

RESONANCE HEALTH LIMITED

ABN 96 006 762 492

Appendix 4D

Half year report for the half year ended 31 December 2016

(previous corresponding period to 31 December 2015)

Results for announcement to the market

	Change	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenues from ordinary activities	Down 2%	1,273	1,300
Profit/(loss) from ordinary activities after tax attributable to members	Up 260%	35	(22)
Profit/(loss) for the period attributable to members	Up 260%	35	(22)
		31 Dec 2016	31 Dec 2015
Net tangible assets per security (cents)		0.53	0.68

Comments

Company Strategy and Half-Year Highlights

In line with Board and Management strategy of building sustained future growth, the Company continues to reinvest earnings in the development and rollout of pipeline products. Momentum towards the Company's four-pillar strategy continued to build throughout the first half of FY17; as evidenced by the following achievements:

1. **FerriScan[®] and HepaFat-Scan[®]** - growth of established and new markets via carefully targeted marketing campaigns and sales targets.
 - ✓ Clinical image analysis volumes up 27% on the same period last year with commercial growth in the key markets of the USA, UK, and Canada.
 - ✓ Nine key conferences were attended to profile FerriScan and HepaFat-Scan and to further develop vital stakeholder relations.
 - ✓ Powerful clinical endorsements for FerriScan achieved from leading clinicians and in independent publications.
 - ✓ International journal article published demonstrating the high degree of accuracy and repeatability of HepaFat-Scan.
 - ✓ Collection of evidence supporting the clinical use of HepaFat-Scan continued via collaborative studies with leading clinicians.
 - ✓ A marketing campaign was rolled out targeting clinicians managing cancer survivors; a cohort in which iron overload is prevalent and FerriScan highly applicable.

2. **Reimbursement** - revisiting the opportunity and pathways to gain reimbursement in the USA; which could be pivotal in building commercial growth. Secondary immediate reimbursement attention is in Germany and Italy; where the Company is collaborating with leading clinicians to drive success.
 - ✓ Reimbursement was secured for the Company's Cardiac T2* measurement by the Ministry of Health in Ontario, Canada, to complement the existing FerriScan reimbursement in this jurisdiction.
 - ✓ Investigational scoping work commenced on identifying potential reimbursement pathways in the USA, which remains a key target.
3. **New Advances** – key emphases on a) improving efficiencies and further automation of established products, b) applying existing products to new applications, and c) developing new collaborations to propel progress.
 - ✓ Continued strategic focus on research and development (R&D) and marketing to ensure future sustainable growth via expansion of the product portfolio, service offerings, and addressable target markets.
 - ✓ Encouraging interim results from research into the application of machine learning for the automation of existing and new products.
4. **Diversification** – drawing on the Company's long-standing expertise in clinical image analysis, a key strategic target is the expansion of the product portfolio with the ultimate goal of expanded commercial service delivery.
 - ✓ Newly developed spleen volume measurement service delivery commenced for multiple commercial pharmaceutical clinical trial contracts.
 - ✓ Data collection and document preparation commenced for a regulatory submission for bone marrow iron assessment.
 - ✓ Service delivery of the newly developed investigational technique for assessing fat in the pancreas was commenced in two clinical diabetes studies, in combination with HepaFat-Scan.

Operations

The image analysis service centre experienced a demanding and productive half-year with record clinical image analysis volumes as a direct result of marketing and R&D efforts. The Company's reputation of exceptional, high quality service delivery to the clinical community and important pharmaceutical company partners continues to drive new opportunities.

Achievement of reimbursement in Ontario, Canada, for Resonance Health's Cardiac T2* service was a great success as momentum was built to drive global reimbursement of FerriScan in targeted regions.

Strategic Marketing

The marketing focus in the half-year involved a multi-pronged approach in line with the Company's strategies of growing established markets, expanding into newly-identified addressable target markets, and product and service delivery diversification. Integral to the Company's marketing strategy is the development and building of powerful stakeholder relationships and collaborations, which are core to the Company's success. Attendance at nine key conferences in the half-year not only allowed profiling of the Company's products but allowed the opportunity for key stakeholder relationship building.

