RESONANCE HEALTH LIMITED

(ABN 96 006 762 492)

FINANCIAL REPORT

30 JUNE 2018

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

Mr Mitchell Wells
Non-executive Director

Chief Executive Officer

Ms Alison Laws

Company secretary

Mr Agha Shahzad Pervez

Securities exchange listing

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

Registered office and Principal place of business

Ground Floor,
Suite 2, 141 Burswood Road
Burswood WA 6100
Telephone: +61 8 9286 5300
Facsimile: +61 8 9286 5399

Postal address

PO Box 71
BURSWOOD WA 6100

Website and e-mail address

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

Auditors

HLB Mann Judd
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
Fax: +61 8 9389 7871

Bankers

National Australia Bank Limited

Solicitors

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

Contents

DIRECTORS' REPORT

The Directors present their report on the Group, consisting of Resonance Health Limited ("Company") and the entities it controlled together ("the Group") with the annual financial report for the financial year ended 30 June 2018. 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, FAICD

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 Fellow 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 and Risk Committee

Mr Mitchell Wells
L.LB, B.Comm

Position: Director — Non-Executive (appointed 28 February 2018)

***Experience*:** Mr Wells is an experienced senior executive and a qualified lawyer with commercial and legal experience in Australia, the United States of America and the United Kingdom. He has served as a Director and worked as a senior executive of public and private companies including ASX and US Nasdaq listed public companies. He currently serves as Chair of a large non-profit organisation.

Other current directorships:

None

Former directorships in last 3 years:

Lonestar Resources US Inc. – Nasdaq Listed US Public Company

Lonestar Resources Limited – ASX Listed Australian Public Company (Delisted on 7 July 2016)

Special responsibilities:

Member of the Audit and Risk Committee

Member of the Remuneration Committee

DIRECTORS' REPORT (Cont'd)

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:*** Non-Executive Director of 4DS Ltd ***Special responsibilities:*** Member of the Audit and Risk 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 and Risk Committee Member of the Remuneration Committee

Company Secretary

Mr Agha Shahzad Pervez B.Sc (IT) Hons, M.Com (Accounting)	***Position:*** Company Secretary and Chief Financial Officer (appointed 29 November 2017) ***Experience:*** Mr Pervez has over ten years' experience in managing the financial obligations of an ASX listed corporation. He joined Resonance Health in 2009 and has in-depth knowledge of all financial and operational aspects of Resonance. Agha has also been responsible for the handling of EMDG rebates and R&D Tax Incentive claims for the last several years.

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	500,000
Dr M Wells	200,000
Mr S Panton	71,275,743
Total	78,440,420

DIRECTORS' REPORT (Cont'd)

Shares and Options Granted to Directors and Management Executives

Directors and Management Executives	Number of options granted	Number of ordinary shares under option
Ms A Laws	10,000,000	10,000,000
Mr AS Pervez	1,000,000	1,000,000

Unissued Shares under option

The Company has an Employee Incentive Option Plan to key staff members and management of the Company

As the date of this report unissued ordinary shares or interests of the Company under option are:

Date options granted	Number of shares under option	Exercise price of option	Expiry date of options
09/03/2018	21,000,000	$0.03 to $$0.10	09/03/2021

The Company has an Employee Share Plan which was adopted at the Annual General Meeting held on 27 November 2014. No shares were issued to staff during the year under the Employee Share Plan (2017: 166,666).

Shares issued during or since the end of the year as a result of exercise.

No shares were issued during or since the end of the year as a result of exercise.

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 2017/18.

