

Resonance Health Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Resonance Health Limited
ABN:	96 006 762 492
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	8% to	1,882,843
Loss from ordinary activities after tax attributable to the owners of Resonance Health Limited	down	129% to	(225,409)
Loss for the half-year attributable to the owners of Resonance Health Limited	down	129% to	(225,409)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to \$225,409 (31 December 2020: profit of \$769,665).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.92</u>	<u>1.89</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

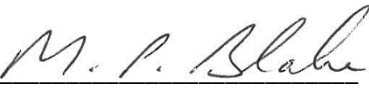
The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-Year Financial Report.

8. Attachments

Details of attachments (if any):

The Half-Year Financial Report of Resonance Health Limited for the half-year ended 31 December 2021 is attached.

9. Signed

Signed 

Date: 25 February 2022

Dr Martin Blake
Chairman
Perth, Western Australia

Resonance Health Limited

ABN 96 006 762 492

Half-Year Financial Report - 31 December 2021

Resonance Health Limited
Corporate directory
31 December 2021

Directors	Mr Mitchell Wells - Managing Director Dr Martin Blake - Non-executive Chairman Mr Simon Panton - Non-executive Director Dr Travis Baroni - Non-executive Director
Company secretary	Mr Nicholas Allan
Registered office	141 Burswood Road BURSWOOD WA 6100 T: +61 8 9286 5300 F: +61 8 9286 5399
Principal place of business	141 Burswood Road BURSWOOD WA 6100 T: +61 8 9286 5300 F: +61 8 9286 5399
Share register	Advanced Share Registry Ltd 110 Stirling Highway Nedlands WA 6009 Telephone: +61 8 9389 8033 Fax: +61 8 93897871
Auditor	HLB Mann Judd (WA) Partnership Level 4 130 Stirling Street Perth WA 6000
Solicitors	Steinepreis Paganin Level 4, The Reed Building 16 Milligan Street Perth WA 6000
Bankers	National Australia Bank Limited
Stock exchange listing	Resonance Health Limited shares are listed on the Australian Securities Exchange (ASX code: RHT)
Website	www.resonancehealth.com email: info@resonancehealth.com

Resonance Health Limited

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Resonance Health Limited
Directors' report
31 December 2021

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Resonance Health Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were Directors of Resonance Health Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Dr Martin Blake
Mr Mitchell Wells
Mr Simon Panton
Dr Travis Baroni

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.

Review of operations

The loss for the Group after providing for income tax amounted to \$225,409 (31 December 2020: profit of \$769,665).

Sales revenue decreased by 8% to \$1,882,843 from \$2,037,047 compared to the previous corresponding half-year.

Sales revenue in the period was adversely affected by the impact of COVID-19 on the Company's customer base (of which over 96% is located outside Australia) with the virus impacting access to MRI facilities by patients and thus the ability of the Company to deliver its analysis services. In addition the period saw the conclusion of a number of clinical trials to which the Company was providing analysis and management services. Recent sales volumes have now largely returned to pre-COVID levels and the Company has secured two new clinical trial contracts and is in advanced negotiations for a number of others.

The increased employment and marketing expenses in the period reflected the Company's focus on building the business to drive future revenue growth, through the initiation of a global sales & marketing strategy and the recruitment of sales & marketing and technology teams to execute this strategy.

Research and development expenditure totalled \$785,060 for the half-year, (31 December 2020: \$510,959). This comprised capitalised development costs of \$341,370 that are recognised as an intangible asset on the Statement of Financial Position and items recognised in the Statement of Comprehensive Income, being \$153,486 amortisation expense and \$290,204 research and development expense.

Intangible assets, representing capitalised development expenditure, totalled \$2,782,514 at the end of the half-year, (30 June 2021: \$2,594,630).

The Group has no debt and \$7,835,059 cash and cash equivalents at the end of the half-year, (30 June 2021: \$8,856,820).

