device market, the United States of America. In this regard, the Company envisages commencing its US human clinical trials in the second half of 2007 (with the prior approval of the US Food and Drug Administration). The Company anticipates that it will receive reimbursement (i.e. revenue) in connection with its US human clinical trials.

(b) HeartWare must raise capital in order to continue to commercialise its technology. It remains the Company's intention to raise funds during 2007. These funds will be primarily applied for the purposes of meeting costs associated with expanding the Company's human clinical trials, product development (including in relation to the Company's transcutaneous energy transfer system and its next generation devices, the IV VAD and MVAD™), regulatory and other compliance costs as well as for general working capital. The Company continually monitors its cash position and is confident that a capital raising as contemplated above is achievable (and for this reason the Financial Statements are prepared on a going concern basis).

The expected results of the above have not been included in this Directors' Report because the directors believe, on reasonable grounds, that disclosure of such information would be likely to result in unreasonable prejudice to the Economic Entity.

Notwithstanding the above, it is the Board's view that both of the above events are achievable.

Environmental Regulation

The HeartWare Group is not subject to significant environmental regulation.

Information on Directors and Company Secretary

Information regarding the qualifications and experience of each of the directors and the company secretary, together with details concerning the responsibilities of directors and the directorships held by each director in the three years to 31 December 2006 are set out in the Corporate Governance Statement and those details form part of this Directors' Report and are incorporated by reference.

Directors' Interest

The direct and indirect interests of the directors in the shares of the Company (including interests in options) are set out in the Remuneration Report on pages 44 to 57 (inclusive).

Meetings of Directors

The number of directors' meetings (including meetings of Committees) and number of meetings attended by each of the directors during the year are as follows:

					Comittee meetings			
	Directors' meeting		Non-executive Directors' meeting		Audit & compliance committee		Nomination & remuneration committee	
	A	B	A	B	A	B	A	B
Rob Thomas	12#	12	3#	3	2	2	1#	1
Seth Harrison	12	11	3	3	*	*	1	1
Denis Wade	12	12	3	3	2	2	1	1
Christine Bennett	12	12	3	3	2#	2	1	1
Doug Godshall (C)	2	2	*	*	–	–	*	*
Bob Stockman (D)	1	1	–	–	*	*	*	*
Stuart McConchie (E)	8	8	*	*	2	2	*	*

A – Number of meetings held during the time the director held office during the year.

B – Number of meetings attended.

C – Mr Doug Godshall was appointed Chief Executive Officer on 4 September 2006 (and this became effective on 18 September 2006) . He was appointed a director of the Company on 28 October 2006.

D – Mr Bob Stockman was appointed as a non-executive director of the Company on 11 December 2006.

E – Mr Stuart McConchie resigned as Chief Executive Officer and director of the Company on 4 September 2006.

** Not a member of the relevant committee.*

 # Designates the Chair of the relevant committee.

In relation to the above please note that Company announcements are reviewed by either the full Board of Directors or by the Continuous Disclosure Committee ("CDC"). The members of the Continuous Disclosure Committee are Mr Rob Thomas, Dr Seth Harrison, Mr Doug Godshall and, prior to his resignation, Mr Stuart McConchie. In all instances, the Continuous Disclosure Committee reviews and approves recommendations on ASX announcements from senior management, prior to their release to the ASX. Formal meetings of the CDC are held infrequently and on an "as needs" basis. No formal meetings of the CDC were held during the 2006 calendar year.

Indemnification & Insurance

The Company has entered into a Deed of Indemnity, Access and Insurance pursuant to which each of the directors and the company secretary are entitled, to the extent permitted by law, to the benefit of certain indemnities from the Company. In addition, these persons have certain rights of access to books and records of the Company.

The Company has also paid premiums to insure each of the directors and officers against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract because disclosure is prohibited under the terms of the contract.

Options issued to directors and other key management personnel during or since the end of the financial year

No options were granted during or since the end of the financial year to any director of the HeartWare Group.

Details of options that were granted during or since the end of the financial year to any of the other key management personnel (including the five most highly remunerated officers) as part of remuneration is set out in Notes 29 in the Notes to the Financial Statements.

Shares under Option

At the date of this report, the unissued ordinary shares of HeartWare under option are as follows:

Grant date	Expiry date	Exercise price	Category	Number under option
24 January 2005	24 January 2010	$0.20	ESOP	4,401,804
24 January 2005	24 January 2010	0.60	ESOP	191,051
24 January 2005	24 January 2010	$0.75	ESOP	191,051
24 January 2005	24 January 2010	$1.00	ESOP	191,051
24 January 2005	24 January 2010	$1.50	ESOP	191,051
24 January 2005	24 January 2010	$0.60	Incentive	600,000
24 January 2005	24 January 2010	$1.00	Incentive	600,000
24 January 2005	24 January 2010	$1.50	Incentive	300,000
27 April 2005	27 April 2010	$0.60	ESOP	191,051
27 April 2005	27 April 2010	$0.75	ESOP	191,051
27 April 2005	27 April 2010	$1.00	ESOP	191,051
27 April 2005	27 April 2010	$1.50	ESOP	191,051
27 April 2005	27 April 2010	$0.50	ESOP	2,190,510
15 December 2005	15 December 2012	$0.75	ESOP	764,204
20 April 2006	20 April 2016	$1.41	ESOP	1,000,000
25 July 2006	25 July 2016	$1.10	ESOP	2,635,060
27 September 2006	27 September 2016	$1.10	ESOP	5,581,264
28 October 2006	28 October 2016	$1.10	ESOP	900,000
				20,501,250

No person entitled to exercise their respective option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Shares issued on exercise of options

During and since the year ended 31 December 2006, the following ordinary shares of the Company have been issued on the exercise of options granted under the ESOP:

Grant date	Exercise date	Exercise price	Amount paid	Number of shares Issued
27 April 2005	30 June 2006	$0.50	$95,575.50	191,151
24 January 2005	25 August 2006	$0.20	$44,000.00	220,000
24 January 2005	17 January 2007	$0.20	$8,000.00	40,000

No amounts are unpaid on any of the above shares.

Adoption of Australian equivalents of International Financial Reporting Standards

The Company's previous financial year commenced on 26 November 2004 (i.e. prior to 1 January 2005). As a consequence the Company was prohibited from transitioning its accounting and financial reporting from the then current Australian GAAP to Australian equivalents of International Financial Reporting Standards ("AIFRS") in relation to the 2005 Annual Financial Report. This means that this Annual Financial Report for the year ended 31 December 2006 is the first financial report prepared under AIFRS.

As this is the first Annual Financial Report prepared under AIFRS the accounting policies applied are inconsistent with those applied in the 2005 Annual Financial Report as, for the reasons stated above, the 2005 Annual Financial Report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under AIFRS, together with a reconciliation of equity and profit and loss between previous GAAP and AIFRS has been prepared and is included in Note 2 to the Financial Statements.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability the directors support and have endeavoured to adhere to and promote the principles of good corporate governance.

The Company's Corporate Governance Statement is set out immediately after this Directors' Report and all matters set out therein are incorporated into this Directors' Report by reference.

Remuneration Report

The Company's Remuneration Report is set out immediately after the Corporate Governance Statement and all matters set out therein are incorporated into this Directors' Report by reference.

Life Sciences Code of Best Practice for Reporting

Patents

The Code of Best Practice for Reporting by Life Sciences Companies (published by the ASX and AusBiotech) recommends that the Company make a variety of disclosures across a range of areas of interest. In accordance with those recommendations, the Company provides the following information concerning the Economic Entity's patents (as at 31 December 2006):

Title	Country	Status	Patent or application number
Sealless Rotary Blood Pump with Passive Magnetic Radial Bearings and Blood Immersed Axial Bearings	Australia	Granted	708476
Sealless Rotary Blood Pump with Passive Magnetic Radial Bearings and Blood Immersed Axial Bearings	Australia	Granted	734310
Rotary Blood Pump	Canada	Granted	2218342
Sealless Rotary Blood Pump with Passive Magnetic Radial Bearings and Blood Immersed Axial Bearings	Europe	Pending	4014527.8
Sealless Rotary Blood Pump with Passive Magnetic Radial Bearings and Blood Immersed Axial Bearings	Israel	Granted	121834
Sealless Rotary Blood Pump with Passive Magnetic Radial Bearings and Blood Immersed Axial Bearings	Korea	Granted	351336
Sealless Rotary Blood Pump with Passive Magnetic Radial Bearings and Blood Immersed Axial Bearings	United States	Granted	5695471
Sealless Rotary Blood Pump	Australia	Granted	730235
Sealless Rotary Blood Pump	Australia	Granted	742536

Title	Country	Status	Patent or application number
Sealless Rotary Blood Pump	Germany	Granted	69828926.9-8
Sealless Rotary Blood Pump	Europe	Granted	901797
Sealless Rotary Blood Pump	France	Granted	901797
Sealless Rotary Blood Pump	Great Britain	Granted	901797
Sealless Rotary Blood Pump	Japan	Pending	205985/98
Sealless Rotary Blood Pump	Netherlands	Granted	901797
Sealless Rotary Blood Pump	United States	Granted	5840070
Sealless Blood Pump with Means for Avoiding Thrombus Formation	Australia	Granted	768864
Sealless Blood Pump with Means for Avoiding Thrombus Formation	Japan	Pending	19027/99
Sealless Blood Pump with Means for Avoiding Thrombus Formation	United States	Granted	6120537
Sealless Rotary Blood Pump	United States	Granted	6080133
Power System for an Implantable Heart Pump	United States	Granted	6149683
Active Magnetic Bearing System for Blood Pump	Australia	Granted	765716
Active Magnetic Bearing System for Blood Pump	Europe	Granted	1135181
Active Magnetic Bearing System for Blood Pump	France	Granted	1135181
Active Magnetic Bearing System for Blood Pump	Germany	Granted	*
Active Magnetic Bearing System for Blood Pump	Italy	Granted	1135181
Active Magnetic Bearing System for Blood Pump	Spain	Granted	1135181
Active Magnetic Bearing System for Blood Pump	Great Britain	Granted	1135181
Active Magnetic Bearing System for Blood Pump	Japan	Pending	2000-584946
Active Magnetic Bearing System for Blood Pump	United States	Granted	6264635
Rotary Blood Pump with Ceramic Members	Australia	Granted	765033
Rotary Blood Pump with Ceramic Members	Europe	Pending	957558.2
Rotary Blood Pump with Ceramic Members	Japan	Pending	2000-590707
Rotary Blood Pump with Ceramic Members	United States	Granted	6158984
Blood Pump Using Cross-Flow Principles	Australia	Granted	760773
Blood Pump Using Cross-Flow Principles	Germany	Granted	69931960
Blood Pump Using Cross-Flow Principles	Europe	Granted	1146920
Blood Pump Using Cross-Flow Principles	France	Granted	1146920
Blood Pump Using Cross-Flow Principles	Great Britain	Granted	1146920
Blood Pump Using Cross-Flow Principles	Netherlands	Granted	1146920
Blood Pump Using Cross-Flow Principles	Japan	Pending	2000-594506
Blood pump using Cross-Flow Principles	United States	Granted	6217541
Rotary Blood Pump	Australia	Granted	773136
Rotary Blood Pump	Europe	Pending	923125.9
Rotary Blood Pump	Japan	Pending	2000-613497
Rotary Blood Pump	United States	Granted	6234772
Method and Apparatus for Controlling Brushless DC Motors in Implantable Medical Devices	Australia	Granted	771931
Method and Apparatus for Controlling Brushless DC Motors in Implantable Medical Devices	Japan	Pending	2001-509146

Title	Country	Status	Patent or application number
Method and Apparatus for Controlling Brushless DC Motors in Implantable Medical Devices	United States	Granted	7138776
Sealless Rotary Blood Pump	United States	Granted	6234998
Power System for an Implantable Heart Pump	United States	Granted	6592620
Sealless Rotary Blood Pump	United States	Granted	6368083
Sealless Rotary Blood Pump	United States	Granted	6688861
Ventricular Connector	United States	Granted	6732501
Sealless Rotary Blood Pump	United States	Pending	10/887116
Ventricular Connector	United States	Pending	10/799534
Sensorless Flow Estimation For Implanted Ventricle Assist Device	Australia	Pending	*
Sensorless Flow Estimation For Implanted Ventricle Assist Device	Europe	Pending	*
Sensorless Flow Estimation for Implanted Ventricle Assist Device	United States	Pending	10/853302
Wide Blade, Axial Flow Pump	United States	Pending	11/003810
Multiple Rotor, Wide Blade, Axial Flow Pump	PCT	Pending	PCT/US05/35964
Multiple Rotor, Wide Blade, Axial Flow Pump	United States	Pending	11/118551
Impeller for a Rotary Ventricle Assist Device	United States	Pending	11/243722
Implantation Procedure for Blood Pumps	United States	Pending	11/280030
Implant Connector	PCT	Pending	*
Implant Connector	United States	Pending	11/298410
Surgical Cutting Tool for Making Precise and Accurate Incisions	United States	Pending	11/332455
Surgical Tool for Coring Precise Holes and Providing for Retrieval of Tissue	United States	Pending	11/332016
Hydrodynamic Thrust Bearings for Rotary Blood Pumps	United States	Pending	*
Shrouded Thrust Bearings	United States	Pending	*
Stabilizing Drive for Contactless Rotary Blood Pump Impeller	United States	Pending	*
Surgical Tool	United States	Pending	11/337708
Axial Flow Pump with Multi-Grooved Rotor	PCT	Pending	PCT/US06/21
Axial Flow Pump with Multi-Grooved Rotor	United States	Pending	11/445963

** number not available*

Escrow

As at the date of this report, none of the Company's securities were subject to escrow under the ASX Listing Rules.

Intangible Assets

Note 15 of the Company's Financial Statements provide details of the Economic Entity's intangible assets.

Proceedings on Behalf of Company

The Company has not received written notice that any 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.

Denomination

All amounts set out in Company's Annual Report & Directors' Report are denominated in Australian dollars.

Filing Requirements in the United States of America

With effect from 1 January 2007, the Company is no longer able to rely on the "foreign private issuer exemption" as set out under the Securities Exchange Act of 1934 and is therefore subject to the same registration and reporting requirements that are required of domestic U.S. companies. These requirements generally call for the filing of annual, quarterly and current reports with the U.S. Securities and Exchange Commission. The Company will therefore file a Form 10 financial report for the year-ended 31 December 2006 with the U.S. Securities and Exchange Commission on or before 30 April 2007.

Non-audit Services

The directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence as the scope of services rendered during the year was minor in nature.

The directors, in accordance with advice from the Audit & Compliance Committee, are satisfied that the services disclosed below did not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants, issued by The Accounting Ethical Professional Standards Board.

The following non-audit services were paid/payable to the external auditors during the financial year ended 31 December 2006:

	2006 $	2005 $
Other Services:		
Auditors of the parent entity – Grant Thornton NSW		
– Tax services	9,190	1,640
– Advisory fees in connection with Company's obligations to lodge US GAAP compliant financial statements with the Securities Exchange Commission	2,650	–
– Advisory fees in connection with ASX listing and acquisition of HeartWare, Inc. by the Company	–	65,262
Auditors of HeartWare, Inc. – Grant Thornton LLP		
– Tax services	7,768	819
– Advisory fees in connection with Company's obligations to lodge US GAAP compliant financial statements with the Securities Exchange Commission	2,328	–
– Advisory fees in connection with ASX listing and acquisition of HeartWare, Inc. by the Company	–	46,825
	21,936	**114,546**

Auditor's Independence Declaration

The lead auditor's independence declaration for the financial year ended 31 December 2006 has been received and can be found immediately following this Directors' Report (including the Corporate Governance Statement and the Remuneration Report) and forms part of this report.

Auditor

Grant Thornton NSW continues in office in accordance with section 327 of the Corporations Act 2001.

This report (and the attaching Corporate Governance Statement and Remuneration Report) is made in accordance with a resolution of the Board of Directors.

Rob Thomas
Chairman
Date 28 February 2007

Corporate Governance Statement

The Board of Directors and employees of HeartWare Limited ("HeartWare" or "the Company") are committed to developing, promoting and maintaining a strong culture of good corporate governance and ethical conduct.

HeartWare supports both the Australian Stock Exchange's ("ASX") Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" ("ASX Guidelines") and the "Code of Best Practice for Reporting by Life Science Companies" ("Code of Best Practice").

Following a year of intensive growth and consolidation within the Company's business, the Board of Directors is pleased to confirm that the Company's corporate governance framework has grown steadily and is generally consistent with the ASX Guidelines (other than as set out below). To this end, the Company provides below a review of its governance framework using the same numbering as adopted for the best practice recommendations as set out in the ASX Guidelines ("Best Practice Recommendation").

Copies of the Company's codes and policies may be downloaded from the corporate governance section of the HeartWare website (www.heartware.com.au).

Principle 1 – Lay solid foundations for management and oversight

Obligation – Recognise and publish the respective roles and responsibilities of both the Board of Directors and Management

The primary responsibility of:

(a) the Board of Directors is to provide effective governance over the business and affairs of HeartWare and its controlled entities ("the HeartWare Group") so that the interests of all stakeholders are protected; and

(b) the Chief Executive Officer is to oversee the day-to-day performance of the HeartWare Group (pursuant to Board delegated powers).

The Board's responsibilities are recognized and documented on an aggregated basis via the Charter of the Board of Directors and via Letters of Appointment for each individual director. Copies of the Charter of the Board of Directors as well as the Delegation of Authority may be downloaded from the Company's website.

While day-to-day management has been delegated to the Chief Executive Officer, it is noted that the following matters are specifically reserved for the attention of the Board:

(a) decisions about corporate strategy and policies as well as commitments over prescribed limits;

(b) setting major capital expenditure, acquisitions, divestments and funding arrangements;

(c) setting the various internal controls and reporting framework for the management of the risks inherent in the operations of the HeartWare Group;

(d) setting of discretionary financial and related operating limits for management; and

(e) establishing and determining the powers and functions of the committees of the Board.

Reporting Requirement
The Company fully complied with Best Practice Recommendation 1.1 during the year ended 31 December 2006.

Principle 2 – Structure the Board to add value

Obligation – Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties

Composition
The Board of Directors presently comprises six (6) directors. The six (6) directors encompass four (4) independent non-executive directors (including the Chairman of the Board), one (1) executive director (being the Chief Executive Officer) and one (1) non-independent, non-executive director (being the Deputy Chairman).

The current composition of the Board and length of tenure of each member of the Board is as follows:

Name	Position	Date appointed	Tenure*	Inde-pendent
Rob Thomas	Non-executive Chairman	26 Nov 2004	2.1 years	Yes
Seth Harrison	Non-executive Deputy Chairman	26 Nov 2004	2.1 years	No
Denis Wade	Non-executive director	15 Dec 2004	2.0 years	Yes
Christine Bennett	Non-executive director	15 Dec 2004	2.0 years	Yes
Bob Stockman	Non-executive director	11 Dec 2006	0.1 years	Yes
Doug Godshall	Chief Executive Officer/ President/ Executive Director	28 Oct 2006	0.2 years	No

** Calculated at as at 31 December 2006.*

As previously disclosed in the 2005 Annual Report, the Board of Directors actively sought to revise its composition with a view to expanding its skill sets, experiences and capabilities during 2006. This is confirmed by the recent appointment of Mr Bob Stockman to the Board of Directors. Mr Stockman has significant experience and managerial expertise in both the US capital market and the wider medical device market, as well as an extensive and successful track record in the effective commercialization of various medical products and business.

