HEARTWARE LIMITED

ABN 34 111 970 257

Half Year Report for the period ended 31 May 2005 provided pursuant to ASX Listing Rule 4.2A.

This is the Half Year Report and Interim Financial Report for the HeartWare Group. The HeartWare Group includes HeartWare Limited (ASX : HTW) and its subsidiary, HeartWare, Inc..

This Half Year Report does not include all of the commentary, notes and information that are typically found in an annual financial report. As the Company will not publish its first Annual Financial Report until early 2006, this Half Year Report should be read in conjunction with the Company's prospectus (dated 17 December 2004), the Company's supplementary prospectus (dated 24 December 2004) and any public announcements by the Company during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This Half Year Report provides information as required by Appendix 4D of the ASX Listing Rules.

HeartWare Limited

Results for Announcement to the Market

Important information concerning the financial results for the half year ended 31 May 2005

The financial results set out in this Half Year Report and the attached Interim Financial Report are the consolidated financial results for the HeartWare Group, being HeartWare Limited ("HeartWare" or "the Company") and its subsidiary, HeartWare, Inc..

The period for which these financial results are provided commenced on 26 November 2004 and ended on 31 May 2005 (as required by the *Corporations Act*). The reporting period commences on 26 November 2004 because this is the date that the Company was first registered with the Australian Securities and Investments Commission. As an additional consequence of the Company being newly registered, prior year comparative numbers, including percentage change calculations, cannot be provided.

Further to the above, investors should be aware that the Company acquired HeartWare, Inc. on 24 January 2005 and, as such, the consolidated financial results only incorporate the financial results of HeartWare, Inc. for the period which commenced on 24 January 2005.

Lastly, the Company has, in accordance with relevant provisions of the *Corporations Act*, elected to have its first financial year as being the period commencing on 26 November 2004 and ending on 31 December 2005. On this basis, the Company will publish its first consolidated annual financial report (for the period ended 31 December 2005) in early 2006.

All figures ("$") referred to in this Half Year Report and the Interim Financial Report are denominated in Australian dollars.

Review of Operations and Earnings Results for the half year ended 31 May 2005

The net loss of the HeartWare Group for the half year ended 31 May 2005 after providing for income tax was $4,121,856. The result reflects increased expenditure relating to the commercialisation of its range of circulatory assist devices or "heart pumps", which are used for the treatment of congestive heart failure. In addition to the above, development costs totalling $1,561,085 were capitalised within Intangible Assets in the Statement of Financial Position.

	Half Year Ended* 31 May 2005 $
Sales revenues	-
Profit / (Loss) before interest, tax, depreciation and amortisation ("EBITDA")	(4,390,687)
Profit / (Loss) before interest and tax ("EBIT")	(4,453,004)
Income tax benefit	-
Net Profit / (Loss) attributable to members ("NPAT")	(4,121,856)
Net tangible assets per ordinary share	0.14

* As noted above, the Company was registered on 26 November 2004 and, as such, prior year comparative numbers, including percentage change calculations, cannot be provided.

A summary of significant achievements for the half year ended 31 May 2005 is set out below:

(a) Good Laboratory Practice ("GLP")

The Company has conducted five GLP studies with the HeartWare HVAD. A sixth GLP procedure will be performed this week at the Texas Heart Institute.

The first two GLP studies have been electively terminated after completing the 90-day period and early visual results indicate that the pumps performed according to design.

Following formal closure of the GLP study, HeartWare will make submissions to ethics committees and regulatory bodies to initiate a human clinical trial. HeartWare remains on track to commence this trial in the first quarter of 2006.

(b) Clinical trials

As previously advised, HeartWare will conduct its upcoming HVAD clinical trials in both Australia and Europe. To this end, the Company has recently held a series of meetings with investigators at hospitals in the UK, Germany, Austria and Italy.

HeartWare's trial protocol is presently being finalised and the Company expects to submit the protocol for approval by ethics committees of participating European hospitals in the fourth quarter of 2005.

(c) Capital Raisings & ASX Listing

The Company is presently in a strong financial position as it has successfully completed an initial public offering and a subsequent listing on the Australian Stock Exchange. The Company's capital raising program secured approximately $32.4 million pursuant to its prospectus and a separate private placement in the United States of America.