Key activities during the half year ended 31 December 2021 include the following:

- Focus on building business to drive future revenue growth, through development of global sales & marketing strategy, recruitment of high-calibre sales & marketing and technology teams, and further product development aligned to identified market opportunities.
- Evolution of product suite to meet identified market opportunities: LiverSmart™ - a new AI medical device, which combines two existing regulatory-cleared Resonance Health products (FerriSmart® and HepaFat-AI®) into a single multi-parametric MRI session, launched and receives FDA approval.
- Recruitment of dedicated global salesforce underway including US Sales Manager, Global Marketing Manager, and US-based Clinical Trials Specialist, together with new sales personnel in India, South Korea and the UK.
- Appointment of internationally recognised leader in liver-related diseases Professor John Olynyk as the Company's Chief Medical Officer.
- Recruitment of a highly capable technology development team including Chief Technology Officer (CTO) and a Senior Software Developer, to drive ongoing product development and enhancements and improved integration with customer systems, and improvements in service delivery and customer experience.
- Signing of Patient Access to FerriSmart® Letter of Agreement with Thalassaemia International Federation, a World Health Organisation-affiliated disease advocacy organisation with 240 member associations across 62 countries.
- Antisense Oligonucleotide RNA Therapeutics R&D Project dosing study completed, with the Company's ASO drug EX00A31 treatment well-tolerated while suppressing disease markers of liver inflammation and fibrosis; the Company is now proceeding with preclinical validation of EX00A31 against both the Hepatitis B and Hepatitis C virus in a humanized-liver mouse model.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

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

On behalf of the Directors



Dr Martin Blake
Chairman

25 February 2022
Perth, Western Australia

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 2021, 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.

Perth, Western Australia
25 February 2022



M R Ohm
Partner

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

Resonance Health Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$	\$
Revenue	4	1,882,843	2,037,047
Other income	5	1,916	238,925
Expenses			
Depreciation expense		(55,193)	(42,108)
Amortisation expense		(153,486)	(141,633)
Share-based payments		(3,813)	(16,000)
Marketing & travel		(488,566)	(116,949)
Consulting and professional services		(143,259)	(76,963)
Employee benefits expense		(1,117,691)	(782,085)
Research and development		(290,204)	(200,936)
Statutory and compliance		(105,035)	(102,954)
Foreign exchange gain/(loss)		74,476	(161,340)
Other expenses		(252,731)	(107,673)
(Loss)/profit before income tax benefit		(650,743)	527,331
Income tax benefit	6	425,334	242,334
(Loss)/profit after income tax benefit for the half-year attributable to the owners of Resonance Health Limited		(225,409)	769,665
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive (loss)/income for the half-year attributable to the owners of Resonance Health Limited		(225,409)	769,665
		Cents	Cents
Basic (loss)/earnings per share		(0.05)	0.17
Diluted (loss)/earnings per share		(0.05)	0.17

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Resonance Health Limited
Statement of financial position
As at 31 December 2021

		Consolidated	
	Note	31 Dec 2021	30 June 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		7,835,059	8,856,820
Trade and other receivables		1,412,157	790,375
Other assets		129,463	43,008
Total current assets		<u>9,376,679</u>	<u>9,690,203</u>
Non-current assets			
Property, plant and equipment	7	139,881	52,481
Right-of-use assets		293,506	55,925
Intangibles	8	2,782,514	2,594,630
Other assets		82,886	45,900
Total non-current assets		<u>3,298,787</u>	<u>2,748,936</u>
Total assets		<u>12,675,466</u>	<u>12,439,139</u>
Liabilities			
Current liabilities			
Trade and other payables		719,679	492,508
Lease liabilities	9	77,515	60,105
Provisions		6,515	26,924
Other liabilities		37,126	32,201
Total current liabilities		<u>840,835</u>	<u>611,738</u>
Non-current liabilities			
Lease liabilities	9	228,826	-
Total non-current liabilities		<u>228,826</u>	<u>-</u>
Total liabilities		<u>1,069,661</u>	<u>611,738</u>
Net assets		<u>11,605,805</u>	<u>11,827,401</u>
Equity			
Issued capital	10	73,882,788	73,882,788
Reserves		2,067,990	2,064,177
Accumulated losses		<u>(64,344,973)</u>	<u>(64,119,564)</u>
Total equity		<u>11,605,805</u>	<u>11,827,401</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Resonance Health Limited
Statement of changes in equity
For the half-year ended 31 December 2021