Expertise

The Board has a diverse range of skills and experience, details of which are set out below:

Robert Bain Thomas

Position Non-executive Chairman
Age 62
Independent Yes

Rob is the immediate past Chairman, Global Corporate & Investment Bank, Australia and New Zealand of Citigroup Global Markets Australia Pty Limited, one of Australia's leading investment banks.

Rob has in excess of 30 years experience in the investment and securities industry. In 1986, Rob joined County NatWest Securities Australia Limited to establish its stockbroking operations and was appointed Managing Director.

In April 1998, County NatWest Securities was taken over by Salomon Smith Barney and Rob was subsequently appointed Chief Executive Officer of Australia and New Zealand, Corporate and Investment Bank and ultimately, Chairman.

In the last three years, Rob has been a non-executive director of Virgin Blue Holdings Limited (Appointed 8 September 2006 – Present), non-executive Chairman of Australian Wealth Management Limited (ASX:AUW) (Appointed 15 February 2005 – Present) and Deputy Chairman of Benitec Limited (ASX:BLT) (Appointed 7 May 2004 – Resigned 30 November 2005). In addition, Rob is also the Chairman of the Securities & Derivatives Association, a consultant to Citigroup Corporate and Investment Bank and President of the Library of New South Wales.

Rob holds a Bachelor of Economics from Monash University. He is a Master Stockbroker and has also been a member of the Securities Institute of Australia for almost four decades and a Fellow for a decade.

Rob is the Chairman of the Nomination & Remuneration Committee and a member of each of the Audit & Compliance Committee and the Continuous Disclosure Committee.

Dr Seth Loring Harrison

Position	Non-executive Deputy Chairman
Age	46
Independent	No

Seth has been involved in life sciences venture capital since 1991.

Seth is presently Managing General Partner of HeartWare's major shareholder, Apple Tree Partners. Apple Tree Partners is an early stage life sciences venture capital firm, based in New York City, managing US$105 million. Prior to this, Seth held senior executive positions with U.S. based Oak Investment Partners, Sevin Rosen Funds and Nazem & Company.

Seth has significant experience in the successful establishment and sale of start-up entities. Seth also has a long term and intimate understanding of HeartWare's technology, having previously acted as HeartWare's Chief Executive Officer.

Seth received a Bachelor of Arts from Princeton University, a Bachelor of Medicine and Masters of Business Administration both from Columbia University and completed a surgery internship at the Presbyterian Hospital in New York. He serves on the Board of and Chairs the Finance Committee of the International Partnership for Microbicides, a Rockefeller Foundation/Gates Foundation sponsored public-private partnerships engaged in the development of anti-HIV microbicides. Seth is also Chairman of the New York Studio School for Drawing, Painting and Sculpture.

In the last three years, Seth has not held any directorships of Australian listed companies.

Seth is a member of the Nomination & Remuneration Committee as well as the Continuous Disclosure Committee.

Robert (Bob) Bernard Stockman

Position	Non-executive director
Age	53
Independent	Yes

Bob is the President and CEO of Group Outcome LLC, a US based merchant banking firm which deploys its capital and that of its financial partners in private equity and venture capital investments in medical technology companies. He is also the Chairman of REVA Medical, Inc, an interventional coronary medical device company he helped co-found.

Bob has played a critical role in a number of significant US-based buyout transactions, recapitalizations, turnarounds and subsequent sales of various medical companies, which included two divestitures from Johnson & Johnson. Bob also co-founded and provided the start-up financing for CentriMed, which thrives today as the Global HealthCare Exchange, the world's leading electronic exchange for hospital supplies.

Prior to establishing Group Outcome LLC, Bob spent 18 years with Johnston Associates and Narragansett Capital Corporation, where he focused on venture capital investments in healthcare. He previously was an auditor with Price Waterhouse in New York.

Bob holds a Bachelors Degree from Harvard College and a Master in Business Administration from The Tuck School at Dartmouth College.

Bob is not a member of any committee having only recent been appointed to the Board of Directors.

Dr Denis Newell Wade AM

Position	Non-executive director
Age	69
Independent	Yes

Denis has extensive experience in international health care markets, with a particular emphasis on the development of research based health care products in Australia and their commercialisation in the global market.

He regularly engages, often informally, with senior industry executives both in Australia and internationally.

Denis is the immediate past Managing Director and Chairman of Johnson & Johnson Research Pty Ltd ("J&J"). In his 15 years with J&J, he held various roles including as a member of J&J's US-based Corporate Office of Science & Technology and it's Business Development Council.

In addition, Denis was the former Foundation Professor of Clinical Pharmacology at the University of New South Wales and the former President of the Australian Society of Clinical and Experimental Pharmacology. Denis has also held senior positions in the International Union of Pharmacology, serving as Chairman of the Clinical Pharmacology Section.

In the last 18 years, Denis has acted as a non-executive director of a number of developing health-care companies including Gene Shears Pty Limited, Chemgenex Limited (ASX:CXS) (Appointed 5 December 2006 – Resigned 8 February 2007) and Cryptome Pharmaceuticals Limited (ASX:CRP) (Appointed January 2003 – Resigned 10 February 2006). He currently chairs the Industry Advisory Committee of the Australian Synchrotron and

is a member of the Pharmaceuticals Committee of the Australian Industry Research and Development Board. He is the former Chairman of the Innovation Council of New South Wales.

Denis holds a Bachelor degree in Medicine and Surgery from the University of New South Wales and a doctorate in Philosophy from Oxford. He was awarded an Honorary Doctorate in Science from the University of New South Wales. He is a Fellow of the Royal Australasian College of Physicians, the Australian Institute of Company Directors and the Australian Academy of Technological Sciences and Engineering.

Denis is a member of the Nomination & Remuneration Committee and the Audit & Compliance Committee.

Dr Christine Constance Bennett

Position	Non-executive director
Age	51
Independent	Yes

Christine has recently been appointed as Group Executive, Health and Financial Solutions and Chief Medical Officer of MBF Australia Limited having previously held the position of Chief Executive Officer of Research Australia, a highly regard national body of Australian organisations and companies that are committed to making health and medical research a higher national priority in Australia and globally.

In her role as a Group Executive of MBF, Christine is charged with the responsibility of developing and manufacturing products for the health insurance and various financial services businesses operating as part of the MBF Group. Christine is also responsible for provider contracts and health benefits management. As Chief Medical Officer, Christine is the health spokesperson for MBF and is responsible for building strategic alliances within the health industry both in Australia and overseas.

Christine has over 20 years experience in the health sector in senior executive, strategic and clinical roles. Specifically, Christine brings substantial experience as a specialist clinician, strategist and planner and chief executive in both the public and private sectors.

Previous roles have included Chief Executive Officer of Westmead Hospital and Community Health Services, a partner at KPMG in Health and Life Sciences and senior positions in the New South Wales Department of Health in services planning and policy.

In the last three years, Christine has acted as a non-executive director of Resonance Health Limited (ASX:RHT) (Appointed 12 July 2004 – 20 April 2006) and Symbion Health (ASX:SYB) (Appointed 1 February 2007 – Present).

Christine is the Chair of the Audit & Compliance Committee and a member of the Nomination & Remuneration Committee.

Christine holds a Bachelor of Medicine and Surgery (University of Sydney), Master of Paediatrics (University of NSW) and is a Fellow of the Royal Australasian College of Physicians.

Douglas (Doug) Evan Godshall

Position	Chief Executive Officer/President/ Executive Director
Age	42
Independent	No

Doug has almost two decades of senior managerial and executive experience with Boston Scientific Corporation (Boston Scientific).

Prior to accepting appointments as Chief Executive Officer and Executive Director of HeartWare, Doug served on the Operating Committee at Boston Scientific, one of the world's largest medical device companies.

From January 2005 until his departure to join HeartWare, Doug was President, Vascular Surgery at Boston Scientific, with overall responsibility for a business division employing some 600 personnel and generating revenues of approximately US$100 million. Doug previously spent five years as Vice President, Business Development at Boston Scientific, where he was instrumental in developing the acquisition strategies for the cardiology, electrophysiology, neuroradiology and vascular surgery divisions. During this period, he led the negotiation and structuring of over seventy (70) transactions and represented Boston Scientific on the Boards of eleven (11) companies. Prior to assuming the Business Development position, he was Director of Marketing for Boston Scientific's Urology Division where he helped build global sales to over US$150 million. Doug joined Boston Scientific in 1990.

Doug is well known and highly regarded within the US medical device fraternity and his wealth of knowledge and experience will play, and indeed has already played, an invaluable role as HeartWare matures into a leading medical device manufacturer.

Doug is a member of the Continuous Disclosure Committee.

In the last three years, Doug has not held any directorships of Australian listed companies.

David John McIntyre (Chief Financial Officer & Company Secretary)

As HeartWare's Chief Financial Officer and Company Secretary, David has broad financial and legal skills and experience.

David has held senior financial and reporting roles in multinational companies, among them Rio Tinto. He has also previously served as a corporate and commercial law specialist in major international law firms, advising some of the world's largest corporations in various areas including mergers and acquisitions, corporate fundraising and securities law.

David holds a Bachelor of Economics (Accounting) from the University of Sydney as well as a Bachelor of Law from the University of Technology, Sydney. He is a Certified Practising Accountant (CPA) and is admitted as a Legal Practitioner of the Supreme Court of New South Wales (and is a member of the Law Society of New South Wales).

In the last three years, David has not held any directorships of Australian listed companies.

Independent advice

At the Company's expense, the Board collectively or directors (acting as individuals) are entitled to seek advice from independent external advisers in relation to any matter which is considered necessary to fulfil their relevant duties and responsibilities.

Individual directors seeking such advice must obtain the approval of the Chairman (which may not be unreasonably withheld). Any advice so obtained will be made available to all Board members.

Reporting requirement

Having listed on the ASX during early 2005, the Company confirmed in last year's Annual Report that it was unable to comply with requirements of Best Practice Recommendations 2.1 to 2.5 during the year ended 31 December 2005. However, for the year ended 31 December 2006, the Company is pleased to confirm that it has fully complied with the requirements of Best Practice Recommendations 2.1 to 2.5 (inclusive).

Principle 3 – Promote ethical and responsible decision-making

Obligation – Actively promote ethical and responsible decision-making

The Company has adopted a Code of Conduct that is designed to convey the obligations and standards of behaviour expected of the Chief Executive Officer, the Chief Financial Officer and other employees. It is also designed to help staff resolve any ethical issues that may arise during the course of their duties.

During 2006 the Company also adopted a policy titled "Complaint Procedures for Accounting and Audit Matters". This policy established procedures that operate in addition to the Code of Conduct and which are primarily focused on dealing with employee complaints concerning any questionable accounting or auditing matters including, without limitation, the following:

(a) fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company;

(b) fraud or deliberate error in the recording and maintaining of financial records of the Company;

(c) deficiencies in or non-compliance with the Company's internal accounting controls;

(d) mis-representation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Company; or

(e) deviation from full and fair reporting of the Company's financial condition.

In addition, the above two policies are supplemented by the Company's Operational Policies, Employee Handbook and other corporate policies such as the Risk Management Policy, Securities Trading Policy and Continuous Disclosure Policy.

The Board acknowledges that ethical conduct, together with responsible decision-making, is a matter of concerted diligence and effective promotion of the relevant principles by all employees, particularly senior executives. The establishment of the Code of Conduct and other ancillary policies are therefore the initial embodiment of the Company's commitment in this regard and are, in simple terms, designed to ensure that a suitable framework is established whereby employees are promoted to observe the letter and spirit of the law, adhere to high standards of business conduct and comply with best practice.

A copy of the Code of Conduct and the Securities Trading Policy is available on the corporate governance page of the Company's website.

Reporting requirement

The Company fully complied with Best Practice Recommendations 3.1 to 3.3 (inclusive) during the year ended 31 December 2006.

Principle 4 – Safeguard integrity in financial reporting

Obligation – Have a structure to independently verify and safeguard the integrity of the Company's financial reporting

The Company is committed to exhibiting the highest standard of integrity in its financial reporting. The Company is also equally committed to safeguarding the interests of its shareholders, employees, creditors and the general investing public and believes that, at its simplest, this is achieved via open and appropriate financial reporting.

Having said the above, the Company recognizes that growing organizations, like HeartWare, are inherently limited in terms of the resources available to it to protect the integrity of its financial reporting mechanism (as compared to larger, more mature organizations). For example, separation of duties, responsibilities and controls in key accounting functions is intrinsically difficult when the finance function comprises relatively few employees.

As the associated costs of, for example, an internal audit function are not presently within the Company's available resources, the Company seeks to reduce its financial reporting risk via detailed and frequent financial reporting to the Board, together with various policies and procedures (e.g. Complaint Procedures for Accounting and Audit Matters).

In this regard, it should be noted that the Company adopted an Auditor Selection & Rotation Policy during 2006 (a copy of which is available to be downloaded on the Company's website). On adoption of this policy, the Company then undertook a review of its external audit function and subsequently completed a tender process before determining to re-appoint Grant Thornton NSW as the Company's auditor.

As the Company continues to grow and mature, it is expected that greater resources will be brought to bear on preserving and safeguarding the integrity of the Company's financial reporting function.

Reporting requirement

The Company fully complied with Best Practice Recommendations 4.1 to 4.5 (inclusive) during the year ended 31 December 2006.

Principle 5 – Make timely and balanced disclosure

Obligation – Promote timely and balanced disclosure of all material matters concerning the Company

Heartware is committed to providing timely and balanced disclosure to the market and, in consequence, to meeting its continuous disclosure requirements.

In accordance with its commitment to fully comply with its continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy, together with a Continuous Disclosure Committee. The Continuous Disclosure Committee comprises the Chairman of the Board, the Deputy Chairman of the Board and the Chief Executive Officer. The Chief Financial Officer acts as convenor for the Continuous Disclosure Committee.

The Continuous Disclosure Committee has been established by the Board as a committee to be responsible for ensuring full compliance with the Company's policy in this regard, particularly in relation to the continuous disclosure obligations set out in the ASX Listing Rules and the Corporations Act 2001.

A copy of the Continuous Disclosure Policy is available on the corporate governance section of the Company's website. In addition, a copy of all of the Company's ASX announcements, financial reports and related public information are also available on the Company's website.

Reporting Requirement

The Company fully complied with Best Practice Recommendations 5.1 to 5.2 (inclusive) during the year ended 31 December 2006.

Principle 6 – Respect the rights of shareholders

Obligation – Respect the rights of shareholders and facilitate the effective exercise of those rights

As noted elsewhere in this Corporate Governance Statement, HeartWare is continuing to grow and mature as both a publicly listed company and a manufacturer of quality medical devices. As a consequence of this, the Company's communication strategy is also evolving and maturing. This is best exemplified by the fact that the Company has provided more frequent shareholder communication from September onwards. This includes written communications and webcasts and this communication effort has arguably been more concerted than at any other time since the Company listed on the ASX. This heightened level of communication has arisen, in part, through the Company's recognition that investors were desirous of receiving more detailed corporate information, more often.

In addition to the above, the Company will continue to webcast its Annual General Meeting and, where possible, other events at which the Chief Executive Officer and other HeartWare representatives make presentations on behalf of the Company. The Company is also in the process of redesigning its website and it is hoped that these, and other corporate initiatives, will be well-received by shareholders.

Reporting requirement
The Company complies with Best Practice Recommendations 6.1 to 6.2 (inclusive) for the year ended 31 December 2006.

Principle 7 – Recognise and manage risk

Obligation – Establish a sound system of risk oversight and management and internal control

The risks that the Company faces are continually changing in line with the development of the Company. In early 2005, the primary risks that the Company faced could be categorized as product development risk associated with the Company's key product, the HVADTM, transitioning through good laboratory practice animal trials. During 2006, the risks broadened to include operational risks associated with the manufacture of an implantable medical device, together with those risks generated by the commencement and maintenance of the Company's human clinical trials.

The above is set in an environment where the Company must actively manage fundamental risks such as risks associated with, amongst other things, the integrity of the Company's intellectual property portfolio, capital or funding risk, disaster management, exchange rate risk and the risk of losing key management personnel.

In simple terms, risk is inherent in all activities undertaken by HeartWare. Unfortunately, many of these risks are beyond the control of the Company and, as such, it is therefore important that risk be mitigated on a continuous basis, particularly if the Company is to preserve shareholder value.

The Board of Directors has approved a Risk Management Policy, a copy of which is available on the corporate governance page of the Company's website. In summary, the Risk Management Policy is designed to ensure that risks including, amongst others, technology risks, economic risks, financial risks and other operational risks are identified, evaluated and mitigated to enable the achievement of the Company's goals.

During 2006, HeartWare's management further developed its Risk Management Plan which is specifically designed to support the product life cycle of the Company's HVADTM through until the eventual receipt of marketing approval to commence sales in the United States of America. Initiatives such as this are illustrative of the way in which the Company is actively attempting to mitigate identified risks but it is acknowledged that a high level of commitment to identifying and managing risk will be required in this regard, particularly as the Company continues to move through clinical trials into sales.

It would also be remiss of the Board not to acknowledge that no risk management system can provide total assurance that HeartWare's risks will be fully mitigated. This is particularly the case in organizations such as HeartWare where its pre-revenue status means that limited resources can be applied to the risk management process. HeartWare's approach is therefore not to eliminate risk, rather to utilize available resources as effectively as possible in order to manage the risks inevitably involved in many corporate activities.

As HeartWare continues to mature, it is envisaged that it will broaden its risk management processes and capabilities (e.g. by eventually establishing an internal audit program) and ultimately recruit experienced individuals to manage and oversee the Company's risk management function.

Reporting requirement
The Company complies with Best Practice Recommendation 7.1 and 7.2 for the year ended 31 December 2006 and the Chief Executive Officer and the Chief Financial Officer have provided the requisite written sign-offs.

Principle 8 – Encourage enhanced performance

Obligation – Fairly review and actively encourage enhanced Board and management effectiveness

The attached Remuneration Report provides detailed information in relation to the manner in which the Company reviewed the effectiveness of the Company's management. This process included a detailed employee performance appraisal, goal setting process and a benchmarking review. This also incorporated a review of the performance of each of the Chief Executive Officer and the Chief Financial Officer.

The above process was undertaken by the Company for the first time in mid 2006 and will be conducted annually.

Further details of the relevant review process are set out in the Remuneration Report.

Further, during the year and as noted at Principle 2 above, the Board focused on expanding its capabilities via the appointment of suitably qualified individuals (culminating in the appointment of Mr Bob Stockman to the Board of Directors). With the exception of undertaking this process, the Board has not undertaken any other type of Board review, including a performance evaluation of the Board, its committees or of individual directors.

A copy of the Company's charter for the Nomination & Remuneration Committee is available on the corporate governance page of the Company's website.

Reporting requirement
The Company has not fully complied with the requirements of Best Practice Recommendation 8.1 as it has not undertaken a review of, and is therefore unable to disclose the details of, the performance of the Board, its committee or individual directors.