(d) Patents

VentrAssist Pty Limited, a subsidiary of Ventracor Limited (ASX:VCR), commenced legal proceedings in the United States District Court in late 2004. These proceedings allege patent infringement by HeartWare based upon HeartWare's pre-clinical activities in the United States.

HeartWare maintains that there is no basis for any such legal action in the United States at this time.

To the extent the lawsuit proceeds, HeartWare intends to vigorously defend itself and will seek a decision from the Court in Florida that Ventracor's patents are not infringed, are invalid and are unenforceable.

In addition to the above, the half-year also witnessed the granting of a HeartWare patent by the European Patent Office that covers HeartWare's fundamental left ventricular assist device technology. This patent is one of a series of patents which HeartWare has filed in the European Union.

(e) Recruitment Strategy

Towards the end of the half-year, HeartWare announced the appointment of a number of important senior executives. These executives bring significant industry experience to the HeartWare Group in their respective areas of expertise and will each play a key role in HeartWare's success and growth prospects. In particular, the key appointments were Mr Bill Rissman (VP of Manufacturing and Product Development), Ms Jane Reedy (VP of Clinical Affairs and Marketing) and Mr Howard Leibman (Director, Corporate Development)

(f) Research & Development

During the half year, HeartWare expended development costs totalling $1,561,085 and these costs were capitalised in the Company's Statement of Financial Position. This expenditure relates mainly to the development of the externals system for the HeartWare HVAD, which includes the controller, monitor, battery, charger and power adapters. This project is approaching completion and development expenditure in this regard will reduce in the short term.

HeartWare Limited

Results for Announcement to the Market (continued)

Cash Flow

As at the end of the half year, the Company has cash reserves of approximately $24.5 million.

During the half year, HeartWare took further steps towards its goals of commercialisation of its range of circulatory assist devices and, to this end, expended funds in the areas of product development and testing, pre-production, life cycle testing and development of the physiological control algorithm, as well as the Company's externals system (as discussed above).

Dividends

The *Corporations Act 2001* prohibits the Company from declaring a dividend until such time as it has achieved sufficient profits to support such a dividend. The Directors are therefore unable to, and do not, recommend that a dividend relating to the half year ended 31 May 2005 be declared or paid by the Company.

Earnings Per Share (EPS)

	31 May 2005 **Cents**
Basic and diluted earnings per share (cents per share)	(2.97)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	138,682,253

The amount used as the numerator in calculating basic and diluted EPS (for 31 May 2005) is the NPAT figure reported in the section entitled "Summary Results to 31 May 2005" above.

Segment Reporting

The consolidated entity operates in the medical devices sector and conducts integrated operations in Miami, USA and Sydney, Australia. 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. Segment results are set out in the attached Interim Financial Report.

Compliance Statement

The attached Interim Financial Report is not subject to audit dispute or qualification. This Half Year Report is based on the Interim Financial Report which has been subject to an audit review. HeartWare has a formally constituted audit committee.

Rob Thomas
Chairman
HeartWare Limited

Date: 25 July 2005

HEARTWARE LIMITED

ABN 34 111 970 257

INTERIM FINANCIAL REPORT

31 MAY 2005

Provided in accordance with Section 320 of the *Corporation Act 2001*.

CONTENTS

CORPORATE DIRECTORY

Board of Directors

Robert Thomas, Non Executive Chairman
Seth Harrison, MD, Non-Executive Deputy Chairman
Stuart McConchie, Chief Executive Officer
Christine Bennett, MB, Non Executive Director
Denis Wade AM, MB, D.Phil., Non Executive Director

Advisory Board

O. Howard "Bud" Frazier, MD (Chairman)
Steven Boyce, MD
Laman Gray Jr., MD
Stephen Westaby, MD
Georg Wieselthaler, MD

Chief Executive Officer

Stuart McConchie

Company Secretary

David McIntyre

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AUSTRALIA

Auditors

Grant Thornton NSW
Level 17
383 Kent Street
SYDNEY NSW 2000
AUSTRALIA

HEARTWARE LIMITED (ABN 111 970 257)
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR PERIOD ENDED 31 MAY 2005

