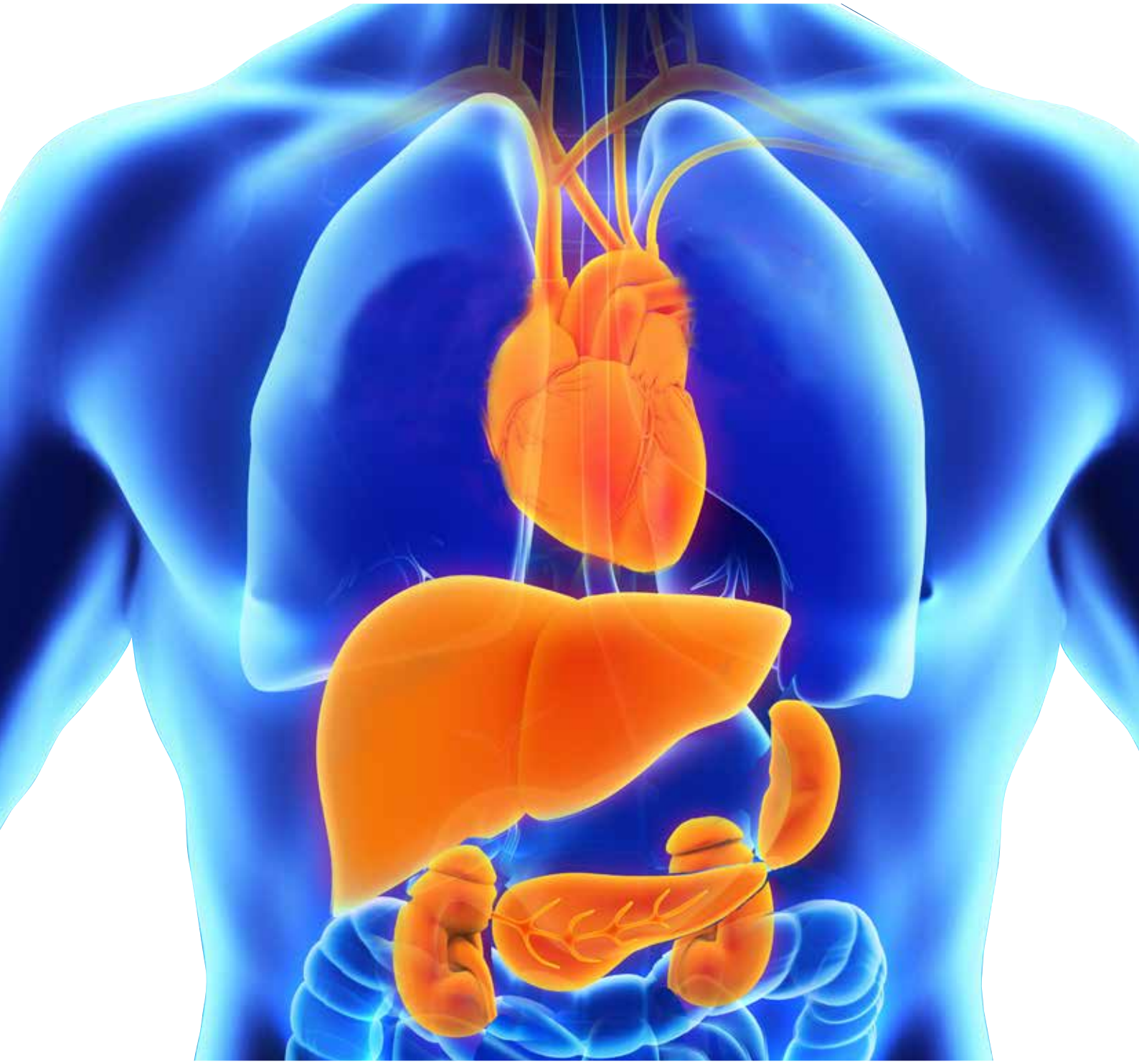
Resonance Health

Be Better Informed



Annual Report 2016

CORPORATE INFORMATION

ABN 96 006 762 492

Directors

Dr Martin Blake
Non-executive Chairman

Mr Simon Panton
Non-executive Director

Dr Jason Loveridge
Non-executive Director

Company secretary

Mr Adrian Bowers

Securities exchange listing

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

Registered office and principal place of business

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Website and e-mail address

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PERTH WA 6000

Share registry

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Bankers

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Solicitors

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

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FINANCIAL REPORT

About

Resonance Health develops and delivers medical imaging solutions and services to accurately and non-invasively quantify clinical parameters. This information assists clinicians in their diagnosis and management of human disease and supports pharmaceutical companies in the development of treatments. The Company's flagship product, FerriScan®, is globally recognised as the gold standard for measurement of liver iron concentration (LIC). FerriScan is also provided as a dual service together with an assessment of cardiac iron load. The Company's more recent product, HepaFat-Scan®, provides a measurement of volumetric liver fat fraction (VLFF) and is generating interest for improving outcomes for patients, including those with fatty liver disease.

Resonance Health is expanding its portfolio of products and has also developed technologies for application in additional organs including the bone marrow, pancreas, and spleen. The Company continues work on pipeline products including tools for non-invasive measurement of liver fibrosis and inflammation.

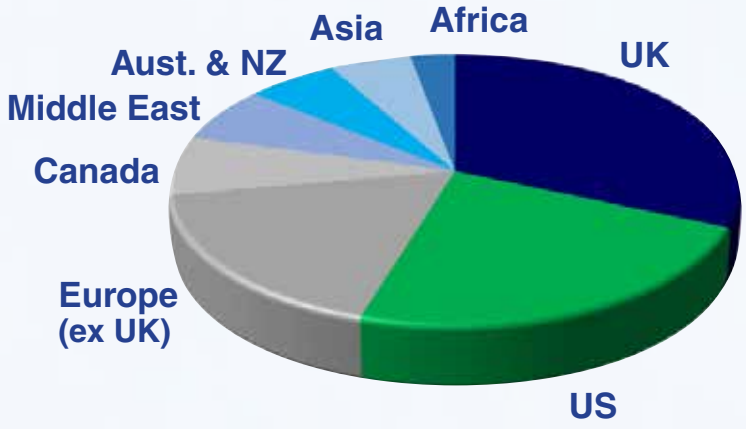
Our Vision and Mission are:

