

RESONANCE HEALTH LIMITED

ABN 96 006 762 492

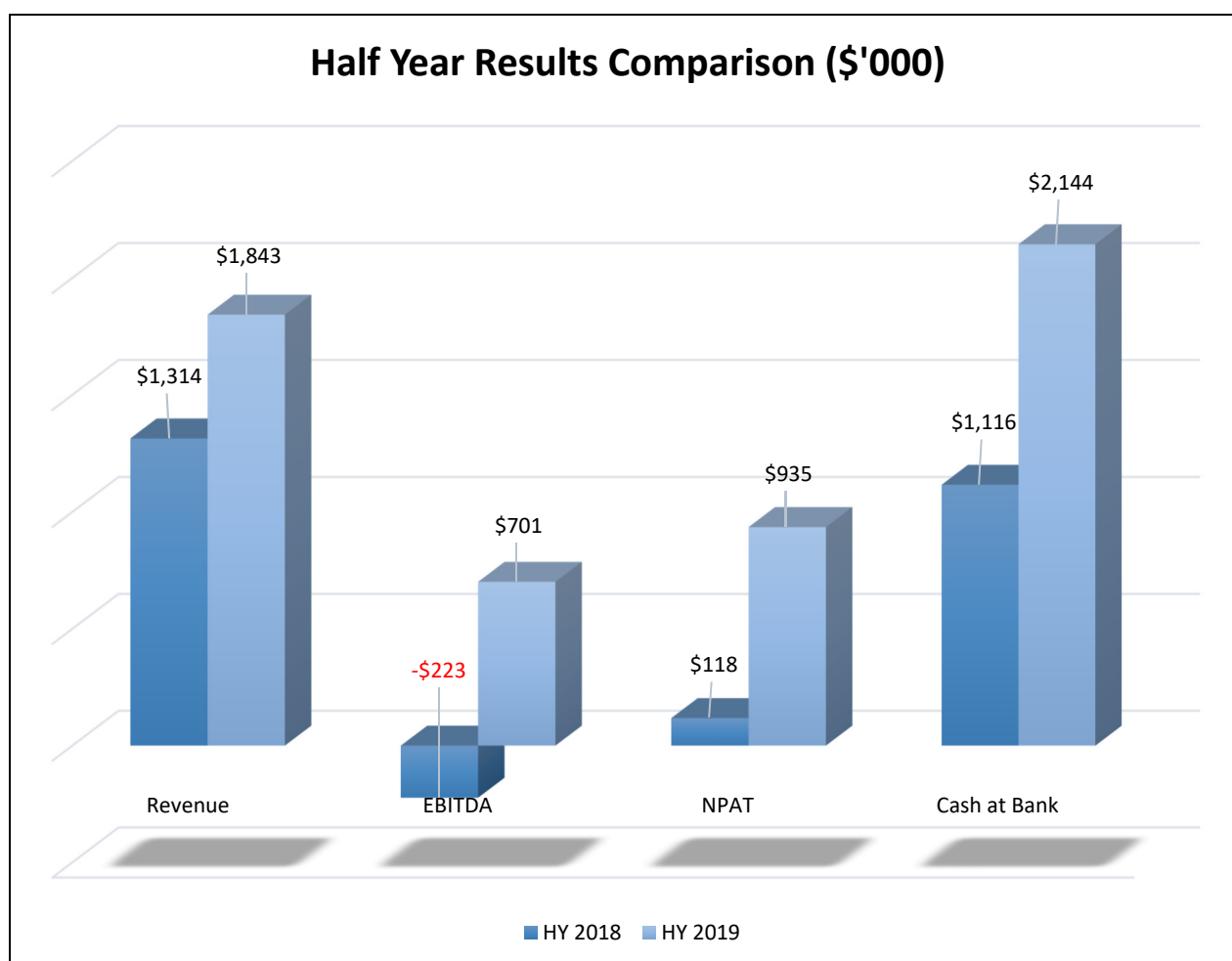
Appendix 4D

Half year report for the half year ended 31 December 2018

(previous corresponding period to 31 December 2017)

Results for announcement to the market

	Change	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Revenues from ordinary activities	Up 40%	1,843	1,314
Profit from ordinary activities after tax attributable to members	Up 692%	935	118
Profit for the period attributable to members	Up 692%	935	118
		31 Dec 2018	31 Dec 2017
Net tangible assets per security (cents)		0.64	0.40