	Issued capital \$	Foreign currency translation reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2020	72,565,449	(270,580)	2,316,530	(64,705,422)	9,905,977
Profit after income tax benefit for the half-year	-	-	-	769,665	769,665
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	769,665	769,665
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	358,500	-	-	-	358,500
Balance at 31 December 2020	<u>72,923,949</u>	<u>(270,580)</u>	<u>2,316,530</u>	<u>(63,935,757)</u>	<u>11,034,142</u>
	Issued capital \$	Foreign currency translation reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2021	73,882,788	(270,580)	2,334,757	(64,119,564)	11,827,401
Loss after income tax benefit for the half-year	-	-	-	(225,409)	(225,409)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(225,409)	(225,409)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 16)	-	-	3,813	-	3,813
Balance at 31 December 2021	<u>73,882,788</u>	<u>(270,580)</u>	<u>2,338,570</u>	<u>(64,344,973)</u>	<u>11,605,805</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Resonance Health Limited
Statement of cash flows
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,704,905	1,943,601
Payments to suppliers and employee		<u>(2,291,333)</u>	<u>(1,457,677)</u>
		(586,428)	485,924
Interest received		3,562	37,336
Grants received		-	308,020
Research and development tax incentive		<u>-</u>	<u>242,334</u>
Net cash (used in)/from operating activities		<u>(582,866)</u>	<u>1,073,614</u>
Cash flows from investing activities			
Payments for property, plant and equipment	7	(101,930)	(12,094)
Payments for intangibles	8	<u>(341,370)</u>	<u>(161,009)</u>
Net cash used in investing activities		<u>(443,300)</u>	<u>(173,103)</u>
Cash flows from financing activities			
Proceeds from issue of shares	10	-	342,500
Repayment of lease liabilities		(33,083)	(27,226)
Payments for cash backed guarantees		<u>(36,986)</u>	<u>-</u>
Net cash (used in)/from financing activities		<u>(70,069)</u>	<u>315,274</u>
Net (decrease)/increase in cash and cash equivalents		(1,096,235)	1,215,785
Cash and cash equivalents at the beginning of the financial half-year		8,856,820	6,974,237
Effects of exchange rate changes on cash and cash equivalents		<u>74,474</u>	<u>(82,836)</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>7,835,059</u></u>	<u><u>8,107,186</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Resonance Health Limited as a Group consisting of Resonance Health Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Resonance Health Limited's functional and presentation currency.

Resonance Health Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

141 Burswood Road
BURSWOOD WA 6100
T: +61 8 9286 5300
F: +61 8 9286 5399

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on ____ February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liability in the ordinary course of business.

Note 3. Operating segments

Identification of reportable operating segments

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.

Note 3. Operating segments (continued)

Business Segments

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the half-year ended 31 December 2021.

	Services \$	Research and development \$	Corporate \$	Other segments \$	Total \$
Consolidated - 31 Dec 2021					
Revenue					
Sales to external customers	1,882,843	-	-	-	1,882,843
Total revenue	1,882,843	-	-	-	1,882,843
Total revenue	1,882,843	-	-	-	1,882,843
Other income	-	-	1,916	-	1,916
Other expenses	(1,012,118)	(848,971)	(674,413)	-	(2,535,502)
(Loss)/profit before income tax benefit	870,725	(848,971)	(672,497)	-	(650,743)
Income tax benefit					425,334
Loss after income tax benefit					(225,409)
Assets					
Segment assets	938,009	2,782,514	8,954,943	-	12,675,466
Total assets					12,675,466
Liabilities					
Segment liabilities	-	-	1,069,661	-	1,069,661
Total liabilities					1,069,661
Consolidated - 31 Dec 2020					
Revenue					
Sales to external customers	2,037,047	-	-	-	2,037,047
Total revenue	2,037,047	-	-	-	2,037,047
Total revenue	2,037,047	-	-	-	2,037,047
Other income	-	-	238,925	-	238,925
Other expenses	(1,262,440)	(172,185)	(314,016)	-	(1,748,641)
(Loss)/profit before income tax benefit	774,607	(172,185)	(75,091)	-	527,331
Income tax benefit					242,334
Profit after income tax benefit					769,665
Consolidated - 30 June 2021					
Assets					
Segment assets	703,807	2,645,969	9,089,363	-	12,439,139
Total assets					12,439,139
Liabilities					
Segment liabilities	32,201	-	579,537	-	611,738
Total liabilities					611,738