	Notes	**CONSOLIDATED** 31 May 2005 $
Revenue from ordinary activities	**2**	1,049,991
Depreciation expense	**3**	(62,317)
Property expense		(124,480)
Consultants – clinical, regulatory and medical		(329,416)
Consultants – corporate advisory, investor relations		(139,255)
Contractor expense		(221,462)
Insurance expense		(103,464)
Employment and directors' expense		(1,802,974)
Forward contract premium		(404,891)
Raw materials and consumables used		(240,884)
Validation and verification expense		(179,967)
Patents and trademark expense		(56,059)
Legal expense – intellectual property protection, litigation costs and related expenditure		(339,286)
Legal expense – post ASX listing, corporate and commercial advisory		(193,450)
Information technology expense		(91,105)
Travel, accommodation and related expense		(440,741)
Other expenses from ordinary activities		(442,096)
Loss from ordinary activities before tax		**(4,121,856)**
Income tax expense	**5**	-
Net loss attributable to members		**(4,121,856)**
Total changes in equity other than those resulting in transactions with owners as owners		**(4,121,856)**
Basic and diluted earnings per share - cents		(2.97)c

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

HEARTWARE LIMITED (ABN 111 970 257)
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2005

	Notes	CONSOLIDATED 31 May 2005 $
Current Assets		
Cash assets		24,503,960
Receivables		135,804
Other financial assets	**7**	164,739
Total Current Assets		24,804,503
Non Current Assets		
Property, plant and equipment		862,166
Intangible assets		47,229,061
Total Non Current Assets		48,091,227
Total Assets		72,895,730
Current Liabilities		
Payables		1,596,106
Provisions		234,360
Total Current Liabilities		1,830,466
Non Current Liabilities		
Interest bearing liabilities		1,481,106
Total Non Current Liabilities		1,481,106
Total Liabilities		3,311,572
Net Assets		**69,584,158**
Equity		
Contributed equity	**6**	73,740,782
Reserves		(34,768)
Accumulated losses		(4,121,856)
Total Equity		**69,584,158**

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

HeartWare

HEARTWARE LIMITED (ABN 111 970 257)
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR PERIOD ENDED 31 MAY 2005

	CONSOLIDATED
	31 May 2005 $
Cash flows from operating activities	
Payments to suppliers and employees	(3,500,514)
Interest received	265,705
Interest paid	(206)
Net cash flows used in operating activities	(3,235,015)
Cash flows from investing activities	
Purchase of property, plant and equipment	(658,697)
Payment for research and development	(1,561,085)
Payment for intangible assets	(84,166)
Cash assets acquired on acquisition of subsidiary	163,493
Net cash flows used in investing activities	(2,140,455)
Cash flows from financing activities	
Proceeds from issue of shares	32,419,438
Share issue costs	(2,679,656)
Net cash flows provided by financing activities	29,739,782
Net increase in cash held	24,364,312
Cash at the beginning of the financial period	-
Effect of exchange rates on cash holdings in foreign currencies	139,648
Cash at the end of the financial period	**24,503,960**

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

**HEARTWARE LIMITED (ABN 111 970 257) & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 MAY 2005**

1. Basis of Preparation of Half Year Financial Statements

The half-year consolidated financial statements ("Interim Financial Report") are a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard 1029 "Interim Financial Reporting", Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The Interim Financial Report applies for the period commencing on incorporation on 26 November 2004 and ended on 31 May 2005. In accordance with Section 323D(5) of the *Corporations Act* 2001, the Directors have determined that the Company's first half-year is to be extended from the six month period ended 25 May 2005 by six days, to the period ended 31 May 2005.

As HeartWare Limited ("the Company" or "HeartWare") will not publish its first Annual Financial Report until early 2006, this Interim Financial Report should be read in conjunction with the Company's prospectus (dated 17 December 2004), the Company's supplementary prospectus (dated 24 December 2004) and any public announcements by HeartWare during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

These accounting policies have been consistently applied by each entity in the consolidated group.

The Interim Financial Report does not include full disclosures of the type normally included in an annual financial report.

IMPACT OF ADOPTING AASB EQUIVALENTS TO IFRS

The Company has commenced transitioning its accounting and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards ("A-IFRS"). The Company intends to retain consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be affected by the transition to A-IFRS.

As the Company has a 31 December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with A-IFRS as at 1 January 2006. This will form the basis of accounting for A-IFRS in the future, and is required when the Company prepares its first fully A-IFRS compliant financial report for the year ended 31 December 2006. As the current financial year commenced on 26 November 2004 (i.e. prior to 1 January 2005), the Company's first Annual Financial Report for the period ending 31 December 2005 will be subject to Australian GAAP rather than A-IFRS.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Company. At this point in time, the Company has not been able to reliably quantify the impacts on the financial report.