EBITDA and NPAT HY 2019 includes employee share-based payments of \$34,804

Achievements

The Company is pleased to report:

- FerriSmart[®], the Company's AI solution for the quantification of liver iron concentration (LIC), achieved TGA, CE Mark, and FDA clearance in the half year, making it the only regulatory approved artificial intelligence tool for use in liver iron quantification.
- Alliance Partner Agreement signed with Blackford Analysis, granting Blackford the right to promote, market, sell, distribute and license Resonance Health's AI solution FerriSmart[®]. Deploying FerriSmart[®] via the Blackford Platform allows FerriSmart[®] to integrate seamlessly into radiology workflows, delivering results efficiently to radiologists and clinicians.
- An additional 45 sites (hospitals and/or MRI centres) have been onboarded during the half year for the use of Company products, allowing them to use Resonance Health services for clinical purposes or for clinical trials.
- Commercial job analysis volume increased by 12% compared to the corresponding previous half-year.
- The Company has made significant progress in the Dragon 2 Study, a trial looking at several parameters, including protocols attempting to significantly decrease the acquisition time for the FerriScan[®] and FerriSmart[®] protocol. To date, Resonance Health has obtained data sets from over 85 trial subjects, data sets contain images collected via several acquisition protocols profiles of varying scan times. Work is underway to test the protocol across multiple scanner manufacturers. Additionally, various biomarkers have been collected for analysis on the subjects. The first phase of a Dragon 2 sub-study aimed at identifying plasma markers that correlate with liver iron concentration has been completed with the collection of plasma from 60 thalassemia and non-thalassemia subjects.
- Resonance Health executed four multi-year contracts with pharmaceutical and therapeutic companies for the use of FerriScan[®] and other Resonance Health products and services for a combined aggregate total of approximately US\$1,473,000. In relation to the four pharmaceutical and therapeutic companies currently using the Company's products and services, the Company refers to its previous announcements on the following dates:
 - 23/08/2018 - Resonance Health contracted for two new clinical trials
 - 29/10/2018 – Appendix 4C – quarterly
 - 31/10/2018 - New Work Order to provide services for Clinical Trial
- The Company has developed a Cardiac T2* phantom to complement the services Resonance Health is supplying to three pharmaceutical and therapeutic companies in their clinical trials. It is planned that the Cardiac T2* phantoms will be provided annually for the duration of the three previously announced clinical trials. Subject to full completion of these trials, the total dollar value of the Cardiac T2* phantoms will be US\$108,600.
- The FerriScan[®] voucher program was renewed by a pharmaceutical client of the Company for the countries of South Africa and Taiwan for an additional year, for an approximate total dollar value of US\$27,400. Vouchers must be redeemed within a 1 year period, and are used to provide FerriScan[®] and Cardiac T2* services to patients.
- The Company received an R&D Tax Incentive of A\$328,555 for work performed in the 2017/2018 financial year. The refund was for the Company's ongoing R&D in liver and metabolic disease, improvements to core services, and the development of FerriSmart[®].

Resonance Health Limited

(ABN 96 006 762 492)

Half-Year Financial Report

31 December 2018

Corporate Directory

Directors

Dr Martin Blake
Chairman/Non-executive Director

Mr Simon Panton
Non-executive Director

Dr Travis Baroni
Non-executive Director

Mr Mitchell Wells
Non-executive Director

Company secretary

Mr Agha Shahzad Pervez

Website and e-mail address

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

Postal address

PO Box 71
Burswood WA 6100

Securities exchange listing

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

Share registry

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

Auditors

HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000

Registered office and Principal place of business

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

Bankers

National Australia Bank Limited

Solicitors

Steinepreis Paganin
Level 4
16 Milligan Street
Perth WA 6000

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DIRECTORS' REPORT

The directors submit the financial report of the Group for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors:

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

Dr Martin Blake	Non-executive Director – Chairman
Mr Simon Panton	Non-executive Director
Dr Travis Baroni	Non-executive Director
Mr Mitchell Wells	Non-executive Director

Review of Operations:

Resonance Health is an Australian healthcare company specialising in the development and delivery of non-invasive medical imaging software and services. Resonance Health has gained endorsement by leading physicians worldwide for consistently providing highest quality quantitative measurements essential in the management of particular diseases. Our products are used globally by clinicians in the diagnosis and management of human diseases and by pharmaceutical companies in their clinical trials. Resonance Health's dedication to scientific rigour in the development and implementation of its analysis services has enabled it to achieve regulatory clearances on a number of products (SaMD) in the US, Europe and Australia. This rigour extends to a philosophy of quality management in all aspects of our operations. Resonance Health carries ISO 13485:2016 certification.