The group derived 12% of its external customer sales revenue from one major customer.

Note 3. Operating segments (continued)

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.

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Asia/Pacific	92,813	71,111
North America	1,319,561	1,422,241
EMEA	470,469	543,695
	<u>1,882,843</u>	<u>2,037,047</u>
Total sales to external customers	<u>1,882,843</u>	<u>2,037,047</u>

Note 4. Revenue

Disaggregation of revenue

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:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
<i>Revenue from contracts with customers</i>		
Commercial revenue	1,173,685	1,188,705
Voucher program	-	16,056
Clinical trials	600,484	804,862
Other studies	108,674	27,424
	<u>1,882,843</u>	<u>2,037,047</u>
Revenue	<u>1,882,843</u>	<u>2,037,047</u>

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Segment revenue	1,882,843	2,037,047
Adjustments and eliminations	-	-
	<u>1,882,843</u>	<u>2,037,047</u>
Total revenue from contracts with customers	<u>1,882,843</u>	<u>2,037,047</u>

Resonance Health Limited
Notes to the financial statements
31 December 2021

Note 5. Other income

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Subsidies and grants	-	206,095
Interest revenue	1,916	32,830
	<u>1,916</u>	<u>32,830</u>
Other income	<u>1,916</u>	<u>238,925</u>

Note 6. Income tax

Resonance Health Limited and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation from 1st July 2012.

The tax consolidated group is entitled to an R&D Tax Incentive refund after the half-year ended 31 December 2021 for the amount of \$425,334 (31 December 2020: \$242,334).

Note 7. Property, plant and equipment

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	239,909	153,873
Less: Accumulated depreciation	<u>(100,028)</u>	<u>(101,392)</u>
	<u>139,881</u>	<u>52,481</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial half-year are set out below:

Consolidated	\$
Balance at 1 July 2020	27,431
Additions	44,119
Depreciation expense	<u>(19,069)</u>
Balance at 30 June 2021	52,481
Additions	101,930
Depreciation expense	<u>(14,530)</u>
Balance at 31 December 2021	<u>139,881</u>

Note 8. Intangibles

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
<i>Non-current assets</i>		
Research & development - at cost	4,409,876	4,068,506
Less: Accumulated amortisation	<u>(1,627,362)</u>	<u>(1,473,876)</u>
	<u>2,782,514</u>	<u>2,594,630</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial periods are set out below:

Consolidated	\$
Balance at 1 July 2020	2,532,122
Additions	351,674
Amortisation expense	<u>(289,166)</u>
Balance at 30 June 2021	2,594,630
Additions	341,370
Amortisation expense	<u>(153,486)</u>
Balance at 31 December 2021	<u>2,782,514</u>

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. Impairment tests are also required for intangible assets not yet ready for use regardless of the existence of indicator of impairment. 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.

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.

Note 9. Lease liabilities

The Group leases only premises. The remaining term of the lease as of 31 December 2021 is 44 months. The incremental borrowing rate applied to this lease is 3.60%.

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
<i>Current liabilities</i>		
Lease liability	77,515	60,105
<i>Non-current liabilities</i>		
Lease liability	228,826	-
	<u>306,341</u>	<u>60,105</u>

Refer to note 12 for further information on financial instruments.