Principle 9 – Remunerate fairly and responsibly

Obligation – Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined

As noted above in the discussion regarding Principle 8, the Remuneration Report includes detailed information in relation to the Company's remuneration practices and policies, including its annual performance review process, its external benchmarking review and its meritorious approach to employee performance. Shareholders should read the Remuneration Report for further information in this regard.

In addition to the above, the Company acknowledges that the HeartWare Employee Share Option Plan ("ESOP") is used as a form of incentive for all employees. The Company granted ESOP options to new and existing employees during 2006, taking into account retention and motivation and other factors such as dilutionary events to the Company's equity. To this end, the Board notes that all equity grants to employees during 2006 were made at a premium to the then existing share price, with some grants being made at a premium of up to 40%.

As the Company endeavors to penetrate the US medical device market, it is acknowledged that the Board will not be able to continue to offer equity grants with such high premiums if the Company is to continue to maintain, motivate and attract suitably qualified individuals. The Company will, accordingly, seek to modify its approach so as to be more in-line with its competitors, particularly those companies operating in the United States.

The Company notes that the ESOP was approved by shareholders at last year's Annual General Meeting and it does not have any other schemes for retirement benefits for employees or non-executive directors, other than applicable statutory superannuation.

Further information regarding the remuneration practices of the HeartWare Group are set out in the Remuneration Report. Information included in the Remuneration Report is incorporated into this report by reference.

Reporting requirement
The Company full complied with Best Practice Recommendations 9.1 to 9.5 (inclusive) during the year ended 31 December 2006.

Principle 10 – Recognise the legitimate interests of stakeholders

Obligation – Recognise legal and other obligations to all legitimate stakeholders

As noted elsewhere in this Corporate Governance Statement, the Company has adopted a variety of practices, policies and procedures, including a Code of Conduct and a policy titled "Complaint Procedures for Accounting and Audit Matters". These "mechanisms" are some of the main drivers for achieving compliance with legal and other obligations.

A copy of the Company's Code of Conduct is available on the corporate governance page of the Company's website.

Reporting requirement
The Company complied with Best Practice Recommendation 10.1 during the year ended 31 December 2006.

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

Rob Thomas
Chairman
Date 28 February 2007

Remuneration Report

This report and the information referenced in this report detail the remuneration policy for directors, executives and employees of HeartWare Limited ("HeartWare" or "the Company") and its controlled entities (collectively, "the HeartWare Group" or the "Economic Entity").

This report also endeavours to provide details of the links between the performance of the HeartWare Group and individual remuneration outcomes. Remuneration arrangements, including details of equity holdings, are also disclosed in this report and the Notes to the Financial Statements.

Nomination & Remuneration Committee

The HeartWare Group's remuneration arrangements are overseen by the Nomination & Remuneration Committee ("Remuneration Committee"). The Remuneration Committee presently consists of four non-executive directors, being Mr Rob Thomas (Chairman), Dr Seth Harrison, Dr Denis Wade and Dr Christine Bennett.

The Remuneration Committee advises the Board on remuneration policies and practices generally. In addition, the Remuneration Committee:

(a) makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors; and

(b) considers recommendations from senior management regarding amendments to existing employee entitlements on an entity-wide basis.

Details, including experience and qualifications, of the members of the Remuneration Committee are set out in the Directors' Report.

Remuneration Policy

The Board of Directors of HeartWare acknowledges and accepts that the Company's remuneration policies and practices are central to the Company's ability to attract, retain and incentivise its employees. In particular, the Board of Directors recognises that employee attraction and retention are of the utmost importance to HeartWare as it transitions from a late-stage development company to an early–stage manufacturer of implantable precision medical devices.

During this period of intensive growth and development, the Company is dependant on a concentrated pool of employees who, consequently, are imparted with a wider set of responsibilities and obligations than would normally be expected in much larger, more mature organisations. For this reason, the retention of these employees, together with their accrued knowledge and experiences, are of great significance to the Company and directly impact on HeartWare's ability to achieve corporate objectives in a timely manner and to thereby grow shareholder value.

The Company's remuneration policies are therefore designed to address the above and, as best as is possible in current circumstances, align compensation and related (financial) incentives with the interests of shareholders. In so doing, the Board of Directors acknowledges that equity incentives are an important element of compensation, but not the sole element, as different employees are motivated by a variety of forms of compensation.

The key principles of the HeartWare remuneration policy are as follows:

(a) offer sufficient rewards to attract and retain key employees;

(b) link rewards for executives and staff to the achievement of corporate goals thereby preserving and enhancing value for shareholders;

(c) ensure parity in terms of remuneration amongst executives and staff; and

(d) assess and reward executives and staff using a variety of measures of performance.

Competitive Considerations

HeartWare acknowledges that the market for medical device employees is highly competitive and, accordingly, employees in the medical device sector are generally relatively highly remunerated, particularly in the United States.

Additionally, HeartWare also considers and contends with the following relevant factors when it determines and reviews compensation for its employees:

(a) The "LVAD" or circulatory assist segment of the broader medical device sector is an emerging market in which there is substantial competition for appropriately skilled individuals at all levels.

(b) On a global basis, there are a limited number of individuals with significant circulatory assist experience or related device experience (e.g. pacemaker or defibrillator experience).

(c) Because of (a) and (b) above, HeartWare must contend with high levels of competition to attract and, importantly, retain suitably qualified staff.

(d) The circulatory assist technology that the Company is developing is specialised and highly technical due to the consequences for patients of product failure. As such, the Company must maintain exceptionally high standards in the manufacturing, training, implanting and securing of regulatory approval for the Company's implantable products.

(e) HeartWare does not, for the time being, have revenue or significant levels of detailed long-term human data from its products. For this reason, the Company is perceived as having a higher "risk profile" than other established medical device companies as considered from the perspective of potential new employees and, as such, this can make it difficult to attract new employees to the HeartWare Group, particularly "in-demand" employees with specialised skills and experiences.

(f) The Company's facilities are located in the south-east corridor of the United States which means that, in many instances, potential new employees must consider the additional burden of relocation.

(g) Compared with many of its competitors, HeartWare has adopted a leaner management and organisational structure.

Philosophy

Because of competition and the related factors set out above, HeartWare executives are remunerated in line with the Company's perception of medical device industry remuneration practices.

Whilst equity-based compensation has been and remains a strong financial motivator for employees, the Board of Directors accept that the salary component of each employee's remuneration will, in the short term, constitute the vast majority of total compensation, at least until such time that the Company progresses further into its clinical trial.

It is the Company's view that the above philosophy is presently appropriate if HeartWare is to:

(a) attract and retain key executives to manage the business and affairs of the HeartWare Group; and

(b) be a significant player in the growing circulatory assist market, and thereby increase shareholder value.

Remuneration & Review Process – Directors

The compensation for directors of HeartWare was determined in late 2004 in consultation with its corporate advisers and by reference to what the Board of Directors then understood to be comparable levels of compensation for substantially similar entities.

In the two-year period since the Company listed on the Australian Stock Exchange the compensation of HeartWare's directors has not changed or otherwise increased. In addition, no incremental equity participation has been afforded to directors in this period.

In consequence of the above no review process was undertaken in relation to the members of the Board of Directors during the year ended 31 December 2006.

Remuneration & Review Process – Employees

During May and June 2006 the Company obtained external (independent) advice for the purposes of undertaking a benchmarking exercise to compare existing employee compensation levels with those of its competitors. Individual job descriptions were analysed on a "job-matching basis" and compared against the Radford International Survey. The Radford International Survey provides comprehensive compensation data for more than 50 countries and is well recognized as being one of the pre-eminent surveys for the medical device/ biotechnology industry.

The key element in the analysis was the job description. In all instances the details of the responsibilities, experience and education of the relevant individual were the foundation for the job matching. In this way the actual job title was considered but it was not the overriding factor of the analysis.

Once the job matching was completed each individual was then assessed to determine where that individual's compensation was positioned in relation to the equivalent industry or benchmarked compensation. In this regard, the Company was able to categorise the employee's salary grade position as being lower (i.e. less than 90% of the benchmarked salary), middle (i.e. between 90% and 110% of the benchmarked salary) or upper (i.e. more than 110% of the benchmarked salary).

As a separate exercise, the Company implemented a detailed performance appraisal system. Employees were assessed on a 360 degree review process where consideration was given to a variety of factors including a comparison of responsibilities to the relevant job description. Performance was also broadly considered in areas such as technical capabilities, communication (written and verbal) and core competencies (e.g. problem solving, leadership, coaching, delegation, teamwork, motivation, organisational skills, personal presentation, literacy etc).

This review process utilised the following scale:

(a) Exceptional Performance where the employee met competency requirements and exceeded on most occasions. Performance was consistently outstanding in terms of timeliness and quality and quantity of outcomes.

(b) Above Satisfactory Performance where the employee met competency requirements and exceeded on some occasions. Performance was usually above expectations in terms of timeliness and quality and quantity of outcomes.

(c) Satisfactory Performance where the employee met competency requirements. Performance satisfied expectations in terms of timeliness and quality and quantity of outcomes.

(d) Needs Improvement where the competency requirement was not always demonstrated. Performance did not always satisfy expectations in terms of timeliness and quality or quantity of outcomes.

(e) Not applicable where the employee had not been provided with an opportunity to demonstrate competency or, in the alternative, the competency does not apply to the appraisee.

Once the above was completed the individual salary grade position and actual performance was aggregated and applied in a matrix which establishes indicative merit increase bands; that is, the employees performance and salary position relative to "the market" determines a percentage salary increase (under the salary matrix).

In addition to the above, the following factors were also considered or determined:

(a) The merit increase matrix was positioned around published merit increase data that indicated that smaller employers (i.e. with less than 100 employees) reported merit and general increases ranging from 3.1% to 4.5%.

(b) Notwithstanding (a) above, the cost to the Company of the proposed merit increase was determined and capped at 5% in aggregate.

(c) Merit increases were affected from 1 July 2006.

(d) Following the Company's review process and in recognition of the substantial efforts, achievements and progress made by the Company and limited pay increases in prior years, the Board of Directors determined to pay a discretionary bonus on 30 June 2006 to forty-six employees (with a total aggregate cost of approximately $600,000). Only employees who were employed prior to 1 December 2005 were eligible to participate in this discretionary bonus. The bonus paid to eligible employees was determined in parallel with the review process set out above.

Components of Remuneration

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing HeartWare's diverse operations and achieving the Company's strategic objectives in a timely manner.

Base salaries are set by reference to the scope of responsibilities, the nature of the relevant individual's role and, in relation to senior executives, the extent of ongoing contributions to the Company's strategic direction. Other relevant considerations include perceived long term value to HeartWare, succession planning and retention. In addition, the lack of Company share price trading history and the inherent volatility in the HeartWare share price means that the base salary component will remain the dominant factor in employee compensation in the short term.

In addition to base salaries, all employees receive retirement benefits which reflect the different statutory entitlements in the country in which the relevant employee is based (e.g. non-matching 401(k) in the United States and statutory superannuation in Australia). Further, all US based employees participate in corporate health coverage, including life and disability insurance (short and long term), health and group dental.

Performance-based bonuses are an important element of the Company's remuneration strategy. These are used to reward the achievement of significant corporate milestones in circumstances where this can be linked to the delivery of improved shareholder value (subject always to corporate cash flow considerations).

The Board notes that the above operates in tandem with the Company's ESOP which is primarily utilised for the purposes of employee retention and long term incentives. Further details of the ESOP are set out at the bottom of this Remuneration Report.

All benefits received by key management personnel (including the 5 most highly remunerated executives) are set out in Appendix A to this Remuneration Report (and the contents of Appendix A are incorporated into this Remuneration Report by reference). The information is as follows:

(a) Key Management Personnel – Section 1 to Appendix A to this Remuneration Report

(b) Compensation options – Section 2 to Appendix A to this Remuneration Report.

(c) Option holdings – Section 3 to Appendix A to this Remuneration Report.

(d) Compensation, including salary and retirement benefits – Section 4 to Appendix A to this Remuneration Report.

(e) Shareholdings – Section 5 to Appendix A to this Remuneration Report.

Employment Arrangements

The executives set out below include direct reports to the Chief Executive Officer.

Doug Godshall MBA – Chief Executive Officer, President and Executive Director

Overview

Mr Godshall is responsible for the day-to-day management of HeartWare, as well as for planning and directing all of HeartWare's policies, objectives and initiatives. Mr Godshall was appointed Chief Executive Officer with effect from 18 September 2006 and became a director of the Company on 28 October 2006.

Details of Mr Godshall's background and experience are set out in the attached Corporate Governance Statement. Mr Godshall resides in the United States of America and his employee arrangements are denominated in US dollars.

Employment Arrangements

Mr Godshall has a service agreement with HeartWare Limited and HeartWare, Inc.. Set out below is an overview of the key elements of this agreement:

(a) Annual salary of $442,310 being equivalent to US$350,000.

(b) A one-off sign-on bonus of $98,949 (being equivalent to US$75,000) paid on commencement of employment.

(c) On commencement of employment the grant of 5,581, 264 ESOP options with an exercise price of $1.10.

(d) An annual performance bonus of $98,949 (being equivalent to US$75,000) subject to satisfaction of agreed annual performance hurdles.

The above agreement does not include a fixed term and is terminable by either party on notice (in certain circumstances). Mr Godshall does not receive any additional compensation, except as provided above, for his role as an executive director of the Company.

David McIntyre BEc LLB CPA– Chief Financial Officer and Company Secretary

Overview

As Chief Financial Officer and Company Secretary, Mr McIntyre is responsible for directing HeartWare's financial, taxation, compliance (non-clinical), risk and company secretarial functions.

Mr McIntyre holds a Bachelor of Economics (Accounting) from the University of Sydney as well as a Bachelor of Law from the University of Technology, Sydney. He is a Certified Practising Accountant ("CPA") and is admitted as a Legal Practitioner of the Supreme Court of New South Wales.

Until 30 April 2006, Mr McIntyre resided in Sydney, Australia and travelled frequently to the United States of America. With effect from 1 May 2006 Mr McIntyre has temporarily relocated to the Company's Operations Facility located in Florida, in order to assist with, amongst other things, the management of the Company's growth and development.

Employment Arrangements

Mr McIntyre has a service agreement with HeartWare Limited that has been temporarily suspended with effect from 30 April 2006 (i.e. prior to his temporary relocation to the United States of America). Set out below is an overview of the key elements of this agreement:

(a) Annual salary of $220,000 per annum.

(b) Superannuation calculated at the statutory rate of 9% per annum.

(c) Provision of one car parking space and a maintained motor vehicle.

The above agreement does not contain a fixed term and may be terminated by either party on three months' notice. This service agreement, including all accrued (unpaid) leave entitlements, will resume on Mr McIntyre's return to Australia. The above arrangements are denominated in Australian dollars.

With effect from 1 May 2006, Mr McIntyre has a service agreement with HeartWare, Inc.. The arrangements with Mr McIntyre, including relocation benefits, were determined following a detailed external (independent) review. This review, which was conducted by Ernst & Young, compared host country (Miami, Florida) and home country (Sydney, Australia) relativities incorporating a net income comparison, spending and housing cost differentials as well as standards of living comparatives.

In addition, market data provided by recognized relocation experts was also assessed and consideration was given to the additional financial burden associated with an international relocation including, amongst other things, consideration of the loss of income for Mr McIntyre's spouse as a certified practising accountant. Set out below is an overview of the key elements of this agreement:

(a) Annual salary of $284,342 per annum (being equivalent to US$225,000).

(b) Relocation benefits as follows:
   (i) A pre-tax one-off relocation allowance of $36,661 (being equivalent to US$27,750) on commencement of assignment in the United States. The allowance was provided to assist Mr McIntyre with meeting out of pocket expenses that were incurred on relocation to the United States, such as installation and purchase of electrical appliances, house cleaning, establishment of utilities, telephone installation etc, together with associated costs of leaving Australia (termination of existing services and utilities etc).
   (ii) A monthly after-tax payment of approximately US$6,000 (gross cost US$9,000) for the purposes of assisting Mr McIntyre with the provision of comparative housing, financing of motor vehicles, rental shortfall on his Australian residence and other incremental recurring costs associated with his relocation to this United States of America.

The above agreement does not contain a fixed term and may be terminated by either party at will.

Dozier Rowe MGT Sci – Chief Operating Officer

Overview

As Chief Operating Officer, Mr Rowe is responsible for HeartWare's manufacturing and operational processes including final product development, assembly methods, plant layout, workflow and workforce utilisation.

Mr Rowe holds a Bachelor of Science degree in Management Science from Georgia Institute of Technology. Mr Rowe resides in the United States of America and is employed by HeartWare's US subsidiary, HeartWare, Inc.. Mr Rowe's employee arrangements are denominated in US dollars.

Employment Agreement

Mr Rowe has a service agreement with HeartWare, Inc.. Set out below is an overview of the key elements of the terms of his employment:

(a) Annual salary of $284,342 per annum (being equivalent to US$225,000).

(b) On commencement of employment the grant of 1,000,000 ESOP options with an exercise price of $1.41. Subject to (c) below, these ESOP options vest progressively in four equal annual tranches beginning on the anniversary of the commencement of employment.

(c) In certain circumstances the termination of Mr Rowe's employment within twelve months of a "Change of Control" (e.g. a merger or takeover) will permit Mr Rowe to exercise those options which would vest within twelve months of the date of termination.

The above agreement does not contain a fixed term and may be terminated by either party at will.

Jane Reedy RN MSN– Vice President Clinical and Marketing

Overview

As Vice President Clinical and Marketing, Ms Reedy is responsible for global marketing, managing reimbursement systems in domestic and international markets, and directing clinical trials to support product registration.

Ms Reedy holds a Bachelor of Science (Nursing) from the University of Missouri-Columbia as well as a Master of Science (Nursing) from St. Louis University. Ms. Reedy is a member of the International Society for Heart and Lung Transplantation and American Society for Artificial Internal Organs.

Ms Reedy resides in the United States of America and is employed by HeartWare's US subsidiary, HeartWare, Inc.. Ms Reedy's employee arrangements are denominated in US dollars.

Employment Agreement

Ms Reedy has a service agreement with HeartWare, Inc. with an annual salary of $252,748 per annum (being equivalent to US$200,000).

The above agreement does not contain a fixed term and may be terminated by either party at will.

Jeff LaRose MSME – Chief Scientific Officer

Overview

As Chief Scientific Officer Mr LaRose is responsible for technology and intellectual property development.

Mr LaRose holds a Masters of Science in Mechanical Engineering and is a member of American Society of Mechanical Engineers, American Society for Artificial Internal Organs, and International Society of Rotary Blood Pumps.

Mr LaRose resides in the United States of America and is employed by HeartWare's US subsidiary, HeartWare, Inc.. Mr LaRose's employee arrangements are denominated in US dollars.

Employment Agreement

Mr LaRose has a service agreement with HeartWare, Inc. with an annual salary of $284,352 per annum (being equivalent to US$225,000).

The above agreement does not contain a fixed term and may be terminated by either party at will.

Barry Yomtov BS M Eng – Vice President, Product Development

Overview

As Vice President, Product Development, Mr Yomtov is responsible for the Company's development of new products, including implantable electronics and peripheral accessories.

Mr Yomtov holds a Bachelor of Science and Masters of Engineering degrees in Biomedical Engineering from Rensselaer Polytechnic Institute.