Highlights

- ✓ Alison Laws was appointed to the position of Chief Executive Officer as of 23 February 2018.
- ✓ Mitchell Wells was appointed as a Non-Executive Director of the Company as of 28 February 2018.
- ✓ Agha Shahzad Pervez was appointed to the position of Chief Financial Officer and Company Secretary as of 29 November 2017.
- ✓ The R&D team commenced work on the 'Dragon 2 Study', a trial looking to significantly shorten the acquisition time of the FerriScan protocol, which currently takes approximately 9 minutes. In preliminary work, Resonance Health has obtained data sets from over 30 trial patients, with each data set containing multiple acquisition protocol profiles of varying scan times. Work has now been escalated on the shorter acquisition due to very promising results to date.
- ✓ A new MRI-based assessment tool for the screening of non-alcoholic steatohepatitis (NASH) patients was launched. Initial uptake of this technology is planned to come from pharmaceutical companies engaged in the development of drugs to treat NASH. Resonance Health highlighted this product for the first time at the NASH Engage Global conference in London held on 26-27 February, 2018.
- ✓ Agency agreement signed with TeleMedC PTE LTD to distribute an Artificial Intelligence Diabetic Retinopathy (DR) grading tool. The technology, named DR Grader, was developed by leading researchers in Australia. The contract has been signed for an initial 2 year period, and is renewable based on performance and written agreement.
- ✓ R&D tax incentive of $451,904 was secured.
- ✓ During the financial year, the Company received 4 new multi-year work orders from pharmaceutical or therapeutic companies. The total dollar value of work for the four multi-year clinical trials won this financial year amounts to an approximate aggregate sum of $1,211,000. Refer to the Company's announcements; 12/01/2018 - FerriScan® contracted for two new clinical trials, 13/02/2018 – Resonance Health contracted for new clinical trial, and 23/07/2017 – Appendix 4C quarterly.
- ✓ Beta-testing was undertaken on the 21 August 2017 for the Company's new artificial intelligence solution FerriSmart®, for the rapid low-cost analysis of liver-iron-concentration.
- ✓ After a successful first phase of FerriSmart® beta-testing, a multi-centre trial was planned and executed at several large Thalassemia centres in emerging growth markets. The multi-centre trial allowed the Company to implement several improvements to the FerriSmart web portal and collect valuable market research from key hospital centres across the globe.
- ✓ Collaboration announced with Perth Radiological Clinic (PRC) for the sharing of data and the training of neural networks to assess the viability of the development of several screening tools.

Financials

A net profit after tax of $224,619 was recorded for the year, compared to a net loss of $304,217 in the previous financial year.

Excluding Employee share-based payments of $174,914, profit for FY 2017/18 totalled $399,533.

Total revenue for the year was $2,896,395, up from the previous financial year's total of $2,485,332, resulting in an increase of 17% or $411,063. Other income comprised interest income of $15,220.

Overall expenditure (excluding foreign exchange) was 1.6% or $49,662, higher than the prior year.

Research and Development expenditure totalled $1,025,828 during the year, down from the $1,161,027 spent in the previous year. The associated Research and Development expenditure comprised the following:

- Intangible asset on the Statement of Financial Position of $445,814;
- Amortisation expense of $153,119;
- Statement of Comprehensive Income of $123,016;
- Employee benefits of $303,879.

Resonance Health had a cash at bank figure of $1,549,088 at the end of the financial year, compared to $1,685,375 in the previous year. The Company has no debt.

Receipts from customers were $2,652,132, up 16% from the previous year's result.

DIRECTORS' REPORT (Cont'd)

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.

Significant Events After Balance Date

No significant post balance date events have occurred.

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 2018. 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

Mr Simon Panton

Dr Travis Baroni

Mr Mitchell Wells (appointed 28th February 2018)

(ii) Management Executives

Ms Alison Laws – Chief Executive Officer (appointed 23rd February 2018)

Mr Agha Shahzad – Company Secretary & Chief Financial Officer (appointed 29th November 2017)

Dr Timothy St Pierre – Chief Scientific Officer

Mr Sander Bangma – General Manager (resigned 22nd November 2017)

Mr Adrian Bowers - Company Secretary & Chief Financial Officer (resigned 29th November 2017)

DIRECTORS' REPORT (Cont'd)

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.

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.

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 and Mr Mitchell Wells) 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.

DIRECTORS' REPORT (Cont'd)

Employment Agreements

Director Appointment Letter

Mr Mitchell Wells was appointed as a Non-executive Director of Resonance Health Limited on 28th February 2018. His letter of appointment provides for a director fee of $40,000 pa inclusive of superannuation.

Management Employment Agreements

Mr Pervez was appointed to the role of Company Secretary & Chief Financial Officer of Resonance Health Ltd on 29th November 2017. His employment agreement provides for a salary of $110,000 pa exclusive of superannuation and a termination notice of 4 weeks.

Ms Laws was appointed to the role of Chief Executive Officer of Resonance Health Analysis Services Pty Ltd on 23rd February 2018. Her employment agreement provides for a salary of $165,000 pa exclusive of superannuation and a termination notice of 3 months by the Company or Ms Laws.

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 $206,940 (2017: $205,238) 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.

