Resonance Health

Be Better Informed

Annual Report 2017

Corporate Information

ABN 96 006 762 492

Directors

Dr Martin Blake
Non-executive Chairman

Mr Simon Panton
Non-executive Director

Dr Travis Baroni
Non-executive Director

Company secretary

Mr Adrian Bowers

Securities exchange listing

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

Registered office and Principal place of business

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Facsimile: +61 8 9286 5399

Postal address

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BURSWOOD WA 6100

Website and e-mail address

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

Auditors

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Level 4,
130 Stirling Street
PERTH WA 6000

Share registry

Advanced Share Registry Ltd
110 Stirling Highway
NEDLANDS WA 6009
Tel: +61 8 9389 8033
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Bankers

National Australia Bank Limited

Solicitors

Steinepreis Paganin
Level 4, The Reed Building
16 Milligan Street
PERTH WA 6000

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ABOUT

Resonance Health specialises in the development and delivery of non-invasive medical imaging software and services. Our products are used by clinicians in the diagnosis and management of human diseases and by pharmaceutical companies in their clinical trials. Resonance Health's flagship product, FerriScan®, is globally recognised as the gold standard for measurement of liver iron concentration (LIC). FerriScan is also provided as a dual service with Cardiac T2, the most widely-accepted MRI-based method for assessing heart iron loading.*

The Company's other product offerings include the regulatory cleared HepaFat-Scan, a MRI-based tool for the measurement of volumetric liver fat fraction (VLFF), and most recently Bone Marrow R2-MRI for the assessment of iron levels in the bone marrow.

HepaFat-Scan continued to engage heavily within numerous global clinical trials this financial year, as the Company looks to continue the clinical evidence and momentum of the service.

Resonance Health's most recent product offering, Bone Marrow R2-MRI, for assessment of iron levels in bone marrow, is now available for clinical use in Europe, Australia, and New Zealand. Bone Marrow R2-MRI is well-suited to further assist clinical decisions in patients being considered for bone marrow transplantation, as quantitative assessment of bone marrow iron levels prior to transplant is thought to assist with the prediction of complications and the prognosis of patients' post-transplant.

Resonance Health continues to expand its portfolio of products, spearheaded by the recent beta-testing commencement of its new cloud-based machine learning artificial intelligence (AI) prototype for the measurement of liver iron concentration (LIC). The use of AI offers Resonance Health the ability to present its service offerings in a new format that is able to address current limitations of scalability, accessibility, and cost.

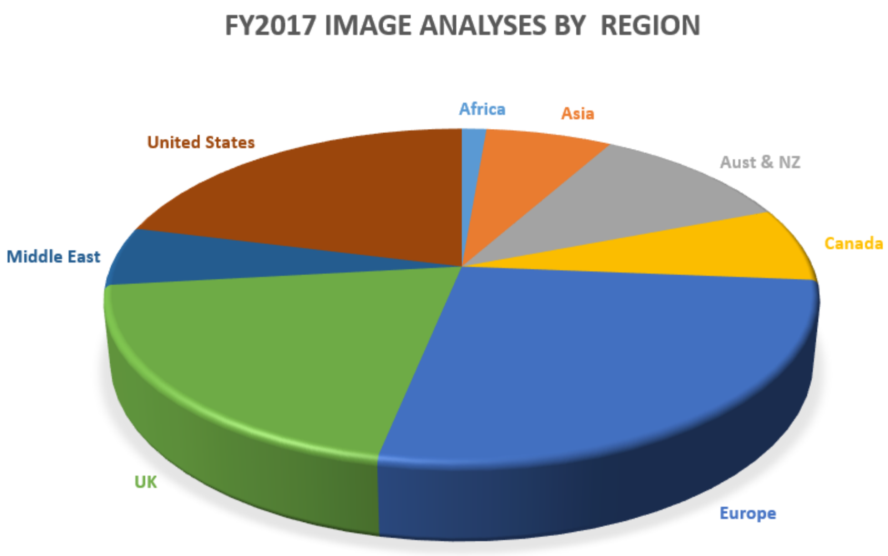
Our Vision and Mission are:

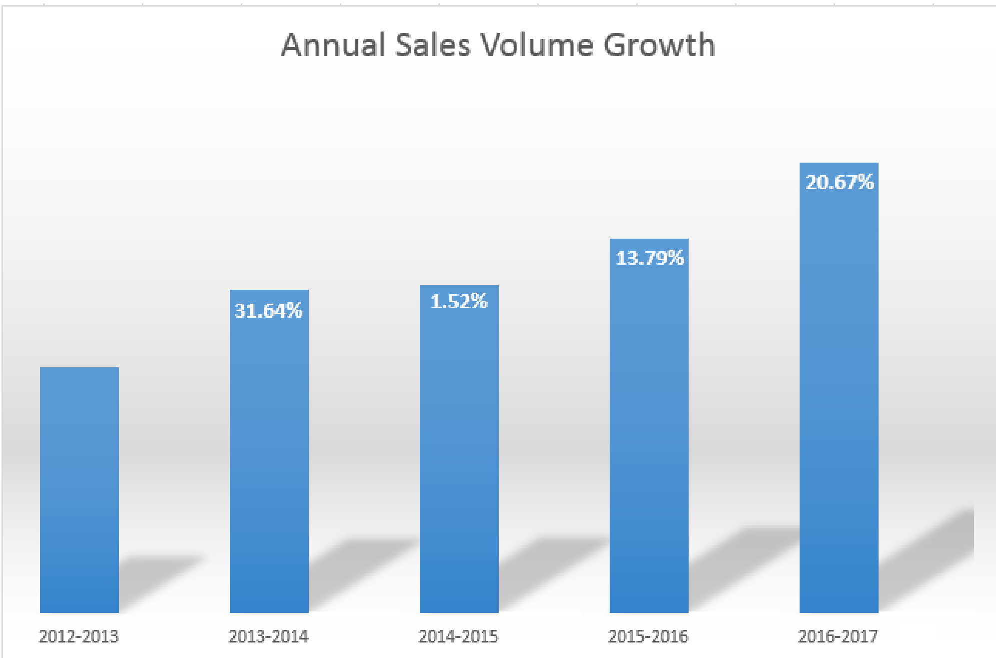
- *Being global leaders in radiological diagnostics, monitoring, and core laboratory services*
- *Consistently delivering high quality, customer-focused, services*
- *Developing and commercialising innovative products*
- *Advancing healthcare and patient outcomes through product and service excellence*

Christie Batkin (7) is one of over 1000 patients benefiting from FerriScan at St Mary's Hospital, pictured with Melanie Baxter, Resonance Health, and Dr Alavi, Consultant Paediatric Radiologist

SNAPSHOT

- FY17 ended with **record clinical image analysis volumes** for FerriScan®, Cardiac T2*, and HepaFat-Scan®
- Significant progress in the **development of an artificial intelligence (AI)** solution for the rapid, low-cost analysis of LIC
- Over **20 key publications** accepted and leveraged to showcase and profile RH technologies
- **29.5%** increase in profit from the core FerriScan service
- R&D tax incentive of $**314K** was secured
- New service offerings – **Bone Marrow Iron Assessment**
- The Company achieved reimbursement in Ontario for FerriScan and Cardiac T2* Dual Analysis Service, as well as Cardiac T2*.





CHAIRMAN'S FOREWARD

This financial year has seen a continuing evolution for Resonance Health as we expand our portfolio of MRI diagnostic services, become forerunners in the 'Artificial Intelligence' health-tech revolution and look to transform our service delivery models where versatility for mass markets is needed.

The company has deepened its service capabilities around organs such as pancreas, spleen, heart, and has also continued to build on its enviable reputation as Hepatic diagnostic experts. Over 20 key publications and speaking slots were achieved as part of our clinical education programs over the financial year.

These included the high profile 'Dragon study' presented at the European Haematology Conference in Madrid during June which exposed the risks of using unvalidated techniques for making MRI measurements, used widely in developing countries. This evidence led to a significant collaboration with a leading NGO to expedite access to our new pipeline Artificial Intelligence tool, to centres in emerging growth markets such as Asia and The Middle East who have thousands of patients requiring liver iron assessments and need a new service offering.

Artificial Intelligence

We were delighted to present results using an AI prototype, powered by our proprietary FerriScan technology, in the assessment of liver iron concentration at the Madrid conference and post FY17 have further developed this for investigational use.

We have commenced beta-testing this tool in Vietnam in August 2017. This sets us firmly on the road map to commercialise and mature this product in new addressable markets such as India, China, Lebanon, Middle East and many other countries where there is an unmet need for an affordable, reliable solution for MRI liver health assessment.

Other regulatory approved technologies within our portfolio continue to gain ground with HepaFat studies continuing to advance and the NAFLD study completing recruitment this year in the USA. We are expecting regulatory approval in Europe and the US by the end of 2017, for our new Bone Marrow iron assessment technology directed at improving outcomes for transplant patients. We are in talks with key opinion leaders to trial this at various Bone Marrow Transplant Centres in Europe.