Underlying assets serve as security for the related lease liabilities. A maturity analysis of future minimum lease payments is presented below:

	Lease payments due		
	< 1 year	1 - 2 years	Total
Lease payments	87,018	240,298	327,316
Interest	(9,503)	(11,472)	(20,975)
Net present values	<u>77,515</u>	<u>228,826</u>	<u>306,341</u>

Note 10. Issued capital

	Consolidated			
	31 Dec 2021	30 June 2021	31 Dec 2021	30 June 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>461,149,601</u>	<u>461,149,601</u>	<u>73,882,788</u>	<u>73,882,788</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2020	443,773,933	72,565,449
Shares issued on conversion of options		17,000,000	1,250,000
Shares issued under ESP		78,048	16,000
Shares issued for research and development projects ¹		297,620	51,339
Balance	30 June 2021	<u>461,149,601</u>	<u>73,882,788</u>
Balance	31 December 2021	<u>461,149,601</u>	<u>73,882,788</u>

Note 10. Issued capital (continued)

The Controlled Placement Agreement ("CPA") that was entered into on 18 April 2019, was initially established with a limit of \$5m and the Company has utilised the CPA to raise a total of \$2.75m. On 30 June 2021 it was announced that the CPA limit was increased to \$7.75m and expiry date was extended to 31 July 2023. The Company now has available capacity of \$5m under the CPA.

There is no requirement to utilise the CPA and there were no fees or costs associated with the increase in and extension of the CPA.

(1) 297,620 shares were issued to the Telethon Kids Institute on 11 June 2021 at an issue price of \$0.1725.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 11. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. 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 13. Contingent liabilities

On 10 September 2020 the Company announced that they had entered into a licence agreement with the Telethon Kids Institute ("Telethon Kids") and the Erasmus University Medical Centre for the use of computer tomography ("PRAGMA-CF Data") datasets that will be used by the Company in the potential development of a new artificial intelligence ("AI") algorithm for the automated assessment of lung disease progression in patients with cystic fibrosis.

Under the agreement a 10% net royalty on all sales of the analysis performed by the Device will be payable by the Group and a further 297,620 ordinary shares will be issued on submission of the medical device dossier.

Note 14. Related party transactions

Parent entity

Resonance Health Limited is the parent entity.

Note 14. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Sale of goods and services:		
Services provided to Perth Radiological Clinic *	809	809
Payment for goods and services:		
Services provided by Perth Radiological Clinic *	60	60

* Dr Martin Blake is a shareholder, Chairman and consulting Radiologist of Perth Radiological Clinics.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 16. Share-based payments

The Company has an Employee Incentive Option Plan for key staff members and consultants of the Company.

Set out below are summaries of options granted under the plan:

	Number of options 31 Dec 2021	Weighted average exercise price 31 Dec 2021	Number of options 30 Jun 2021	Weighted average exercise price 30 Jun 2021
Outstanding at the beginning of the financial period	13,200,000	\$0.170	32,200,000	\$0.122
Forfeited	-	\$0.000	(2,000,000)	\$0.115
Exercised	-	\$0.000	(17,000,000)	\$0.075
Expired	-	\$0.000	-	\$0.000
Cancelled	-	\$0.000	-	\$0.000
Outstanding at the end of the financial period	<u>13,200,000</u>	\$0.170	<u>13,200,000</u>	\$0.170
Exercisable at the end of the financial period	<u>13,200,000</u>	\$0.170	<u>13,200,000</u>	\$0.170

Reconciliation of share based payments expense:

Resonance Health Limited
Notes to the financial statements
31 December 2021

Note 16. Share-based payments (continued)

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Options to staff and consultants	3,813	-
Employee share plan	-	16,000
	<u>3,813</u>	<u>16,000</u>

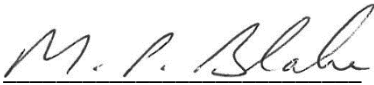
Resonance Health Limited
Directors' declaration
31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Dr Martin Blake
Chairman

25 February 2022
Perth, Western Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Resonance Health Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Resonance Health Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement profit or loss and other 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 information, and the directors' declaration, for the consolidated entity 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 interim financial report of Resonance Health Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us

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believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 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*.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
25 February 2022



M R Ohm
Partner