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

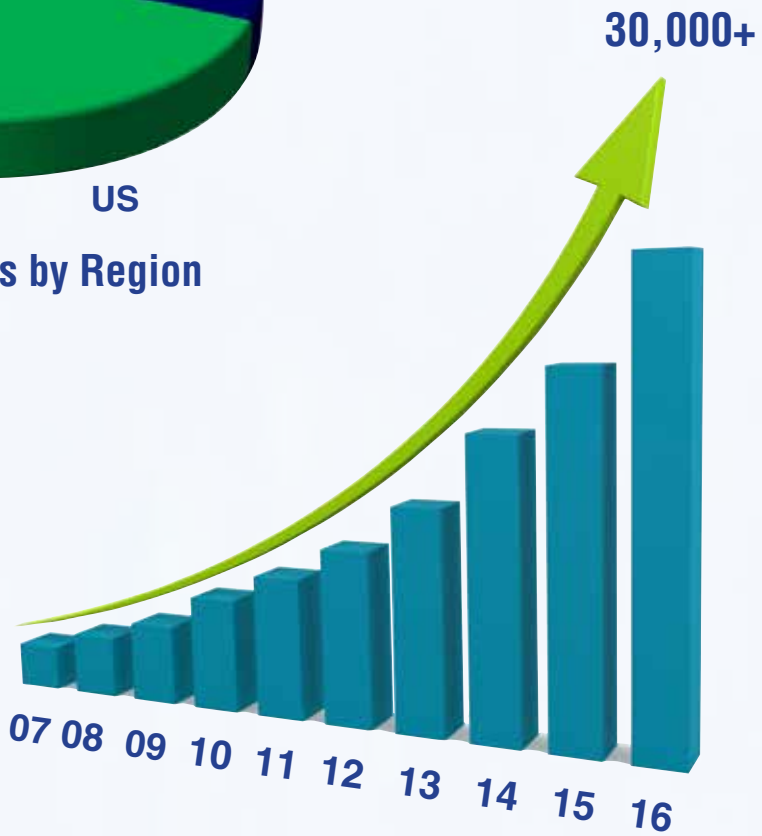
Christie Batkin (7) is one of over 1000 patients benefiting from FerriScan at St Mary's Hospital, pictured with Melanie Baxter, Resonance Health, and Dr Alavi, Consultant Paediatric Radiologist

Resonance Health SNAP SHOT

- *Year ended with **record clinical image analysis volumes** for the month, quarter, and year*
- *Celebrated the provision of **30,000 FerriScans** to patients globally to date*
- ***25 new radiology centres** established during year*
- ***Strong commercial growth** - USA became fastest growing FerriScan market at +25%*
- ***Future sustainable growth focus** - investment in R&D and marketing*
- ***HepaFat-Scan (VLFF) use extended to 7 clinical studies** internationally*
- *New service offerings – **expanding suite of tools, disease indications, and targeted organs***



FY2016 Image Analyses by Region



Cumulative FerriScan Sales Growth

Chairman's Foreword

This financial year has been an important one for the Company as we set out to broaden our portfolio of MRI diagnostic tools, expand the scope of those tools to uses beyond the liver into other organ systems, and increase the use of these tools into new clinical indications. Resonance Health continues to build on its reputation as hepatic MRI diagnostic experts but expanding our service offerings has enabled us to open discussions with a much greater number of potential users and partners.

This year marked a significant milestone of providing over 30,000 FerriScans to date globally to the clinical community for the measurement of liver iron concentration (LIC). We also ended the year with record annual image analysis volumes provided in our Service Centre. We continue to actively transition FerriScan from high-value inclusion in pharmaceutical trials (where the test is provided as part of a suite of core laboratory services to assist the trial participants) to embedding the test in routine clinical practice for long-term sustainability. This uptake in the clinical community demonstrates FerriScan being more widely adopted.

We have also been working to increase our reach into developing countries that require not only affordable access to MRI but a requisite affordability of determining an accurate LIC measurement. We have been vigorously prosecuting the arguments for an accurate LIC measurement and the pitfalls of relying on serum ferritin as a proxy for iron overload and the limitations of unregulated methods in assessing LIC, particularly at the high and low ends of the spectrum. We continue to promote the fact that when governments and insurers are faced with multi-thousand dollar costs in providing treatments to our various patient groups the cost of using an accurate registered product is very small.

We are also exploring various options to address the financial limitations in developing countries including ongoing collaboration with a pharmaceutical company to provide pre-paid FerriScans. Additionally we have identified the need to provide a more cost effective solution in these markets where growth could be exponential but is constrained by our current service model. We are working with a number of groups and collaborators to seek a technological solution to this problem.

The Company has now provided over 400 HepaFat-Scans for volumetric liver fat fraction (VLFF) to clinical trial and key opinion leaders who are delighted with the robustness of the test and its reproducibility. Working with pathologists in these trials we have recognised a high degree of variability in the manner liver biopsies for fat grading are currently being assessed and we have adopted a stereological method as a more standardised way to provide comparison with the HepaFat-Scan results. This is a time consuming process but we have gained insights into how this may be improved to become another potential tool Resonance Health can offer commercially. We are currently scoping this work and hope to be able to positively report on this opportunity as the coming year progresses.

The development of an MRI technology to provide a non-invasive fibrosis measurement tool has unfortunately been more challenging than we would

Chairman's Foreword

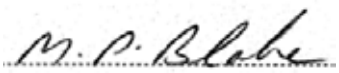
have liked, but our work has progressed into trying to understand how we may obtain additional information about inflammation. Work continues with CSIRO and other collaborators on these projects.

The financial results for this year underline our strategic investment in Resonance Health's future to obtain maximum commercial return for shareholders. The net loss for this year was the result of strategic planned investment to expand our portfolio with services that have immediate application, strengthen our marketing and operational capability, and deliver sustainable growth.

We conducted a 'small parcel share-buy-back' this year, refreshing Resonance Health for the longer term and making our registry more attractive for new investment.

The Board has confidence in the management structure we have put in place and in the experienced and talented team we have assembled, led by Sander Bangma, General Manager. Our management team use their combined strengths of deep scientific understanding, impressive market knowledge and their commercial acumen to take a very strategic, results-focused approach to drive success.

We have an ambitious program for the year ahead and the right team to deliver it. The Board thanks our valued shareholders and partners for their continued support as we continually work to deliver maximum return on investment and move into a very exciting phase of extended capability and growth. Together with our stakeholders, Resonance Health is uniquely positioned to make ongoing, life-changing advances in healthcare for patients around the world.



Dr Martin Blake

Chairman

General Manager's Report

"The Resonance Health team has a strong passion for healthcare and is dedicated to making a positive impact on the clinical community. This passion, together with a focus on commercial outcomes and a deep understanding of the markets is key to the Company's long term success; benefiting both patients and shareholders alike."

I am delighted to have the opportunity to reflect on the past year and provide a summary of the significant achievements that are paving the way for the long-term sustainable growth of the Company. A significant investment has been made in both R&D and marketing to achieve strategic short and long-term goals.

Our marketing strategy this year has strengthened the globally recognised position of our lead product, FerriScan, as the gold standard in liver iron concentration measurement. The result of this is evident in record radiological image analysis volumes, both globally and in key geographical markets including the US and UK, as well as further recognition of FerriScan in important clinical guidelines. We have also laid solid foundations in the building of partnerships with key opinion leaders and pharmaceutical companies.

With rapid technological advances in the biotechnology industry, continued R&D work is key. Leveraging the clinical success of FerriScan, we have focused on the expansion of our portfolio of products with the development of new quantitative radiological tools and the extension of our service offerings into new addressable clinical markets; including additional disease indications and organs.

Targeted Projects

It is gratifying to see these investments in targeted projects already delivering tangible results. Following strong clinical interest we have developed a tool for the assessment of bone marrow iron which we will be taking through regulatory submissions during 2016/2017. Spleen volume measurement has also been added to our portfolio as part of our core laboratory capability, which has led to expanded commercial agreements for a global pharmaceutical company clinical trial. Additionally, we have recently commenced pancreatic fat assessment alongside HepaFat-Scan (VLFF) in the research setting, which is relevant, for example, for the diabetes community.

We continue to partner with world class organisations for both our commercial work as well as collaborative research. We are applying state-of-the-art technologies in computer science aiming to streamline our existing operations and develop new non-invasive tests. In addition to these developments, we have identified new opportunities for additional commercial gain. These include broadening the use of our existing services with the application of FerriScan for measurement of iron loading in cancer survivors and the combination of FerriScan and HepaFat-Scan for patients with unexplained hyperferritinaemia.