Mr Yomtov resides in the United States of America and is employed by HeartWare's US subsidiary, HeartWare, Inc.. Mr Yomtov's employee arrangements are denominated in US dollars.

Employment Agreement

Mr Yomtov has a service agreement with HeartWare, Inc. with the following components:

(a) Annual salary of $208,518 per annum (being equivalent to US$165,000).

(b) On commencement of employment, the grant of 300,000 ESOP options with an exercise price of $1.10. These ESOP options vest progressively in four equal annual tranches beginning on the anniversary of the grant date.

(c) Relocation benefits in connection with relocating Mr Yomtov from his existing residence in Boston to Miami, not exceeding $92,353 (being equivalent to US$70,000) as follows:

  (i) Up to six (6) roundtrips per month for either Mr Yomtov and his spouse between Boston and Miami.

  (ii) An aggregate of six (6) roundtrips for Mr Yomtov's children between Boston and Miami.

  (iii) An allowance of $2,780 per month (being equivalent to US$2,200 per month) as a rental allowance.

The above agreement does not contain a fixed term and may be terminated by either party at will.

Howard Leibman BE(Hons) BA MBA– Director, Corporate Development

Overview

As Director Corporate Development, Mr Leibman is responsible for the Company's investor relations and shareholder liaison functions.

Mr Leibman holds a Bachelor of Engineering (Electrical) and a Bachelor of Arts from the University of New South Wales, and a Masters of Business Administration from the Australian Graduate School of Management and London Business School.

Mr Leibman resides in Sydney, Australia. Mr Leibman's employee arrangements are denominated in Australian dollars.

Employment Arrangement

Mr Leibman has a service agreement with HeartWare Limited with an annual salary of $250,000 per annum, including superannuation.

The above agreement does not contain a fixed term and may be terminated by either party on three months' notice.

HeartWare Limited Employee Share Option Plan ("ESOP")

The Company has adopted the ESOP which allows the Company to grant options over unissued ordinary shares in the Company ("Shares") to employees and directors.

The ESOP is primarily designed to provide employees and directors with the opportunity to participate in the growth and success of the Company and to provide an incentive for such participants to have a greater involvement with, and to focus on, the long term goals of the Company. The Board of Directors believe that this is an important component of executive retention and central to the long-term development of the Company.

Each option issued under the ESOP allows the holder to subscribe for and be issued with one ordinary share in the capital of the Company. In accordance with the ESOP Rules, all ESOP options issued after the Company became listed on the Australian Stock Exchange must have an exercise price which is not be less than the weighted average sale price of Shares sold during the five days (or such other period as the Board determines) prior to the issue of the ESOP option.

Options may generally be exercised after they have vested and prior to the specified expiry date if applicable exercise conditions are met. The expiry date can be for periods of up to 10 years.

Exercise conditions (if any) are determined by the Board and may include performance criteria set by the Board. In addition and subject to the approval by the Board of Directors, options may be exercised at any time if the Company enters into a scheme of arrangement or a takeover occurs, or if an entity acquires a relevant interest in sufficient Shares to enable them to replace all or a majority of the Board of Directors.

There are a number of events that may cause options to lapse under the ESOP including, for example, where a participant ceases to be an employee or Director of the Company for whatever reason.

Option holders will not be entitled to participate in new issues of capital offered to shareholders of the Company. However, in the event of any bonus issue of Shares by the Company, the number of Shares which an option holder is entitled to on exercise of the option will be adjusted accordingly.

ESOP options are not listed for quotation on the Australian Stock Exchange.

Options issued under the ESOP are not transferable, except during a takeover in which case the options can be transferred to the bidder.

This report includes the 7 pages in Appendix A to the Remuneration Report (and is incorporated by reference) and is made in accordance with a resolution of the Board of Directors.

Rob Thomas
Chairman
Date 28 February 2007

SECTION 1 – APPENDIX A TO THE REMUNERATION REPORT

KEY MANAGEMENT PERSONNEL

(a) Names and positions held of key management personnel in office at anytime during the financial year are as follows:

Name	Position	Entity	Tenure
Mr R B Thomas	Non-executive Chairman	(i)	26 November 2004 – Current
Dr S L Harrison	Non-executive Deputy Chairman	(i)	26 November 2004 – Current
Mr R B Stockman	Non-executive director	(i)	11 December 2006 – Current
Dr D N Wade	Non-executive director	(i)	15 December 2004 – Current
Dr C C Bennett	Non-executive director	(i)	15 December 2004 – Current
Mr D E Godshall	Chief Executive Officer Executive Director	(i), (ii)	18 September 2006 – Current 28 October – Current
Mr D J McIntyre	Chief Financial Officer Company Secretary	(i), (ii)	28 February 2005 – Current 28 February 2005 – Current
Mr D A Rowe	Chief Operating Officer	(ii)	17 April 2006 – Current
Mr J A LaRose	Chief Scientific Officer	(ii)	10 July 2003 – Current
Ms J E Reedy	Vice President, Clinical & Marketing	(ii)	16 May 2005 – Current
Mr H Leibman	Director, Corporate Development	(i)	18 April 2005 – Current
Mr B M Yomtov	Vice President, Engineering, Electronic Product Systems	(ii)	31 July 2006 – Current
Mr S B McConchie	Executive Director Chief Executive Officer	(i), (ii)	26 November 2004 – 4 September 2006 26 November 2004 – 4 September 2006
Mr W J Rissmann	Vice President, Manufacturing and Product Development	(b)	25 April 2005 – 1 June 2006

Notes:

(i) HeartWare Limited

(ii) HeartWare, Inc.

(b) Key management compensation

Details of the compensation practices that apply in relation to the key management personnel are set out in the Remuneration Report on pages 44 to 47 (inclusive).

SECTION 2 – APPENDIX A TO THE REMUNERATION REPORT

COMPENSATION OPTIONS FOR KEY MANAGEMENT PERSONNEL

			TERMS AND CONDITIONS FOR EACH GRANT				
Parent Entity Directors	Vested number	Granted number	Grant date	Value per option at grant date ($)	Exercise price ($)	First exercise date	Last exercise date
Thomas, R	964,204	764,204	24 January 2005	$0.36	$0.20	*24 January 2006	24 January 2010
		200,000	24 January 2005	$0.23	$0.60	*24 January 2006	24 January 2010
		200,000	24 January 2005	$0.17	$1.00	*24 January 2007	24 January 2010
		100,000	24 January 2005	$0.12	$1.50	24 January 2008	24 January 2010
Harrison, S	–	–	–	–	–	–	–
Stockman, R	–	–	–	–	–	–	–
Wade, D	100,000	100,000	24 January 2005	$0.23	$0.60	*24 January 2006	24 January 2010
		100,000	24 January 2005	$0.17	$1.00	*24 January 2007	24 January 2010
		50,000	24 January 2005	$0.12	$1.50	24 January 2008	24 January 2010
Bennett, C	100,000	100,000	24 January 2005	$0.23	$0.60	*24 January 2006	24 January 2010
		100,000	24 January 2005	$0.17	$1.00	*24 January 2007	24 January 2010
		50,000	24 January 2005	$0.12	$1.50	24 January 2008	24 January 2010
Godshall, D	–	1,395,316	21 September 2006	$0.50	$1.10	27 September 2016	27 September 2016
		1,395,316	21 September 2006	$0.50	$1.10	27 September 2016	27 September 2016
		1,395,316	21 September 2006	$0.50	$1.10	27 September 2016	27 September 2016
		1,395,316	21 September 2006	$0.50	$1.10	27 September 2016	27 September 2016
McConchie, S #	1,146,307	1,146,307	24 January 2005	$0.23	$0.60	27 September 2007	2 October 2006
		1,146,307	24 January 2005	$0.20	$0.75	27 September 2008	2 October 2006
		1,146,307	24 January 2005	$0.17	$1.00	27 September 2009	2 October 2006
		1,146,307	24 January 2005	$0.12	$1.50	27 September 2010	2 October 2006

** Options are subject to escrow until 31 January 2007.*

 # First three tranches were cancelled on 4 September 2006. The fourth tranche was cancelled on 4 October 2006.

No options were exercised by directors during the year ended 31 December 2006.

SECTION 2 – APPENDIX A TO THE REMUNERATION REPORT (continued)

COMPENSATION OPTIONS FOR KEY MANAGEMENT PERSONNEL (continued)

			TERMS AND CONDITIONS FOR EACH GRANT				
Other Key Management Personnel	Vested number	Granted number	Grant date	Value per option at grant date ($)	Exercise price per share ($)	First exercise date	Last exercise date
Rowe, D	–	1,000,000	20 April 2006	$0.87	$1.41	20 April 2006	20 April 2016
		200,000	28 October 2006	$0.50	$1.10	28 October 2007	28 October 2016
LaRose, J	1,731,051	764,204	27 April 2005	$0.26	$0.50	27 April 2006	27 April 2015
		1,540,000	24 January 2005	$0.36	$0.20	31 January 2005	24 January 2010
		200,000	28 October 2006	$0.50	$1.10	28 October 2007	28 October 2016
Reedy, J	286,576	1,146,306	27 April 2005	$0.26	$0.50	27 April 2006	27 April 2015
		200,000	28 October 2006	$0.50	$1.10	28 October 2007	28 October 2016
McIntyre, D	191,051	191,051	24 January 2005	$0.23	$0.60	24 January 2006	24 January 2010
		191,051	24 January 2005	$0.20	$0.75	24 January 2007	24 January 2010
		191,051	24 January 2005	$0.17	$1.00	24 January 2008	24 January 2010
		191,051	24 January 2005	$0.12	$1.50	24 January 2009	24 January 2010
		382,102	15 December 2005	$0.38	$0.75	31 January 2007	15 December 2013
		382,102	15 December 2006	$0.38	$0.75	31 January 2008	15 December 2013
		200,000	28 October 2006	$0.50	$1.10	28 October 2007	28 October 2016
Leibman, H	191,051	191,051	27 April 2005	$0.23	$0.60	27 April 2006	27 April 2015
		191,051	27 April 2005	$0.20	$0.75	27 April 2007	27 April 2015
		191,051	27 April 2005	$0.17	$1.00	27 April 2008	27 April 2015
		191,051	27 April 2005	$0.12	$1.50	27 April 2009	27 April 2015
		100,000	28 October 2006	$0.50	$1.10	28 October 2007	28 October 2016
Yomtov, B	–	300,000	25 July 2006	$0.66	$1.10	25 July 2007	25 July 2016
Rissmann, W	191,151	764,204	27 April 2005	$0.26	$0.50	27 April 2006	1 July 2006
Total	**4,901,391**	**20,638,022**					

SECTION 3 – APPENDIX A TO THE REMUNERATION REPORT

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

							Vested 31 December 2006		
	Note	Balance 1 January 2006	Granted as compen-sation	Net change	Options exercised	Balance 31 December 2006	Total	Not exercisable	Exercisable
Parent Entity Directors									
Thomas, R	(a), (b)	1,264,204	–	–	–	1,264,204	964,204	200,000	764,204
Harrison, S		–	–	–	–	–	–	–	–
Stockman, R		–	–	–	–	–	–	–	–
Wade, D	(a)	250,000	–	–	–	250,000	100,000	100,000	–
Bennett, C	(a)	250,000	–	–	–	250,000	100,000	100,000	–
Godshall, D	(b)	–	5,581,264	–	–	5,581,264	–	–	–
McConchie, S	(b)	4,585,228	–	(4,585,228)	–	–	–	–	–
Total		**6,349,432**	**5,581,264**	**(4,585,228)**	–	**7,345,468**	**1,164,204**	**400,000**	**764,204**
Other Key Management Personnel									
Rowe, D	(b), (c)	–	1,200,000	–	–	1,200,000	–	–	–
LaRose, J	(b), (c)	2,304,204	200,000	–	–	2,504,204	1,731,051	–	1,731,051
Reedy, J	(b), (c)	1,146,306	200,000	–	–	1,346,306	286,576	–	286,576
McIntyre, D	(b), (c)	1,528,408	200,000	–	–	1,728,408	191,051	–	191,051
Leibman, H	(b), (c)	764,204	100,000	–	–	864,204	191,051	–	191,051
Yomtov, B	(b), (c)	–	300,000	–	–	300,000	–	–	–
Rissmann, W	(b), (c)	764,204	–	(573,053)	(191,151)	–	–	–	–
Total		**6,507,326**	**2,200,000**	**(573,053)**	**(191,151)**	**7,943,122**	**2,399,729**	**–**	**2,399,729**

Notes:

(a) The options refer to Incentive Options, further details of which are set out below under the heading "Options". In relation to Mr Thomas, 764,204 of his options were granted under the Company's ESOP with the balance comprising Incentive Options.

(b) The options refer to ESOP options granted as compensation.

(c) In accordance with the terms of the Company's ESOP Rules, each option entitles the holder to purchase one ordinary share at the relevant exercise price.

Net Change refers to those options that have been forfeited or cancelled in accordance with the terms of the Company's ESOP Rules.

SECTION 4 – APPENDIX A TO THE REMUNERATION REPORT

COMPENSATION FOR KEY MANAGEMENT PERSONNEL

		Short-term benefits			Other benefits	Notes	Post employment		Share-based payments		Total
		Salary and fees	Cash bonus	Non-monetary			Super	Retirement benefits	Options*	% of total remun.	
Parent Entity Directors											
Thomas, R	2006	120,000	–	–	–		10,800	–	–	–	130,800
	2005	120,000	–	–	–		10,800	–	62,852	32%	193,652
Harrison, S	2006	100,000	–	–	–		9,000	–	–	–	109,000
	2005	100,000	–	–	–		9,000	–	–	–	109,000
Stockman, R	2006	–	–	–	–		–	–	–	–	–
	2005	–	–	–	–		–	–	–	–	–
Wade, D	2006	35,000	–	–	–		30,400	–	–	–	65,400
	2005	60,000	–	–	–		5,400	–	7,838	11%	73,238
Bennett, C	2006	60,000	–	–	–		5,400	–	–	–	65,400
	2005	60,000	–	–	–		5,400	–	7,838	11%	73,238
Godshall, D	2006	115,441	98,949	–	3,524	(a)	–	–	2,802,962	93%	3,020,876
	2005	–	–	–	–		–	–	–	–	–
McConchie, S	2006	749,129	59,633	–	52,333	(b)	66,451	–	–	–	927,546
	2005	414,526	–	–	177,646	(c)	38,807	–	152,514	19%	783,493
Total Remuneration	2006	1,231,903	158,582	–	3,524		122,051	–	2,802,962	65%	4,319,022
Parent Entity Directors	2005	754,526	–	–	177,646		69,407	–	231,042	19%	1,232,621
Other Key Management Personnel											
Rowe, D	2006	194,220	–	–	8,946	(d)	–	–	970,071	81%	1,173,237
	2005	–	–	–	–		–	–	–	–	–
LaRose, J	2006	279,088	59,370	–	13,154	(e)	–	–	100,300	22%	451,911
	2005	233,597	–	–	11,976	(d)	–	–	574,329	70%	819,902
Reedy, J	2006	263,865	32,983	–	14,850	(d)	–	–	100,300	24%	411,997
	2005	267,775	52,432	–	9,031	(d), (f)	–	–	20,345	6%	349,583
McIntyre, D	2006	246,494	46,176	4,497	151,205	(d), (g)	6,600	–	100,300	18%	555,272
	2005	184,179	–	11,217	–	(h)	16,576	–	26,843	11%	238,815
Leibman, H	2006	229,358	100,000	–	–	(k)	29,642	–	50,150	12%	409,150
	2005	160,845	–	–	–		14,476	–	12,241	7%	187,562
Yomtov, B	2006	83,726	–	–	31,439	(i)	–	–	196,981	63%	312,361
	2005	–	–	–			–	–	–	–	–
Rissmann, W	2006	226,534	–	–	5,201	(d)	–	–	–	–	231,734
	2005	294,927	32,770	–	110,598	(i)	–	–	12,571	3%	450,866
Total Remuneration	2006	1,523,284	238,529	4,497	224,796		36,242	–	1,518,100	43%	3,547,981
Other Key Management Personnel	2005	1,141,323	85,202	11,217	131,605		31,052	–	646,329	32%	2,046,728

** Black-Scholes option valuation incorporating an annualised standard deviation of return of 55.14% (2005: 55.14%) (for European style options).*

SECTION 4 – APPENDIX A TO THE REMUNERATION REPORT (continued)

COMPENSATION FOR KEY MANAGEMENT PERSONNEL (continued)

Notes:

(a) In accordance with the terms of his employment, Mr Godshall was paid a one-off sign-on bonus on commencement of employment of $98,949 in September 2006 (being US$75,000).

(b) On 4 September 2006, the Company announced that it had appointed Mr Godshall as Chief Executive Officer and that Mr McConchie would cease his involvement with the Company effective immediately. In order to facilitate this "changeover", the Company and Mr McConchie entered into a contractual arrangement whereby the Company agreed to pay him 1 year's salary, together with outstanding leave and entitlements, in exchange for various undertakings from Mr McConchie (the terms of which are subject to confidentiality). The total amount paid to Mr McConchie in this regard was $505,212.

Mr McConchie was paid a discretionary bonus of $59,633 on 30 June 2006 as part of a Company-wide bonus in recognition of the Company progressing into human clinical trials.

Mr McConchie was also paid a rental allowance of $52,333 during 2006.

(c) The Other Benefits provided to Mr McConchie in 2005 relate mainly to the relocation of Mr McConchie (and his family) from the United Kingdom to Australia in order to assume the position of HeartWare's Chief Executive Officer. The elements of the Other Benefits in 2005 are as follows:

(i.) The reimbursement of moving and relocation costs totalling $61,239.

(ii.) Payment of three months rental accommodation totalling $34,938.

(iii.) Payment of a relocation allowance totalling $71,903.

(iv.) Payment of one business class airfare to the United Kingdom for Mr McConchie's spouse ($9,565).

(d) Unless otherwise stated, the Other Benefit refers to the cost of the relevant employee's participation in the Company's medical and insurance scheme.

(e) Mr LaRose was paid a cash bonus of $59,370 (being US$45,000) on 30 June 2006 as part of a Company-wide bonus in recognition of the Company progressing into human clinical trials.

(f) Amounts set out above for Ms Reedy refer to those benefits provided to Ms Reedy from the commencement of her employment with HeartWare, Inc. on 16 May 2005. Included in the salaries and fees amount is $101,406 (US$70,913) paid to Ms Reedy as a consultant prior to her commencement as a full-time employee. The 2005 Cash Bonus figure refers to a non-recurring sign-on payment on commencement of employment of $52,432 (US$40,000). The 2006 Cash Bonus of $32,983 (being US$25,000) refers to the discretionary bonus paid on 30 June 2006 as part of a Company-wide bonus in recognition of the Company progressing into human clinical trials.

(g) Mr McIntyre received a $46,176 Cash Bonus on 30 June 2006 (being US$35,000) as part of a Company-wide bonus in recognition of the Company progressing into human clinical trials. In addition, on commencement of Mr McIntyre's relocation in the United States of America (and pursuant to an independent review undertaken by Ernst & Young), the following payments were made to Mr McIntyre:

(i) A one-off payment of $36,611 as a relocation allowance, being US$27,750. This payment is subject to personal income tax in the United States at the normal statutory rate and was provided to assist with meeting out-of-pocket expenses that were incurred on relocation to the United States, such as installation and purchase of electrical appliances, house cleaning, establishment of utilities, telephone installation etc, together with associated costs of leaving Australia (termination of existing services and utilities etc).