Exciting collaborative work with the Thalassaemia International Federation (TIF) during the half-year resulted in the establishment of ongoing projects. These projects will build on education campaigns to patients and clinicians strongly recommending use of the Company's regulated and standardised FerriScan technology over inferior iron overload assessment techniques.

Independent endorsements were achieved from leading clinicians in the targeted markets of cancer survivors, sickle cell disease, and bone marrow transplant patients. These endorsements came in various forms such as quotations, the production of an educational video, conference presentations, and publications in international scientific journals. Such independent endorsements are powerful tools in the Company's educational and marketing campaigns to continue to drive clinical uptake.

Campaigns targeted at new addressable markets, such as iron overload in the cancer survivor community, push the roll out of FerriScan into new cohorts of iron overloaded patients. Strong relationships with key opinion leaders in wide-spread clinical fields also assisted in the identification of new applications of established products and the potential for new product developments.

Research and Development

Through focused R&D efforts to collect further evidence for the clinical roll out of HepaFat-Scan for volumetric liver fat fraction (VLFF) measurements, the technology is now being used in eight global clinical research studies. These are being run in partnership with leading clinicians in the fields of non-alcoholic fatty liver disease (NAFLD), liver surgery, hyperferritinaemia, in population studies, and commencing this half-year, in diabetes. The evidence gained from these studies, together with the evidence of the accuracy and high-repeatability of HepaFat-Scan recently published in an international journal, will be used in the marketing campaigns to further roll out the technology in the clinical community.

Diversification efforts have continued to be a key focus of the R&D department, with significant achievements in the half-year. These successes include: a) the completion of a tool for organ volume measurement - already being used in the commercial clinical trial setting, b) data collection for regulatory submissions for the Company's newly developed technology for bone marrow iron assessment, and c) the inclusion of a new technology for the assessment of pancreatic fat in two global research studies in the field of diabetes (together with HepaFat-Scan). These two diabetes studies place the Company at the forefront of research in this field. Proof-of-concept work also continued towards the development of technologies for non-invasive assessment of liver fibrosis, inflammation, and the standardised assessment of biopsy samples.

Another exciting progression has been the investigation of the application of machine learning to automate existing products, with the vision of producing a low-cost liver iron concentration test that is anticipated to open large volume markets in developing countries.

Resonance Health has seen good progress during the half-year in line with the Company strategy. During the half-year, an equity research firm released a research report detailing the potential of the Company. Efforts for the remainder of FY17 will continue in line with the Company's strategy, building on the momentum achieved during the first half of the year.

Resonance Health Limited

(ABN 96 006 762 492)

Half-Year Financial Report

31 December 2016

Corporate Directory

Directors

Dr Martin Blake
Chairman/Non-executive Director

Mr Simon Panton
Non-executive Director

Dr Jason Loveridge
Non-executive Director

Dr Travis Baroni
Non-executive Director

Company secretary

Mr Adrian Bowers

Website and e-mail address

www.resonancehealth.com
Email: info@resonancehealth.com

Postal address

PO Box 1135
Nedlands WA 6909

Stock exchange listing

Resonance Health Limited
shares are listed on the
Australian Securities
Exchange.
ASX Code: RHT

Share registry

Advanced Share Registry Ltd
110 Stirling Highway
Nedlands WA 6009
Tel: +61 8 9389 8033
Fax: +61 8 9389 7871

Auditors

HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000

Registered office and Principal place of business

278 Stirling Highway
Claremont WA 6010
Telephone: 61 8 9286 5300
Facsimile: 61 8 9286 1179

Bankers

National Australia Bank Limited

Solicitors

Steinepreis Paganin
Level 4
16 Milligan Street
Perth WA 6000

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DIRECTORS' REPORT

The directors submit the financial report of the Group for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Dr Martin Blake	Non-executive Director – Chairman (currently acting Executive Chairman)
Mr Simon Panton	Non-executive Director
Dr Jason Loveridge	Non-executive Director
Dr Travis Baroni	Non-executive Director (appointed 25 th November 2016)

Review of Operations:

Resonance Health Ltd is an Australian healthcare company specialising in the delivery of quantitative magnetic resonance imaging (MRI) techniques for the diagnosis and clinical management of human diseases.