Resonance Health flagship product FerriScan[®] is the global gold-standard for liver iron concentration quantification, and has become established in many international 'Standards of Care' for Thalassaemia and Sickle Cell Disease. FerriScan is also provided as a dual service with Cardiac T2*, the most widely-accepted MRI-based method for assessing heart iron loading. FerriScan is now available globally in over 450 hospital sites.

FerriScan[®]'s proprietary technology recently has been applied in training neural networks to develop our new product FerriSmart[®], the world's first and only regulatory-cleared Artificial Intelligence tool for the quantification of liver iron concentration.

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

Research and development work continues in inflammation, stereology, and developing further AI solutions. The Company has also signed a Non-exclusive License Agreement with Wisconsin Alumni Research Foundation (WARF) for the use of numerous patents to develop and commercialise new and/or alternative methods for measuring proton density fat fraction (PDFF) from MRI images.

The Company also continues its work on the assessment of opportunities to expand core business through acquisitions, channel partners for existing products, or providing distribution services for products that are an excellent fit with the existing Resonance Health core business and distribution network.

The principal activity of Resonance Health during the period was the delivery of FerriScan® image analysis services for the clinical management of patients with iron overload conditions. This also includes cardiac iron

overload assessments in some countries. Our central image analysis facility provides a range of services to the pharmaceutical industry requiring imaging core lab services for their clinical trials.

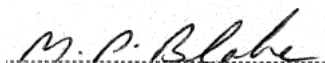
Financial and Operational Summary:

- Net profit reported for the half-year was \$934,650 compared to a profit of \$117,935 in the previous corresponding half-year.
Sales revenue increase by 40% to \$1,829,999 from \$1,306,774 compared to the previous corresponding half-year.
Operating expenses (excluding foreign exchange) were down by 23% or \$377,258 lower compared to the previous corresponding half-year. The decrease in expenses are due to the completion of the organisational restructuring.
Income Tax benefit of \$328,555 is the R&D Tax Incentive benefit for eligible expenditure conducted by the company for the financial year ended 30 June 2018.
- Research and development expenditure totalled \$430,725 for the half-year, down from \$608,102 in the previous corresponding half-year. This comprised capitalised development costs of \$193,543 that are recognised as an intangible asset on the Statement of Financial Position and items recognised in the Statement of Comprehensive Income, being \$95,367 amortisation expense, \$54,502 research and development expense and \$87,313 employee benefits expense.
- Intangible assets, representing capitalised development expenditure, totalled \$2,520,856 at the end of the half-year, compared to \$2,422,680 at the end of the 30 June 2018 financial year.
- Resonance Health has no debt and \$2,144,370 in cash and equivalents at the end of the half-year, compared to \$1,549,088 at 30 June 2018.
- The reported cash used in operating activities was lower than in the previous corresponding half-year, due to an increase in receipts and decrease in expenses.

Auditor's Independence Declaration:

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2018.

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



Dr Martin Blake
Chairman

Dated this 25th day of February 2019.



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Resonance Health Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

Perth, Western Australia
25 February 2019

M R Ohm
Partner

hl**b.com.au**

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Notes	Consolidated	
		31 December 2018 \$	31 December 2017 \$
Sales revenue	2	1,829,999	1,306,774
Other income	2	13,239	7,024
Revenue		1,843,238	1,313,798
Employee benefits expense		(707,345)	(848,873)
Consulting and professional services		(37,940)	(38,889)
Research and development		(54,502)	(74,011)
Depreciation expense		(12,507)	(13,860)
Amortisation expense		(95,367)	(104,469)
Marketing and travel		(146,386)	(337,355)
Statutory and compliance		(78,913)	(57,506)
Foreign exchange gain/(loss)		29,360	(4,006)
Other expenses		(133,543)	(168,798)
Profit/ (Loss) before income tax		606,095	(333,969)
Income tax benefit	3	328,555	451,904
Net profit for the half-year		934,650	117,935
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		934,650	117,935
Basic earnings per share from continuing operations (cents per share)		0.23	0.03
Diluted earnings per share from continuing operations (cents per share)		0.23	0.03