(ii) A monthly after-tax payment of approximately US$6,000 (gross cost US$9,000) for the purposes of assisting Mr McIntyre with the provision of comparative housing, financing of motor vehicles, rental shortfall on his Australian residence and other incremental recurring costs associated with his relocation to this United States of America. As at the reporting date, a pre-tax amount of US$80,077 ($105,647) has been paid to Mr McIntyre in this regard.

(h) Non-monetary benefits during 2005 and 2006 refer to the cost to the Company of providing a maintained motor vehicle and car parking space.

(i) Other Benefits include costs of $5,438 medical insurance, together with relocation benefits totalling $25,566 (as specified in the narrative concerning Mr Yomtov's employment contract in the Remuneration Report). These costs and salaries are those that apply since the commencement of Mr Yomtov's employment on 20 July 2006.

(j) Amounts set out above for Mr Rissmann refer to those benefits provided to Mr Rissmann from the commencement of his employment with HeartWare, Inc. on 25 April 2005.

The Other Benefits provided to Mr Rissmann relate mainly to the relocation of Mr Rissmann (and his family) from California to Florida in order to assume the position of Vice President Manufacturing and Product Development. Details are as follows:

(i.) Cash bonus refers to non-recurring sign-on payment on commencement of employment of $32,770 (US$25,000).

(ii.) Other Benefit includes a non-recurring moving and relocation cost totalling $100,076 (US$76,348). The balance of this amount refers to the cost of Mr Rissmann's participation in the Company's medical and insurance scheme.

(iii.) Payments under Mr Rissmann's employment arrangement ceased on 31 May 2006.

(k) Mr Leibman was paid a cash bonus of $100,000 on 30 June 2006 as part of a Company-wide bonus in recognition of the Company progressing into human clinical trials.

In addition to the above, all of the above employees are provided with a mobile telephone or Blackberry at no cost to the employee.

SECTION 5 – APPENDIX A TO THE REMUNERATION REPORT

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

	Note	Balance 1 January 2006	Granted as remuneration	Options exercised	Net change* other	Balance 31 December 2006
Parent Entity Directors						
Thomas, R	(a)	1,238,000	–	–	520,000	1,758,000
Harrison, S	(b)	91,588,782	–	–	–	91,588,782
Stockman, R		–	–	–	–	–
Wade, D	(c)	700,000	–	–	300,000	1,000,000
Bennett, C		–	–	–	–	–
Godshall, D		–	–	–	37,305	37,305
McConchie, S		–	–	–	–	–
Other Key Management Personnel						
Rowe, D		–	–	–	10,000	10,000
LaRose, J		–	–	–	–	–
Reedy, J		–	–	–	–	–
McIntyre, D		34,000	–	–	(6,000)	28,000
Leibman, H		160,000	–	–	84,955	244,955
Yomtov, B		–	–	–	–	–
Rissmann, W		–	–	–	–	–
Total		93,560,782	–	–	946,260	94,667,042

** Net Change Other refers to shares purchased or sold during the year.*

Notes:

(a) Mr Thomas owns shares in the Company through a variety of direct and indirect holdings. The bulk of Mr Thomas' indirect shareholding is held by himself and his wife (Mrs Kyrenia Thomas) as trustee of the Robert Thomas Superannuation Fund. The options referred to above include 500,000 Incentive Options and 764,204 ESOP options, further details of which are set out below under the heading "Options".

(b) As noted elsewhere in this Directors' Report, Dr Harrison is the Managing General Partner of Apple Tree Partners 1 LP ("Apple Tree Partners"), the Company's largest shareholder. To this end, the shares set out in the table above refer to shares owned by Apple Tree Partners.

Under Dr Harrison's employment arrangement with Apple Tree Partners, he is prohibited from having an interest, directly or indirectly, in any entity in which Apple Tree Partners has invested. For this reason, Dr Harrison has no share or option holding in HeartWare (other than indirectly via Apple Tree Partners).

It should also be noted that, in connection with the acquisition of HeartWare, Inc. by HeartWare Limited, the Company issued a convertible note in favour of Apple Tree Partners in the amount of $1,420,000 which will accrue interest at 2.0% per annum (capitalised monthly in arrears). The conversion price is $1.00 per ordinary share. The principal and capitalised interest on the convertible note is repayable on the secondary anniversary of the date of issue of the convertible note (being 24 January 2007). As Managing General Partner of Apple Tree Partners and for the purposes of the Corporations Act 2001, Dr Harrison is deemed to have an indirect interest in this convertible note.

(c) The shares are held by Nickeli Holdings Pty Limited as trustee of the Wade Family Superannuation Fund. The options refer to Incentive Options, further details of which are set out below under the heading "Options".

Remuneration Benefits

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Economic Entity during the year and there were no material contracts involving Directors' interests subsisting at anytime.

At 31 December 2006, there were no amounts receivable from or payable to directors and their director-related entities.

Independent Audit Report

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

INDEPENDENT AUDIT
TO THE MEMBERS OF HEARTWARE LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for HeartWare Limited (the company) and the company and its controlled entities (the consolidated entity), for the year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standards AASB 124 Related Party Disclosures, under the heading "Remuneration Report" on pages 44 to 57 of the directors' report and not in the financial report.

The directors are also responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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Grant Thornton

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF HEARTWARE LIMITED (cont)

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion

1. the financial report HeartWare Limited is in accordance with:
   (a) the Corporations Act 2001, including:
      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2006, and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the Corporations Act 2001; and
   (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained on the pages 44 to 57 of the directors' report comply with Accounting Standard AASB 124.

GRANT THORNTON NSW
Chartered Accountants

M A ADAM-SMITH
Partner

Sydney 28 February 2007

Auditor's Independence Declaration

Grant Thornton

Chartered Accountants
Business Advisers and Consultants

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF HEARTWARE LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of HeartWare Limited for the year ended 31 December 2006, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON NSW
Chartered Accountants

M A ADAM-SMITH
Partner

Sydney 28 February 2007

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Directors' Declaration

The directors of HeartWare Limited declare that:

(a) the financial statements and notes, set out on pages 62 to 97, are in accordance with the Corporations Act 2001 and:

  (i) give a true and fair view of the financial position as at 31 December 2006 and of the performance for the year ended on that date of the Company and Economic Entity; and

  (ii) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) the Chief Executive Officer and Chief Financial Officer have each declared that:

  (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

  (ii) the financial statements and notes for the financial year comply with Australian Accounting Standards; and

  (iii) the financial statements and notes for the financial year give a true and fair view; and

(c) in the Directors' 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.

Signed in accordance with a resolution of the Directors:

Rob Thomas
Chairman
Date 28 February 2007

Income Statement

for the year ended 31 December 2006

	Note	Economic entity		Parent entity	
		2006 $	2005* $	2006 $	2005* $
Revenue	3	1,143,912	966,326	1,100,864	952,368
Other income	3	–	647,243	–	647,243
Administrative and facilities expenses		(516,717)	(534,160)	(112,014)	(87,836)
Audit, financial and taxation services		(186,468)	(138,856)	(174,622)	(126,159)
Consultants – clinical, regulatory and medical		(1,624,884)	(318,505)	–	–
Consultants – corporate advisory and investor relations		(283,567)	(525,019)	(283,567)	(311,236)
Contractor expenses		(201,952)	(524,962)	–	(8,560)
Depreciation and amortization expenses	4	(2,911,525)	(2,685,467)	(100,259)	(56,459)
Share-based payments to employees and directors	27	(1,174,620)	(2,552,592)	(1,174,620)	(2,552,592)
Other employee and director benefits expenses		(10,043,836)	(5,564,635)	(2,421,829)	(1,596,425)
Net loss on foreign exchange transactions		(770,227)	–	(770,227)	–
Information technology expense		(278,385)	(203,586)	(46,654)	(59,900)
Insurance expenses		(269,700)	(120,250)	(54,322)	(95,911)
Legal expense – intellectual property protection, litigation costs and related expenditure		(584,397)	(1,004,694)	(4,405)	(748,586)
Legal expense – post ASX listing, corporate and commercial advisory		(529,163)	(325,661)	(276,003)	(196,397)
Listing expenses		–	(587,441)	–	(587,441)
Raw materials and consumables used		(2,223,821)	(927,360)	–	–
Rental expense and outgoings		(699,350)	(495,116)	(199,735)	(99,076)
Research and development expenses		(1,695,837)	(282,208)	–	–
Travel, accommodation and related expenses		(1,357,808)	(1,144,001)	(467,143)	(656,833)
Trials expenses – animal and human		(435,839)	(783,826)	(12,649)	–
Validation and verification expense		(228,178)	(386,944)	–	–
Other expenses		(589,526)	(257,495)	(226,619)	(182,652)
(Loss) before income tax expense		**(25,461,888)**	**(17,749,209)**	**(5,223,804)**	**(5,766,452)**
Income tax expense	6	–	–	–	–
(Loss) attributable to members of HeartWare Limited		**(25,461,888)**	**(17,749,209)**	**(5,223,804)**	**(5,766,452)**
		Cents	**Cents**		
Basic and diluted (loss) per share (cents per share)	7	(14.6)	(13.5)		

* *The 2005 comparative figures represent the results for the 13 month period from registration of HeartWare Limited on 26 November 2004 to 31 December 2005.*

The Financial Statements should be read in conjunction with the accompanying notes.

Balance Sheet

as at 31 December 2006

	Note	Economic entity		Parent entity	
		2006 $	2005* $	2006 $	2005* $
Current Assets					
Cash and cash equivalents	9	21,101,693	13,679,897	20,267,573	13,358,001
Trade and other receivables	10	315,314	157,076	166,658	174,289
Other current assets	11	448,507	336,329	236,350	262,233
Total Current Assets		**21,865,514**	**14,173,302**	**20,670,581**	**13,794,523**
Non-Current Assets					
Other financial assets	12	–	–	78,897,414	58,901,571
Property, plant and equipment	14	3,140,329	1,870,517	193,409	318,260
Intangible assets	15	43,806,476	46,888,255	4,390	–
Other non-current assets	11	2,527	–	–	–
Total Non-Current Assets		**46,949,332**	**48,758,772**	**79,095,213**	**59,219,831**
Total Assets		**68,814,846**	**62,932,074**	**99,765,794**	**73,014,354**
Current Liabilities					
Trade and other payables	16	1,782,239	1,410,982	236,776	294,115
Short-term borrowings	18	1,475,396	–	1,475,396	–
Short-term provisions	17	200,608	145,018	9,329	21,698
Other current liabilities	19	20,280	23,273	20,280	23,273
Total Current Liabilities		3,478,523	1,579,273	1,741,781	339,086
Non-Current Liabilities					
Long-term borrowings	18	–	1,446,205	–	1,446,205
Long-term provisions	17	–	–	9,999	–
Other non-current liabilities	19	20,139	34,909	20,139	34,909
Total Non-Current Liabilities		**20,139**	**1,481,114**	**30,138**	**1,481,114**
Total Liabilities		**3,498,662**	**3,060,387**	**1,771,919**	**1,820,200**
Net Assets		**65,316,184**	**59,871,687**	**97,993,875**	**71,194,154**
Equity					
Issued capital	20	105,256,919	74,408,014	105,256,919	74,408,014
Reserves	21	3,270,362	3,212,882	3,727,212	2,552,592
Retained earnings		(43,211,097)	(17,749,209)	(10,990,256)	(5,766,452)
Total Equity		**65,316,184**	**59,871,687**	**97,993,875**	**71,194,154**

The Financial Statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 31 December 2006

	Economic entity					
	Share capital $	Foreign currency translation reserve $	Share option reserve $	Exercised options reserve $	Retained earnings $	Total $
Balance at 26 November 2004	1,000	–	–	–	–	1,000
Currency translation	–	660,290	–	–	–	660,290
Net income recognized directly in equity	–	660,290	–	–	–	660,290
Loss for the period	–	–	–	–	(17,749,209)	(17,749,209)
Total recognized income and expense for the period	–	660,290	–	–	(17,749,209)	(17,088,919)
Shares issued	76,498,518	–	–	–	–	76,498,518
Transaction costs	(2,091,504)	–	–	–	–	(2,091,504)
Employee share based compensation	–	–	2,408,356	144,236	–	2,552,592
Balance at 31 December 2005	74,408,014	660,290	2,408,356	144,236	(17,749,209)	59,871,687
Currency translation	–	(1,117,140)	–	–	–	(1,117,140)
Net income recognized directly in equity	–	(1,117,140)	–	–	–	(1,117,140)
Loss for the period	–	–	–	–	(25,461,888)	(25,461,888)
Total recognized income and expense for the period	–	(1,117,140)	–	–	(25,461,888)	(26,579,028)
Shares issued	32,869,695	–	–	–	–	32,869,695
Transactions costs	(2,020,790)	–	–	–	–	(2,020,790)
Employee share based compensation	–	–	1,044,435	130,185	–	1,174,620
Balance at 31 December 2006		(456,850)	3,452,791	274,421		65,316,184

The Financial Statements should be read in conjunction with the accompanying notes.

	Parent entity					
	Share capital $	Foreign Currency translation reserve $	Share option reserve $	Exercised options reserve $	Retained earnings $	Total $
Balance at 26 November 2004	1,000	–	–	–	–	1,000
Net income recognized directly in equity	–	–	–	–	–	–
Loss for the period	–	–	–	–	(5,766,452)	(5,766,452)
Total recognized income and expense for the period	–	–	–	–	(5,766,452)	(5,766,452)
Shares issued	76,498,518	–	–	–	–	76,498,518
Transaction costs	(2,091,504)	–	–	–	–	(2,091,504)
Employee share based compensation	–	–	2,408,356	144,236	–	2,552,592
Balance at 31 December 2005	74,408,014	–	2,408,356	144,236	(5,766,452)	71,194,154
Net income recognized directly in equity	–	–	–	–	–	–
Loss for the period	–	–	–	–	(5,223,804)	(5,223,804)
Total recognized income and expense for the period	–	–	–	–	(5,223,804)	(5,223,804)
Shares issued	32,869,695	–	–	–	–	32,869,695
Transaction costs	(2,020,790)	–	–	–	–	(2,020,790)
Employee share based compensation	–	–	1,044,435	130,185	–	1,174,620
Balance at 31 December 2006		–	3,452,791	274,421		97,993,875

The Financial Statements should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the year ended 31 December 2006

	Note	Economic entity		Parent entity	
		2006 $	2005* $	2006 $	2005* $
Cash flows from operating activities					
Receipts from customers		–	–	–	–
Payments to suppliers and employees		(22,343,699)	(12,669,804)	(5,054,570)	(3,815,544)
Interest received		1,157,557	831,970	1,114,509	821,320
Finance costs		(488)	(206)	(488)	(206)
Net cash used in operating activities	25(a)	**(21,186,630)**	**(11,838,040)**	**(3,940,549)**	**(2,994,430)**
Cash flows from investing activities					
Loans to subsidiary		–	–	17,214	(17,214)
Proceeds from disposal of property plant and equipment		3,735	–	–	–
Cash assets acquired on the acquisition of subsidiary	25(b)	–	163,493	–	–
Payments for purchase of property, plant and equipment		(1,827,710)	(1,928,783)	(15,167)	(374,719)
Payments for shares in subsidiary		–	–	(19,995,843)	(13,662,650)
Payments for research and development		–	(2,838,600)	–	–
Payments for intangible assets		(393,072)	(285,187)	(4,988)	–
Net cash used in investing activities		**(2,217,047)**	**(4,889,077)**	**(19,998,784)**	**(14,054,583)**
Cash flows from financing activities					
Proceeds from issues of shares		32,869,695	32,498,518	32,869,695	32,498,518
Payments for share issue expenses		(2,020,790)	(2,091,504)	(2,020,790)	(2,091,504)
Net cash provided by financing activities		**30,848,905**	**30,407,014**	**30,848,905**	**30,407,014**
Net increase in cash held		**7,445,228**	**13,679,897**	**6,909,572**	**13,358,001**
Cash at beginning of the year		**13,679,897**	**–**	**13,358,001**	**–**
Effect of exchange rates on cash holdings in foreign currencies		(23,432)	–	–	–
Cash at end of the year	9	**21,101,693**	**13,679,897**	**20,267,573**	**13,358,001**

** The 2005 comparative figures represent the cash flows for the 13 month period from registration of HeartWare Limited on 26 November 2004 to 31 December 2005.*

The Financial Statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 31 December 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 ("the Corporations Act").

The Annual Financial Report covers the economic entity of HeartWare Limited ("HeartWare" or "the Company") and its controlled entity, HeartWare, Inc., a Delaware corporation ("the Economic Entity" or "the HeartWare Group"). The Annual Financial Report also covers HeartWare as an individual parent entity. HeartWare is a listed public company, the ordinary shares of which are listed for quotation on the Australian Stock Exchange Limited. HeartWare is incorporated and domiciled in Australia.

The Annual Financial Report is prepared on a going concern basis as the directors consider that the Company has, or will be able to access, sufficient cash resources to enable it to continue as a going concern.

Reporting and Comparative Periods

The financial results set out in this Annual Financial Report are the consolidated financial results for the HeartWare Group for the twelve month period ended 31 December 2006.

As the Company was registered on 26 November 2004, the 2005 prior year comparative numbers set out in this Annual Financial Report are for the period from 26 November 2004 to 31 December 2005.

Basis of Preparation

The Annual Financial Report of HeartWare and its controlled entity, and HeartWare an individual parent entity, complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"), in their entirety. Compliance with AIFRS ensures that the financial report also complies with International Financial Reporting Standards in their entirety.

The Company's previous financial year commenced on 26 November 2004 (i.e. prior to 1 January 2005). As a consequence the Company was prohibited from transitioning its accounting and financial reporting from the then current Australian GAAP to AIFRS in relation to the 2005 Annual Financial Report. This means that this Annual Financial Report for the year ended 31 December 2006 is the first financial report prepared under AIFRS.

As this is the first Annual Financial Report prepared under AIFRS, the accounting policies applied are inconsistent with those applied in the 2005 Annual Financial Report as the 2005 Annual Financial Report was presented under previous Australian GAAP. For this reason, reconciliations of the transition from previous Australian Generally Accepted Principles ("Australian GAAP") to AIFRS have been included in Note 2 to the Financial Statements. In addition, a summary of the significant accounting policies under AIFRS has been included below.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Economic Entity and Parent Entity accounts resulting from the introduction of AIFRS have been applied retrospectively to the 2005 comparative figures.

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The Annual Financial Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Denomination

All figures ("$") referred to in this Annual Financial Report are denominated in Australian dollars.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity controlled by the Company whereby the Company has the power to control the financial and operating policies of that entity so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the Financial Statements. All controlled entities have a December financial year-end.

All inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

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

For business combinations involving entities under common control, which are outside the scope of AASB 3: Business Combinations, the Company applies the purchase method of accounting by the legal parent.

(b) Income Tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognized to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Economic Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductability imposed by the law.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(d) Property, 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.

Plant and Equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Economic Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Economic Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets is depreciated on a straight line basis over their useful lives to the Economic Entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Leasehold improvements	33%
Plant and equipment	8–33%

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 income statement.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the Economic Entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Economic Entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognized as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Investments in subsidiaries

Investments in subsidiaries are measured at cost but are subject to impairment write-down to recoverable amount.