Resonance Health's lead revenue-generating product on market is FerriScan[®]; for the measurement of liver iron concentration (LIC). FerriScan is provided to the market as an image analysis service where radiology centres in over 30 countries upload data to a secure website for analysis and reporting by Resonance Health. FerriScan is recognised by clinicians globally as the gold standard for liver iron concentration measurement and is used for the monitoring and management of iron overload. FerriScan is provided to both the clinical community and to pharmaceutical companies for the efficacy testing of their compounds.

The Company's more recent product to market is HepaFat-Scan[®]; for the measurement of volumetric liver fat fraction (VLFF). HepaFat-Scan may be applied to various disease indications including the sizable markets of fatty liver disease, diabetes, and other applications such as unexplained hyperferritinaemia and liver surgery. Resonance Health is actively collaborating with clinicians globally to collect evidence to demonstrate the potential clinical applications of the technology.

Research and development efforts successfully focused on expanding the Company's product portfolio and improving efficiencies in existing products and services.

The principal activity of Resonance Health during the period was the delivery of FerriScan image analysis services for the clinical management of patients with iron overload conditions. This also included cardiac iron assessments. The Company's central image analysis facility also provides a range of services to the pharmaceutical companies requiring imaging core lab services for their clinical trials.

Financial and Operational Summary:

- Net profit reported for the half-year was \$35,395 compared to a loss of \$21,728 in the previous corresponding half-year.

Sales revenue decreased by 3% to \$1,260,382 from \$1,300,403 compared to the previous corresponding half-year. The number of revenue-generating clinical image analyses increased by 19% however the effects of the stronger Australian dollar against the GBP, Euro and the USD offset the increase in scan volumes compared to the corresponding previous half-year, resulting in lower sales revenue.

Operating expenses (excluding foreign exchange) were up by 5% or \$93,182 higher compared to the previous corresponding half-year. The increased expenses are due to increased number of staff

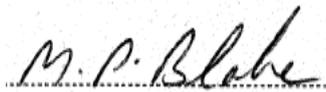
employed in research and development with an increased cost of \$65,030 and increased consultant costs of \$44,000 compared to previous corresponding half-year.

- Research and development expenditure totalled \$536,707 for the half-year up from \$238,617 in the previous corresponding half-year. This comprised capitalised development costs of \$258,016 that are recognised as an intangible asset on the Statement of Financial Position and recognised in the Statement of Comprehensive Income, expenditure of \$78,862 amortisation expense, \$101,917 research and development expense and included \$97,912 of employee benefits expense.
- Intangible assets, representing capitalised development expenditure, totalled \$1,924,743 at the end of the half-year, compared to \$1,745,589 at the end of the 30 June 2016 financial year.
- Resonance Health has no debt and \$1,919,810 in cash and equivalents at the end of the half-year, compared to \$2,512,441 at 30 June 2016.
- The reported cash used in operating activities was higher than in the previous corresponding half-year, due to an increased spend on research and development.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Dr Martin Blake
Chairman

Dated this 28th day of February 2017.



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Resonance Health Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

Perth, Western Australia
28 February 2017

L Di Giallonardo
Partner

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

		Consolidated	
	Notes	31 December 2016 \$	31 December 2015 \$
Sales revenue	2	1,260,382	1,300,403
Other income	2	12,855	26,624
Revenue		1,273,237	1,327,027
Employee benefits expense		(723,495)	(658,465)
Consulting and professional services		(47,723)	(3,198)
Research and development		(101,917)	(105,909)
Depreciation expense		(12,936)	(6,857)
Amortisation expense		(78,862)	(67,414)
Marketing and travel		(337,427)	(347,594)
Statutory and compliance		(72,288)	(64,741)
Foreign exchange gain/(loss)		348	(17,108)
Other expenses		(167,564)	(175,794)
Loss before income tax		(268,627)	(120,053)
Income tax benefit	3	304,022	98,325
Net profit/(loss) for the half-year		35,395	(21,728)
Other comprehensive income/(loss) for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year		35,395	(21,728)
Basic earnings/(loss) per share from continuing operations (cents per share)		0.01	(0.01)
Diluted earnings/(loss) per share from continuing operations (cents per share)		0.01	(0.01)
The accompanying notes form part of these financial statements			