General Manager's Report

Long Term Success

The Resonance Health team's passion for healthcare, together with a focus on commercial outcomes and a deep understanding of the markets, is key to the Company's long term success; benefiting both patients and shareholders alike. Calculated decisions have been made to prepare the market for clinical acceptance of our new services, such as collaborations with key opinion leaders to generate important clinical study data. These data are aimed at paving the way for inclusion of our technologies in patient management guidelines which in turn will drive clinical uptake. We are confident that these collaborations, although impacting the current income statement, will expedite future revenue streams.

Resonance Health is committed to improving the lives of individuals suffering from a range of serious medical conditions. This year, Chief Scientific Officer, Prof. Tim St Pierre, received an award from the Thalassaemia International Federation in recognition of the contribution made by FerriScan to the lives of patients worldwide. In addition to the contributions already made in the field, the $USD10,000 prize money was donated to provide further access to FerriScan in economically disadvantaged regions. We have also welcomed the opportunity to participate in successful initiatives such as international student internships, which allow academic skills to be applied in real-world settings and introduce new technologies to the Company.

World Class Team

An important focus this year has been on building and strengthening the Resonance Health team and I have been delighted with the calibre of our newest recruits. Our worldclass team combines the knowledge of members from twelve different countries with joint scientific and business expertise. Our talented management team, together with support from the capable wider team, have made this year's achievements possible. We have achieved the significant milestone of having provided over 30,000 FerriScans to date and finished the year with record throughputs for our radiological image analysis service. I commend our staff for their commitment and hard work this past year.

I look forward to working with the team to further progress the combined R&D and marketing projects that have been launched this year and to seeing the commercial rewards for these efforts come to fruition over the coming years.

Sander Bangma

General Manager

Management Team

Sander Bangma M.Sc, DipMgt

General Manager

Medical device software development, intellectual property, management, and leadership background

Responsible for overall strategic management of the Company

Prof. Tim St Pierre BSc (Hons) PhD

Chief Scientific Officer

Internationally recognised, widely-published physicist in medicine and biology

Led the team who developed FerriScan – continues to oversee and provide expertise in clinical scientific projects

Melanie Baxter BA (Hons)

Marketing Director

Strategic communication, marketing and sales experience in the medical sector

Leads the ambitious strategic marketing and sales plan

Mr Adrian Bowers B.Bus, CPA, Chartered Secretary

Chief Financial Officer and Company Secretary

Qualified and experienced accountant and chartered secretary

Manages financial and corporate obligations

Management Team

Celine Royet Pharm. D

Quality Assurance and Regulatory Affairs Manager

Pharmaceutical and medical device background

Responsible for continuous improvements in product and process quality and regulatory obligations

Emma Stone BSc (hons)

Service Centre & Global Program Manager

Medical scientist with diverse healthcare management experience

Manages service delivery operations and team as well as key marketing programs

Dr Wenjie Pang PhD

Technical & Research Manager

Research physicist highly experienced in medical image analysis

Drives research projects and develops solutions for technical challenges

Dr Sherif Boulos PhD

Clinical Research Manager

Medical researcher with broad industry and laboratory experience

Responsible for coordinating and driving clinical studies and providing clinical support

Assoc. Prof. Michael House PhD

Scientific Research Officer

Biophysicist with extensive experience in quantitative MRI techniques

Key researcher in the drive to expand product portfolio and enhancements to existing products

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Resonance Health is established as a world-leader in quantitative radiological techniques for the diagnosis and clinical management of human disease. The foundation of Resonance Health's success in the medical community is the combination of scientific rigour, high quality standards, and exceptional customer service. These principles drive the Company's operations; from product development, education and profiling in the clinical community, to service delivery. The success of this strategy is evident in the recognition of our leading product, FerriScan, as the international gold standard for the measurement of liver iron concentration.

Quality Assured Service Delivery

The products developed by Resonance Health are used in-house to deliver image analysis services globally to over 220 radiology centres across 36 countries. Demand for the Company's services is driven by clinicians managing patients, the pharmaceutical industry for testing the efficacy of their compounds in the clinical trial setting, and by key opinion leaders undertaking medical research.

All clinical data analysis is performed in the Company's central Service Centre, where robust quality control checks are performed on each raw dataset and analysis performed, to ensure the highest quality result possible for patients and their referrers. The Company strives for service excellence and as such a strong focus is placed on the continual improvement of processes in accordance with the ISO-certified quality management system. Such improvements are generally undertaken with a multidisciplinary approach between the Service Centre, Quality Assurance, and R&D teams.

The Company's standardised approach to service delivery across multiple scanner platforms and radiology centres, coupled with our international regulatory clearances and proven core laboratory experience, uniquely position Resonance Health for pharmaceutical partnerships where integrity of data is paramount. The clinical community also have confidence that the reliability of our measurement outputs are assured, as opposed to non-standardised alternatives. This is a vital consideration for clinical decisions on patient management.

In response to the steady volume growth throughout the year, the experienced and long-standing team of expert Senior Technical Analysts has been expanded

to include a new Technical Analyst and more recently a Clinical Trial and Service Support Officer. The Company's prompt turnaround time and dedicated customer support are enthusiastically and regularly acknowledged by our radiology centre customers and pharmaceutical company partners. The Service Centre strives to maintain the solid reputation that it has built for being a world-leading, quality service provider.

Strategic Marketing and Stakeholder Relations

This year the Company's ambitious marketing efforts have delivered excellent results in key target markets including a 25% increase in US FerriScan sales, 25 new radiology centres established, and record analysis volumes for the year across all services globally.

The strategic focus has centred on developing stakeholder collaborations to support immediate growth and longer-term, sustained revenue, alongside global profiling of our services. A targeted conference program of 17 key events across eight countries this year achieved strong brand profile, multiple speaking slots on FerriScan and HepaFat-Scan and has driven further clinical uptake of services. Ongoing and new commercial pharmaceutical trials have been successfully negotiated and active lobbying has achieved inclusion in new clinical guidelines for FerriScan, such as the respected *UK Standards of Care for Thalassaemia*. Key opinion leader advocacy of our services remains fundamental to increasing market share in existing and new indications.

The HepaFat-Scan (VLFF) strategy remained focused on successfully driving targeted opportunities for maximum exposure, gaining valuable data to meet market demand, and achieving further adoption within the Company's existing network. Our HepaFat-Scan contracts now span across nine countries.

The Company continued to improve its website, developed powerful new educational videos, and gained numerous endorsements for our work and services. Two prestigious awards were scooped this year by Chief Scientific Officer, Prof. Tim St Pierre; the Western Australian Entrepreneur of the Year award and the Thalassaemia International Federation's Panos Englezos Award for the contribution made by FerriScan to the lives of patients worldwide.

The significant milestone of providing 30,000 FerriScans to patients globally to date provided an excellent opportunity to proactively showcase Resonance Health and its stakeholders and recognise the patients at the heart of our services. The Company was delighted to organise an

event with The Imperial Trust and St Mary's Hospital in London to celebrate their 1000th FerriScan, which saw representation from four different patient organisations taking great pride in the achievement of advancing healthcare for their members. The Company's reputation for customer service remains excellent and it continues to build on the powerful alliances formed within the clinical and patient community to the benefit of all.