Financial liabilities

Non-derivative financial liabilities are recognized at amortised cost, comprising original debt less principal payments and amortization.

Impairment

At each reporting date, the Economic Entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognized in the Income Statement.

(g) Impairment of assets

At each reporting date, the Economic Entity reviews the carrying values of its tangible and intangible 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 assets carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

(h) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and trademarks

Patents and trademarks are recognized at cost of acquisition. Patents and trademarks have a definite life and are carried at cost less any accumulated amortization and any impairment losses. Patents and trademarks are amortized on a straight-line basis over their useful life ranging from 10 to 20 years.

Non-compete agreements

Non-compete agreements are recognized at cost. These agreements have a finite life and are amortized on a systematic basis matched to the time period from which the Company is expected to benefit from the contractual covenant not to compete with the Company. Non-compete agreements are currently amortized on a straight-line basis over 5 years.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Copyright

Copyright is recognized at cost of acquisition. It has a finite life and is amortized on a systematic basis matched to the future benefits of the asset. Copyright is currently amortized on a straight-line basis over 10 years.

Software

Software is recognized at cost. It has a finite life and is amortized on a systematic basis matched to the future benefits of the asset. Software is currently amortized on a straight-line basis over 15 years.

Research and development

Expenditure during the research phase of a project is recognized as an expense when incurred.

Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortized on a systematic basis matched to the future economic benefits over the useful life of the project.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Economic Entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognized in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognized directly in equity to the extent that the gain or loss is directly recognized in equity, otherwise the exchange difference is recognized in the income statement.

Economic Entity companies

The financial results and position of foreign operations whose functional currency is different from the Economic Entity's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Economic Entity's foreign currency translation reserve in the balance sheet. These differences are recognized in the income statement in the period in which the operation is disposed.

(j) Employee Benefits

Provision is made for the Economic Entity'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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(k) Equity-settled compensation

The Economic Entity operates a share-based compensation plan, being a share option arrangement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(l) Provisions

Provisions are recognized when the Economic Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

(n) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognized 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 recognized as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments in the Annual 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 Economic Entity.

Key Estimates – Impairment

The Economic Entity assesses impairment at each reporting date by evaluating conditions specific to the Economic Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

There are no other key estimates or assumptions that require specific disclosure.

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS")

AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires that a reconciliation of equity reported under Australian Generally Accepted Accounting Principles ("Australian GAAP") to equity under AIFRS be prepared for the date of transition to AIFRS, where the date of transition is defined as the beginning of the earliest annual reporting period for which an entity presents full information under AIFRS as comparative information in its first AIFRS financial report.

On this basis, the date of transition for the Economic Entity is 26 November 2004. This is because the Company was first registered on 26 November 2004 (i.e. prior to 1 January 2005) and therefore the 2005 Annual Financial Report was prepared for the 13-month period from registration to 31 December 2005 under Australian GAAP rather than AIFRS.

On registration on 26 November 2004, the Balance Sheet comprised only $1,000 of issued capital and receivables. As there is no difference in treatment from AGAAP to AIFRS, no reconciliation has been provided.

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS") (continued)

Reconciliation of Equity as at 31 December 2005

	Notes	Economic entity		
		Previous AGAAP as at 31 December 2005 $	Effect of transition to AIFRS $	AIFRS as at 31 December 2005 $
Current Assets				
Cash and cash equivalents		13,679,897	–	13,679,897
Trade and other receivables	(a)	157,076		157,076
Financial assets	(a)	333,133	3,196	336,329
Total Current Assets		**14,170,106**	**3,196**	**14,173,302**
Non-Current Assets				
Property, plant and equipment	(a)	1,807,096	63,421	1,870,517
Intangible assets	(a)(d)	46,151,664	736,591	46,888,255
Total Non-Current Assets		**47,958,760**	**800,012**	**48,758,772**
Total Assets		**62,128,866**	**803,208**	**62,932,074**
Current Liabilities				
Trade and other payables	(a)	1,410,980	2	1,410,982
Short-term provisions	(a)	139,639	5,379	145,018
Other current liabilities		23,273	–	23,273
Total Current Liabilities		**1,573,892**	**5,381**	**1,579,273**
Non-Current Liabilities				
Long-term liabilities		1,446,205	–	1,446,205
Other non-current liabilities		34,909	–	34,909
Total Non-Current Liabilities		**1,481,114**	**–**	**1,481,114**
Total Liabilities		**3,055,006**	**5,381**	**3,060,387**
Net Assets		**59,073,860**	**797,827**	**59,871,687**
Equity				
Issued capital	(b)	73,820,573	587,441	74,408,014
Reserves	(a)(c)	(62,851)	3,275,733	3,212,882
Retained earnings	(b)(c)(d)	(14,683,862)	(3,065,347)	(17,749,209)
Total Equity		**59,073,860**	**797,827**	**59,871,687**

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS") (continued)

Reconciliation of Equity as at 31 December 2005

	Notes	Parent entity		
		Previous AGAAP as at 31 December 2005 $	Effect of transition to AIFRS $	AIFRS as at 31 December 2005 $
Current Assets				
Cash and cash equivalents		13,358,001	–	13,358,001
Trade and other receivables		174,289	–	174,289
Financial assets		262,233	–	262,233
Total Current Assets		**13,794,523**	**–**	**13,794,523**
Non-Current Assets				
Other financial assets		58,901,571	–	58,901,571
Property, plant and equipment		318,260	–	318,260
Intangible assets		–	–	–
Total Non-Current Assets		**59,219,831**	**–**	**59,219,831**
Total Assets		**73,014,354**	**–**	**73,014,354**
Current Liabilities				
Trade and other payables		294,115	–	294,115
Short-term provisions		21,698	–	21,698
Other current liabilities		23,273	–	23,273
Total Current Liabilities		**339,086**	**–**	**339,086**
Non-Current Liabilities				
Long-term liabilities		1,446,205	–	1,446,205
Other non-current liabilities		34,909	–	34,909
Total Non-Current Liabilities		**1,481,114**	**–**	**1,481,114**
Total Liabilities		**1,820,200**	**–**	**1,820,200**
Net Assets		**71,194,154**	**–**	**71,194,154**
Equity				
Issued capital	(b)	73,820,573	587,441	74,408,014
Reserves	(c)	–	2,552,592	2,552,592
Retained earnings	(b)(c)	(2,626,419)	(3,140,035)	(5,766,452)
Total Equity		**71,194,154**	**–**	**71,194,154**

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS") (continued)

Reconciliation of Loss for the Year Ended 31 December 2005

	Notes	Economic entity $	Parent entity $
Net loss in accordance with AGAAP		(14,683,862)	(2,626,419)
Effect of adoption of AIFRS:			
– Listing expenses	(b)	(587,441)	(587,441)
– Options	(c)	(2,552,592)	(2,552,592)
– Business combinations	(d)	74,686	–
Net loss under AIFRS		(17,749,209)	(5,766,542)

Notes to the Reconciliations of Equity and Loss as at 31 December 2005

	Economic entity 31 December 2005 $	Parent entity 31 December 2005 $
(a) The movement in assets and liabilities in the balance sheet relates to the adoption of AASB 121: The Effects of Changes in Foreign Exchange Rates. Previously the assets and liabilities of integrated operations were translated using temporal rates, with exchange differences being recorded in the income statement. Under AASB 121, the assets and liabilities of foreign operations are translated at the exchange rate prevailing at reporting date, with exchange differences arising on translation being recognized in the foreign currency translation reserve.	702,467	–
(b) Under previous AGAAP all costs relating to the initial public offering were deemed to be directly attributable to the raising of new capital and hence were treated as a reduction of equity. Under AIFRS, some of these costs are deemed to relate to the listing and not specific to the raising of capital. Hence there is an increase in share capital, with a corresponding reduction in retained earnings.	(587,441)	(587,441)
(c) Under AASB 2: Share-based Payments, the Company has recognized an expense for all share-based remuneration, including deferred shares and options, which have been fair valued and expensed over the relevant vesting periods.	2,552,592	2,552,592
(d) AASB 3: Business Combinations requires that an acquirer shall recognise separately the acquiree's identifiable intangible assets, liabilities and contingent liabilities at the acquisition date, which includes any separately identifiable intangible assets. As a result, the Company engaged an independent consultant, Stenton Leigh Group, Inc., to value the intangible assets as at 24 January 2005, being the date on which HeartWare Limited acquired HeartWare Inc. As a result of this valuation there have been reclassifications between categories of intangible assets, including goodwill, and resulting changes in amortization.	74,686	–

3. REVENUE AND OTHER INCOME

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Operating activities				
Sales	–	–	–	–
Interest received from other persons/corporations	1,143,912	966,326	1,100,864	952,368
Total Revenue	**1,143,912**	**966,326**	**1,100,864**	**952,368**
Non-operating activities				
Realised gain on foreign exchange transactions	–	647,243	–	647,243
Total Other Income	**–**	**647,243**	**–**	**647,243**

Sales – the Company has not yet sold any of its heart pumps as it does not yet have regulatory approval. Regulatory approval and revenue are anticipated in 2007 (as reimbursement is expected through clinical trials conducted in the United States of America).

4. LOSS FOR THE YEAR

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
(a) Expenses				
Finance costs – external	29,679	26,411	29,679	26,411
Net Foreign exchange losses	770,227	–	770,227	–
Rental expenses on operating leases – minimum lease payments	631,590	356,231	155,645	78,926
Research and development costs	1,695,837	282,208	–	–
Raw materials and consumables used – write down of inventories to net realisable value	1,621,556	–	–	–
(b) Significant Expenses				
The following significant expense items are relevant in explaining the financial performance:				
Depreciation of plant and equipment	349,733	286,832	26,303	19,618
Amortization of intangible assets	2,561,792	2,398,635	73,956	36,841
Total depreciation and amortization	**2,911,525**	**2,685,467**	**100,259**	**56,459**

5. AUDITORS' REMUNERATION

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Remuneration of the auditor of the parent entity and economic entities:				
Auditing or reviewing the Australian financial reports – Grant Thornton NSW	79,587	72,726	79,587	72,726
Auditing of HeartWare, Inc. in connection with the preparation of the Australian financial report – Grant Thornton LLP	59,670	51,793	–	–
Auditing or reviewing the US financial report (SEC Form 10) – Grant Thornton LLP	25,275	–	25,275	–
Taxation services – Grant Thornton NSW	9,190	1,640	9,190	1,640
Taxation services – Grant Thornton LLP	7,764	819	–	–
Advisory fees in connection with ASX listing and acquisition of HeartWare, Inc. by the Company – Grant Thornton NSW	–	65,262	–	65,262
Advisory fees in connection with ASX listing and acquisition of HeartWare, Inc. by the Company – Grant Thornton LLP	–	46,825	–	46,825
Advisory fees in conjunction with US SEC reporting requirements during the year – Grant Thornton NSW	2,650	–	2,650	–
Advisory fees in conjunction with US SEC reporting requirements during the year – Grant Thornton LLP	2,332	–	–	–
	186,468	**239,065**	**116,702**	**186,453**

6. INCOME TAX EXPENSE

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
(Loss) before income tax	(25,461,888)	(17,749,209)	(5,223,804)	(5,766,452)
The prima facie tax on (loss) before income tax is reconciled to the income tax as follows:				
Prima facie tax benefit on (loss) at 30% (2005: 30%)				
– Economic entity	(7,638,566)	(5,324,763)	–	–
– Parent entity	–	–	(1,567,141)	(1,729,936)
Add:				
Tax effect of:				
Non deductible depreciation and amortization	873,458	805,640	30,078	16,938
Other non allowable items	3,115	8,629	3,115	8,629
Adjusted income tax benefit attributable to the entity	(6,761,993)	(4,510,494)	(1,533,948)	(1,704,369)
Deferred tax asset not brought to account	6,761,993	(4,510,494)	1,533,948	1,704,369
Income tax attributable to entity	–	–	–	–
The applicable weighted average effective tax rates are as follows:	0%	0%	0%	0%
Deferred tax assets in respect of tax losses not brought to account:	11,272,487	4,510,494	3,238,317	1,704,369

Potential deferred tax assets will only be obtained in certain limited circumstances. Specifically, a deferred tax asset cannot be obtained unless:

(a) the relevant company derives future assessable income of a nature and an amount sufficient to enable the asset to be realised, or the asset can be utilised by another company in the Economic Entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(b) the relevant company and/or the Economic Entity continues to comply with the conditions for deductability imposed by the law; and

(c) no changes in tax legislation adversely affect the relevant company and/or the Economic Entity in realising the benefit.

At the date of this report, HeartWare and its controlled entities do not have revenues or profit which would be sufficient to allow deferred tax assets to be accrued with a substantial degree of certainty. This issue will be closely monitored as the Company moves toward the commercialisation of its range of implantable circulatory assist devices.

7. EARNINGS PER SHARE ("EPS")

	Economic entity			
	2006 $	2005 No.	2006 $	2005 No.
Earnings used in the calculation of basis EPS and dilutive EPS	(25,461,888)		(17,749,209)	
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		174,689,977		131,992,295
Weighted average number of options outstanding not treated as dilutive		2,652,745		1,743,904
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS		174,689,997		131,992,295

8. SEGMENT INFORMATION

The HeartWare Group is developing and commercialising its range of circulatory assist devices or "heart pumps" which are used for the treatment of congestive heart failure. The Company does not yet have regulatory approvals so as to permit it to sell its products into the global market. On this basis, the Economic Entity operates in one business segment, being the medical devices sector. It conducts integrated operations in the United States of America (mainly Miami), and Sydney, Australia and the primary reporting segment is therefore geographical.

	Sydney, Australia		Miami, USA		Eliminations		Economic entity	
	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
Total Segment Revenue:								
Total revenue	1,100,864	1,599,610	43,048	13,959	–	–	1,143,912	1,613,569
Segment Result:								
Segment result								
(Loss) before income tax expense	(5,223,804)	(5,766,452)	(17,987,614)	(9,771,523)	(2,250,470)	(2,211,234)	(25,461,888)	(17,749,209)
Income tax expense	–	–	–	–	–	–	–	–
(Loss) after income tax	(5,223,804)	(5,766,452)	(17,987,614)	(9,771,523)	(2,250,470)	(2,211,234)	(25,461,888)	(17,749,209)
Assets:								
Segment assets	99,765,794	73,014,354	17,017,355	15,139,927	(47,968,303)	(25,222,207)	68,814,846	62,932,0742
Liabilities:								
Segment liabilities	1,771,919	1,820,200	1,726,743	1,240,187	–	–	3,498,662	3,060,387
Other:								
Acquisition of non-current segment assets	–	59,276,290	–	15,160,722	–	(23,549,990)	–	50,887,022
Depreciation and amortization of segment assets	100,259	56,459	600,032	417,774	2,221,234	2,211,234	2,911,525	2,685,467

9. CASH AND CASH EQUIVALENTS

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Cash at bank and in hand	916,076	390,945	81,956	69,048
Short-term bank deposits	20,185,617	13,288,952	20,185,617	13,288,953
	21,101,693	**13,679,897**	**20,267,573**	**13,358,001**

The effective interest rate on short-term bank deposits was 5.44% (2005: 3.99%); these deposits have an average maturity of 32 days.

10. TRADE AND OTHER RECEIVABLES

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Current				
Trade receivables	–	595	–	595
Other receivables	315,314	153,531	166,658	153,531
Amounts receivable from:				
– Subsidiary of parent entity	–	–	–	17,213
– Key management personnel	–	2,950	–	2,950
	315,314	**157,076**	**166,658**	**174,289**

11. OTHER ASSETS

Current				
Prepayments	255,728	146,840	77,693	101,053
Security and other deposits	192,779	189,489	158,657	161,180
	448,507	**336,329**	**236,350**	**262,233**
Non Current				
Security and other deposits	**2,527**	–	–	–

12. OTHER FINANCIAL ASSETS

Unlisted investments at cost – shares in controlled entities	–	–	**78,897,414**	**58,901,571**

13. CONTROLLED ENTITIES

Name of entity	Country of incorporation	Class of shares	Percentage owned 2006 %	Percentage owned 2005 %	Carrying value 2006 $	Carrying value 2005 $
HeartWare, Inc.	USA	Series B	100	100	45,238,921	45,238,921
HeartWare, Inc.	USA	Series C	100	100	33,658,493	13,662,650
			100	**100**	**78,897,414**	**58,901,571**

On 24 January 2005, the Company acquired all of the voting stock of HeartWare, Inc. HeartWare, Inc. was incorporated in Delaware, United States of America.

The purchase consideration for the acquisition was $44 million, payable by the issue of ordinary shares in the capital of the Company.

In addition to the above (and as part of the above purchase consideration), the Company has issued a convertible note in the amount of $1,420,000 which will accrue interest at 2.0% per annum (capitalised monthly in arrears). The conversion price is $1.00 per ordinary share in the capital of the Company. The principal and capitalised interest on the convertible note is repayable to the holder on the secondary anniversary of the date of issue of the convertible note.

14. PROPERTY, PLANT AND EQUIPMENT

	Economic entity 2006 $	Economic entity 2005 $	Parent entity 2006 $	Parent entity 2005 $
Plant and equipment:				
At cost	3,735,228	2,154,844	120,651	154,040
Accumulated depreciation	(746,423)	(474,192)	(37,722)	(19,618)
	2,988,805	1,680,652	82,929	134,422
Leasehold improvements:				
At cost	264,268	227,085	220,679	220,679
Accumulated amortization	(112,744)	(37,220)	(110,199)	(36,841)
	151,524	189,865	110,480	183,838
Total plant and equipment	**3,140,329**	**1,870,517**	**193,409**	**318,260**
Movements in carrying amounts				
Movement in the carrying amount for each class of plant and equipment between the beginning and end of the current financial year				
Plant and equipment:				
Balance at the beginning of the year	1,680,652	–	134,422	–
Exchange differences	(52,975)	–	–	–
Additions	1,790,061	1,701,698	15,167	154,040
Additions through acquisition of subsidiary	–	265,786	–	–
Disposals	(79,200)	–	(40,357)	–
Depreciation expense	(349,733)	(286,832)	(26,303)	(19,618)
Carrying amount at the end of the year	**2,988,805**	**1,680,652**	**82,929**	**134,422**
Leasehold Improvements:				
Balance at the beginning of the year	189,865	–	183,838	–
Exchange differences	(359)	(16)	–	–
Additions	37,649	227,085	–	220,679
Disposals	–	–	–	–
Amortization expense	(75,631)	(37,204)	(73,358)	(36,841)
Carrying amount at the end of the year	**151,524**	**189,865**	**110,480**	**183,838**

15. INTANGIBLE ASSETS

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Goodwill – at cost	19,648,522	20,433,238	–	–
Patents and Trademarks – at cost	20,356,511	20,333,109	–	–
Accumulated amortization	(2,707,164)	(1,350,787)	–	–
	17,649,347	18,982,322	–	–
Non-compete agreements – at cost	3,828,708	3,828,708	–	–
Accumulated amortization	(1,385,008)	(692,504)	–	–
	2,443,700	3,136,204	–	–
Copyright – at cost	1,822,022	1,822,022	–	–
Accumulated amortization	(364,404)	(182,202)	–	–
	1,457,618	1,639,820	–	–
Development – at cost	2,631,833	2,838,601	–	–
Accumulated amortization	(310,108)	(141,930)	–	–
	2,321,775	2,696,671	–	–
Software – at cost	348,910	–	4,988	–
Accumulated amortization	(63,396)	–	(598)	–
	285,514	–	4,390	–
	43,806,476	46,888,255	4,390	–

Intangible assets, other than goodwill, have finite useful lives. The current amortization charges for intangible assets are included under depreciation and amortization expense in the Income Statement. Goodwill has an infinite life.