Mr Mitchell Wells has a Consultancy Agreement with Resonance Health Analyses Services Under this agreement consulting services provided for duties as an Investor Relations Consultant. This Consultancy Agreement provides for consultancy fees of $120,000 per annum reduced to $60,000 per annum from 1 December 2017. The agreement may be terminated at any time upon mutual agreement.

DIRECTORS' REPORT (Cont'd)

Details of Remuneration for Year Ended 30 June 2018

The remuneration for key management personnel of the Group during the 2018 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	36,530	3,470	-	40,000	100%	-
Dr M Blake	54,795	5,205	-	60,000	100%	-
Mr M Wells[1]	93,333	-	-	93,333	100%	-
Mr S Panton	36,530	3,470	-	40,000	100%	-
Total	221,188	12,145	-	233,333		

	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[2]	206,940	-	-	206,940	100 %	-
Mr S Bangma[3]	108,313	13,267	-	121,580	100%	-
Mr A Bowers[4]	58,890	3,688	-	62,578	100%	-
Ms A Laws[5]	154,846	14,710	79,764	249,320	100%	-
Mr AS Pervez[6]	99,408	9,444	7,976	116,828	100%	-
Total	628,397	41,109	87,740	757,246		

1 Mr M Wells was appointed a Director 28th February 2018.

2 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 2017 a balance of $26,161 was owing to The University of Western Australia.

3 Mr S Bangma resigned as a General Manager effective 22nd November 2017.

4 Mr A Bowers resigned as a Company Secretary/ CFO effective 29th November 2017.

5 Ms A Laws was appointed as Chief Executive Officer 23rd February 2018.

6 Mr AS Pervez was appointed as Company Secretary/ CFO 29th November 2017.

DIRECTORS' REPORT (Cont'd)

Details of Remuneration for Year Ended 30 June 2017

The remuneration for key management personnel of the Group during the 2017 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	4,000	140,875	100%	-
Mr A Bowers	96,277	9,141	-	105,418	100%	-
Total	426,515	21,016	4,000	451,531		

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.

No cash bonuses were granted in 2018 and 2017.

No share-based remuneration granted as compensation in 2018 and 2017.

DIRECTORS' REPORT (Cont'd)

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 1/7/2017	Received as Remuneration	Net Change Other	Received during the year on exercise of options	Balance 30/6/2018
Dr M Blake	6,464,677	-	-	-	6,464,677
Dr T Baroni	-	-	500,000	-	500,000
Mr M Wells	-	-	200,000	-	200,000
Mr S Panton	67,966,163	-	3,309,580	-	71,275,743
Dr T St Pierre	5,518,500	-	-	-	5,518,500
Ms A Laws	-	-	-	-	-
Mr AS Pervez	58,823	-	542,000	-	600,823
Mr S Bangma	222,459	-	(222,459)[1]	-	-
Mr A Bowers	89,126	-	(89,126)[1]	-	-

1 Number held on date of resignation

Option holdings of key management personnel

The number of options 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 1/7/2017	Received as Remuneration	Net Change Other	Received during the year on exercise of options	Balance 30/6/2018
Dr M Blake	-	-	-	-	-
Dr T Baroni	-	-	-	-	-
Mr M Wells	-	-	-	-	-
Mr S Panton	-	-	-	-	-
Dr T St Pierre	-	-	-	-	-
Ms A Laws	-	10,000,000	-	-	10,000,000
Mr AS Pervez	-	1,000,000	-	-	1,000,000
Mr S Bangma	-	-	-	-	-
Mr A Bowers	-	-	-	-	-

Other transactions with key management personnel disclosure are the payment outstanding to:

Dr T St Pierre $95,611 (2017: $26,161)

Mr Mitchell Wells $5,000 (2017: nil)

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 2018, and the numbers of meetings attended by each director were:

	Director Meetings		Audit and Risk 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	10	10	3	3	2	2
Dr T Baroni	10	10	3	3	2	2
Mr S Panton	10	10	3	3	2	2
Mr M Wells	4	4	1	1	1	1

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 2018.

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.