Gaining market access and sustained funding for services in new and target geographies remains a priority. In Germany and Italy further work has been undertaken this year to gain reimbursement and will be actively pursued over the next financial year. The team successfully extended a program of industry pre-paid FerriScan orders to improve access in new countries and those where funding is limited, with the longer term opportunity of gaining data to support reimbursement in these countries. A total of 27 countries have been involved in the program to date, with Spain and Romania joining the program this year.

Resonance Health has continued to strategically add to our marketing capability over the year and now has talented US, European, and Australian based team members with excellent networks to continue to deliver our dynamic program across the new financial year.

Targeted Portfolio Expansion via Research and Development

A key Company objective for this year was to expand the portfolio of products and service offerings. The R&D and Marketing teams joined forces to identify and pursue additional target organs and addressable disease indications. Following the identification of unmet market and clinical need, the Company successfully commenced development of a new suite of radiological image analytical tools for the assessment of bone marrow iron, pancreatic fat assessment, and spleen volume measurement.

HepaFat-Scan (VLFF) is actively used in a growing number of studies with key opinion leaders, generating further scientific and clinical evidence of the benefit of the test. These studies provide an excellent platform for the Company to collect additional data that not only supports clinical use of HepaFat-Scan but also the broader R&D objectives and expansion of the product and services portfolio.

Work to further refine the prototype tool for non-invasive liver fibrosis measurement that was developed last year continues with the Australian Commonwealth Scientific Industrial Research Organisation (CSIRO). This project has been more challenging than originally anticipated but remains a core part of the Company's

ambitious R&D portfolio. Further value has also been derived from this project as the Company took a strategic decision to use the knowledge gained in parallel towards improving the efficiencies of existing products and operations. The application of state-of-the-art new technologies in computer science to streamline our existing operations and develop new non-invasive tests is anticipated to have a profound impact on the Company's service delivery.

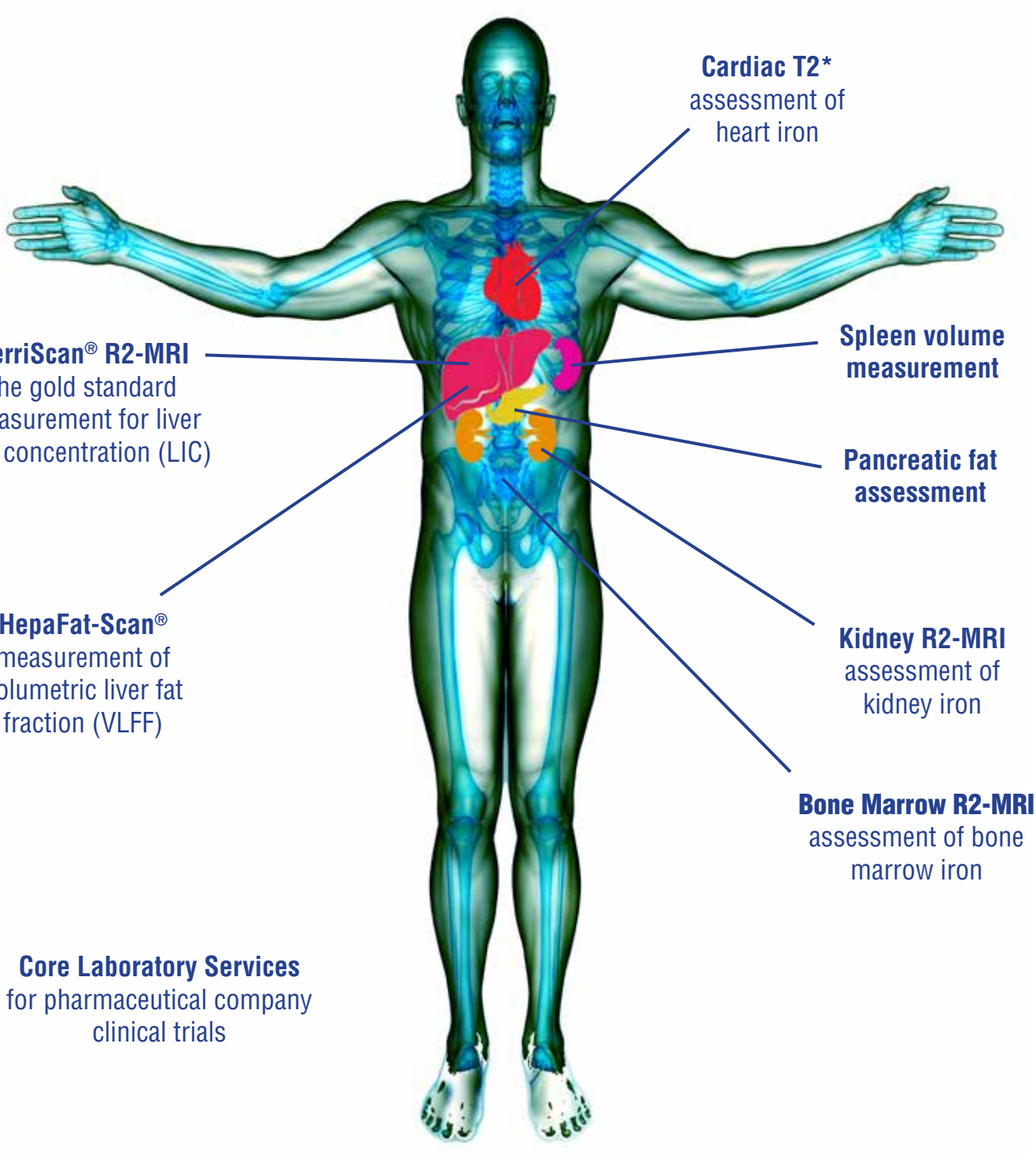
In addition to measurement of liver fibrosis, the clinical community is expressing a need for a non-invasive measurement of inflammation in the liver which would have great utility in patients with non-alcoholic steatohepatitis (NASH). NASH is a rapidly growing health problem in the developed world with serious ongoing implications as it is considered a pre-cursor to development of liver fibrosis. The Company is exploring initial proof-of-concept measurements in this space.

In the process of validating HepaFat-Scan against liver biopsy, Resonance Health developed a novel way of accurately analysing digital optical microscope images of liver tissue samples to measure the quantity of fat in the tissue. The Company is currently exploring ways of automating the technique, based on a method known as stereology, for commercialisation. The technology has potential to be adapted to measure many other quantitative aspects of digital images of tissue samples in pathology laboratories.

Work has also progressed on a method for non-invasively measuring iron loading in kidneys. The technology may have application in assessing the severity of haemolysis, the rupture of red blood cells, in diseases such as sickle cell disease.

R&D efforts in the coming year will continue to focus on these important projects.

A substantial expansion of the Company's product portfolio has been achieved this year to complement previously established service offerings.



Established Products

FerriScan® R2-MRI - the Gold Standard Measurement for Liver Iron Concentration (LIC)

FerriScan is Resonance Health's leading product and is internationally recognised by clinicians as the gold standard measurement for liver iron concentration. The MRI-based technique is non-invasive and eliminates the need for painful, dangerous, and costly liver needle biopsy. FerriScan also overcomes the poor sensitivity and specificity of serum ferritin, sometimes used for assessment of body iron stores. FerriScan has international regulatory clearances in the US (FDA), Europe (CE Mark), and Australia (TGA).

Both clinicians managing patients and pharmaceutical companies performing clinical trials on their therapeutic compounds require an accurate, standardised, and validated technique for the measurement of liver iron concentration. FerriScan is the ideal tool to meet these needs.