Impairment test for goodwill

For the purposes of impairment testing, goodwill acquired through business combinations has been allocated to one individual cash generating unit, being the Company's US subsidiary, which is a reportable segment (refer to Note 8 to the Financial Statements).

The recoverable amount of goodwill above has been determined based on a value-in-use calculation using cash flow projections based on financial estimates prepared by management covering a five-year period.

The pre-tax discount rate applied to the cash flow projections was 32.5% (2005: 32.5%), and the cash flows beyond the five-year period are extrapolated using a 7.25% growth rate (2005: 7.5%). This sustainable growth rate has been determined by Stenton Leigh Valuation Group, Inc., who was engaged by the Company to value the identifiable intangible assets acquired on the acquisition of HeartWare, Inc (refer to note 25(b)).

The discount rate reflects management's estimate of the time value of money and the risks specific to the US subsidiary. In determining the appropriate discount rate, regard has been given to the yield on a long-term US Treasury Coupon Bond.

15. INTANGIBLE ASSETS (continued)

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Movements in carrying amounts				
Movement in the carrying amount for each class of intangible assets between the beginning and end of the current financial year				
Goodwill at cost:				
Balance at the beginning of the year	20,433,238	–	–	–
Exchange differences	(784,716)	548,081	–	–
Additions through acquisition of subsidiary	–	19,885,157	–	–
Carrying amount at the end of the year	**19,648,522**	**20,433,238**	–	–
Patents and trademarks at cost:				
Balance at the beginning of the year	18,982,322	–	–	–
Exchange differences	(18,763)	(548)	–	–
Additions through acquisition of subsidiary	44,162	20,333,109	–	–
Amortization charge	(1,358,374)	(1,350,239)	–	–
Carrying amount at the end of the year	**17,649,347**	**18,982,322**	–	–
Non-compete agreements at cost:				
Balance at the beginning of the year	3,136,204	–	–	–
Additions through acquisition of subsidiary	–	3,828,708	–	–
Amortization charge	(692,504)	(692,504)	–	–
Carrying amount at the end of the year	**2,443,700**	**3,136,204**	–	–
Copyright at cost:				
Balance at the beginning of the year	1,639,820	–	–	–
Additions through acquisition of subsidiary	–	1,822,022	–	–
Amortization charge	(182,202)	(182,202)	–	–
Carrying amount at the end of the year	**1,457,618**	**1,639,820**	–	–
Development at cost:				
Balance at the beginning of the year	2,696,671	–	–	–
Exchange differences	(188,095)	(5,444)	–	–
Additions	–	2,838,601	–	–
Amortization charge	(186,801)	(136,486)	–	–
Carrying amount at the end of the year	**2,321,775**	**2,696,671**	–	–
Software at cost:				
Balance at the beginning of the year	–	–	–	–
Exchange differences	2,884	–	–	–
Additions	348,910	–	4,988	–
Amortization charge	(66,280)	–	(598)	–
Carrying amount at the end of the year	**285,514**	–	4,390	–

16. TRADE AND OTHER PAYABLES

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Current				
Trade payables	435,216	467,730	64,013	117,749
Sundry payables and accrued expenses	1,347,023	943,252	172,763	176,366
	1,782,239	**1,410,982**	**236,776**	**294,115**

17. PROVISIONS

Current				
Employee benefits	**200,608**	**145,018**	**9,329**	**21,698**
Non-current				
Employee benefits	–	–	**9,999**	–
Number of employees				
Number of employees at year end	**65**	**41**	**3**	**5**
Movements in provisions				
Employee benefits:				
Opening balance	145,018	–	21,698	–
Additions through acquisition of subsidiary	–	52,272	–	–
Additional provisions	246,726	198,561	62,429	73,567
Amounts used	(191,136)	(105,815)	(64,799)	(51,869)
Closing balance	**200,608**	**145,018**	**19,328**	**21,698**

18. BORROWINGS

Short-term borrowings				
Convertible note	**1,475,396**	–	**1,475,396**	–
Long-term borrowings				
Convertible note	–	**1,446,205**	–	**1,446,205**

The Company issued a convertible note in the amount of $1,420,000 that accrues interest at 2.0% per annum (capitalised monthly in arrears). The conversion price is $1.00 per ordinary share in the capital of the Company. The principal and capitalised interest on the convertible note is repayable to the holder on the secondary anniversary of the date of issue of the convertible note. The Company issued the convertible note in favour of Apple Tree Partners as part of the consideration for the acquisition of HeartWare, Inc..

19. OTHER LIABILITIES

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Current				
Lease incentive	20,280	23,273	20,280	23,273
Non-Current				
Lease incentive	20,139	34,909	20,139	34,909

20. ISSUED CAPITAL

186,262,097 (2005: 156,096,274) fully paid ordinary shares	105,256,919	74,408,014	105,256,919	74,408,014

	Note	Issue Price	No. of Shares	$
Movements during the reporting period ended 31 December 2005				
Opening balance on registration of the Company on 26 November 2004		$0.50	2,000	1,000
Share issue pursuant to the Company's Prospectus – Australian allotment	(a)	$0.50	55,838,000	27,919,000
Share issue pursuant to the Company's Prospectus – US allotment	(b)	$0.50	9,000,876	4,500,438
Share issue – acquisition of HeartWare, Inc. by HeartWare Limited	(c)	$0.50	88,000,000	44,000,000
Share issue on exercise of options by Dr Fine	(d)	–	2,859,998	–
Share issue on exercise of options under the Company's Employee Share Option Plan ("ESOP")		$0.20	147,400	29,480
Share issue on exercise of options granted under the Company's ESOP		$0.20	76,000	15,200
Share issue on exercise of options granted under the Company's ESOP		$0.20	172,000	34,400
Issue costs relating to (a), (b) and (c) above		–	–	(2,091,504)
Closing balance as at 31 December 2005			156,096,274	74,408,014
Movements during the year ended 31 December 2006				
Opening balance as at 1 January 2006			156,096,274	74,408,014
Share issue pursuant to a private placement	(e)	$1.10	29,679,220	32,647,142
Share issue pursuant to shareholder share purchase plan	(f)	$1.10	75,452	82,977
Share issue on exercise of options granted under the Company's ESOP		$0.50	191,151	95,576
Share issue on exercise of options granted under the Company's ESOP		$0.20	220,000	44,000
Issue costs relating to (e) above		–	–	(2,020,790)
Closing balance as at 31 December 2006			186,262,097	105,256,919

20. ISSUED CAPITAL (continued)

Notes:

(a) The Company issued a Prospectus (dated 17 December 2004) and a Supplementary Prospectus (dated 24 December 2004) in relation to an underwritten offer of fully paid ordinary shares in HeartWare Limited. This is the number of ordinary shares issued under the Australian allotment as discussed in the documents referred to above. The shares were issued on 27 January 2005.

(b) See Note (a) above. This is the number of ordinary shares issued under the U.S. allotment, further details of which are set out in the documents referred to above. The shares were issued on 27 January 2005.

(c) See Note (a) above. This is the number of ordinary shares issued in consideration of the acquisition of HeartWare, Inc. by HeartWare Limited (further details of which are set out in the documents referred to above). The shares were issued on 27 January 2005.

(d) These shares were issued to Dr Robert Fine, former CEO of Kriton Medical, Inc. As outlined in the Company's Prospectus, HeartWare provided for the issue of shares to Dr Fine pursuant to three warrants which had been issued by its subsidiary, HeartWare, Inc., on 3 October 2003. Dr Fine exercised these warrants on a "cashless" basis. This concludes all obligations of HeartWare in relation to the warrants issued to Dr Fine. The shares were issued on 20 April 2005.

(e) The shares were issued pursuant to a private placement to sophisticated and institutional investors on 23 May 2006.

(f) The shares were issued to shareholders pursuant to the Company's Shareholder Share Purchase Plan on 15 June 2006.

Share options

For information relating to the HeartWare Limited Employee Share Option Plan ("ESOP"), including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, please refer to Note 27 to the Financial Statements.

For information relating to share options issued to key management personnel during the financial year, please refer to Note 29 to the Financial Statements.

21. RESERVES

(a) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of HeartWare, Inc.

(b) Share options reserve

The share options reserve records items recognized as expense in relation to the calculated value of vested options granted under the Company's ESOP.

(c) Exercised options reserve

The exercised options reserve records items recognized as expense items in relation to the calculated value of options that have been exercised.

22. FINANCIAL INSTRUMENTS

(a) Financial risk management

The Economic Entity's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, leases and the convertible note (issued on 27 January 2005).

(b) Foreign currency risk

The Economic Entity is exposed to fluctuations in foreign currencies arising from the fact that the bulk of the Economic Entity's expenditure is incurred in U.S. dollars, which is not the same as the Economic Entity's measurement currency (being Australian dollars).

During the year, the Economic Entity purchased and held US dollars in order to minimise its foreign currency risk associated with its short-term US dollar commitments.

(c) Liquidity risk

Liquidity risk represents the ability of the Economic Entity to meet is obligations as and when they fall due.

The Economic Entity manages liquidity risk by monitoring forecast cash flows.

(d) Credit risk

Credit risk represents the loss that would be recognized if counter-parties failed to perform as contracted.

Recognized financial instruments

The credit risk on financial assets, excluding investments, of the Economic Entity that have been recognized in the Income Statement is the carrying amount, net of any provision for doubtful debts. The Economic Entity is not materially exposed to any individual overseas country or individual customer.

(e) Interest rate risk

The Economic Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities is set out in the following table.

22. FINANCIAL INSTRUMENTS (continued)

(e) Interest rate risk (continued)

Economic entity	Fixed interest rate maturing		Floating interest rate $	Non-interest bearing $	Total $
	Within year $	Over 1 to 5 years $			
2006 Financial Year					
Financial assets					
Cash and cash equivalents	–	–	915,576	500	916,076
Deposit at call	20,185,617	–	–	–	20,185,617
Receivables	–	–	315,314	315,314	
Other current assets	158,006	–	–	290,501	448,507
	20,343,623	**–**	**915,576**	**606,315**	**21,865,514**
Weighted Average Effective Interest Rate	**5.44%**	**–**	**4.04%**	**–**	**–**
Financial liabilities					
Payables		–	–	1,782,239	1,782,239
Provisions		–	–	200,608	200,608
Borrowings	1,475,396	–	–	–	1,475,396
	1,475,396	**–**	**–**	**1,982,847**	**3,458,243**
Weighted Average Effective Interest Rate	**2.00%**	**–**	**–**	**–**	**–**
2005 Financial Year					
Financial assets					
Cash and cash equivalents	–	–	390,445	500	390,945
Deposit at call	13,288,952	–	–	–	13,288,952
Receivables	–	–	–	157,076	157,076
Other current assets	158,006	–	–	178,323	336,329
	13,446,958	**–**	**390,445**	**335,899**	**14,173,302**
Weighted Average Effective Interest Rate	**4.03%**	**–**	**3.90%**	**–**	**–**
Financial liabilities					
Payables	–	–	–	1,410,980	1,410,980
Provisions	–	–	–	145,018	145,018
Borrowings	1,446,205	–	–	–	1,446,205
	1,446,205	**–**	**–**	**1,555,998**	**3,002,203**
Weighted Average Effective Interest Rate	**2.00%**	**–**	**–**	**–**	**–**

22. FINANCIAL INSTRUMENTS (continued)

(e) Interest rate risk (continued)

Parent entity	Fixed interest rate maturing		Floating interest rate $	Non-interest bearing $	Total $
	Within year $	Over 1 to 5 years $			
2006 Financial Year					
Financial assets					
Cash and cash equivalents	–	–	81,456	500	81,956
Deposit at call	20,185,617	–	–	–	20,185,617
Receivables	–	–	–	166,658	166,658
Other current assets	158,006	–	–	78,344	236,350
	20,343,623	–	81,456	245,502	20,670,581
Weighted Average Effective Interest Rate	5.44%	–	2.60%	–	–
Financial liabilities					
Payables	–	–	–	236,776	236,776
Provisions	–	–	–	19,328	19,328
Borrowings	1,475,396	–	–	–	1,475,396
	1,475,396	–	–	256,104	1,731,500
Weighted Average Effective Interest Rate	2.00%	–	–	–	–
2005 Financial Year					
Financial assets					
Cash and cash equivalents	–	–	68,549	500	69,049
Deposit at call	13,288,952	–	–	–	13,288,952
Receivables	–	–	–	174,289	174,289
Other current assets	158,006	–	–	104,227	262,233
	13,446,958	–	68,549	279,016	13,794,523
Weighted Average Effective Interest Rate	3.90%	–	2.45%	–	–
Financial liabilities					
Payables	–	–	–	294,115	294,115
Provisions	–	–	–	21,698	21,698
Borrowings	1,446,205	–	–	–	1,446,205
	1,446,205	–	–	315,813	1,762,018
Weighted Average Effective Interest Rate	2.00%	–	–	–	–

(f) Net fair values

The net fair value of cash and cash equivalents and non-interest bearing liabilities of the Economic Entity approximates their carrying value.

Net fair values of monetary financial assets and liabilities are based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rate for assets and liabilities with similar risk.

Aggregate net fair values are materially in line with the carrying amounts for the HeartWare Group's financial assets and financial liabilities at balance date.

23. CAPITAL AND LEASING COMMITMENTS

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Capital expenditure commitments contracted for:				
Plant and equipment purchases	73,043	–	–	–
Capital expenditure commitments payable:				
Not later than 12 months	73,043	–	–	–
Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the Financial Statements				
Payable – minimum lease payments:				
Not later than 12 months	910,343	372,629	183,593	160,692
Between 12 months and 5 years	404,183	561,617	160,805	279,035
	1,314,526	934,246	344,398	439,727

The Economic Entity leases property under non-cancellable operating leases expiring for periods of up to twenty months. Leases generally provide the relevant entity with a right of renewal. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or criteria.

24. CONTINGENT LIABILITIES

As set out in the Company's prospectus (dated 17 December 2004), the Economic Entity and the parent entity has the following contingent liabilities resulting from the acquisition by HeartWare, Inc. of a business that previously held the Company's technology:

(a) a milestone payment of US$750,000 when the first circulatory assist device is approved for sale in Europe, provided that the Company has a least US$15,000,000 in cash on hand;

(b) a milestone payment of US$1,250,000 when the first circulatory assist device is approved for sale in the US, provided that the Company has at least US$25,000,000 in cash on hand; and

(c) a special payment of up to US$500,000 upon a sale of HeartWare, Inc. if such sale generated proceeds in excess of the aggregate liquidation preferences of all of HeartWare, Inc.'s then outstanding preferred stock.

Except as stated above, the Company is not aware of any contingent liabilities at the date of the Directors' Report.

25. CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations with Loss After Income Tax

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
(Loss) after income tax	(25,461,888)	(17,749,209)	(5,223,804)	(5,766,452)
Non-cash flows in (Loss):				
Depreciation	349,733	286,832	26,303	19,618
Amortization	2,561,792	2,398,635	73,956	36,841
Share Based Payment	1,174,620	2,552,592	1,174,620	2,552,592
Loss on disposal of plant and equipment	17,539	–	13,912	–
Proceeds of sale asset not yet received	26,445	–	26,445	–
Changes in assets and liabilities, net of the effects of the purchase of HeartWare, Inc.:				
Increase/(decrease) in accrued expenses/employee benefits	55,590	92,746	(2,370)	21,698
(Increase)/decrease in trade and term receivables	(166)	(301,436)	(21,388)	70,577
(Decrease)/increase in other provisions	(17,763)	58,182	(17,763)	58,182
Increase/(decrease) in other creditors	384,282	559,537	(36,278)	201,053
Increase in interest payable	29,191	26,205	29,191	26,205
(Increase)/decrease in other debtors	(190,557)	(112,940)	(20,378)	17,355
Decrease/(increase) in interest receivable	13,645	(131,047)	13,645	(131,047)
(Increase)/decrease in prepaid expenses	(108,889)	137,767	23,360	(101,052)
Exchange rate adjustment	(20,204)	344,096	–	–
Cash Flow from Operations	**(21,186,630)**	**(11,838,040)**	**(3,940,549)**	**(2,994,430)**
Reconciliation of Cash:				
Cash – Note 9	916,076	390,945	81,956	69,048
Deposits at call – Note 9	20,185,617	13,288,952	20,185,617	13,288,953
	21,101,693	**13,679,897**	**20,267,573**	**13,358,001**

The Company has provided guarantees and indemnities totalling $258,006 (2005: $258,006) to its bankers in respect to banking facilities provided to the Company.

25. CASH FLOW INFORMATION (continued)

(b) Acquisition of Entities

	Economic Entity 2005 $
On 24 January 2005, the Company acquired 100% of the voting stock of HeartWare, Inc..	
Consideration	
Shares issued – 88 million shares at 50 cents each	44,000,000
Issue of convertible note *	1,420,000
Write-off of asset on acquisition of subsidiary	(181,079)
Total Consideration	45,238,921
Fair value of identifiable net assets of HeartWare, Inc.	
Cash	163,493
Receivable	97,025
Prepayments	284,605
Other non-current assets	26,870
Intangible assets – patents	20,047,921
Intangible assets – copyright	1,822,022
Intangible assets – non-compete agreement	3,828,708
Trade creditors	(721,994)
Other current creditors	(331,306)
Other non-current creditors	(129,366)
Property, plant & equipment	265,786
	25,353,764
Goodwill on consolidation	19,885,157
Total Consideration	45,238,921
Cash paid	–
Net cash acquired on acquisition of controlled entity	(163,493)
	(163,493)

** The Company has issued a convertible note in the amount of $1,420,000 which will accrue interest at 2.0% per annum (capitalised monthly in arrears). The conversion price is $1.00 per ordinary share. The principal and capitalised interest on the convertible note is repayable to the holder on the secondary anniversary of the date of issue of the convertible note (being 24 January 2005).*

26. KEY MANAGEMENT PERSONNEL INFORMATION

(a) Names and positions held of key management personnel in office at anytime during the financial year are as follows:

Name	Position	Entity	Tenure
Mr R B Thomas	Non-executive Chairman	(i)	26 November 2004 – Current
Dr S L Harrison	Non-executive Deputy Chairman	(i)	26 November 2004 – Current
Mr R B Stockman	Non-executive director	(i)	11 December 2006 – Current
Dr D N Wade	Non-executive director	(i)	15 December 2004 – Current
Dr C C Bennett	Non-executive director	(i)	15 December 2004 – Current
Mr D E Godshall	Chief Executive Officer Executive Director	(i), (ii)	18 September 2006 – Current 28 October – Current
Mr D J McIntyre	Chief Financial Officer Company Secretary	(i), (ii)	28 February 2005 – Current 28 February 2005 – Current
Mr D A Rowe	Chief Operating Officer	(ii)	17 April 2006 – Current
Mr J A LaRose	Chief Scientific Officer	(ii)	10 July 2003 – Current
Ms J E Reedy	Vice President, Clinical & Marketing	(ii)	16 May 2005 – Current
Mr H Leibman	Director, Corporate Development	(i)	18 April 2005 – Current
Mr B M Yomtov	Vice President, Engineering, Electronic Product Systems	(ii)	31 July 2006 – Current
Mr S B McConchie	Executive Director Chief Executive Officer	(i), (ii)	26 November 2004 – 4 September 2006 26 November 2004 – 4 September 2006
Mr W J Rissmann	Vice President, Manufacturing and Product Development	(b)	25 April 2005 – 1 June 2006

Notes:
(i) HeartWare Limited
(ii) HeartWare, Inc.