Investment is Critical

The financial results for the year and Net Loss reflect an accelerated spend on R&D to facilitate our Artificial Intelligence focus and continued expansion of our service portfolio. We believe this investment is critical to achieving a strong return for our stakeholders. Our vision is to transform and grow Resonance Health by keeping at the pinnacle of the A.I. health tech revolution and leveraging our existing foundation and hard-won reputation as industry experts.

Marketing activities delivered a solid 20% growth in routine use of FerriScan in key commercial markets this financial year, and has again driven record analysis volumes across our services in a competitive environment. However, exchange rates against the Australian Dollar resulted in overall sales revenues falling 4% this year. We made a successful R&D claim for $314K from the R&D Tax Incentive Grant, and we were able to increase profits on the FerriScan business by 29% this year which were reinvested directly into our AI pipeline.

Valuable Skills

This year, Jason Loveridge stepped down as a Director and we welcomed Dr Travis Baroni to our board. Travis brings considerable experience across industrial research, product commercialisation and investment banking – contributing valuable skills at this important time in the Company's development.

The Board recognises that continued R&D investment must be anchored in commercial market potential and pipeline product development must be sustained by a healthy revenue. We have streamlined the organisation structure as we enter the new financial year to enable a stronger focus on strategic business development and to increase our commercial performance alongside operational excellence. We are confident in the talented leadership team we have in place to execute our ambitious program over the coming years.

The board would like to thank our valued shareholders and partners for their continued support that enables Resonance Health to deliver life-changing healthcare advances for patients around the world. We remain committed to delivering maximum return on investment for our investors, and have an expanding suite of MRI tools to excite and meet market demand.

We look forward to a transformative year by being at the forefront of the new opportunities afforded by the Artificial Intelligence revolution and realising a vision of global access to our services.

Dr Martin Blake

Chairman

MBBS, FRANZCR, FAANMS, MBA, FAICD

YEAR IN REVIEW

The 2016-2017 financial year ended with record analysis volumes for FerriScan, Cardiac T2*, and HepaFat Scan, with an overall 20% commercial growth in key target markets for the routine clinical use of our technologies.

In addition to the increased spend on R&D for this financial year, a 29.5% increase in profit from the core FerriScan service facilitated significant investment from the Company in key R&D projects. This has included the development of an AI solution for the rapid, low-cost analysis of liver-iron-concentration (LIC) that runs off the flagship FerriScan® protocol. As a result of the findings of the 'Dragon Study', Resonance received endorsement from the Thalassemia International Federation and is currently collaborating with TIF on the pilot study programme for the new AI solution in emerging growth markets. This represents an opportunity to provide a low cost, scalable, fast, accurate solution for the measurement of liver iron concentration for developing countries, where cost barriers can be prohibitive.

In parallel with this, the development of a new set of protocols for decreasing the acquisition time of data for FerriScan has been finalised. Decreasing acquisition time strengthens the business case for use of FerriScan for radiologists, a key objective in the strategic positioning of FerriScan in the market. Trialling of these new protocols is currently underway.

High profile studies continue to advance efficiently, with the Paediatric NAFLD study having now completed its recruitment phase. The year also saw the Hibiscus and Diastolic studies progress past the three quarter mark, while the Dragon study reached its completion. Over twenty key publications were accepted and leveraged to showcase and profile our technologies as part of our clinical education campaigns.

FERRISCAN® (and Cardiac T2*)

FerriScan®, Resonance Heath's flagship product, is internationally recognised by clinicians as the gold standard for the measurement of liver iron concentration. This accurate MRI-based technique is non-invasive and eliminates the need for expensive, potentially dangerous, and painful liver biopsies. FerriScan® is also far superior to serum ferritin, which is sometimes used as a proxy for total body iron stores. FerriScan® has regulatory clearance from the FDA (US), CE Mark (Europe) and TGA (Australia).

Alongside FerriScan®, an increasing number of our customers are now opting to use our Cardiac T2* measurement service to assess cardiac iron in their patients. This is because in conditions such as thalassaemia, a high liver-iron-concentration (LIC) can lead to an increased risk of toxic iron accumulation in the heart. Once a certain LIC threshold is exceeded, iron may begin to accumulate in the heart and other organs, potentially causing toxic damage and death. In this way, changes in LIC generally precede changes in heart iron loading, thereby acting as an early warning sign of possible future cardiac complications. Cardiac T2* is being increasingly requested by clinicians alongside a FerriScan measurement of LIC to enable better-informed decisions on the management of patients at risk of iron-induced organ damage.

FerriScan not impacted by fatty liver

A new study presented at the International Liver Congress earlier this year demonstrated that FerriScan measurements are not confounded by liver fat (steatosis), unlike alternative magnetic resonance imaging (MRI) techniques such as generic T2*methods.

These results not only further strengthen FerriScan's advantage over competing technologies, but also in broadening the application of FerriScan to other clinically important diseases. For example, this finding shows that FerriScan is particularly suited to assessing transfusional iron overload in cancer survivors, wherein iron overload and elevated liver fat may be encountered together. Additionally, given the increasing prevalence of obesity and fatty liver disease worldwide, the co-occurrence of abnormal levels of liver iron and fat in the general population will become increasingly important.

FerriScan receives leading Patient NGO endorsement

At this year's European Haematology Association (EHA) congress on the 23rd of June 2017, Professor Tim St Pierre presented the results from a recent study which concluded that a non-validated, but widely available T2* technique, was *unsafe clinical use.* This study, entitled 'The Dragon Study', raised considerable concerns with the Thalassemia International Federation (TIF) a leading global advocacy organisation, who fear that patient safety may have been compromised. It is estimated that thousands of patients have received inaccurate LIC assessments from centres using non-regulated T2* methods.

The Thalassemia International Federation responded to the findings of this study by releasing a Media Alert warning the global clinical community of the potential dangers of unsafe T2* techniques and highlighted the importance of using validated techniques, such as FerriScan®.

As leaders in the field of clinical diagnostics, Resonance Health is dedicated to finding a solution that will enable patients across the globe to access an affordable validated LIC measurement. To that end, Resonance Health has developed a "cloud-based" AI image analysis tool which offers a safe and reliable alternative to non-validated T2* methods. Designed for developing countries (emerging growth markets) where cost can be a barrier, Resonance Health and TIF are working together to expedite the rollout of this much-needed tool.

Canadian Reimbursement

This year Resonance Health achieved reimbursement from the Ministry of Health in Ontario for both the Dual Analysis Service (FerriScan and Cardiac T2*) and for Cardiac T2*. This is in addition to the FerriScan reimbursement that is already available in Ontario.

FerriScan® and Cardiac T2* Sales Growth

Resonance Heath is delighted to have achieved record sales volume growth for FerriScan® and Cardiac T2* over the financial year. The 2016-2017 financial year saw an 11% increase in commercial jobs completed for FerriScan when compared to the previous year, whilst Cardiac T2* saw a 25% boost year on year.

HEPAFAT-SCAN®

HepaFat-Scan is Resonance Health's MRI-based tool for the measurement of volumetric liver fat fraction (VLFF). Hepafat-Scan which is clinically validated against biopsy, shows excellent sensitivity and specificity. HepaFat-Scan is currently the only MR technique for measuring the liver fat fraction that can be directly compared to biopsy, the current gold standard for assessing non-alcoholic fatty liver disease (NAFLD). HepaFat-Scan has FDA, CE Mark, and TGA regulatory clearance and is available to: clinicians for disease diagnosis; support Pharma in developing drugs to treat NAFLD and other classes of liver disease and; academia to assist basic research.

Key studies continue to progress

The last 12 months has seen continuous progress in a number of studies that commenced prior to 1st July 2016. In particular, full patient recruitment was achieved in the Validation study of HepaFat-Scan in paediatric NAFLD under the direction of Dr Miriam Vos (Children's Hospital of Atlanta, USA) a leader in her field. Dr Vos is finalising the data analysis phase of the work in readiness to submit her positive findings on HepaFat-Scan for publication. This year also saw the final recruitment of patients to the Hyperferritinemia Study (Prof. John Porter, UK). This study confirmed that HepaFat-Scan can be used to distinguish iron-loaded patients of unknown aetiology with persistently high serum ferritin levels from those with either fatty liver disease or other non-iron related disorders.

Both the Hibiscus Study (Dr WK Chan, Malayasia) and the Diastolic Study (Prof. Gerry McCann, UK) which are investigating liver disease and cardiac dysfunction in large diabetic cohorts respectively, have progressed substantially over the last 12 month period. On track to complete their respective recruitment phases by 2017, and early 2018, these two studies have already revealed important new information that will help to establish the utility of HepaFat-Scan in the diagnosis and treatment of complications in diabetes. The liver surgery in colorectal cancer (LSFACT) study continued to progress with Fiona Stanley Hospital (Perth, Western Australia) now agreeing to participate in the study, thereby strengthening and broadening the clinical value of the findings. Resonance Health were also invited to participate in two (2) large population studies: the RAINE Study and the London Marathon 2016/17 Study. The RAINE Study subset seeks to determine fatty liver disease prevalence in young Western Australians. For Resonance Health, the data collected will help to establish normal versus abnormal liver fat levels for use in the clinical assessment of liver disease.