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

		Consolidated	
	Notes	31 December 2016 \$	30 June 2016 \$
Assets			
Current Assets			
Cash and cash equivalents		1,919,810	2,512,441
Trade and other receivables		810,182	485,331
Other assets		83,749	44,457
Total Current Assets		2,813,741	3,042,229
Non-Current Assets			
Plant and equipment		82,126	74,691
Intangible assets	4	1,924,743	1,745,589
Other assets		64,718	64,310
Total Non-Current Assets		2,071,587	1,884,590
Total Assets		4,885,328	4,926,819
Liabilities			
Current Liabilities			
Trade and other payables		492,393	415,364
Provisions		64,680	52,100
Other liabilities		253,938	425,433
Total Current Liabilities		811,011	892,897
Total Liabilities		811,011	892,897
Net Assets		4,074,317	4,033,922
Equity			
Issued capital	5	69,424,199	69,419,199
Reserves		(204,296)	(204,296)
Accumulated losses		(65,145,586)	(65,180,981)
Total Equity		4,074,317	4,033,922

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Consolidated				
	Issued Capital	Foreign Currency Translation Reserve	Option Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2016	69,419,199	(270,580)	66,284	(65,180,981)	4,033,922
Net profit for the half-year	-	-	-	35,395	35,395
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	35,395	35,395
Shares issued	5,000	-	-	-	5,000
Balance at 31 December 2016	69,424,199	(270,580)	66,284	(65,145,586)	4,074,317
Balance at 1 July 2015	69,406,199	(270,580)	66,284	(64,796,615)	4,405,288
Net loss for the half-year	-	-	-	(21,728)	(21,728)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(21,728)	(21,728)
Balance at 31 December 2015	69,406,199	(270,580)	66,284	(64,818,343)	4,383,560

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	1,098,703	948,635
Payments to suppliers and employees	(1,404,554)	(1,413,760)
Interest received	13,087	25,948
Research and development tax incentive	-	186,231
Net cash used in operating activities	(292,764)	(252,946)
Cash flows from investing activities		
Payments for plant and equipment	(20,371)	(12,728)
Payments for intangible assets	(259,248)	(132,708)
Net cash used in investing activities	(279,619)	(145,436)
Net decrease in cash and cash equivalents	(572,383)	(398,382)
Foreign exchange differences on cash balances	(20,248)	6,566
Cash and cash equivalents at beginning of half-year	2,512,441	2,797,203
Cash and cash equivalents at end of half-year	1,919,810	2,405,387

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Resonance Health Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of Preparation

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies adopted and methods of computation are consistent with those of the previous financial year and corresponding half-year reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised standards

Standards and interpretations applicable to 31 December 2016

In the half-year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2016.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

Standards and interpretations in issue not yet adopted applicable to 31 December 2016

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2017.

As a result of this review the Directors have determined that AASB 15 Revenue from contracts with Customers may have a material effect on the Company in future reporting periods. The Company have elected to not early adopt this Standard and Interpretation and have not quantified the material effect of application on future periods.

Other than the above, there are no other material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

Significant accounting judgments and key estimates

The preparation of half-year financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	Six months to 31 December 2016 \$	Six months to 31 December 2015 \$

The following revenue items are relevant in explaining the financial performance for the half-year:

(a) Sales revenue

Sales to external customers	1,260,382	1,300,403
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(b) Other income

Interest received	12,855	26,624
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NOTE 3: INCOME TAX BENEFIT

The tax consolidated group has recognised a Research and Development Tax Incentive for the financial year ended June 2016 for the amount of \$304,022 (31 December 2015: \$98,325).