Share Based Payments
The Company does not currently recognise an expense for options issued to employees. On adoption of A-IFRSs, pursuant to AASB 2 Share-based Payments, the Company will recognise an expense for all share-based remuneration, including deferred shares and options, and will amortise those expenses over the relevant vesting periods. This will result in additional expenses being recorded and therefore lower earnings. There will be an initial negative impact on opening balances of retained earnings at 1 January 2006 when retrospective adjustments are made for options that have not vested by 31 December 2005.

Income Tax
Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112 Income Taxes, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Currently, future income tax benefits of tax losses are only brought to account when realisation of the benefits is "virtually certain". Under AASB112 Income Taxes, this virtual certainty test is replaced by a balance of probabilities / beyond reasonable doubt test. It is likely that this change in accounting policy will lead to deferred tax assets being recognised earlier than under the current accounting policy.

Impairment of Assets
The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136 Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Research and Development Expenditure
AASB 138 Intangible Assets requires that costs associated with research be expensed in the period in which they are incurred. Development costs should be capitalised only after six specific criteria have been met. These criteria include requirements specific to the Company such as:

(a) the technical and commercial feasibility of the asset in use is required to have been established along with a commercially viable market (i.e. there must be an intention to be able to complete the intangible asset and either use it or sell it and demonstrate how the asset will generate future economic benefit); and

(b) the expenditure attributable to the intangible asset during its development is required to have been measured reliably. AASB 138 Intangible Assets prohibits the recognition of intangible assets arising from research activities or the research phase of an internal project.

In terms of current policy, research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Therefore no significant impact is expected from the adoption of A-IFRS.

Financial Assets and Financial Liabilities

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the relevant item.

The classifications are:

(a) Loans and receivables - measured at amortised cost.

(b) Held to maturity - measured at amortised cost.

(c) Held for trading - measured at fair value with fair value changes charged to net profit or loss (fair value excludes disposal costs).

(d) Available for sale - measured at fair value with changes taken to equity, and non-trading liabilities measured at amortised cost.

The current accounting policy is to carry the forward contract at fair value, with changes charged to the Statement of Financial Performance. The Company's policy is in accordance with the requirements of AASB139 Financial Instruments: Recognition and Measurement.

	CONSOLIDATED
	31 May 2005
	$
2. Revenue from ordinary activities	
Foreign exchange gains	709,277
Interest received	340,714
	1,049,991

3. Loss from ordinary activities before income tax has been determined after:

Depreciation of property plant and equipment	62,317

Research and development costs of $1,561,085 were incurred during the period and were capitalised as Research and Development in the Statement of Financial Position, in accordance with the Company's policy on research and development.

4. Segment reporting

The Company's primary reporting segment is geographical. The Company operates in two geographical segments, being Sydney, Australia and Miami, United States of America.

	Sydney, Australia $000	Miami, USA $000	Economic Entity $000
Total Segment Revenue	1,047	3	1,050
Revenue from ordinary activities	1,047	3	1,050
Segment Result	(882)	(3,240)	(4,122)
Profit from ordinary activities before income tax expense	(882)	(3,240)	(4,122)

The Company operates in one business segment, being the development of a range of implantable circulatory assist devices, or "heart pumps".

5. Income Tax Expense

Potential future income tax benefits will only be obtained in certain limited circumstances. Specifically, a future income tax benefit cannot be obtained unless:

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

(ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

At the date of this Interim Financial Report, HeartWare and its controlled entities do not have revenues or profit which would be sufficient to allow future income tax benefits to be accrued with a substantial degree of certainty. As such, no tax calculation or future income tax benefit has been provided for in this Interim Financial Report. This issue will be closely monitored as the Company moves toward the commercialisation of its range of implantable circulatory assist devices.

6. Contributed Equity

	31 May 2005 $
Issued and paid-up capital	
155,700,874 ordinary shares, fully paid	73,740,782

Movements during the period	Note	Issue Price	No. of Shares	$
Opening balance – registration		$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 – U.S 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 – cashless exercise of options by Dr Fine	(d)	-	2,859,998	-
Issue costs	(e)	-		(2,679,656)
Total			155,700,874	73,740,782

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.

(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.

(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).

HEARTWARE LIMITED (ABN 111 970 257) & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 MAY 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 has exercised these warrants on a "cashless" basis. This concludes all obligations of HeartWare in relation to the warrants issued to Dr Fine.