HepaFat-Scan engagement increasing

Resonance Health's continued involvement in clinical studies saw HepaFat-Scan usage increase by 175% in comparison to the last financial year, as our global clinical trials progressed further and the Company continued to build the clinical evidence and momentum behind the HepaFat-Scan service.

BONE MARROW R2-MRI

Bone Marrow R2-MRI, for the assessment of iron levels in bone marrow, was launched and made available for clinical application in Europe, Australia, and New Zealand during the financial year. This development allows for expansion from the research setting to marketing to the clinical community in these jurisdictions.

The bone marrow technology has application in bone marrow transplants, where quantitative assessment of bone marrow iron levels prior to transplant is thought to assist with the prediction of complications and the prognosis of patients' post-transplant. Elevated iron levels are associated with a range of poorer health outcomes, including an increased likelihood of death. Knowledge of bone marrow iron levels allows interventions to be administered that are aimed at improving patient outcomes. Bone Marrow R2-MRI is well suited to further assist clinical decisions in patients being considered for bone marrow transplantation.

Bone Marrow R2-MRI uses the same magnetic resonance imaging (MRI) data as FerriScan® and as such can be performed either as a standalone assessment or combined with FerriScan to provide a more complete picture of a patient's overall iron status. It is estimated that over 50,000 bone marrow transplants are performed globally each year.

PANCREATIC FAT ASSESSMENT

The Pancreatic Fat Assessment tool is a recently developed solution for the quantitative assessment of pancreatic fat in an investigational setting and adds to the suite of offerings Resonance Health can offer for investigational use by researchers and clinicians.

Studies suggest that fat build-up is potentially toxic to the insulin producing cells of the pancreas, and that this cell damage can contribute or even trigger the development of diabetes. We believe that providing diabetologists with a tool to monitor pancreatic fat will assist them to better predict how a patients' diabetic status may change in response to drug treatment or lifestyle interventions.

IN THE PIPELINE

AI Solution for liver-iron-concentration (LIC)

Resonance Health recently commenced beta-testing of its ground breaking artificial intelligence (AI) solution for the rapid, low-cost analysis of liver-iron-concentration (LIC) that runs off the flagship FerriScan® protocol. Onsite beta testing will focus on refining the user-interface and usability of the new cloud-based AI service alongside FerriScan over a 30-day period prior to its rollout across multiple centres for evaluation during the September quarter.

Subject to successful beta testing, Resonance Health intends to leverage the accessibility and affordability of this tool by positioning it as the solution of choice for the measurement of liver-iron-concentration in the emerging growth markets. In developing this tool, the Company will reduce existing cost barriers and improve product scalability in line with its emerging growth market strategy.

The new cloud-based AI tool has immediate application in the treatment of Thalassemia patients, a group that are over-represented in emerging growth markets. The World Health Organisation estimates that 330,000 people are born annually with haemoglobin disorders.

FINANCIAL REPORT

30 JUNE 2017

DIRECTORS' REPORT

The Directors present their report on the Group, consisting of Resonance Health Limited (the Company) and the entities it controlled, together with the annual financial report for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names, qualifications and experience of Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dr Martin Blake MBBS,FRANZCR, FAANMS, MBA, GAICD	***Position:*** Chairman — Independent and Non-Executive (appointed as Director 4 October 2007 and as Chairman 16 December 2010) ***Experience*:** Dr Blake is a Radiologist and Nuclear Physician and brings significant technical and industry experience to Resonance Health. Dr Blake received FAANMS as a post nominal in recognition of his Nuclear Medicine Specialist training undertaken in 1994 & 1995. He has been a Partner of Perth Radiological Clinic since 1997 and is currently the Chairman of that Company. Dr Blake has an MBA from Melbourne University, is a Graduate of the Australian Institute of Company Directors and holds directorships on a number of private Company boards. ***Other current directorships:*** None ***Former directorships in last 3 years:*** None ***Special responsibilities:*** Chairman of the Remuneration Committee Member of the Audit Committee
Dr Jason Loveridge B.Sc, PhD, FRSM	***Position:*** Director — Non-Executive (appointed 7 February 2013 Resigned 30 June 2017) ***Experience*:** Dr. Loveridge FRSM has a Ph.D. in Biochemistry, a B.Sc. in Biochemistry and Microbiology (Class II/I Honours) and is a Fellow of the Royal Society of Medicine. Dr. Loveridge has been working with young, growth orientated businesses in the biotech and medtech industries for over 20 years. As an active venture investor he established a lengthy track record of successful participation in European, US and Israeli based healthcare companies. Based in Europe he also has considerable international experience at board level and a particular interest in business development, mergers & acquisitions. ***Other current directorships:*** Actinogen Limited ***Former directorships in last 3 years:*** None ***Special responsibilities:*** Member of the Audit Committee Member of the Remuneration Committee

Mr Simon Panton	***Position:*** Director — Non-Executive (appointed 5 October 2009) ***Experience*:** Mr Panton has been a strong supporter of the Company and the FerriScan technology over a number of years and is a major shareholder of Resonance Health. Mr Panton brings skills in business and marketing having run his own successful business. ***Other current directorships:*** None ***Former directorships in last 3 years:*** None ***Special responsibilities:*** Member of the Audit Committee Member of the Remuneration Committee
Dr Travis Baroni	***Position:*** Director — Non-Executive (appointed 25 November 2016) ***Experience*:** Mr Baroni has broad experience across industrial research, commercialisation of technology, asset valuations and investment banking services. He has managed innovation development and technology strategy in a large company setting as well as being an active investor in early stage investments. He has worked in investment banking, providing advisory services to equity capital market transactions, corporate research and valuations to clients. ***Other current directorships:*** None ***Former directorships in last 3 years:*** None ***Special responsibilities:*** Chairman of the Audit Committee

Management

Mr Sander Bangma M.Sc, DipMgt	***Position:*** General Manager ***Experience:*** Mr Bangma joined Resonance Health in 2005 and has been appointed General Manager. He holds a Master's Degree in Computer Science and has completed a Diploma in Management. Throughout his time with Resonance Health he has gained a wealth of experience in the day-to-day operations of the Company. Mr Bangma previously held a dual role in the Company as Development Manager and Service Centre Manager. In these roles his responsibilities included overseeing all software medical device development activities, IT infrastructure and the Company's Intellectual Property portfolio, as well as all facets of Resonance Health's analysis service provision. He continues to hold overall responsibility for these areas.
Mr Adrian Bowers B.Bus, CPA, Chartered Secretary	***Position:*** Company Secretary and Chief Financial Officer ***Experience:*** Mr Bowers has experience in managing the financial affairs of public corporations across a diverse range of industries. Mr Bowers holds a Bachelor of Business, is a CPA and qualified Chartered Secretary.
Dr Timothy St Pierre B.Sc(Hons), PhD	***Position:*** Chief Scientific Officer ***Experience*:** Dr St Pierre is widely published in the field of iron in medicine and biology and has a reputation as a key opinion leader in the understanding of the fundamental properties of the iron deposits that occur in iron overload diseases. Dr St Pierre, a Professor at The University of Western Australia, led the team which developed the FerriScan technology. Dr St Pierre has strong links with international key opinion leaders in the field of iron overload diseases and regularly participates in international research collaborations.

Interests in the Shares of the Company

The following relevant interests in shares of the Company were held by the Directors at balance date. There has been no change in Directors' and executives' shareholdings to the date of this report.

	Number of fully paid ordinary shares
Directors	
Dr M Blake	6,464,677
Dr T Baroni	-
Dr J Loveridge	-
Mr S Panton	67,966,163
Total	74,430,840

Incentive Shares

The Company has an Employee Share Plan (ESP) which was adopted at the Annual General Meeting held on 27th November 2014. In total 166,666 shares were issued to Staff during the year under the ESP (2016: 764,699 Shares).

No shares were issued as part of remuneration to Directors.

Dividends Paid or Recommended

No dividend was paid or declared for the financial year.

Principal Activities

The Company's business involves the development and commercialisation of technologies and services for the quantitative analysis of radiological images in a regulated and quality controlled environment.

The Company's core product is FerriScan, a non-invasive liver diagnostic technology used for the measurement of iron in the liver.

DIRECTORS' REPORT (Cont'd)

Review of Operations and Financial Summary

The Company is pleased to report the following for the financial year 2016/17.