M.P. Blake

Dr Martin Blake
Chairman

Perth, Western Australia

Dated this 13 September 2018

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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in 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

13 September 2018

L Di Giallonardo

Partner

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated 2018 $	Consolidated 2017 $
Sales revenue	2(a)	2,896,395	2,485,332
Other income	2(b)	15,220	47,861
Revenue		**2,911,615**	**2,533,193**
Employee benefits expense		(1,782,770)	(1,562,369)
Consulting and professional services		(58,501)	(94,920)
Research and development		(123,016)	(164,471)
Depreciation expense		(26,835)	(26,066)
Amortisation expense		(153,119)	(167,163)
Marketing and travel		(583,613)	(629,529)
Statutory and compliance		(122,610)	(127,013)
Foreign exchange (loss)/gain		18,988	(44,587)
Other expenses	2(c)	(307,424)	(335,797)
Loss before income tax benefit		**(227,285)**	**(618,722)**
Income tax benefit	3	451,904	314,505
Net profit / (loss) for the year attributable to owners of the parent		**224,619**	**(304,217)**
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 income/(loss) for the year, net of tax		**-**	**-**
Total comprehensive income/(loss) for the year attributable to owners of the parent		**224,619**	**(304,217)**
Basic earnings / (loss) per share (cents per share)	5	0.06	(0.08)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Consolidated 2018 $	2017 $
Current Assets			
Cash and cash equivalents	7	1,549,088	1,685,375
Trade and other receivables	8	573,623	577,393
Other assets	9	33,632	62,280
Total Current Assets		2,156,343	2,325,048
Non-Current Assets			
Plant and equipment	10	60,986	72,909
Intangible assets	11	2,422,680	2,129,985
Other assets	9	45,900	90,973
Total Non-Current Assets		2,529,566	2,293,867
Total Assets		4,685,909	4,618,915
Current Liabilities			
Trade and other payables	12	401,631	487,040
Provisions	14	58,600	69,329
Other liabilities	13	91,440	327,841
Total Current Liabilities		551,671	884,210
Total Liabilities		551,671	884,210
Net Assets		4,134,238	3,734,705
Equity			
Issued capital	15(a)	69,424,199	69,424,199
Reserves	15(b)	(29,382)	(204,296)
Accumulated losses		(65,260,579)	(65,485,198)
Total Equity		4,134,238	3,734,705

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

Consolidated	Note	Issued Capital $	Foreign Currency Translation Reserve $	Option Reserve $	Accumulated Losses $	Total Equity $
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 income		-	-	-	-	-
Total comprehensive loss for the year		**-**	**-**	-	**(304,217)**	**(304,217)**
Share-based payments	15	5,000	-	-	-	5,000
Balance at 30 June 2017		**69,424,199**	**(270,580)**	**66,284**	**(65,485,198)**	**3,734,705**
Profit for the year		-	-	-	224,619	224,619
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**224,619**	**224,619**
Share-based payments	23	-	-	174,914	-	174,914
Balance at 30 June 2018		**69,424,199**	**(270,580)**	**241,198**	**(65,260,579)**	**4,134,238**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		2,652,132	2,291,634
Payments to suppliers and employees		(2,741,114)	(2,936,514)
Grants received		-	20,000
Interest received		15,051	28,054
Income tax received	3	451,904	314,505
Net cash provided by / (used in) operating activities	7(i)	377,973	(282,321)
Cash flows from investing activities			
Payments for plant and equipment	10	(14,912)	(23,392)
Payments for intangible assets		(531,729)	(454,529)
Term deposit cash security		-	(26,664)
Net cash used in investing activities		(546,641)	(504,585)
Net decrease in cash and cash equivalents		(168,668)	(786,906)
Cash and cash equivalents at the beginning of period		1,685,375	2,512,441
Foreign exchange differences on cash balances		32,381	(40,160)
Cash and cash equivalents at the end of the period	7	1,549,088	1,685,375

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018, 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 2018.

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.

AASB 16 Leases

AASB 16 replaces the current AASB 117 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases- for the lessee - effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and deprecation replacing operating lease expense.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15.

Other than the above, there are no other material impacts 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 13 September 2018.

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,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Statement of significant accounting policies

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 Company, using consistent accounting policies.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Statement of significant accounting policies

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

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.

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

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

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.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Statement of significant accounting policies

The useful life used in the calculation of amortisation is 10 years.

Impairment of tangible and intangible assets other than goodwill

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Statement of significant accounting policies

(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.