(b) Key management compensation

The Company has applied the provisions of the Corporations Amendments Regulation 2006 that allow the Company to transfer key management personnel remuneration disclosures required by AASB 124: Related Party Disclosures paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report.

In accordance with the above, information concerning the compensation for key management personnel may be found in the Remuneration Report (see Section 4 to Appendix A to the Remuneration Report).

27. SHARE-BASED PAYMENTS

During the financial year, the Company granted options to its employees under the HeartWare Limited Employee Share Option Plan ("ESOP") as follows:

(a) On 20 April 2006 and following the appointment of Mr Dozier Rowe as Chief Operating Officer of the Company, 1,000,000 ESOP options were granted to Mr Rowe at an exercise price of $1.41.

(b) On 25 July 2006, the Company issued 2,635,060 ESOP options to 49 of its employees. The exercise price of these options was $1.10 per option.

(c) On 27 September 2006, the Company granted 5,581,264 ESOP Options to Mr Doug Godshall pursuant to the terms of his engagement as incoming Chief Executive Officer of the Company. The exercise price of these options was $1.10.

(d) On 28 October 2006, the Company issued 900,000 ESOP options to its senior management team. The exercise price of these options was $1.10.

Each of the options referred to above expire on the tenth (10th) anniversary of the respective grant date. All ESOP options are unlisted and are not transferable. ESOP options hold no voting or dividend rights and entitle the holder to purchase one ordinary share in the capital of the Company (at the relevant exercise price).

	Economic Entity				Parent Entity			
	2006		2005		2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	16,145,410	0.64	–	–	16,145,410	0.64	–	–
Granted	10,116,324	1.13	16,808,462	0.63	10,116,324	1.13	16,808,462	0.63
Forfeited	(5,349,333)	0.90	(267,652)	0.41	(5,349,433)	0.90	(267,652)	0.41
Exercised	(411,151)	0.34	(395,400)	0.20	(411,051)	0.34	(395,400)	0.20
Outstanding at year-end	**20,501,250**	**0.82**	**16,145,410**	**0.64**	**20,501,250**	**0.82**	**16,145,410**	**0.64**
Exercisable at year-end	**5,524,880**	**0.41**	**3,931,600**	**0.33**	**5,524,880**	**0.41**	**3,931,600**	**0.33**

There were 411,051 options exercised during the year ended 31 December 2006. These options had a weighted average share price of $0.34 at exercise date.

The options outstanding at 31 December 2006 had a weighted average exercise price of $0.82 and a weighted average remaining contractual life of 6.98 years. Exercise prices range from $0.20 to $1.41 in respect of options outstanding at 31 December 2006.

The weighted average fair value of the options granted during the year was $1.13.

This price was calculated by using a Black Scholes option pricing model applying the following inputs:

(a) Weighted average exercise price.

(b) Weighted average life of the option.

(c) Underlying share price.

(d) Expected share price volatility.

(e) Risk free interest rate.

27. SHARE-BASED PAYMENTS (continued)

Historic volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the Income Statement is $1,174,620 (2005: $2,552,592) and relates, in full, to equity-settled share-based payment transactions.

(c) Detail of number of shares issued on exercise of remuneration options during the year:

	Economic entity		Parent entity	
	2006 $	2005 $	2006 $	2005 $
Proceeds from shares issued	139,576	79,080	139,576	79,080
Fair value of shares issued during the period	352,057	222,172	352,057	222,172

No amount remains unpaid on any of the shares referred to above.

Fair value of shares issued during the year at their issue date is estimated to be the market price of shares of HeartWare Limited on the Australian Stock Exchange as at closing of trading on the issue dates.

Fair value of shares issued during the year at their issue date is estimated to be the market price of shares of HeartWare Limited on the Australian Stock Exchange as at closing of trading on the issue dates. The fair value of shares at date of issue was:

Issue Date	Fair Value	Number of Shares Issued
30 June 2006	173,857	191,052
25 August 2006	178,200	220,000
	352,057	411,052

Details of share options outstanding as at end of the reporting period are set out in the Directors' Report.

28. COMPENSATION OPTIONS FOR KEY MANAGEMENT PERSONNEL

The Company has applied the provisions of the Corporations Amendments Regulation 2006 that allow the Company to transfer key management personnel remuneration disclosures required by AASB 124: Related Party Disclosures paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report.

In accordance with the above, information concerning the compensation options for key management personnel may be found in the Remuneration Report (see Section 3 to Appendix A to the Remuneration Report).

29. OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

							Vested 31 December 2006		
	Note	Balance 1 January 2006	Granted as Compen-sation	Net Change	Options Exercised	Balance 31 December 2006	Total	Not Exer-cisable	Exer-cisable
Parent Entity Directors									
Thomas, R	(a), (b)	1,264,204	–	–	–	1,264,204	964,204	200,000	764,204
Harrison, S	–	–	–	–	–	–	–	–	
Stockman, R	–	–	–	–	–	–	–	–	
Wade, D	(a)	250,000	–	–	–	250,000	100,000	100,000	–
Bennett, C	(a)	250,000	–	–	–	250,000	100,000	100,000	–
Godshall, D	(b)	–	5,581,264	–	–	5,581,264	–	–	–
McConchie, S	(b)	4,585,228	–	(4,585,228)	–	–	–	–	–
Total		**6,349,432**	**5,581,264**		**–**	**7,345,468**	**1,164,204**		**764,204**
Other Key Management Personnel									
Rowe, D	(b), (c)	–	1,200,000	–	–	1,200,000	–	–	–
LaRose, J	(b), (c)	2,304,204	200,000	–	–	2,504,204	1,731,051	–	1,731,051
Reedy, J	(b), (c)	1,146,306	200,000	–	–	1,346,306	286,576	–	286,576
McIntyre, D	(b), (c)	1,528,408	200,000	–	–	1,728,408	191,051	–	191,051
Leibman, H	(b), (c)	764,204	100,000	–	–	864,204	191,051	–	191,051
Yomtov, B	(b), (c)	–	300,000	–	–	300,000	–	–	–
Rissmann, W	(b), (c)	764,204	–	(573,053)	(191,151)	–	–	–	–
Total		**6,507,326**	**2,200,000**	**(573,053)**	**(191,151)**	**7,943,122**	**2,399,729**	**–**	

Notes:

(a) The options refer to Incentive Options, further details of which are set out below under the heading "Options". In relation to Mr Thomas, 764,204 of his options were granted under the Company's ESOP with the balance comprising Incentive Options.

(b) The options refer to ESOP options granted as compensation.

(c) In accordance with the terms of the Company's ESOP Rules, each option entitles the holder to purchase one ordinary share at the relevant exercise price.

Net Change refers to those options that have been forfeited or cancelled in accordance with the terms of the Company's ESOP Rules.

30. COMPENSATION FOR KEY MANAGEMENT PERSONNEL

The Company has applied the provisions of the Corporations Amendments Regulation 2006 that allow the Company to transfer key management personnel remuneration disclosures required by AASB 124: Related Party Disclosures paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report.

In accordance with the above, information concerning the compensation for key management personnel may be found in the Remuneration Report (see Section 4 to Appendix A to the Remuneration Report).

31. SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

	Note	Balance 1 January 2006	Granted as Remuneration	Options Exercised	Net Change* Other	Balance 31 December 2006
Parent Entity Directors						
Thomas, R	(a)	1,238,000	–	–	520,000	1,758,000
Harrison, S	(b)	91,588,782	–	–	–	91,588,782
Stockman, R		–	–	–	–	–
Wade, D	(c)	700,000	–	–	300,000	1,000,000
Bennett, C		–	–	–	–	–
Godshall, D		–	–	–	37,305	37,305
McConchie, S		–	–	–	–	–
Other Key Management Personnel						
Rowe, D		–	–	–	10,000	10,000
LaRose, J		–	–	–	–	–
Reedy, J		–	–	–	–	–
McIntyre, D		34,000	–	–	(6,000)	28,000
Leibman, H		160,000	–	–	84,955	244,955
Yomtov, B		–	–	–	–	–
Rissmann, W		–	–	–	–	–
Total		93,560,782	–	–	946,260	94,667,042

** Net Change Other refers to shares purchased or sold during the year.*

Notes:

(a) Mr Thomas owns shares in the Company through a variety of direct and indirect holdings. The bulk of Mr Thomas' indirect shareholding is held by himself and his wife (Mrs Kyrenia Thomas) as trustee of the Robert Thomas Superannuation Fund. The options referred to above include 500,000 Incentive Options and 764,204 ESOP options, further details of which are set out below under the heading "Options".

(b) As noted elsewhere in this Directors' Report, Dr Harrison is the Managing General Partner of Apple Tree Partners 1 LP ("Apple Tree Partners"), the Company's largest shareholder. To this end, the shares set out in the table above refer to shares owned by Apple Tree Partners.

Under Dr Harrison's employment arrangement with Apple Tree Partners, he is prohibited from having an interest, directly or indirectly, in any entity in which Apple Tree Partners has invested. For this reason, Dr Harrison has no share or option holding in HeartWare (other than indirectly via Apple Tree Partners).

It should also be noted that, in connection with the acquisition of HeartWare, Inc. by HeartWare Limited, the Company issued a convertible note in favour of Apple Tree Partners in the amount of $1,420,000 which will accrue interest at 2.0% per annum (capitalised monthly in arrears). The conversion price is $1.00 per ordinary share. The principal and capitalised interest on the convertible note is repayable on the secondary anniversary of the date of issue of the convertible note (being 24 January 2007). As Managing General Partner of Apple Tree Partners and for the purposes of the Corporations Act 2001, Dr Harrison is deemed to have an indirect interest in this convertible note.

(c) The shares are held by Nickeli Holdings Pty Limited as trustee of the Wade Family Superannuation Fund. The options refer to Incentive Options, further details of which are set out below under the heading "Options".

Remuneration Benefits

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Economic Entity during the year and there were no material contracts involving Directors' interests subsisting at anytime.

At 31 December 2006, there were no amounts receivable from or payable to directors and their director-related entities.

32. RELATED PARTIES

There were no transactions between the Economic Entity and related parties during the year.

The ordinary shares of the Company are listed for quotation on the Australian Stock Exchange. Apple Tree Partners has an interest in 91,588,782 ordinary shares and is the holder of the convertible note referred to elsewhere in this Annual Report. On this basis, Apple Tree Partners controlled 49.17% of the Company as at the reporting date. For the purposes of the definition of "control" as set out in the Corporations Act, HeartWare Limited is ultimately controlled by Apple Tree Partners, which is incorporated in the United States of America.

33. EVENTS SUBSEQUENT TO BALANCE DATE

Other than the matters disclosed elsewhere in this Annual Report, there has not arisen in the interval between the end of the reporting period and the date of the Directors' Report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly effect the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity.

34. CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and Economic Entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB amendment	AASB standard affected	Nature of change in accounting policy and impact	Application date of the standard	Application date for the economic entity
2005–10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 January 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 January 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 January 2007
	AASB 117: Leases	No change, no impact	1 January 2007	1 January 2007
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 January 2007
	AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2007	1 January 2007
	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2007	1 January 2007
2006–1	AASB 121: The Effects of Changes in Foreign Exchange Rates	No change, no impact	1 January 2007	1 January 2007
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2007	1 January 2007
Interpretation 11	AASB 2: Share-based payment – Group and Treasury Share Transactions	No change, no impact	1 March 2007	1 January 2008

All other pending Standards issued between the previous financial report and the current reporting dates have no application to either the Parent Entity or Economic Entity.

35. CHANGE IN ACCOUNTING ESTIMATES

As discussed at Note 2 to the Financial Statements (and pursuant to the adoption of AASB 3: Business Combinations), the Company engaged an independent consultant, Stenton Leigh Group, Inc., to value the intangible assets as at 24 January 2005, being the date on which HeartWare Limited acquired HeartWare Inc. As a result of this valuation there have been reclassifications between categories of intangible assets such that the intellectual property figure disclosed in the 2005 Annual Report has now been divided between goodwill, patents, copyright and non-compete agreements.

Under the Company's accounting policy (see Note 1 to the Financial Statements), the Company amortizes its intangible assets on a straight-line basis over the relevant estimated useful life. The estimated useful life ranges from 10 to 20 years.

In the 2005 Annual Report, the Company determined to amortize its intellectual property over a 20 year period. With the reclassification on intellectual property into goodwill, patents, copyright and non-compete agreements, the Company is required to amortize these intangible assets (excluding goodwill) over their estimated useful lives.

For the year-ended 31 December 2006, the Company has determined to amortize its intangible assets over periods of less than 20 years (as applied in the 2005 Annual Report), being periods that equate to the estimated useful life of each category of intangible asset. On this basis, the Company has determined that patents shall be amortized over 15 years, copyright shall be amortized over 10 years and the non-compete agreements shall be amortized over 5 years.

This shorter period of amortization is consistent with the amortization period that the Company has determined to adopt in relation to the financial statements that it must lodge with the US Securities and Exchange Commission (and otherwise in accordance with US Generally Accepted Accounting Principles). In this way, the Company has sought to apply a consistent methodology in the preparation of Australian and US financial statements.

As a consequence of adopting a shorter amortization period (as noted above), and the reclassification of intellectual property (also noted above), the Company has reduced amortization expense by $1,556,147 for the year-ended 31 December 2006 (2005: $74,717).

36. COMPANY DETAILS

The registered office of the Company is:

HeartWare Limited
Suite 4
Level 46
2 Park Street
SYDNEY NSW 2000

The principal places of business are as follows:

Corporate Offices:
HeartWare Limited
Suite 4
Level 46
2 Park Street
SYDNEY NSW 2000

Operational Facility:
HeartWare, Inc.
3351 Executive Way
MIRAMAR FLORIDA USA 33025

ASX Additional Information

for the year ended 31 December 2006

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this Annual Report is set out below.

Shareholder information set out below was applicable as at 3 February 2007.

Distribution of equity security holders

	Ordinary Shares		Options (unlisted)	
	Number of holders	Number of shares	Number of holders	Number of options
1 – 1,000	111	89,603	–	–
1,001 – 5,000	352	1,206,285	–	–
5,001 – 10,000	319	2,784,288	12	120,000
10,001 – 100,000	644	23,325,393	24	1,334,000
100,001 – and over	133	158,897,028	28	19,047,250
	1,556	**186,302,597**	**64**	**20,501,250**

The number of shareholders holding less than a marketable parcel was twenty eight (28).

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held %
Apple Tree Partners	91,588,782	49.17%
ANZ Nominees Limited	9,778,459	5.25%
Jon B Platt	8,000,000	4.30%
Merrill Lynch (Australia) Nominees Pty Ltd	2,899,326	1.56%
Equity Trustees Limited	2,789,091	1.50%
UBS Nominees Pty Ltd	2,509,149	1.35%
GPG Nominees Pty Ltd	2,000,000	1.07%
Matthew Rosenthal	1,879,120	1.01%
Warman Investments Pty Ltd	1,650,000	0.89%
Cogent Nominees Pty Ltd	1,646,133	0.88%
National Nominees Limited	1,609,244	0.86%
Rob Thomas	1,298,000	0.70%
Grahger Capital Investment Pty Ltd	1,122,400	0.60%
ASIA Union Investments Pty Ltd	1,061,359	0.57%
Nickeli Holdings Pty Ltd (as trustee for D Wade Superannuation)	1,000,000	0.54%
Sarah Brown Pty Ltd	909,090	0.49%
Mandurah Automatic Transmissions Pty Ltd	900,000	0.48%
S & K Siejka Medical Pty Ltd	864,820	0.46%
Paul Burgess Cave	800,000	0.43%
Wally Knezevic	600,000	0.32%
Mr Stephen Lambert & Associates	573,103	0.31%
Total	135,478,076	72.73%

Options Unlisted

HeartWare Limited Employee Share Option Plan

The Company has 19,0001,250 options on issue under the Company's Employee Share Option Plan. These options are held by 61 individuals.

Incentive Options

Name	Number of options held	Number of options vested
Thomas, Robert	500,000	400,000
Inteq Limited	500,000	500,000
Wade, Dennis	250,000	200,000
Bennett, Christine	250,000	200,000
	1,500,000	**1,300,000**

Escrowed Securities

Name	Restriction period	Number of ordinary shares held
Apple Tree Partners 1 LP	31 January 2007	87,003,221
		87,003,221

Name	Restriction period	Number of options held
R Thomas	31 January 2007	1,264,204
Dr C Bennett	31 January 2007	250,000
Dr D Wade	31 January 2007	250,000
Inteq Limited	31 January 2007	500,000
		2,264,204

The convertible note issued in favour of Apple Tree Partners which is discussed throughout this Annual Report was escrowed until 31 January 2007.

Substantial Shareholders

The number of shares held by the substantial shareholders and their associated interests are set out below:

	Number of ordinary shares	Percentage %
Apple Tree Partners	91,588,782	49.17%
ANZ Nominees Limited	**9,778,459**	**5.25%**

Voting Rights

Ordinary shares

The voting rights set out in the Company's Constitution are:

(a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands every person who is a member has one vote and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

General Information

The name of the Company Secretary is Mr David John McIntyre.

The address of the principal registered office in Australia is Suite 4, Level 46, 2 Park Street, Sydney NSW 2000, telephone (02) 8215 7600.

Registers of securities are held at Registries Limited, Level 2, 28 Margaret Street, Sydney, NSW 2000.

Quotation has been granted for all ordinary shares of the Company (excluding escrowed securities) on all Member Exchanges of the Australian Stock Exchange Limited.

Details on options over unissued shares, including the convertible note, are set out in the Directors Report.

Statement on use of cash and assets in a form readily convertible to cash

Since admission to the Australian Stock Exchange Limited on 31 January 2005, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a manner consistent with its business objectives.

Corporate Directory

Board of Directors

Robert Thomas
Non-Executive Chairman

Seth Harrison, MD
Non-Executive
Deputy Chairman

Doug Godshall
Chief Executive Officer

Bob Stockman
Non-Executive Director

Christine Bennett, MB
Non-Executive Director

Denis Wade AM, MB, D.Phil.
Non-Executive Director

Chief Executive Officer

Doug Godshall

Registered Address

Suite 4, Level 46
2 Park Street
SYDNEY NSW 2000
AUSTRALIA
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Advisory Board

O. Howard "Bud" Frazier, MD
(Chairman)
Steven Boyce, MD
Laman Gray Jr., MD
Stephen Westaby, MD
Georg Wieselthaler, MD
Gerry O'Driscoll, MD
Asghar Khaghani, MD

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David McIntyre

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