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

		Consolidated	
		31 December 2018	30 June 2018
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		2,144,370	1,549,088
Trade and other receivables		794,798	573,623
Other assets		90,674	33,632
Total Current Assets		3,029,842	2,156,343
Non-Current Assets			
Plant and equipment		49,375	60,986
Intangible assets	4	2,520,856	2,422,680
Other assets		45,900	45,900
Total Non-Current Assets		2,616,131	2,529,566
Total Assets		5,645,973	4,685,909
Liabilities			
Current Liabilities			
Trade and other payables		432,595	401,631
Provisions		63,582	58,600
Other liabilities		46,104	91,440
Total Current Liabilities		542,281	551,671
Total Liabilities		542,281	551,671
Net Assets		5,103,692	4,134,238
Equity			
Issued capital	5	69,424,199	69,424,199
Reserves		5,422	(29,382)
Accumulated losses		(64,325,929)	(65,260,579)
Total Equity		5,103,692	4,134,238

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Consolidated				
	Issued Capital	Foreign Currency Translation Reserve	Option Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2018	69,424,199	(270,580)	241,198	(65,260,579)	4,134,238
Net profit for the half-year	-	-	-	934,650	934,650
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	934,650	934,650
Options issued	-	-	34,804	-	34,804
Balance at 31 December 2018	69,424,199	(270,580)	276,002	(64,325,929)	5,103,692
Balance at 1 July 2017	69,424,199	(270,580)	66,284	(65,485,198)	3,734,705
Net profit for the half-year	-	-	-	117,935	117,935
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	117,935	117,935
Options Issued	-	-	-	-	-
Balance at 31 December 2017	69,424,199	(270,580)	66,284	(65,367,263)	3,852,640

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
	<i>Inflows/(Outflows)</i>	
Cash flows from operating activities		
Receipts from customers	1,586,929	1,170,845
Payments to suppliers and employees	(1,155,638)	(1,410,673)
Interest received	10,949	7,094
Research and development tax incentive	328,555	-
Net cash provided by (used in) operating activities	770,795	(232,734)
Cash flows from investing activities		
Payments for plant and equipment	(896)	(18,694)
Payments for intangible assets	(186,933)	(307,772)
Net cash used in investing activities	(187,829)	(326,466)
Net increase/ decrease in cash and cash equivalents	582,966	(559,200)
Foreign exchange differences on cash balances	12,316	(10,123)
Cash and cash equivalents at beginning of half-year	1,549,088	1,685,375
Cash and cash equivalents at end of half-year	2,144,370	1,116,052

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Resonance Health Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of Preparation

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

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

Accounting policies and methods of computation

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

Adoption of new and revised standards

Standards and interpretations applicable to 31 December 2018

In the half-year ended 31 December 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 half-year reporting periods.

AASB 15 Revenue from Contracts with Customers

Resonance Health Limited has elected to adopt AASB 15 using the modified retrospective method with an initial date of application of 1 July 2018.

The key changes to the interim financial statements are:

- The comparative information for each of the primary financial statements is presented based on the requirements of AASB 111, AASB 118 and related Interpretations.
- The cumulative catch-up adjustment to the opening balance of retained earnings (or other components of equity) as at 1 July 2018, either for all contracts or only for contracts that are not completed at the date of initial application, is recognised in the statement of changes in equity for the six months ended 31 December 2018 and would be disclosed in Note 1(a).
- The narrative in Note 1(a), describes the changes and impact of adopting AASB 15.
- The Group has elected to apply that method to all contracts at date.
- The disclosure of disaggregated revenue in Note 1(b) does not include comparative information under AASB 15

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Other than the above, 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 of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2019. Those which may have a significant impact to the Group are set out below. The Group does not plan to adopt the standards earlier.

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 statement of financial position 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 depreciation 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.

NOTE 1(a): AASB 16 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 gives rise to changes in the timing of revenue and cost recognition with a date of initial application of 1 July 2018. AASB 15 does not impact upon the lifetime profitability of contracts or the cash flow of contract.