Highlights

- ✓ The year ended with record analysis volumes, including FerriScan®, Cardiac T2*, and HepaFat-Scan®.
- ✓ We have achieved an overall 20% commercial growth in key target markets for routine clinical use of our technologies.
- ✓ A 29.5% increase in profit from the core FerriScan service.
- ✓ Over 20 key publications were accepted and leveraged to showcase and profile our technologies as part of our clinical education campaigns.
- ✓ Bone Marrow Iron Assessment launched in Europe, Australia, and New Zealand.
- ✓ Significant progress was made in the development of an artificial intelligence (AI) solution for the rapid, low-cost analysis of liver-iron-concentration (LIC).
- ✓ Endorsement and new collaboration with leading patient organisation the Thalassemia International Federation, following significant results of 'The Dragon Study'.
- ✓ Strong pipeline commercial opportunities developed for 2017/18 and new clinical indications for technologies identified, such as the reapplication of FerriScan for the measurement of LIC in transfusional iron overloaded cancer survivors.
- ✓ R&D tax incentive of $314K was secured.
- ✓ High profile studies continue to advance efficiently, with the Paediatric NAFLD study having now completed its recruitment phase. The FY also saw the Hibiscus and Diastolic studies progress past the three quarter mark, while the Dragon study reached its completion.

Financials

Sales revenue of $2,485,332 was lower than the prior year despite a 20% increase in routine clinical use of FerriScan and Cardiac T2* offset by the strength of the Australian Dollar versus the Pound Sterling. Other income comprised interest income of $27,861 and grant income of $20,000.

Overall expenditure (excluding foreign exchange) was 2% or $65,953 higher than the prior year.

Research and Development expenditure totalled $1,161,027 during the year up from $672,914 in the previous year. This comprised capitalised development costs of $551,559 that are recognised as an intangible asset on the Statement of Financial Position and expenditure in the Statement of Comprehensive Income of $167,163 amortisation expense, $164,471 research and development expense and $277,834 recognised in employee benefits expense.

The FerriScan business segment generated a profit of $260,753 for the financial year, a 29.5% increase on the previous year. This generated profit has been reinvested into research and development of the AI solution.

Resonance Health had cash at bank of $1,685,375 at the end of the financial year compared to $2,512,441 in the previous year and has no debt.

A net loss was recorded for the year of $304,217 compared to a net loss of $384,366 in the previous financial year. The net loss was a direct result of a continued strategic future investment in the Company; with a strong focus on Research and Development to extend the Company's services and improve efficiencies, as well as targeted Marketing activities.

Overview

Resonance Health experienced a productive financial year as development was accelerated for its machine learning artificial intelligence (AI) prototype for the measurement of liver iron concentration (LIC). This focus has progressed into the recent commencement of beta-testing for the new cloud-based AI solution, as the Company strives to address the urgent clinical need for an accessible and cost-effective LIC measurement solution in emerging growth markets. Resonance Health seeks to utilize this AI solution to increase market penetration of its services, and position an accessible and lower cost solution for this market.

Resonance Health also continued to build upon its key stakeholder relationships in the medical community over the financial year, a highlight including an endorsement from the Thalassemia International Federation (TIF) for FerriScan in a global alert and media release issued by TIF on the dangers of using unregulated T2* methods for the measurement of liver iron concentration. This global alert from TIF was a consequence of the results from the Dragon study, which raised significant concerns regarding patients' safety when assessed using a widely available T2* method. The findings of the Dragon Study sparked a powerful response from TIF, who backed the importance of only using validated techniques, such as Resonance Health's FerriScan, the regulatory cleared and globally recognised gold standard for LIC measurement.

The year included another ambitious conference schedule, spanning 16 conferences across 5 countries. Strategic objectives were executed at these meetings including achieving a strong corporate and product profile, driving further commercial uptake of our technologies, stakeholder relationship development, launching of new products, and developing commercial pipeline. The company sought and secured endorsements from leading patient advocacy groups such as TIF, and continues to leverage and develop strong relationships within the medical community to position the company favourably for increased commercial growth of its products.

Clinician referrals for FerriScan continued to grow over this year with the highest volumes on record; including in the primary target markets of the United States, United Kingdom, and Canada. Resonance Health's flagship product, FerriScan, experienced an 11% volume growth over the previous year, whilst Cardiac T2* saw a 25% increase. Service provision to pharmaceutical companies in the development of their treatments and collaborative programs continued. Clinical trial work for a new pharmaceutical partner expanded into additional countries. Resonance Health's continued involvement in clinical studies saw HepaFat-Scan usage increase by 175% as our global clinical trials progress further and the Company continues to build the clinical evidence and momentum.

This financial year also saw further diversification of Resonance Health's product offerings, with the launch of Bone Marrow R2-MRI for clinical use in Europe, Australia and New Zealand, and a Pancreatic Fat Assessment Tool.

The Bone Marrow R2-MRI tool can be used for assessing iron levels in bone marrow and is non-invasive, standardised, and correlates significantly with iron in bone marrow; it is positioned as a safe, pain-free alternative to biopsy. With application in bone marrow transplants, where quantitative assessment of bone marrow iron levels prior to transplant is thought to assist with the prediction of complications and the prognosis of patients post-transplant, Bone Marrow R2-MRI is well-suited to further assist clinical decisions in patients being considered for bone marrow transplantation.

The Pancreatic Fat Assessment tool is a solution for quantitative assessment of pancreatic fat in an investigational setting and adds to the suite of offerings RH can offer for investigational use by researchers and clinicians.

Since the end of the financial year, the Company has progressed the AI tool for liver iron estimation from the prototype announced in June to a beta version that is currently being bench tested at a single site for thirty days. This work will then be extended to at least four other sites and the refinements and feedback will give RHT a tool for investigational use in the broader community. The use of AI offers RHT the ability to present its service offerings in a new format that is able to address current limitations of scalability, accessibility, and cost. Alternative distribution pathways are now being investigated.

Operating Results

The net loss of the Group for the financial year after tax was $304,217 (2016: loss $384,366).

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year, other than as set out in this report.

DIRECTORS' REPORT (Cont'd)

Significant Events After Balance Date

No significant post balance date events have occured.

Likely Developments and Expected Results of Operations

Comments on expected results of the operations of the Group are included in this report under the review of operations.

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental Legislation

The Group's operations are not subject to any significant environmental legislation.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify all the directors and secretaries of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium to insure the directors and secretaries of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

REMUNERATION REPORT (audited)

This report outlines the remuneration arrangements in place for the key management personnel (KMP) of Resonance Health Limited for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company and the Company Secretary.

Key Management Personnel

(i) Directors

Dr Martin Blake – Chairman

Dr Jason Loveridge (resigned 30th June 2017)

Mr Simon Panton

Dr Travis Baroni (appointed 25th November 2016)

(ii) Management Executives

Dr Timothy St Pierre – Chief Scientific Officer

Mr Sander Bangma – General Manager

Mr Adrian Bowers - Company Secretary & Chief Financial Officer

Remuneration Policy

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

- set competitive remuneration packages to attract the highest calibre of employees in the context of prevailing market conditions, particular experience of the individual concerned and the overall performance of the Company; and
- reward employees for performance that results in long-term growth in shareholder wealth, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Board of Resonance Health Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

DIRECTORS' REPORT (Cont'd)

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for Directors and the executive team.

The remuneration policy, setting the terms and conditions for the Directors and other senior executives, was developed by the Remuneration Committee and approved by the Board.

The Remuneration Committee reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The assistance of an external consultant or remuneration surveys are used where necessary.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Non-executive Directors' fees not exceeding an aggregate of $250,000 per annum have been approved by the Company in a general meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each of the non-executive Directors receives a fixed fee for their services as Directors. There is no direct link between remuneration paid to any of the Directors and corporate performance.

Director Appointment Letter

Dr Baroni was appointed as a Non-execuitive Director of Resonance Health Limited on 26th November 2016. His letter of appointment provides for an a director fee of $40,000 pa inclusive of superannuation.

Executive Remuneration

Remuneration consists of fixed remuneration and variable remuneration.

(i) Fixed Remuneration

Fixed remuneration is reviewed annually. The process consists of a review of relevant comparative remuneration in the market and internally, and where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

All executives (except Dr St Pierre) receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

Executives receive a superannuation guarantee contribution required by the government, which for the year is 9.50%, and do not receive any other retirement benefits.

(ii) Variable Remuneration

All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed or capitalised. Securities given to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. There are currently no securities on issue.

Management Employment Agreements

Mr Bowers was appointed to the role of Company Secretary of Resonance Health Ltd on 25th November 2013. His employment agreement provides for an equivalent full time salary of $140,000 pa exclusive of superannuation for 22.5 hours per week and a termination notice of 3 weeks.

Mr Bangma was appointed to the role of General Manager of Resonance Health Analysis Services Pty Ltd on 31st January 2015. His employment agreement provides for a salary of $125,000 pa exclusive of superannuation and a termination notice of 4 weeks.

DIRECTORS' REPORT (Cont'd)

Consultancy Services Agreement

The Company has an agreement with The University of Western Australia (UWA) for consulting services provided by Dr St Pierre. Under this agreement consulting services provided for duties of Chief Scientific Officer totalling $205,238 (2016: $208,433) were incurred during the financial year. These amounts are included in Dr Tim St Pierre's remuneration disclosed in the following table. The agreement can be terminated by either party giving 90 days notice to the other party.