FerriScan is used in the diagnosis and clinical management of patients with potentially fatal iron overload. The primary site of iron accumulation and storage is the liver, and as such measurement of liver iron concentration gives the best indication of total body iron stores.

Iron overload can be primary, from the excessive absorption of iron from the diet, or secondary, where excess iron is the result of multiple blood transfusions or iron injections during the course of disease treatment. The most common disease causing primary iron overload is hereditary haemochromatosis, with numerous diseases resulting in secondary iron overload such as thalassaemia, sickle cell disease, diamond blackfan anaemia, and myelodysplastic syndrome. This year the Company has identified new indications for further expansion of FerriScan use in the coming year. A leading haematologist in the field has promoted the use of FerriScan, combined with HepaFat-Scan, in the setting of unexplained hyperferritinaemia. Another new and relatively unexplored field is iron overload in cancer survivors, resulting from multiple blood transfusions during their cancer therapies. A targeted campaign has commenced, focussing on clinicians treating cancer survivors.

FerriScan has been used in over 20 international multicentre pharmaceutical trials over the past 10 years. Partnerships with existing and new pharmaceutical companies have continued to develop over the year including the incorporation of FerriScan in a clinical trial with a new collaborator.

FerriScan is used not only in the diagnosis of iron overload but also in the monitoring of therapy to assist clinical decision making. Multiple international guidelines have been published that recommend a FerriScan at least annually, or more frequently for some conditions. FerriScan has been further endorsed in such guidelines this year, which assists with uptake in routine patient care. Some patients have had over ten FerriScan measurements during the history of their iron overload management.

A selection of the numerous clinical guidelines recommending Ferriscan include:

- UK Forum on Haemoglobin Disorders, *Standards for the Clinical Care of Children and Adults with Thalassaemia in the UK*, 2016
- Thalassaemia International Federation, *Guidelines for the Management of Transfusion Dependent Thalassaemia,* 2014
- US Department of Health and Human Services, *Evidence-based Management of Sickle Cell Disease, Expert Panel Review*, 2014
- Association of the Scientific Medical Societies in Germany, *Guideline for diagnosis and treatment of secondary iron overload in patients with congenital anaemias,* 2015
- The Fred Hutchinson Cancer Research Center / Seattle Cancer Care Alliance, *Long-term follow-up after hematopoietic stem cell transplant general guidelines for referring physicians*, 2014

Overall global FerriScan volumes have continued to increase this year, with particular growth in referrals for routine clinical patients, indicating wider market penetration. The US has been the fastest growing region with significant growth also in Canada and the UK, three of our key target markets. With our continued, successful program to actively lobby for increased clinical acceptance, key opinion leader endorsement, and recommendations in international clinical guidelines, FerriScan growth is expected to continue in the coming year.

FerriScan and Cardiac T2* Dual Analysis

In addition to FerriScan as a standalone test, Resonance Heath offers a dual service of FerriScan in combination with an MRI measurement of Cardiac T2* for the assessment of iron loading in the heart. Like FerriScan, Resonance Health's Cardiac T2* measurement has FDA, CE Mark, and TGA regulatory clearances.

Following a threshold of liver iron concentration being exceeded, deposition may occur in other organs such as the heart. Heart iron loading causes a greater risk of cardiac complications and premature death. The risk of iron-induced cardiac failure can be assessed by Cardiac T2* and the commencement of appropriate and timely chelation therapy can halt and even reverse iron-induced heart tissue damage. The dual use of FerriScan and Cardiac T2* can enable better informed decisions on the management of patients at risk of iron-induced organ damage. Cardiac T2* volumes this year increased 58% on the previous year and growth is expected to continue into the next year.

HepaFat-Scan® - Measurement of Volumetric Liver Fat Fraction (VLFF)

HepaFat-Scan is Resonance Health's MRI-based tool for the measurement of volumetric liver fat fraction (VLFF). The tool is clinically validated against independent liver biopsy measurements, and has a very high degree of accuracy and repeatability. HepaFat-Scan is currently the only MR technique for measuring liver fat fraction that can be directly compared to biopsy, the current gold standard for liver fat measurement. As such, it has a significant competitive advantage over alternative techniques. HepaFat-Scan has FDA, CE Mark, and TGA regulatory clearances and is available for use in the routine clinical setting, pharmaceutical company clinical trials, and in clinical research projects.

Non-Alcoholic Fatty Liver Disease (NAFLD) is a major health concern world-wide, driven by the global obesity epidemic. The potential addressable market is extensive with 20-30% of the US population estimated to have fatty liver disease; with similar prevalences estimated for Australia, Europe, and Asia. A significant proportion of people with fatty liver will develop a serious liver condition known as non-alcoholic steatohepatitis (NASH) and are at risk of further developing fibrosis, or scarring of the liver. Hence, monitoring and management of fatty liver disease is increasingly being recognised as an important step towards improving patient health outcomes.

This year focused on the roll out of HepaFat-Scan in research studies to generate clinical data supporting the use of the technique, in order to promote uptake in the clinical community. Inclusion of HepaFat-Scan measurements in the high profile London Marathon Study and further collaborations with world-leading diabetes and fatty liver disease teams in the US, UK, and Australia were achieved this year. A total of seven collaborative studies are now underway in the fields of fatty liver disease in adults and paediatric patients, pre-surgical assessments in liver cancer, bariatric surgery, diabetes, and hyperferritinaemia. As a direct result of these studies we gained international exposure on the potential for FerriScan and HepaFat-Scan to be used in combination to help diagnose the underlying causes of unexplained hyperferritinaemia, a widely encountered condition in haematology clinics.

Another significant achievement this year was the publication of the Company's HepaFat-Scan validation study in an international peer reviewed scientific journal. This publication adds to the evidence that will support the uptake of HepaFat-Scan in the community.

The vital work undertaken this year positions HepaFat-Scan for sustainable future revenue streams and the Company continues to proactively generate further opportunities in the clinical, research and pharmaceutical trial settings.

FY16 Product Additions

Bone Marrow R2-MRI – Assessment of Bone Marrow Iron

One of the successful initiatives of the Company this year has been the development of Bone Marrow R2-MRI, for the assessment of bone marrow iron. The new technique has already been used in research collaborations with international clinicians. In order to expand the market to the clinical community, regulatory submissions for the FDA (US), CE Mark (Europe), and TGA (Australia) are commencing in the coming year. With a strong track record of achieving regulatory clearances, Resonance Health is confident that these will be obtained by mid-late 2017, allowing the new technique to be actively marketed.

In parallel to liver iron concentration, bone marrow iron is of significance in disease conditions requiring multiple blood transfusions. The bone marrow iron burden is also believed to be important in potential bone marrow transplant recipients, as excess iron may increase the likelihood of post-transplant complications. It is estimated that more than 50,000 patients are transplanted annually for certain cancers or for diseases that affect the production of bone marrow cells. Improved monitoring and management of iron prior to transplant may reduce transplant complications and have the potential for significant health and economic benefits. Existing clinical leaders in the field of bone marrow transplantation currently using FerriScan to assess body iron stores prior to transplant, would welcome a bone marrow-specific test to improve patients health outcomes. Decreased bone marrow iron is also clinically relevant, with the definitive test of iron deficiency being examination of iron in bone marrow samples from invasive and painful needle biopsy.

Strong interest in Bone Marrow R2-MRI amongst our existing customers, together with active discussions on research collaborations with key opinion leaders, positions the technology well for future uptake in the clinical setting.