(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 2018 $	Consolidated 2017 $
(a)	**Sales revenue**		
	Sales to external customers	2,896,395	2,485,332
(b)	**Other income**		
	Grants received	-	20,000
	Interest received	15,220	27,861
		15,220	47,861

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2: Revenues and expenses (Continued)

(c) Other expenses		
Rental expense on operating leases	64,223	112,032
Share-based payments - employees	174,914	-

	Consolidated	
	2018 $	2017 $
NOTE 3: Income tax benefit		
Income tax recognised in profit or loss		
The major components of tax benefit are:		
Research and Development tax offset	451,904	314,505
	451,904	314,505
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting loss before income tax	(227,285)	(618,722)
Income tax expense calculated at 27.5%	(62,503)	(170,149)
Effect of expenses that are not deductible in determining taxable profit	290,950	276,572
Effect of unused tax losses not recognised as deferred tax assets	(28,151)	(100,733)
Effect of temporary differences not recognised as deferred tax assets and liabilities	(200,296)	(396,505)
Impact for changes in company tax rate (2016: 30% to 2017: 27.5%)	-	390,815
Research and Development tax offset	451,904	314,505
Income tax benefit reported in the statement of comprehensive income	451,904	314,505

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 3: Income tax (Continued)	Consolidated 2018 $	2017 $
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	3,110,431	3,138,581
Amortisation and depreciation timing differences	283,034	406,506
Business related costs	9,310	29,870
Unrealised foreign exchange losses	(2,392)	(6,963)
Accrued expenses and liabilities	75,276	76,704
	3,475,659	3,644,698
Deferred tax liabilities:		
Capitalised research and development costs	666,237	585,746
Accrued income	341	295
Prepayments	9,249	17,127
	675,827	603,168
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

	2018 $	2017 $
Asia/Pacific	146,311	131,541
North America	1,085,508	837,780
EMEA	1,664,576	1,516,011
Total Sales to external customers	2,896,395	2,485,332

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 2018.

	Services $	Research and Development $	Corporate $	Total $
Segment revenue				
Sales to external customers	2,896,395	-	-	2,896,395
Interest revenue	-	-	15,220	15,220
Total segment revenue	2,896,395	-	15,220	2,911,615
Segment profit/(loss) before tax	835,916	(426,895)	(636,306)	(227,285)
Income tax benefit	-	451,904	-	451,904
Segment assets	573,624	2,422,680	1,689,605	4,685,909
Segment liabilities	493,071	-	58,600	551,671

The Group derived 29% of its external customer sales revenue from one major customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2017.

	Services	Research and Development	Corporate	Total
	$	$	$	$
Segment revenue				
Sales to external customers	2,485,332	-	-	2,485,332
Grant received	-	20,000	-	20,000
Interest revenue	-	-	27,861	27,861
Total segment revenue	2,485,332	20,000	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

	Consolidated 2018	Consolidated 2017
NOTE 5: Earnings / (loss) per share	$	$
Basic earnings / (loss) per share (cents per share)	0.06	(0.08)
(a) Earnings / (loss) used in the calculation of basic (loss)/earnings per share	224,619	(304,217)
	2018 Number	2017 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings / (loss) per share	402,497,568	402,468,880

The calculation does not include shares under option that could potentially dilute basic earnings / (loss) per share as the effect would be anti dilutive.

No shares under option will potentially dilute basic earnings / (loss) per share.

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 2018

	Consolidated	
	2018	2017
NOTE 7: Cash and cash equivalents	$	$
Deposits at call	941,405	1,089,093
Term deposits	607,683	596,282
	1,549,088	1,685,375

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 profit / (loss) for the year to net cash flows from operating activities

	2018	2017
Profit / (loss) for the year	224,619	(304,217)
Non-cash flows in loss:		
Depreciation	26,835	26,066
Amortisation of intangible assets	153,119	167,163
Share-based payment expense	174,914	-
Employee share costs	-	5,000
Changes in net assets and liabilities:		
Trade and other receivables	(28,609)	(52,792)
Other assets (current)	28,648	(17,823)
Other financial assets	45,073	-
Trade creditors and other payables and provisions	(235,897)	(122,947)
Other liabilities	(10,729)	17,229
Net cash (used in)/provided by operating activities	377,973	(282,321)

(ii) Financing facilities

	2018	2017
Secured credit card:		
Amount used	16,079	16,198
Amount unused	3,921	3,802
	20,000	20,000

(iii) Cash balances not available for use

	2018	2017
Security deposits:		
Credit card	20,000	20,000
Lease premises	25,900	70,973
	45,900	90,973

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018	2017
NOTE 8: Trade and other receivables	$	$
Trade receivables	555,250	558,610
Other receivables	18,373	18,783
	573,623	577,393