Details of Remuneration for Year Ended 30 June 2017

The remuneration for key management personnel of the Group during the year was as follows:

	Short-term employee benefits	Post employment benefits	Equity	Total		
	Salary & Fees	Superannuation Contributions	Shares/ Options		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%
Non-Executive Directors' remuneration						
Dr T Baroni [1]	21,817	2,073	-	23,890	100%	-
Dr M Blake	54,795	5,205	-	60,000	100%	-
Dr J Loveridge [2]	40,000	-	-	40,000	100%	-
Mr S Panton	36,530	3,470	-	40,000	100%	-
Total	153,142	10,748	-	163,890		

	Short-term employee benefits	Post employment benefits	Equity	Total		
	Salary & Fees	Superannuation Contributions	Shares/ Options		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%
Management Executives' remuneration						
Dr T St Pierre [3]	205,238	-	-	205,238	100 %	-
Mr S Bangma	125,000	11,875	-	136,875	100%	-
Mr A Bowers	96,277	9,141	-	105,418	100%	-
Total	426,515	21,016	-	447,531		

1 Dr T Baroni was appointed a Director 25th November 2016.

2 Dr J Loveridge resigned as a Director effective 30th June 2017.

3 Dr T St Pierre is the Chief Scientific Officer; remuneration represents consulting fees for duties as Chief Scientific Officer paid to The University of Western Australia. At 30 June 2016 a balance of $63,313 was owing to The University of Western Australia.

DIRECTORS' REPORT (Cont'd)

Details of Remuneration for Year Ended 30 June 2016

The remuneration for key management personnel of the Group during the year was as follows:

	Short-term employee benefits	Post employment Benefits	Equity	Total		
	Salary & Fees	Superannuation Contributions	Shares/ Options		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%
Non-Executive Directors' remuneration						
Dr M Blake	54,795	5,205	-	60,000	100%	-
Dr J Loveridge	40,000	-	-	40,000	100%	-
Mr S Panton	36,530	3,470	-	40,000	100%	-
Total	131,325	8,675	-	140,000		

	Short-term employee benefits		Post employment benefits	Equity	Total		
	Salary & Fees	Bonus	Superannuation Contributions	Shares/ Options		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	$	%	%
Management Executives' remuneration							
Dr T St Pierre [1]	208,433	-	-	-	208,433	100 %	-
Mr S Bangma [2,4]	129,808	9,000	12,807	1,000	152,615	93.4%	6.6%
Mrs M Baxter [3]	182,365	-	-	-	182,365	100 %	-
Mr A Bowers [2]	129,733	-	12,325	1,000	143,058	99.3%	0.7%
Mrs C Royet	101,574	-	9,649	-	111,223	100 %	-
Total	751,913	9,000	34,781	2,000	797,694		

1 Dr T St Pierre is the Chief Scientific Officer; remuneration represents consulting fees for duties as Chief Scientific Officer paid to The University of Western Australia. At 30 June 2016 a balance of $63,313 was owing to The University of Western Australia.

2 Received 58,823 shares in Resonance Health Limited on 29th June 2016. The shares were issued under the Resonance Health Limited Employee Share Plan – approved by members at the Annual General Meeting held 27th November 2014. The shares were issued for nil consideration. The fair value of the shares issued to each staff member was $1,000 which was based on the share price at the date of issue.

3 At 30 June 2016 a balance of $17,210 was owing to Catalyst Communications Limited for consulting services provided by Mrs Baxter.

4 Received 133,333 shares in Resonance Health Limited on 31st August 2016 in part settlement of $4,000 of Bonus accrued at 30 June 2016. The shares were issued under the Resonance Health Limited Employee Share Plan – approved by members at the Annual General Meeting held 27th November 2014.

Shareholdings of key management personnel

The numbers of ordinary shares in the Company held during the financial year by key management personnel of the Group including their personally related entities are set out below.

	Balance 1/7/2016	Received as Remuneration	Net Change Other	Received during the year on exercise of options	Balance 30/6/2017
Dr M Blake	6,464,677	-	-	-	6,464,677
Dr T Baroni	-	-	-	-	-
Dr J Loveridge	-	-	-	-	-
Mr S Panton	65,966,163	-	2,000,000	-	67,966,163
Dr T St Pierre	6,168,500	-	(650,000)	-	5,518,500
Mr S Bangma	89,126	-	133,333	-	222,459
Mr A Bowers	89,126	-	-	-	89,126
Total	78,777,592	-	1,483,333	-	80,260,925

No options or rights are held by any member of KMP and there were no other transactions with KMP during the year.

End of Remuneration Report

DIRECTORS' REPORT (Cont'd)

Meetings of Directors

The number of meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each director were:

	Director Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr M Blake	9	9	4	4	2	2
Dr T Baroni	5	5	3	3	0	2
Mr S Panton	9	9	4	4	2	2
Dr J Loveridge	9	7	4	2	2	1

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Resonance Health Limited support and adhere to the principles of corporate governance. The Company's Corporate Governance Statement is contained on the Company's web site located here http://www.resonancehealth.com/investors/business-overview.html.

Proceedings on Behalf of Company

No 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. The Company was not a party to any such proceedings during the year.

Auditor Independence and Non-audit Services

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 audit of the financial report. This Independence Declaration is set out on page 13 and forms part of this Directors' Report for the year ended 30 June 2017.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 21 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

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

Dr Martin Blake
Chairman

Perth, Western Australia

Dated this 28 September 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Resonance Health Limited for the year ended 30 June 2017, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
28 September 2017

L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Consolidated 2017 $	2016 $
Sales revenue	2(a)	2,485,332	2,547,685
Other income	2(b)	47,861	48,939
Revenue		**2,533,193**	**2,596,624**
Employee benefits expense		(1,562,369)	(1,474,535)
Consulting and professional services		(94,920)	(30,947)
Research and development		(164,471)	(111,157)
Depreciation expense		(26,066)	(16,309)
Amortisation expense		(167,163)	(132,927)
Marketing and travel		(629,529)	(781,540)
Statutory and compliance		(127,013)	(148,116)
Foreign exchange (loss)/gain		(44,587)	(39,175)
Other expenses	2(c)	(335,797)	(345,844)
Loss before income tax benefit		**(618,722)**	**(483,926)**
Income tax benefit	3	314,505	99,560
Net loss for the year attributable to owners of the parent		**(304,217)**	**(384,366)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		-	-
Exchange differences arising on translation of foreign loan		-	-
Other comprehensive loss for the year, net of tax		**-**	**-**
Total comprehensive loss for the year attributable to owners of the parent		**(304,217)**	**(384,366)**
Basic loss per share (cents per share)	5	(0.08)	(0.10)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Current Assets			
Cash and cash equivalents	7	1,685,375	2,512,441
Trade and other receivables	8	577,393	485,331
Other assets	9	62,280	44,457
Total Current Assets		2,325,048	3,042,229
Non-Current Assets			
Plant and equipment	10	72,909	74,691
Intangible assets	11	2,129,985	1,745,589
Other assets	9	90,973	64,310
Total Non-Current Assets		2,293,867	1,884,590
Total Assets		4,618,915	4,926,819
Current Liabilities			
Trade and other payables	12	487,040	415,364
Provisions	14	69,329	52,100
Other liabilities	13	327,841	425,433
Total Current Liabilities		884,210	892,897
Total Liabilities		884,210	892,897
Net Assets		3,734,705	4,033,922
Equity			
Issued capital	15(a)	69,424,199	69,419,199
Reserves	15(b)	(204,296)	(204,296)
Accumulated losses		(65,485,198)	(65,180,981)
Total Equity		3,734,705	4,033,922

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated		Issued Capital $	Foreign Currency Translation Reserve $	Option Reserve $	Accumulated Losses $	Total Equity $
Balance at 30 June 2015		**69,406,199**	**(270,580)**	**66,284**	**(64,796,615)**	**4,405,288**
Loss for the year		-	-	-	(384,366)	(384,366)
Other comprehensive loss		-	-	-	-	-
Total comprehensive loss for the year		**-**	**-**	-	**(384,366)**	**(384,366)**
Shares issued		13,000	-	-	-	13,000
Balance at 30 June 2016		**69,419,199**	**(270,580)**	**66,284**	**(65,180,981)**	**4,033,922**
Loss for the year		-	-	-	(304,217)	(304,217)
Other comprehensive loss		-	-	-	-	-
Total comprehensive loss for the year		**-**	**-**	**-**	**(304,217)**	**(304,217)**
Shares issued	15	5,000	-	-	-	5,000
Balance at 30 June 2017		**69,424,199**	**(270,580)**	**66,284**	**(65,485,198)**	**3,734,705**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 $	2016 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		2,291,634	2,513,564
Payments to suppliers and employees		(2,936,514)	(2,787,159)
Grants received		20,000	-
Interest received		28,054	48,744
Income tax received		314,505	285,794
Net cash (used in)/ provided by operating activities	7(i)	(282,321)	60,943
Cash flows from investing activities			
Payments for plant and equipment		(23,392)	(63,784)
Payments for intangible assets		(454,529)	(277,074)
Term deposit cash security		(26,664)	-
Net cash used in investing activities		(504,585)	(340,858)
Net (decrease)/increase in cash and cash equivalents		(786,906)	(279,915)
Foreign exchange differences on cash balances		(40,160)	(4,847)
Cash and cash equivalents at the beginning of period		2,512,441	2,797,203
Cash and cash equivalents at the end of the period	7	1,685,375	2,512,441

The accompanying notes form part of these financial statements.