Pancreatic Fat Assessment

A pancreatic fat assessment technology is a further addition to the Company's product portfolio this year. This tool, offered in a research setting, measures pancreatic fat fraction and has been incorporated into two important diabetes studies with highly respected clinical teams in this field. There has been a rapid rise in obesity related type II diabetes, which affects an estimated 380 million people globally.

Fat accumulates in the pancreas in a variety of disease states. The measurement and monitoring of pancreatic fat will provide important information with regard to its clinical significance. This work will continue into the next financial year and the Company looks forward to reviewing the results and to determining future potential clinical applications.

Spleen Volume Measurement

Spleen volume measurement is another new radiological image analysis tool developed by the Company this year. The tool has already been included in the Company's service provision for an international pharmaceutical company clinical trial. Spleen volume measurement can be used to assist in the detection of hypersplenism, an overactive spleen, which can result in the inappropriate removal of blood cells in the body.

Financial Report 2016

The Directors present their report on the Group, consisting of Resonance Health Limited (the Company) and the entities it controlled, together with the annual financial report for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

Directors

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

Dr Martin Blake MBBS,FRANZCR, FAANMS, MBA, GAICD

Position:
Chairman — Independent and Non-Executive (appointed as Director 4 October 2007 and as Chairman 16 December 2010)

Experience
Dr Blake is a Radiologist and Nuclear Physician and brings significant technical and industry experience to Resonance Health. Dr Blake received FAANMS as a post nominal in recognition of his Nuclear Medicine Specialist training undertaken in 1994 & 1995.

He has been a Partner of Perth Radiological Clinic since 1997 and is currently the Chairman of that Company.

Dr Blake has an MBA from Melbourne University, is a Graduate of the Australian Institute of Company Directors and holds directorships on a number of private Company boards.

Other current directorships: None

Former directorships in last 3 years: None

Special responsibilities:
Chairman of the Audit Committee
Chairman of the Remuneration Committee

Dr Jason Loveridge B.Sc, PhD, FRSM

Position:
Director — Non-Executive (appointed 7 February 2013)

Experience
Dr. Loveridge FRSM has a Ph.D. in Biochemistry, a B.Sc. in Biochemistry and Microbiology (Class II/I Honours) and is a Fellow of the Royal Society of Medicine.
Dr. Loveridge has been working with young, growth orientated businesses in the biotech and medtech industries for over 20 years. As an active venture investor he established a lengthy track record of successful participation in European, US and Israeli based healthcare companies. Based in Europe he also has considerable international experience at board level and a particular interest in business development, mergers & acquisitions. Dr Loveridge has recently been appointed as Chief Executive Officer for 4SC.

Other current directorships:
Actinogen Medical

Former directorships in last 3 years: None

Special responsibilities:
Member of the Audit Committee
Member of the Remuneration Committee

Mr Simon Panton

Position:
Director — Non-Executive (appointed 5 October 2009)

Experience
Mr Panton has been a major shareholder of Resonance Health since 2008 and joined the board in 2009 as he is strong believer in liver health technologies. Mr Panton started and ran his own successful small business for over 15 years and brings skills in business and marketing. He has experience in the property industry, financial markets and the acquisition and disposal of investments. He currently manages assets and projects associated within family holdings.

Other current directorships: None

Former directorships in last 3 years:
Non-Executive Director of 4DS Ltd

Special responsibilities:
Member of the Audit Committee
Member of the Remuneration Committee

Management

Mr Sander Bangma M.Sc, DipMgt

Position:
General Manager (appointed 31st January 2015)

Experience:
Mr Bangma joined Resonance Health in 2005 and has been appointed General Manager. He holds a Master's Degree in Computer Science and has completed a Diploma in Management. Throughout his time with Resonance Health he has gained a wealth of experience in the day-to-day operations of the Company. Mr Bangma previously held a dual role in the Company as Development Manager and Service Centre Manager. In these roles his responsibilities included overseeing all software medical device development activities, IT infrastructure and the Company's Intellectual Property portfolio, as well as all facets of Resonance Health's analysis service provision. He continues to hold overall responsibility for these areas.

Mrs Melanie Baxter BA (Hons)

Position:
Marketing Director (appointed 31st January 2015)

Experience:
Mrs Baxter is a marketing communication specialist who has worked for multinational clients up to Board level. Melanie has worked with Resonance Health since 2005.

With 20 years of strategic communication, marketing and sales experience, particularly in the medical sector, Melanie develops and implements dynamic global marketing and PR strategies. Her international network of contacts in the clinical and patient communities ideally positions Melanie to develop business opportunities and drive growth in Resonance Health's target markets

Mr Adrian Bowers B.Bus, CPA, Chartered Secretary

Position:
Company Secretary and Chief Financial Officer (appointed 28th November 2013)

Experience:
Mr Bowers has experience in managing the financial affairs of public corporations across a diverse range of industries.

Mr Bowers holds a Bachelor of Business, is a CPA and qualified Chartered Secretary.

Mrs Celine Royet Pharm. D

Position:
Quality Assurance and Regulatory Affairs Manager (appointed 5th June 2015)

Experience:
Mrs Royet recently joined Resonance Health as the Quality Assurance & Regulatory Affairs Manager. Celine has over 12 years of experience in the pharmaceutical and medical devices industry in Europe (France & UK) and Australia. She is a Doctor of Pharmacy (France) and holds an additional Masters Degree specialised in QA/QC for cell therapy and gene therapy products.

Professor Timothy St Pierre B.Sc(Hons), PhD

Position:
Chief Scientific Officer

Experience:
Prof. St Pierre is widely published in the field of iron in medicine and biology and has a reputation as a key opinion leader in the understanding of the fundamental properties of the iron deposits that occur in iron overload diseases. Prof. St Pierre, a Professor at The University of Western Australia, led the team which developed the FerriScan technology. Prof. St Pierre has strong links with international key opinion leaders in the field of iron overload diseases and regularly participates in international research collaborations.

Interests in the Shares of the Company

The following relevant interests in shares of the Company were held by the Directors during the period. 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 J Loveridge	-
Mr S Panton	65,966,163
Total	**72,430,840**
Management	
Prof. T St Pierre	6,168,500
Mr S Bangma	89,126
Mrs M Baxter	30,303
Mr A Bowers	89,126
Mrs C Royet	-
Total	**6,377,055**

Incentive Shares

The Company has an Employee Share Plan (ESP) which was adopted at the Annual General Meeting held on 27th November 2014. In total 764,699 shares were issued to Staff during the year under the ESP (2015: 363,636 Shares).

No shares were issued as part of remuneration to Directors

Dividends Paid or Recommended

No dividend was paid or declared for the financial year.

Principal Activities

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

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

Review of Operations and Financial Summary

The Company is pleased to report the following for the financial year 2015/16.

Highlights

- The year ended with record analysis volumes for the month, quarter, and year.
- Revenue and receipts from customers were both higher than the previous year.
- 25 new Radiology Centres were established for Resonance Health services – up 25% from previous year.
- Chief Scientific Officer, Professor Tim St Pierre, received two prestigious awards for the Company:
  - Western Australian Entrepreneur of the Year
  - Thalassaemia International Federation's Panos Englezos Award
- The Resonance Health team was further strengthened with core new roles filled by talented recruits - Scientific Research Officer, Clinical Research Manager, Account Manager, a US Consultant, a German Consultant and a new Technical Analyst.
- A record number of targeted conferences were attended to showcase and promote our technologies and build stakeholder and Key Opinion Leader relations – a total of 17 conferences spanning eight countries.
- Engagement in numerous collaborative research studies and a new pharmaceutical company clinical trial.
- Identified and commenced work towards potential new markets and products to expand the Company's portfolio.
- The position of FerriScan® as the global gold standard for liver iron concentration measurement was reinforced with endorsements in a variety of scientific publications and clinical guidelines, such as the UK Standards of Care for Thalassaemia.