NOTE 4: INTANGIBLE ASSETS

	Consolidated	
	Six months to 31 December 2016 \$	Year ended 30 June 2016 \$
Development expenditure		
At cost	2,381,587	2,123,571
Less: Accumulated amortisation	(456,844)	(377,982)
Total development expenditure	1,924,743	1,745,589

Reconciliation of the carrying amounts of development expenditure is set out below:

Carrying amount at the beginning of the period	1,745,589	1,601,442
Additions	258,016	277,074
Amortisation expense	(78,862)	(132,927)
Carrying amount at the end of the period	1,924,743	1,745,589

Development expenditure relates to costs incurred in developing MRI tools for the diagnosis and clinical management of human disease.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 4: INTANGIBLE ASSETS (continued)

During the half-year development continued to relate primarily to improvements to the FerriScan software technology, HepaFat tools and the development of liver fibrosis MRI diagnostic tool.

The recoupment of development expenditure is dependent on the successful development and commercialisation or sale of the technology developed. The directors are required to assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists an estimate is made of the asset's recoverable amount. Where the asset's carrying value exceeds the estimated recoverable amount a provision for impairment is recognised. The Directors do not consider that there has been any indication that the asset may be impaired as at balance date.

NOTE 5: ISSUED CAPITAL

	Consolidated	
	31 December 2016 \$	30 June 2016 \$
<i>Ordinary shares</i>		
Issued and fully paid	69,424,199	69,419,199

Movement in ordinary shares

	Six months to 31 December 2016		Year to June 2016	
	Number of shares	\$	Number of shares	\$
Balance at beginning of period	402,330,902	69,419,199	401,566,203	69,406,199
Employee shares 29 June 2016 at \$0.017 each	-	-	764,699	13,000
Employee shares 31 August 2016 at \$0.03 each	166,666	5,000	-	-
	<u>402,497,568</u>	<u>69,424,199</u>	<u>402,330,902</u>	<u>69,419,199</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 6: SEGMENT REPORTING

The table below represents the revenue and profit/(loss) information regarding the segment information provided to the Chief Operating Decision Maker, which is the Board of Directors, for the half-years ended 31 December 2016 and 31 December 2015.

Business segments

The following tables present revenue and profit/(loss) information and certain asset and liability information regarding business segments for the half-years ended 31 December 2016 and 31 December 2015.

The Group's reporting segments are determined by the products and services provided.

Internal reporting to the Board focuses on the following reporting segments:

- Services – commercialisation of FerriScan and HepaFat Scan technology
- Research and development – relating to MRI scanning and other technologies
- Corporate

	Services	Research and Development	Corporate	Total
	\$	\$	\$	\$
31 December 2016				
Sales revenue to external customers	1,260,382	-	-	1,260,382
Interest received	-	-	12,855	12,855
Segment revenue	<u>1,260,382</u>	<u>-</u>	<u>12,855</u>	<u>1,273,237</u>
Segment profit/(loss) before taxation	<u>169,961</u>	<u>(211,610)</u>	<u>(226,978)</u>	<u>(268,627)</u>
Segment assets	810,182	1,924,743	2,150,403	4,885,328
Segment liabilities	<u>746,331</u>	<u>-</u>	<u>64,680</u>	<u>811,011</u>
31 December 2015				
Sales revenue to external customers	1,300,403	-	-	1,300,403
Interest received	-	-	26,624	26,624
Segment revenue	<u>1,300,403</u>	<u>-</u>	<u>26,624</u>	<u>1,327,027</u>
Segment profit/(loss) before taxation	<u>200,295</u>	<u>(105,909)</u>	<u>(214,439)</u>	<u>(120,053)</u>
Segment assets	1,116,129	1,666,731	2,602,754	5,385,614
Segment liabilities	<u>967,201</u>	<u>-</u>	<u>34,853</u>	<u>1,002,054</u>

There are no changes in regards to the basis of reporting on segmentation or to the basis of reporting on segment profit/(loss) from the position at 30 June 2016.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

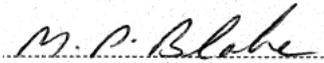
No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Resonance Health Limited ("the company"):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended.
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.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Dr Martin Blake
Chairman

Dated this 28th day of February 2017



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Resonance Health Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Resonance Health Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

Independence

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

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Conclusion

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

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

L Di Giallonardo
Partner

Perth, Western Australia
28 February 2017