NOTE 1: Statement of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

For the purpose of preparing the consolidated financial statements, the Company is a for profit entity.

The financial report is presented in Australian dollars. The Company is a listed public Company, incorporated and operating in Australia and the United States of America. The Company's business involves the development and commercialisation of technologies and services for the quantitative analysis of radiological images in a regulated and quality controlled environment.

(b) Adoption of new and revised standards

In the year ended 30 June 2017, 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 current annual reporting period.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. It replaces existing revenue recognition guidance, AASB 111 *Construction Contracts,* AASB 118 *Revenue* and AASB 1004 *Contributions.* AASB 15 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The Group has commenced the process of evaluating the impact of the new standard on existing revenue streams and will first apply AASB 15 in the financial year beginning 1 July 2018.

Other than the above, there are no other material impact of the new and revised Standards and Interpretations on the Group and therefore no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 28 September 2017.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements comprise the separate financial statements of Resonance Health Limited ("Company" or "parent entity") and its subsidiaries as at 30 June each year ("the Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

NOTE 1: Statement of significant accounting policies

(d) Basis of consolidation (Continued)

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Business combinations have been accounted for using the acquisition method of accounting (refer Note 1(ab)).

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of intangibles

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in Note 11.

Additionally, the Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may indicate impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections growth rates have been factored into valuation models for the next five years on the basis of management's expectations regarding the Group's continued ability to increase market share based on contractual obligations already in place and historical sales growth rates.

Historic Group averages have been used to reflect projected cash flow growth rates in year 1 and year 2. In subsequent periods a consistent growth rate has been attached as a conservative estimate for use in the impairment calculation.

Pre-tax discount rate of 10% which includes a risk component, has been used throughout the value-in-use model.

Development expenditure is considered to be sensitive to these assumptions as they are not ready for use. Therefore sensitivity analysis of 5% and 10% reduction in revenue and the use of a pre-tax discount rate of 15% have been calculated and did not indicate an impairment.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Resonance Health Limited.

(g) Foreign currency translation

Both the functional and presentation currency of Resonance Health Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTE 1: Statement of significant accounting policies

(g) Foreign currency translation (Continued)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

The functional currency of the foreign operation Resonance USA Inc. is United States dollars (US$). As at the reporting date the assets and liabilities of this subsidiary are translated into the presentation currency of Resonance Health Limited at the rate of exchange ruling at the balance date and the statement of comprehensive income is translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component recognised in the foreign currency translation reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of Comprehensive Income.

(h) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(iii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(i) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(j) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards if ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

NOTE 1: Statement of significant accounting policies

(k) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance date. Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against with the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it is has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Resonance Health Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidated legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

NOTE 1: Statement of significant accounting policies

(l) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and adjusted risk specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(o) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 14 days to 90 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

NOTE 1: Statement of significant accounting policies

(o) Trade and other receivables (Continued)

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(p) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. Where financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through

profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets that are not quoted in an active market. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(q) Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

NOTE 1: Statement of significant accounting policies

(q) Derecognition of financial assets and liabilities (Continued)

- the Group has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

(ii) Financial liabilities

A financial liability is recognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(r) Impairment of financial assets

The Group assess at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial asset is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss should not be reversed in subsequent periods.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

NOTE 1: Statement of significant accounting policies

(s) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment 3 – 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Impairment losses for plant and equipment are recognised in the statement of comprehensive income.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

(t) Intangible assets

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development expenditure on an internal project is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

(u) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

NOTE 1: Statement of significant accounting policies

(v) Interest-bearing loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(x) Employee benefits

Wages, salaries, annual leave, sick leave and long service leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in sundry creditors in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(y) Share-based payment transactions

Equity-settled transactions

The Group uses agreements where payment for services rendered are settled by the issuance of fully paid shares or options in the Company.

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date they are granted and is recognised, together with a corresponding increase in equity, over the period in which the service is provided.

(z) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Earnings per share ("EPS")

Basic EPS is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTE 1: Statement of significant accounting policies

(ab) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangements and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(ac) Parent entity financial information

The financial information for the parent entity, Resonance Health Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements.

NOTE 2: Revenues and expenses	Consolidated 2017 $	Consolidated 2016 $
(a) Sales revenue		
Sales to external customers	2,485,332	2,547,685
(b) Other income		
Grants received	20,000	-
Interest received	27,861	48,939
	47,861	48,939
(c) Other expenses		
Rental expense on operating leases	112,032	106,076

	Consolidated	
	2017 $	2016 $
NOTE 3: Income tax benefit		
Income tax recognised in profit or loss		
The major components of tax benefit are:		
Fringe Benefits Tax Paid	-	(2,159)
Adjustments recognised in the current year in relation to the current tax of prior years – R&D tax offset	314,505	101,719
	314,505	99,560
The prima facie income tax benefit on pre-tax accounting (loss)/profit from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting (loss)/profit before income tax	(618,722)	(483,926)
Income tax benefit calculated at 27.5% (2016:30%)	(170,149)	(145,178)
Effect of expenses that are not deductible in determining taxable profit	276,572	158,199
Effect of unused tax losses not recognised as deferred tax assets	(100,733)	264,906
Effect of temporary differences not recognised as deferred tax assets and liabilities	(396,505)	(277,927)
Impact for changes in company tax rate (2016: 30% to 2017: 27.5%)	390,815	-
Fringe Benefits Tax Paid	-	(2,159)
Tax refund receivable (research and development tax offset)	314,505	101,719
Income tax benefit reported in the statement of comprehensive income	314,505	99,560

	Consolidated	
	2017	2016
NOTE 3: Income tax (Continued)	$	$
Unrecognised deferred tax balances		
The following deferred tax assets and liabilities have not been brought to account:		
Deferred tax assets:		
Losses available for offset against future taxable income - revenue	3,138,581	3,239,315
Amortisation and depreciation timing differences	406,506	647,875
Business related costs	29,870	47,049
Unrealised foreign exchange losses	(6,963)	9,602
Accrued expenses and liabilities	76,704	68,940
	3,644,698	4,012,781
Deferred tax liabilities:		
Capitalised research and development costs	585,746	523,677
Accrued income	295	380
Prepayments	17,127	-
	603,168	524,057
Income tax benefits not recognised directly in equity		
Share issue costs	-	-

Deferred tax assets have not been recognised in respect of the above items because it is not considered probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Tax Consolidation

Resonance Health Limited and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation from 1st July 2012. The accounting policy for the implementation of the tax consolidation legislation is set out in note 1(k).

NOTE 4: Segment reporting

Segment Information

The chief operating decision maker is considered to be the Company's Board of Directors. The Group's operating segments are determined by differences in the type of activities performed. The financial results of the Group's operating segments are reviewed by the Board of Directors on a quarterly basis.

Geographical Segment

The company earns revenue in three significant geographical regions, countries are grouped in the regions of Asia/Pacific, North America and Europe-Middle-East-Africa (EMEA).

All non-current assets are located in Australia being the Asia/Pacific region, applicable disclosure information is disclosed in Business Segment assets and no additional disclosure is made.

	2017 $	2016 $
Asia/Pacific	151,541	76,507
North America	837,780	745,743
EMEA	1,516,011	1,725,435
Total Sales to external customers	2,505,332	2,547,685

Business Segments

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2017.

	Services	Research and Development	Corporate	Total
	$	$	$	$
Segment revenue				
Sales to external customers	2,505,332	-	-	2,505,332
Interest revenue	-	-	27,861	27,861
Total segment revenue	2,505,332	-	27,861	2,533,193
Segment profit/(loss) before tax	260,753	(442,305)	(437,170)	(618,722)
Income tax benefit	-	314,505	-	314,505
Segment assets	577,393	2,129,985	1,911,537	4,618,915
Segment liabilities	814,881	-	69,329	884,210

The Group derived 35% of its external customer sales revenue from one major customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4: Segment reporting (Continued)

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2016.