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	171,926	179,232
60-90 days	73,816	67,117
90-120 days	95,735	124,645
	341,477	370,994

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 12% (2017: 19%) 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	33,632	62,280
Non-Current		
Prepayments	45,900	90,973

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018	2017
NOTE 10: Plant and equipment	$	$
Fixtures and equipment		
At cost	388,217	373,304
Less: Accumulated depreciation	(327,231)	(300,395)
Total plant and equipment	60,986	72,909

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	72,909	74,691
Additions	14,912	24,284
Depreciation expense	(26,835)	(26,066)
Carrying amount at the end of the year	60,986	72,909

NOTE 11: Intangible assets

Development expenditure

At cost	3,120,944	2,675,130
Less: Accumulated amortisation	(698,264)	(545,145)
Total development expenditure	2,422,680	2,129,985

Reconciliation

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

Development expenditure		
Carrying amount at the beginning of the year	2,129,985	1,745,589
Additions	445,814	551,559
Amortisation expense	(153,119)	(167,163)
Carrying amount at the end of the year	2,422,680	2,129,985

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 2018

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	
	2018 $	2017 $
NOTE 12: Trade and other payables		
Current		
Trade payables (i)	52,263	203,580
Sundry creditors and accruals	349,368	283,460
	401,631	487,040

(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	91,440	327,841
NOTE 14: Provisions		
Long service leave	58,600	69,329
Reconciliation		
Balance at the beginning of the year	69,329	52,100
Arising during the year	2,481	30,673
Utilised during the year	(13,210)	(13,444)
Balance at the end of the year	58,600	69,329

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: Issued capital and reserves

	2018		2017	
	Number	$	Number	$
(a) Issued and paid up capital	402,497,568	69,424,199	402,497,568	69,424,199

Movements – Ordinary shares	2018	2018	2017	2017
	Number of shares	$	No. of shares	$
Balance at the beginning of the year	402,497,568	69,419,199	402,330,902	69,419,199
Employee Shares 31 August 2016 at $0.033 each	-	-	166,666	5,000
Balance at the end of the year	402,497,568	69,424,199	402,497,568	69,424,199

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.

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.

(b) Categories of financial instruments

	Consolidated	
Financial assets/(liabilities)	2018 $	2017 $
Cash and cash equivalents	1,549,088	1,685,375
Trade and other receivables	573,623	577,393
Other assets – prepayments	33,632	62,280
Other assets - deposits	45,900	90,973
Trade and other payables	(401,631)	(487,040)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16: Financial instruments (Continued)

(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	
	2018 $	2017 $	2018 $	2017 $
United States Dollars	1,986	122,385	487,846	1,067,718
Great British Pounds	4,362	15,583	500,880	247,738
European Euros	-	334	47,580	41,202

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.

	2018 $	2017 $
Profit or loss impact:		
- USD	(44,169)	(85,939)
- GBP	(45,138)	(21,105)
- EUR	(4,325)	(3,715)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16: Financial instruments (Continued)

(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
2018	$1,549,088	$45,900	$1,594,988
Weighted average effective interest rate	1.29%	2.44%	
2017	$1,685,375	$90,973	$1,776,348
Weighted average effective interest rate	1.54%	2.20%	

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.

(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 2018, the Group had one customer that accounted for 12% of all trade receivables (2017: 19%).

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
	$	$	$	$
2018				
Non-interest bearing	358,631	43,000	-	401,631
2017				
Non-interest bearing	439,040	48,000	-	487,040

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
NOTE 17: Commitments for expenditure	2018 $	2017 $
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	56,652	65,440
Later than 1 year but no later than 5 years	180,359	237,002
Total commitments not recognised in the financial statements	237,011	302,442

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

	Consolidated	
	2018 $	2017 $
Clinical study commitments		
Commitments for minimum payments in relation to non-cancellable clinical trials are payable as follows:		
Within one year	-	85,915
Later than 1 year but no later than 5 years	-	-
Total commitments not recognised in the financial statements	-	85,915

Contingent liabilities and assets

There were no contingent liabilities or assets as at 30 June 2018 (2017: $nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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	2018 Equity holding	2017 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 $90,053 (2017: $32,036) on behalf of RHT.

During the Year expenses were paid by RHT totalling $63,463 on behalf of RHAS.