Financials

Sales revenue of $2,547,685 was higher than the prior year. Other income was significantly lower than the prior year as a result of interest income decreasing by $16,579 and the absence of grants during the 2015/2016 financial year. In the prior year the Company received an Export Market Development Grant of $86,934 and the Western Australian Innovator of the Year grant of $75,000. Grants are actively being sourced for the 2016/2017 financial year.

Operating expenses (excluding foreign exchange) were 18% or $469,818 higher than the prior year. Total expenditure, excluding foreign exchange gain/loss for the year was $3,041,375 compared to the prior year total expenditure of $2,571,557. The operating expense increase was a result of increased marketing activity (with a year on year increase in marketing and travel expense of $409,807) and increased staff as the company undertakes more Research and Development and clinical studies (a year on year increase in employee benefits expense of $126,029).

Research and Development expenditure totalled $672,914 during the year up from $390,829 in the previous year. This comprised capitalised development costs of $277,074 that are recognised as an intangible asset on the Statement of Financial Position and expenditure of $132,927 amortisation expense, $111,157 recognised in Research and Development in the Statement of Comprehensive Income and $151,756 recognised in employee benefits.

Resonance Health had cash at bank of $2,512,441 at the end of the financial year compared to $2,797,203 in the previous year and has no debt. Receipts from customers were $2,513,564; up from the previous year's result. Cash flows from operating activities generated positive cash and the services business segment reported a profit.

A net loss was recorded for the year of $384,366 compared to a net profit of $463,234 in the previous financial year. The net loss was a direct result of strategic future investment in the Company; with a strong focus on Research and

Development to extend the Company's services and improve efficiencies, as well as an increase in targeted Marketing activities. A key component of these increased activities included the expansion of the Company's increasingly strong team. This phase of growth and development of the Company has resulted in positive outcomes to date and is expected to place the Company in an ideal position for the future.

Operations

Resonance Health's lead product, FerriScan, is globally recognised as the gold standard for liver iron concentration (LIC) measurement. FerriScan is a non-invasive, accurate, and regulatory approved method of measuring LIC from MRI scans of a patient's liver, that eliminates the need for an expensive and painful needle biopsy with associated potential complications. Over 200 Radiology Centres from over 30 countries across the globe are established for FerriScan. Image data is securely transferred to Resonance Health for analysis at the Company's ISO-certified, central facility. FerriScan is strongly endorsed by leading global clinicians who can rely on accurate, quality-assured results for their patient management. In addition to routine clinical management of patients, FerriScan is also the method of choice for pharmaceutical companies conducting clinical trials on their compounds. FerriScan has been utilised in over 20 international multicentre trials over the past 10 years and partnerships with existing and new pharmaceutical companies have continued to develop over the year. Clinician referrals for FerriScan continued to grow over this year with the highest volumes on record; including in the primary target markets of the United States and United Kingdom. Receipts from customers were $2,513,564, up from the previous year's result. FerriScan is also offered as a dual service together with a Cardiac T2* measurement. Cardiac T2* volumes grew 58% compared to the previous year.

Resonance Health's latest product to market, HepaFat-Scan®, is a non-invasive method for measuring volumetric liver fat fraction (VLFF) from MRI scans. With the global epidemic of fatty liver disease the technology is anticipated to make a significant beneficial impact in the field. A targeted focus on promoting HepaFat-Scan has gained traction during the year and has resulted in securing collaborations with Key Opinion Leaders in studies in the fields of fatty liver disease in adults and paediatric patients, pre-surgical assessments in liver cancer, bariatric surgery, diabetes, and hyperferritinaemia. Participation in seven such studies have been secured, with the aim of collecting supporting data on the effectiveness of HepaFat-Scan to promote uptake in the clinical community. The Company is also engaging in active discussion with pharmaceutical companies who are developing therapeutic compounds for fatty liver disease. Another key achievement during the year was the submission of the results of a HepaFat-Scan study to an international scientific journal, which has subsequently been published. The results demonstrate HepaFat-Scan's very high degree of accuracy and repeatability and that it is directly comparable to liver biopsy, the current gold standard for liver fat measurement. This positions HepaFat-Scan with an attractive competitive advantage over alternative techniques and positive feedback has been received from various users of the technology.

Research and Development

The Company continued its strong commitment to Research and Development during the year with a focus on future sustainability. A key component of this included the expansion of the Research and Development team with recruitment of two valuable new members; a Scientific Research Officer and a Clinical Research Manager, and an increased time commitment from the Company's Chief Scientific Officer. Efforts were multi-pronged; focussing on the continued development of new technologies and improving efficiencies of current technologies using new advances in computer science, identification and investigation into potential new markets, and development of current technologies for additional applications. Resonance Health continued with development of a technology for the quantification of liver fibrosis using MRI. Collaborations in this space with the Australian Commonwealth Scientific Research Organisation continued, with promising results to date.

Newly identified markets included previously untargeted disease indications in which patients are expected to significantly benefit from FerriScan and/or HepaFat-Scan, as well as additional organs in which fat and iron assessments can be made. The Research and Development team work very closely with the Marketing team to ensure an efficient and effective multidisciplinary approach.

Marketing

The Company's strategically targeted marketing focus during the year saw great success. A core focus was the development of both new and existing key stakeholder relations with whom future collaborations are pivotal. The ambitious conference schedule not only provided opportunity to promote the Company's technologies, but also for clinical education, collection of valuable intelligence, and stakeholder relationship development.

The Marketing team continually improve the marketing materials that are used on the website, during conferences, and in lead conversion. During the year a powerful educational tool was created in the form of a corporate FerriScan video. The video succinctly educates on the benefits of FerriScan over competitors and has generated positive feedback from a wide target audience.

The Marketing presence is global with team members located in Australia, the United Kingdom, United States, and Germany. Marketing efforts have seen 25 new Radiology Centres established across the globe during the year, increased analysis volumes in targeted jurisdictions for all products, and engagement with both new existing pharmaceutical companies.

Resonance Heath has experienced a very productive financial year in terms of growth and development. An increasing return on investment for these efforts is expected into future years. The strong focus on Research and Development and Marketing will continue in the 2016/2017 financial year to continue to build the Company's future sustainability.

Operating Results

The net loss of the Group for the financial year after tax was $384,366 (2015: profit $463,234).

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

On the 31 August 2016, 166,666 shares in Resonance Health Limited were issued to employees under the Employee Share Plan.

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 2016. 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 (non-executive)

Dr Jason Loveridge - Director (non-executive)

Mr Simon Panton - Director (non-executive)

(ii) Management Executives

Prof. Timothy St Pierre – Chief Scientific Officer

Mr Sander Bangma – General Manager

Mrs Melanie Baxter – Marketing Director

Mr Adrian Bowers - Company Secretary & Chief Financial Officer

Mrs Celine Royet – Quality and Regulatory Affairs Manager

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

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

(ii) Variable Remuneration

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

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

Management Employment Agreements

Mr Bowers was appointed to the role of Company Secretary of Resonance Health Ltd on 25th November 2013. His employment agreement provides for an equivalent full time salary of $140,000 pa exclusive of superannuation for 22.5 hours per week and a termination notice of 2 weeks.