	Services	Research and Development	Corporate	Total
	$	$	$	$
Segment revenue				
Sales to external customers	2,547,685	-	-	2,547,685
Interest revenue	-	-	48,939	48,939
Total segment revenue	2,547,685	-	48,939	2,596,624
Segment profit/(loss) before tax	201,265	(262,913)	(422,278)	(483,926)
Income tax benefit	-	99,560	-	99,560
Segment assets	485,331	1,745,589	2,695,899	4,926,819
Segment liabilities	840,797	-	52,100	892,897

		Consolidated	
		2017	2016
NOTE 5: Loss per share		$	$
	Basic loss per share (cents per share)	(0.08)	(0.10)
(a)	Loss used in the calculation of basic (loss)/earnings per share	(304,217)	(384,366)
		2017 Number	2016 Number
(b)	Weighted average number of ordinary shares for the purposes of basic loss per share	402,468,880	401,568,292

The calculation does not include shares under option that could potentially dilute basic loss per share in the future as no options are on issue.

NOTE 6: Dividends

No dividend was paid or declared for the current or previous financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated	
	2017	2016
NOTE 7: Cash and cash equivalents	$	$
Deposits at call	1,089,093	1,538,127
Term deposits	596,282	974,314
	1,685,375	2,512,441

Deposits at call earn interest at floating rates based on daily bank deposit rates.

Term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective term deposit rates.

(i) Reconciliation of loss for the year to net cash flows from operating activities

	2017	2016
Loss for the year	(304,217)	(384,366)
Non-cash flows in loss:		
Depreciation	26,066	16,309
Amortisation of intangible assets	167,163	132,927
Employee share costs	5,000	17,000
Changes in net assets and liabilities:		
Decrease/(increase) in trade and other receivables	(52,792)	176,846
Increase in other assets (current)	(17,823)	(2,153)
(Increase)/decrease in other financial assets	-	(2,204)
Increase/(decrease) in trade creditors and other payables	(122,947)	95,084
Decrease in other liabilities	17,229	11,500
Net cash (used)/provided by operating activities	(282,321)	60,943

(ii) Financing facilities

	2017	2016
Secured credit card:		
Amount used	16,198	9,570
Amount unused	3,802	10,430
	20,000	20,000

(iii) Cash balances not available for use

	2017	2016
Security deposits:		
Credit card	20,000	20,000
Lease premises	70,973	44,310
	90,973	64,310

	Consolidated	
NOTE 8: Trade and other receivables	2017 $	2016 $
Trade receivables	588,610	466,930
Other receivables	18,783	18,401
	577,393	485,331

The average credit period on sales of goods and rendering of services is 14 to 90 days.

Aging of past due but not impaired		
30-60 days	179,232	88,931
60-90 days	67,117	82,804
90-120 days	124,644	95,983
120+ days	-	-
	370,994	267,718

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was granted up to the reporting date. No allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services in relation to a specific debtor amount. The concentration of credit risk is significant with 19% (2016: 17%) of trade receivables relating to one major customer. The remaining trade receivables relate to a large and unrelated customer base. The Directors believe no further increase is required in excess of the allowance for impairment.

NOTE 9: Other assets

Current		
Prepayments	62,280	44,457
Non-Current		
Deposits	90,973	64,310

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated	
NOTE 10: Plant and equipment	2017 $	2016 $
Fixtures and equipment		
At cost	373,304	349,021
Less: Accumulated depreciation	(300,395)	(274,330)
Total plant and equipment	72,909	74,691

Reconciliation

Reconciliation of the carrying amount of each class of plant and equipment is set out below:

Fixtures and equipment		
Carrying amount at the beginning of the year	74,691	27,216
Additions	24,284	63,784
Depreciation expense	(26,066)	(16,309)
Carrying amount at the end of the year	72,909	74,691

NOTE 11: Intangible assets

Development expenditure

At cost	2,675,130	2,123,571
Less: Accumulated amortisation	(545,145)	(377,982)
Total development expenditure	2,129,985	1,745,589

Reconciliation

Reconciliation of the carrying amount of intangible assets is set out below:

Development expenditure		
Carrying amount at the beginning of the year	1,745,589	1,601,442
Additions	551,559	277,074
Amortisation expense	(167,163)	(132,927)
Carrying amount at the end of the year	2,129,985	1,745,589

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

During the current financial year this development has related to a new liver fat assessment tool, further refinement of FerriScan and the next stage of development of a MRI based liver fibrosis 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.

In making this assessment the Directors had regard to the size of the liver fibrosis and liver fat markets, competing products, experience gained with the FerriScan technology, the likely period over which these revenues are expected to be generated and the likelihood of any technological obsolescence.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 11: Intangible assets (Continued)

The recoverable amount of development expenditure detailed above is determined based on value-in-use calculations.

Value-in-use is calculated based on the present value of cash flow projections over a five year period. The cash flows are discounted using a rate of 10% which includes a risk component at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

- Growth rate was based on contractual obligations already in place and historical sales growth rates.
- Costs are calculated taking into account historical margins and trends as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates appropriate to historic company rates.
- Discount rate was based on the pre-tax discount rate of 10% which includes a risk component.

	Consolidated	
	2017	2016
	$	$
NOTE 12: Trade and other payables		
Current		
Trade payables (i)	203,580	119,783
Sundry creditors and accruals	283,460	295,581
	487,040	415,364

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms. Information regarding the effective interest rate and credit risk of current payables is set out in Note 16.

NOTE 13: Other liabilities		
Current		
Unearned income	327,841	425,433

NOTE 14: Provisions		
Long service leave	69,329	52,100
	69,329	52,100
Reconciliation		
Balance at the beginning of the year	52,100	44,070
Arising during the year	30,673	15,691
Utilised during the year	(13,444)	(7,661)
Balance at the end of the year	69,329	52,100

NOTE 15: Issued capital and reserves

	2017		2016	
	Number	$	Number	$
(a) Issued and paid up capital	402,497,568	69,424,199	402,330,902	69,419,199

Movements – Ordinary shares	2017	2017	2016	2016
	Number of shares	$	No. of shares	$
Balance at the beginning of the year	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 2017 at $0.033 each	166,666	5,000	-	-
Balance at the end of the year	402,497,568	69,424,199	402,330,902	69,419,199

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(b) Reserves

Nature and purpose of reserves:

Foreign currency translation reserve – the foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Option reserve – the option reserve is used to record the fair value of options issued as share based payments to employees and directors as part of their remuneration.

NOTE 16: Financial instruments

(a) Capital risk management

The Group controls the capital of the Company in order to maintain an appropriate debt to equity ratio and to ensure that the Company can fund its operations and continue as a going concern. The Group's overall strategy remains unchanged from the previous financial year. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures.

NOTE 16: Financial instruments (Continued)

(b) Categories of financial instruments

	Consolidated	
Financial assets/(liabilities)	2017 $	2016 $
Cash and cash equivalents	1,685,375	2,512,441
Trade and other receivables	577,393	485,331
Other assets	90,973	64,310
Trade and other payables	(487,040)	(415,364)

The net fair values of all financial assets and liabilities approximate their carrying value.

(c) Financial risk management objectives

` The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The Group does not engage in forward exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2017 $	2016 $	2017 $	2016 $
United States Dollars	122,385	26,349	1,067,718	1,269,733
Great British Pounds	15,583	21,685	247,738	238,390
European Euros	334	1,692	41,202	124,271

NOTE 16: Financial instruments (Continued)

(e) Foreign currency risk management (Continued)

Foreign currency sensitivity analysis

The Group is exposed to United States Dollar (USD), Great British Pound (GBP) and European Euro (EUR) currency fluctuations.

The following table illustrates the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number indicates a decrease in profit and other equity where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be positive.

Profit or loss impact:	2017 $	2016 $
- USD	(85,939)	(113,035)
- GBP	(21,105)	(19,700)
- EUR	(3,715)	(11,144)

(f) Interest rate risk management

All financial assets and financial liabilities are non-interest bearing except for cash and cash equivalent balances. The following table details the Group's expected maturities for cash and cash equivalent financial assets.

Cash and cash equivalent financial assets	Less than one month	One to three months	Total
2017	$1,685,375	$90,973	$1,776,348
Weighted average effective interest rate	1.54%	2.20%	
2016	$2,512,441	$64,310	$2,576,751
Weighted average effective interest rate	1.24%	2.12%	

The Group is exposed to fluctuations in interest rates as it has deposited monies at floating and fixed interest rates. The impact of a 10% change in interest rates will not have a material impact on the result for the year.

NOTE 16: Financial instruments (Continued)

(g) Credit risk management

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. At 30 June 2017, the Group had one customer that accounted for 19% of all trade receivables (2016: 17%).

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date in relation to each class of recognised financial assets is the carrying amount, net of any allowance for impairment recorded in the financial statements. The Group does not hold any collateral as security for any trade receivable.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continually monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 7 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following table details the Group's expected maturity for its financial liabilities.

	Less than one month	One month to three months	Three months to one year	Total
	$	$	$	$
2017				
Non-interest bearing	439,040	48,000	-	487,040
2016				
Non-interest bearing	265,854	53,448	96,062	415,364

(i) Fair value of financial instruments

The net fair value of all financial assets and liabilities approximate their carrying values. No financial assets or financial liabilities, except for listed shares are readily traded on organized markets in standardised form.