At the 30 June 2018 RHT owed a loan balance of $221,402 to RHAS.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19: Parent entity disclosures

	2018 $	2017 $
Financial Position		
Assets		
Current assets	1,033,099	649,146
Non-current assets	856.681	1,354,208
Total assets	1,889,780	2,003,354
Liabilities		
Current liabilities	70,139	88,449
Non-current liabilities	366,661	-
Total liabilities	436,800	88,449
Equity		
Issued capital	69,424,199	69,424,199
Option reserve	241,198	66,284
Accumulated losses	(68,212,417)	(67,575,578)
Total equity	1,452,980	1,914,905

Financial Performance	Year ended 30 June 2018 $	Year ended 30 June 2017 $
Loss for the year	(636,839)	(440,586)
Other comprehensive income	-	-
Total comprehensive loss	(636,839)	(440,586)

NOTE 20: Significant events after balance date

No significant events after balance date have occurred.

NOTE 21: Auditor's remuneration

	Consolidated 2018 $	2017 $
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	53,000	52,000
Taxation compliance services	11,150	8,200
	64,150	60,200

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: Key management personnel disclosures

(a) Key Management Personnel Compensation

	2018 $	2017 $
Short term employee benefits	849,585	579,657
Post employment benefits	53,254	31,764
Share-based payments	87,740	4,000
	990,579	615,421

(b) Other transactions with key management personnel disclosure are the payment outstanding to:

Dr T St Pierre $95,611 (2017: $26,161)

Mr Mitchell Wells $5,000 (2017: nil)

NOTE 23: Share-based payments

The Company has an Employee Incentive Option Plan to key staff members and management of the Company.

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is $174,914.

The following share-based payment arrangements were in place during the current period:

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Series 1	7,000,000	09/03/2018	09/03/2021	0.03	$77,894
Series 2	4,750,000	09/03/2018	09/03/2021	0.05	$40,875
Series 3	4,500,000	09/03/2018	09/03/2021	0.075	$30,168
Series 4	4,750,000	09/03/2018	09/03/2021	0.10	$25,977

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23: Share-based payments (Continued)

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year.

	2018		2017	
	Number	Weighted Average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of year	-	-	-	-
Granted during the year	21,000,000	$0.06	-	-
Forfeited during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of year	21,000,000	$0.06	-	-
Exercisable at the end of year	21,000,000	$0.06	-	-

No share options were exercised during 2018.

The fair value of the equity-settled share options granted under both the option and the loan plans is estimated as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

	Dividend (%)	Volatility (%)	Risk-free interest rate (%)	Expected life of option (years)	Exercise price (cents)	Grant date share price
Series 1	0	89	2.14	3.00	0.0300	0.0220
Series 2	0	89	2.14	3.00	0.0500	0.0220
Series 3	0	89	2.14	3.00	0.0750	0.0220
Series 4	0	89	2.14	3.00	0.1000	0.0220

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

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 2018 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;
   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 2018.

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: 13 September 2018

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 statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and 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 2018 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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Key Audit Matter	How our audit addressed the key audit matter
Carrying value of intangible assets Note 11 of the financial report	
At balance date, management assessed that an indicator of impairment was present in relation to intangible assets and as a result was required to test the asset for impairment in accordance with AASB 138 Intangible Assets. A net present value calculation was performed and no impairment was required. We considered this to be a key audit matter due to its importance to the users' understanding of the financial statements, the degree of estimation involved in future cash flows, discount rates and other inputs to the net present value calculation and the degree of audit effort directed towards this area.	Our audit procedures included but were not limited to the following: • Obtained an understanding of the key controls associated with the preparation of the net present value calculation used to assess the recoverable amount of the intangible assets; • Critically evaluated management's methodology used in the net present value calculation and the basis for key assumptions; • Assessed the net present calculation for consistency with the requirements of Australian Accounting Standards; • 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; • Compared forecast cash flows to the latest Board approved forecasts; • Considered the appropriateness of the discount rate used; • Considered whether the assets comprising the cash-generating unit had been correctly allocated; • Compared the net present value to the carrying amount of assets comprising the cash-generating unit; • Performed sensitivity analyses around the key inputs used in the cash flow forecasts and the headroom impact on the net present value calculation; • Reviewed the mathematical accuracy of the net present value calculation; and • 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 2018, 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.

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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.

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 2018.

In our opinion, the Remuneration Report of Resonance Health Limited for the year ended 30 June 2018 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
13 September 2018