AASB 15 replaces all existing revenue requirements in AASB 118, AASB 111 and related interpretation and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards.

The standard outlines the principles entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The principles in AASB 15 must be applied using the following five step model:

- (1) Identify the contract(s) with a customer
- (2) Identify the performance obligations in the contract
- (3) Determine the transaction price
- (4) Allocate the transaction price to the performance obligations in the contract
- (5) Recognise revenue when or as the entity satisfies its performance obligations

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group has applied AASB 15 using the modified retrospective application method and accordingly has not restated prior year comparatives and elected to use the following expedient. In respect of completed contracts, the Group will not restate contracts that (i) begin and end within the same annual reporting period; or (ii) are completed contracts at date of initial application.

There is no material impact on the adoption of AASB 15.

Accounting policy for revenue

The Group generates revenue largely in the United States of America and Great Britain.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related statement items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Group incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

For contracts with multiple components to be delivered such as establishment services, trial establishment project and data management, project and data management services and analysis services management applies judgement to consider whether those promised goods and services are (i) distinct - to be accounted for as separate performance obligations; (ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long term contracts, this is in general due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

When using the output method the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, in particular for long term service contracts where the series guidance is applied, the Group often uses a method of time elapsed which requires minimal estimation. Certain long term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the over time criteria, the Group recognises revenue at a point in time. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

The Group disaggregates revenue from contracts with customers by contract type, which includes (i) commercial revenue, (ii) voucher revenue, (iii) clinical trial revenue and (iv) other study income as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows.

The nature of contracts or performance obligations categorised within this revenue type includes (i) establishment services, (ii) trial establishment project and data management, (iii) project and data management services, and (iv) analysis services.

The service contracts in this category include contracts with either a single or multiple performance obligations.

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are (i) substantially the same and (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g., monthly or annual services)) and therefore treats the series as one performance obligation.

(i) Establishment services

Encompasses different services from which the customer is able to benefit from on their own or with other readily available resources. Accordingly revenues are recognised at a point in time when the service is delivered.

(ii) Trial establishment project and data management

Revenues are recognised when the contract is signed and the trial establishment activities have been performed. The customer can benefit from these activities on their own or with other readily available resources.

(iii) Project and data management services

Revenues are recognised over the contract period as the service is provided.

(iv) Analysis services

Revenues are recognised at a point in time following the completion of the analysis and report compilation.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contract fulfilment assets

As a result of the contracts which the Group enters into with its customers, a number of different assets and liabilities are recognised on the Group's balance sheet. These include but are not limited to:

- Trade receivables*
- Accrued income*
- Deferred income*

* No change in the accounting policies for these assets as a result of the adoption of AASB 15.

Deferred and accrued income

The Group's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. The Group often agrees payment schedules at the inception of long term contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance.

Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income contract asset for this difference.

NOTE 1(b): DISAGGREGATED REVENUE

Consolidated
Six months to
31 December
2018
\$

The group derives its revenue from the services at a point in time and over time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment:

Commercial Revenue	1,033,824
Voucher Program	88,647
Clinical Trials	663,672
Other Studies	43,856
Total Revenue from contracts with customers	1,829,999

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

NOTE 1(b): DISAGGREGATED REVENUE (CONT'D)

Reconciliation of revenue from contracts with customers with the amounts disclosed in segment information

	Consolidated Six months to 31 December 2018 \$
Segment revenue	1,829,999
Adjustments and eliminations	-
Total revenue from contracts with customers	<u>1,829,999</u>

NOTE 2: REVENUE

	Consolidated	
	Six months to 31 December 2018 \$	Six months to 31 December 2017 \$

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

(a) Sales revenue

Sales to external customers	<u>1,829,999</u>	<u>1,306,774</u>
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(b) Other income

Interest received	<u>13,239</u>	<u>7,024</u>
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NOTE 3: INCOME TAX BENEFIT

The tax consolidated group has received a R&D Tax Incentive in the half-year ended 31 December 2018 for the amount of \$328,555 (31 December 2017: \$451,904).