The aggregate net fair values and carrying amounts of all financial assets and liabilities are disclosed in the financial statements.

NOTE 17: Commitments for expenditure	Consolidated 2017 $	Consolidated 2016 $
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases for office premises are payable as follows:		
Within one year	65,440	124,873
Later than 1 year but no later than 5 years	237,002	10,440
Total commitments not recognised in the financial statements	302,442	135,313

A lease over premises was entered into effective 1 July 2017 for a period of 5 years to June 2022.

	Consolidated 2017 $	Consolidated 2016 $
Clinical study commitments		
Commitments for minimum payments in relation to non-cancellable clinical trials are payable as follows:		
Within one year	85,915	172,975
Later than 1 year but no later than 5 years	-	-
Total commitments not recognised in the financial statements	85,915	172,975

Contingent liabilities and assets

There were no contingent liabilities or assets as at 30 June 2017 (2016: $nil).

NOTE 18: Related party disclosure

The consolidated financial statements include the financial statements of Resonance Health Limited and the subsidiaries listed in the following table.

Name of entity	Country of incorporation	Class of shares	2017 Equity holding	2016 Equity holding
Resonance Health Analysis Services Pty Ltd	Australia	Ordinary	100%	100%
WA Private Health Care Services Pty Ltd	Australia	Ordinary	100%	100%
IVB Holdings Pty Ltd	Australia	Ordinary	100%	100%
Resonance USA Inc	USA	Ordinary	100%	100%

Resonance Health Limited is the ultimate Australian entity and ultimate parent of the Group.

Transactions with related parties

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with key management personnel

Refer to Note 22 for details of transactions with key management personnel.

Transactions between group companies

During the year the following transactions occurred between group companies:

Resonance Health Analysis Services Pty Ltd (RHAS) and Resonance Health Limited (RHT).

During the year expenses were paid by RHAS totalling $32,036 (2016: $136,221) on behalf of RHT. During the year RHAS repaid $660,723 of loan balance to RHT.

During the Year expenses were paid by RHT totalling $47,681 on behalf of RHAS. During the year RHT provide funds of $745,000 to RHAS

At the 30 June 2017 RHAS owed a loan balance of $642,786 to RHT.

In prior periods RHT impaired a loan to WA Private Health Care Services Pty Ltd of $136,423. The loan remains impaired.

In prior periods WA Private Health Care Services Pty Ltd has provided a loan of $8,837 to RHT.

NOTE 19: Parent entity disclosures

	2017 $	2016 $
Financial Position		
Assets		
Current assets	649,146	1,187,783
Non-current assets	1,354,208	1,254,286
Total assets	2,003,354	2,442,069
Liabilities		
Current liabilities	88,449	91,578
Non-current liabilities	-	-
Total liabilities	88,449	91,578
Equity		
Issued capital	69,424,199	69,419,199
Option reserve	66,284	66,284
Accumulated losses	(67,575,578)	(67,134,992)
Total equity	1,914,905	2,350,491

Financial Performance	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Loss for the year	(440,586)	(425,571)
Other comprehensive income	-	-
Total comprehensive loss	(440,586)	(425,571)

NOTE 20: Significant events after balance date

No significant events after balance date have occurred.

NOTE 21: Auditor's remuneration

	Consolidated 2017 $	 2016 $
During the year the following fees were paid or payable to the auditor:		
Remuneration of the auditor of the Company for:		
Auditing/reviewing financial report	52,000	52,000
Taxation compliance services	8,200	16,450
	60,200	68,450

NOTE 22: Key management personnel disclosures

(a) Details of key management personnel

(i) Directors

Dr Martin Blake	Chairman (non-executive)
Mr Simon Panton	Director (non-executive)
Dr Travis Baroni	Director (non-executive)
Dr Jason Loveridge	Director (non-executive)

ii) Management

Dr Tim St Pierre	Chief Scientific Officer
Mr Sander Bangma	General Manager
Mr Adrian Bowers	CFO and Company Secretary

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

The totals paid to KMP of the Group during the year are as follows:

	2017 $	2016 $
Short term employee benefits	579,657	892,238
Post employment benefits	31,764	43,456
Share based payments	-	2,000
Total KMP compensation	611,421	937,694

DIRECTORS' DECLARATION

1. In the opinion of the Directors:
   a. the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional requirements and other mandatory requirements; and
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

This declaration is signed in accordance with a resolution of the Board of Directors.

M. P. Blake

Dr Martin Blake
Chairman

Place: Perth, Western Australia

Dated: 28 September 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT
To the members of Resonance Health Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Resonance Health Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report**.**

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Email: hlb@hlbwa.com.au | Website: www.hlb.com.au

Key Audit Matter	How our audit addressed the key audit matter
Carrying value of intangible assets (Note 11)	
The Group has an intangible assets balance of $2,129,985 as at 30 June 2017. Due to the ongoing losses incurred in the business, management conducted an impairment assessment in relation to intangible assets. We considered this to be a key audit matter due to its importance to users' understanding of the financial statements, the degree of estimation involved in future cash flows, discounts rates and other inputs to the value-in-use calculation and the degree of audit effort directed towards this area.	Our audit procedures included but were not limited to the following: • We obtained an understanding of the key controls associated with the preparation of the model used to assess the recoverable amount of the intangible assets; • We critically evaluated management's methodology used in the value-in-use model and the basis for key assumptions; • We assessed the value-in-use model for consistency with the requirements of Australian Accounting Standards; • We performed sensitivity analyses around the key inputs used in the cash flow forecasts and the headroom impact on the model; • We reviewed the mathematical accuracy of the value-in-use model; • We compared the value-in-use to the carrying amount of assets comprising the cash-generating unit; • We considered whether the assets comprising the cash-generating unit had been correctly allocated; • We compared forecast cash flows to the latest Board approved forecasts; • We compared key assumptions in forecast cash flows to historical results and, where these were materially different, we critically reviewed the basis for differing future expectations; • We considered the appropriateness of the discount rate used; and • We assessed the appropriateness of the disclosures included in the relevant notes to the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Resonance Health Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
28 September 2017

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is disclosed in accordance with section 4.10 of the Australia Securities Exchange Listing Rules in respect of a listed public company.

1. Analysis of Shareholdings

Distribution of shareholders (ASX Code: RHT)

Range of holdings	Holders	Units	Percentage
1 - 1,000	72	13,128	0.00%
1,001 - 5,000	37	129,528	0.03%
5,001 - 10,000	47	369,991	0.09%
10,001 - 100,000	540	25,741,979	6.40%
100,001 - 999,999,999,999	367	376,242,942	93.48%
TOTAL	**1,063**	**402,497,568**	**100%**

The number of shareholders holding less than a marketable parcel are 237.

2. Voting Rights

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has a one vote on a show of hands.

3. Twenty largest shareholders of quoted ordinary shares

Rank	Name	Units	% of Units
1	SOUTHAM INVESTMENTS 2003 PTY LTD <WARWICKSHIRE INVESTMENT A/C>	67,414,622	16.750
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	37,055,998	9.210
3	THE UNIVERSITY OF WESTERN AUSTRALIA	9,078,750	2.260
4	MR HELMUT ROCKER	7,000,000	1.740
5	MRS MICHELLE DENICE WATKINS-SAXON + MR SEAN MICHAEL SAXON <SAXON FAMILY SUPER FUND A/C>	6,371,636	1.580
6	MR GREGORY PETER WILSON	5,670,580	1.410
7	DR WANIDA CHUA-ANUSORN <MEDTA A/C>	5,665,000	1.410
8	MR ROBERT FRANCIS PANTON	5,640,824	1.400
9	DR TIMOTHY GUY ST PIERRE <THE ST PIERRE FAMILY A/C>	5,518,500	1.370
10	MR HARRY BASLE	5,022,422	1.250
11	MR ANDREW FREDERICK TROWSE <A F TROWSE FAMILY A/C>	4,698,896	1.170
12	MOLONGLO PTY LTD <PETER HUTCHINSON FAM A/C>	4,500,000	1.120
13	WALKER TRUSCO PTY LTD <WALKER FAMILY A/C>	4,494,844	1.120
14	MR THOMAS PSARAKIS	4,434,777	1.100
15	DR MARTIN PETER BLAKE	3,798,590	0.940
16	MARCOLONGO NOMINEES PTY LTD <MARCOLONGO FAMILY A/C>	3,626,000	0.900
17	MR VINCENT OLADELE	3,567,100	0.890
18	MRS MRIDULA ASIJA	3,563,390	0.890
19	BNP PARIBAS NOMINEES PTY LTD	3,220,413	0.800
20	MR GREGORY YENG TUCK KONG	3,200,000	0.800
		193,542,342	**48.11**

4. Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with the Corporations Act 2001 are:

SOUTHAM INVESTMENTS 2003 PTY LTD <WARWICKSHIRE INVESTMENT A/C>	67,414,622	Ordinary shares
SG Hiscock & Company Limited	30,889,686	Ordinary shares