(e) The issue costs relate to the capital raising carried out by the Company as referred to in (a) - (c) above.

7. Financial Instruments

On 16 February 2005, the Company entered into a forward contract with the Commonwealth Bank of Australia. Pursuant to this contract, the Company has agreed to purchase USD 9,000,000 on or before 30 December 2005. The total liability of the Company in this regard is AUD11,744,747. At the period end, the financial assets was AUD11,909,486. The net amount of AUD164,739 is included within Other Financial Assets as required by AASB 1033 Presentation and Disclosure of Financial Instruments.

8. Contingent Liabilities

As previously disclosed, VentrAssisst Pty Limited (a subsidiary of Ventracor Limited) has commenced legal proceedings against HeartWare, Inc, alleging patent infringements by HeartWare, Inc.. This legal action seeks, amongst other things, an award for damages and a permanent injunction.

The Board of Directors of HeartWare believe that the legal action is opportunistic and was designed to disrupt the Company's capital raising efforts during late 2004 and early 2005. At this time, the Board is unable to properly determine the potential liability to the HeartWare Group (if any).

Except as stated in this Interim Financial Report (and as otherwise publicly disclosed), the Company has received no written notice of any claim against the HeartWare Group which could be properly categorised as a "contingent liability" for the purposes of Australian Accounting Standards.

9. Subsequent Events

Since the end of the half-year, the Company has entered into contractual arrangements concerning the lease and fit-out of new corporate premises which will be located at 2 Park Street, Sydney.

Except as disclosed above, there have been no events subsequent to the reporting date that would have an effect on the financial report.

10. Non-Cash Financing And Investing Activities

There has been no non-cash financing and investing activities in the half year to 31 May 2005 other than the acquisition of HeartWare, Inc. as outlined in Note 11 below.

11. Controlled Entities

On 24 January 2005, HeartWare Limited 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, 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.

DIRECTORS' DECLARATION

In the opinion of the Directors of HeartWare Limited:

1. the financial statements and notes set out on pages 3 to 12:

   (a) give a true and fair view of the financial position of the consolidated entity as at 31 May 2005 and of its performance for the half-year ended on that date; and

   (b) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

2. 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 Board of Directors:

Rob Thomas
Chairman
HeartWare Limited

DATED
25 July 2005

HeartWare

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of HeartWare Limited ("Company"), being the Company and its controlled entities, for the half year ended 31 May 2005.

DIRECTORS

The names of directors who held office during or since the end of the half year are as follows:

Robert Thomas, Non Executive Chairman - director since 26 November 2004
Seth Harrison, MD, Non-Executive Deputy Chairman - director since 26 November 2004
Stuart McConchie, CEO - director since 26 November 2004
Christine Bennett, MB, Non Executive Director - director since 15 December 2004
Denis Wade AM, MB, D.Phil., Non Executive Director - director since 15 December 2004

REVIEW OF OPERATIONS

The Review of Operations is contained on Page 2 of the Half Year Report provided in accordance with ASX Listing Rule 4.2A.3.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with Section 306(2) of the *Corporations Act* 2001 ("the Act"), the independence declaration made by the Company's auditor (under Section 307C of the Act) in relation to the review for the half-year is included on page 15 and forms part of this report.

Signed in accordance with a resolution of the Board of Directors:

Rob Thomas
Chairman
HeartWare Limited

Date: 25 July 2005

Grant Thornton

Chartered Accountants
Business Advisers and Consultants

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Heartware Limited for the half-year ended 31 May 2005, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

M A ADAM-SMITH
Partner
Grant Thornton NSW

Sydney 25 July 2005

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Business Advisers and Consultants

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF HEARTWARE LIMITED

Scope

The half-year financial report and directors' responsibility

The half-year financial report comprises the consolidated statement of financial performance, consolidated statement of financial position, consolidated statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the consolidated entity, for the half-year ended 31 May 2005. The consolidated entity comprises both Heartware Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the half-year 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 half-year financial report.

Review approach

We conducted an independent review of the half-year financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the half-year financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the half-year financial report with the Australian Securities & Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

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

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Grant Thornton

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

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Heartware Limited is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 May 2005 and of its performance for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

GRANT THORNTON NSW
Chartered Accountants

M A ADAM-SMITH
Partner

Sydney 25 July 2005