Resonance Health Limited and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation from 1st July 2012. The accumulated income tax losses of \$11,310,656 as at 30th June 2018 which are not tax affected \$3,110,431.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 4: INTANGIBLE ASSETS

	Consolidated	
	Six months to 31 December 2018 \$	Year ended 30 June 2018 \$
Development expenditure		
At cost	3,314,487	3,120,944
Less: Accumulated amortisation	(793,631)	(698,264)
Total development expenditure	<u>2,520,856</u>	<u>2,422,680</u>

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

Carrying amount at the beginning of the period	2,422,680	2,129,985
Additions	193,543	445,814
Amortisation expense	(95,367)	(153,119)
Carrying amount at the end of the period	<u>2,520,856</u>	<u>2,422,680</u>

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

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 5: ISSUED CAPITAL

	Consolidated	
	Six months to 31 December 2018	Year ended 30 June 2018
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	69,424,199	69,424,199

Movement in ordinary shares

	Six months to 31 December 2018		Year ended 30 June 2018	
	Number of shares	\$	Number of shares	\$
Balance at beginning of period	402,497,568	69,424,199	402,497,568	69,419,199
Balance at end of period	402,497,568	69,424,199	402,497,568	69,424,199

NOTE 6: SEGMENT REPORTING

The table below represents the revenue and profit/(loss) information regarding the segment information provided to the Chief Operating Decision Maker, which is the Board of Directors, for the half-years ended 31 December 2018 and 31 December 2017.

Business segments

The following tables present revenue and profit/(loss) information and certain asset and liability information regarding business segments for the half-years ended 31 December 2018 and 31 December 2017.

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

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Consolidated			Total \$
	Services	Research and Development	Corporate	
	\$	\$	\$	
31 December 2018				
Sales revenue to external customers	1,829,999	-	-	1,829,999
Interest received	-	-	13,239	13,239
Segment revenue	1,829,999	-	13,239	1,843,238
Segment profit/(loss) before taxation	1,006,617	(141,815)	(258,707)	606,095
Segment assets	794,798	2,520,856	2,330,319	5,645,973
Segment liabilities	478,699	-	63,582	542,281
31 December 2017				
Sales revenue to external customers	1,306,774	-	-	1,306,774
Interest received	-	-	7,024	7,024
Segment revenue	1,306,774	-	7,024	1,313,798
Segment profit/(loss) before taxation	192,455	(266,464)	(259,960)	(333,969)
Segment assets	1,069,110	2,262,686	1,315,461	4,647,257
Segment liabilities	750,472	-	44,145	794,617

There are no changes in regards to the basis of reporting on segmentation or to the basis of reporting on segment profit/(loss) from the position at 30 June 2018.

NOTE 7: FINANCIAL INSTRUMENTS

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position.

The carrying amounts of current receivables and current payables are considered to be a reasonable approximation of their fair value.

NOTE 8: CONTINGENT LIABILITIES

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

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

NOTE 10: 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 \$34,804.

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	08/11/2018	09/03/2021	0.03	\$97,424
Series 2	4,750,000	08/11/2018	09/03/2021	0.05	\$47,872
Series 3	4,500,000	08/11/2018	09/03/2021	0.075	\$32,818
Series 4	4,750,000	08/11/2018	09/03/2021	0.10	\$26,468
Series 5	250,000	08/11/2018	13/09/2021	0.05	\$2,908
Series 6	250,000	08/11/2018	13/09/2021	0.075	\$2,227

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

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

	Six months to 31 December 2018		Year to 30 June 2018	
	Number	Weighted Average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of period	21,000,000	\$0.06	-	-
Granted during the period	500,000	\$0.06	21,000,000	\$0.06
Forfeited during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of period	21,500,000	\$0.06	21,000,000	\$0.06
Exercisable at the end of period	21,500,000	\$0.06	21,000,000	\$0.06

No share options were exercised during 2018.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 10: SHARE-BASED PAYMENTS (CONT'D)

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	83	2.27	3.00	0.0300	0.0290
Series 2	0	83	2.27	3.00	0.0500	0.0290
Series 3	0	83	2.27	3.00	0.0750	0.0290
Series 4	0	83	2.27	3.00	0.1000	0.0290
Series 5	0	83	2.27	3.00	0.0500	0.0290
Series 6	0	83	2.27	3.00	0.0750	0.0290

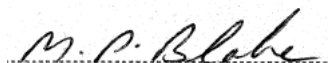
The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other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

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Dr Martin Blake
Chairman

Dated this 25th day of February 2019



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Resonance Health Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Resonance Health Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
25 February 2019**

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

**M R Ohm
Partner**