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

Mrs Royet was appointed to the role of Quality Assurance and Regulatory Affairs Manager on 1st June 2015. Her employment agreement provides for an equivalent full time salary of $115,000 pa exclusive of superannuation for 32.5 hours per week and a termination notice of 2 weeks.

Consultancy Services Agreement

The Company has an agreement with The University of Western Australia (UWA) for consulting services provided by Prof. St Pierre. Under this agreement consulting services provided for duties of Chief Scientific Officer totalling $208,433 (2015: $82,719) were incurred during the financial year. These amounts are included in Prof. 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.

Mrs Baxter was appointed to the role of Marketing Director on 31st January 2015. The Company has an agreement with Catalyst Communications Limited for consulting services provided by Mrs Baxter. Under this agreement consulting services provided totalled $182,365 (2015: $144,133). The agreement can be terminated immediately by mutual agreement. This amount is included in Mrs Baxter's remuneration disclosed in the following table.

Details of Remuneration for Year Ended 30 June 2016

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

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

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

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

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

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

Details of Remuneration for Year Ended 30 June 2015

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

	Short-term employee benefits	Post employment benefits	Equity	Total		
	Salary & Fees	Superannuation Contributions	Shares/ Options		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%
Executive Directors' remuneration						
Ms L Dunne 1	274,007	20,553	-	294,560	100%	-
Total	274,007	20,553	-	294,560		
Management Executives' remuneration						
Prof. T St Pierre [2,3]	82,719	-	-	82,719	100 %	-
Mr S Bangma [5]	119,692	11,371	1,000	132,063	99.2%	0.8%
Mrs M Baxter [4,5]	144,133	-	1,000	145,133	99.3%	0.7%
Mr A Bowers [5]	131,600	12,502	1,000	145,102	99.3%	0.7%
Mrs C Royet[6]	1,650	157	-	1,807	100 %	-
Total	479,794	24,030	3,000	506,824		

[1] Ms L Dunne resigned as Managing Director 31st January 2015.

[2] Prof. T St Pierre resigned as a Director 29th October 2014.

[3] Prof. 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 2015 a balance of $45,512 was owing to The University of Western Australia.

[4] At 30 June 2015 a balance of $17,093 was owing to Catalyst Communications Limited for consulting services provided by Mrs Baxter.

[5] Received 30,303 shares in Resonance Health Limited on 31st March 2015. The shares were issued under the Resonance Health Limited Employee Share Plan – approved by members at the Annual General Meeting held 27th November 2014. The shares were issued for nil consideration. The fair value of the shares issued to each staff member was $1,000 which was based on the share price at the date of issue.

[6] Mrs C Royet commenced employment on 1st June 2015.

Shareholdings of key management personnel

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

	Balance 1/7/2015	Received as Remuneration	Net Change Other	Received during the year on exercise of options	Balance 30/6/2015
Dr M Blake	6,464,677	-	-	-	6,464,677
Dr J Loveridge	-	-	-	-	-
Mr S Panton	65,966,163	-	-	-	65,966,163
Prof. T St Pierre	7,218,500	-	(1,050,000)	-	6,168,500
Mr S Bangma	30,303	58,823	-	-	89,126
Mrs M Baxter	30,303	-	-	-	30,303
Mr A Bowers	30,303	58,823	-	-	89,126
Mrs C Royet	-	-	-	-	-
Total	79,740,249	117,646	(1,050,000)	-	78,807,895

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

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 2016, and the numbers of meetings attended by each director were:

	Director Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number eligible To attend	Number attended	Number eligible To attend	Number attended	Number eligible To attend	Number attended
Dr M Blake	8	8	3	3	2	2
Mr S Panton	8	8	3	3	2	2
Dr J Loveridge	8	7	3	3	2	2

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Resonance Health Limited support and adhere to the principles of corporate governance. The Company's Corporate Governance Statement is contained in the following section of this annual report.

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 41 and forms part of this Directors' Report for the year ended 30 June 2016.

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

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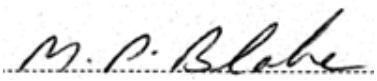

Dr Martin Blake Chairman

Perth, Western Australia. Dated this 29 September 2016

Corporate Governance Statement

Resonance Health Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. This Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Securities Exchange ('ASX') Corporate Governance Council published guidelines as well as its corporate governance principles and recommendations unless otherwise stated. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

Principle 1

Lay solid foundations for management and oversight

The Board is the governing body of the Company. The Board and the Company act within a statutory framework – principally the Corporations Act and also the Constitution of the Company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of Resonance Health Limited.

The Board must ensure that Resonance Health Limited acts in accordance with prudent commercial principles, and satisfies shareholders – consistent with maximising the Company's long term value.

The Company has established the functions reserved to the Board. The Board Charter summarises the role, responsibilities, policies and processes of the Board of Resonance Health Limited and comments on the Board's approach to corporate governance.

The primary responsibilities of the Board include:

- Charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available
- Monitoring the implementation of those policies and strategies and the achievement of those financial objectives
- Monitoring compliance with control and accountability systems, regulatory requirements and ethical standards
- Ensuring the preparation of accurate financial reports and statements
- Reporting to shareholders and the investment community on the performance and state of the Company
- Appointing and monitoring the performance of senior executives
- Establishing proper succession plans for management of the Company

The Company has established the functions delegated to senior executives. The Board Charter summarises the role and responsibilities of the Managing Director and the Company Secretary. With effect 31st January 2015 the Company does not have a designated Managing Director nor a CEO. The Managing Director and the CEO job functions are replaced by Management.

Management – Key Personnel:

- Tim St Pierre – Chief Scientific Officer responsible for research and development.
- Sander Bangma – General Manager responsible for day to day management of service delivery.
- Melanie Baxter – Director of Marketing responsible for the development of sales and marketing.
- Adrian Bowers – Chief Financial Officer and Company Secretary responsible for good administration of the Company.
- Celine Royet – Quality Assurance and Regulatory Affairs Manager responsible for compliance with FDA, TGA

The Board delegates responsibility for day to day management of the Company to Management. However, Management must consult the Board on matters that are sensitive, extraordinary or of a strategic nature. The Company Secretary supports the effectiveness of the Board. The Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.

Separate functions of the Board and management existed and were practised throughout the year.

The performance of Management is measured against criteria agreed annually with each person and is based predominantly on the achievement of agreed milestones. The Management review was undertaken during reporting period.

Details of matters reserved to the Board and delegated to Management are outlined in the Board Charter. A copy of the Board Charter is publically available on the Company's website.

The Company undertakes appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director; and provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes a periodical review evaluating the Board members. The Chairman prepares a questionnaire and asks the Directors and Company Secretary to complete their written response. The Responses are reviewed and discussed at appropriate Board meetings. The Board review was completed during the reporting period.

The Company provides each Director and management executive a written agreement setting out the terms of their appointment.

Diversity Policy

The Board currently does not have a Diversity Policy. Gender Diversity is demonstrated within the Company as follows:

Currently, 30% of all current employees are women and 45% of all Management/Executive roles are filled by women. The Board currently has no measurable objectives on achieving greater gender diversity within the Company.

The Board complied with the ASX Corporate Governance Council Principle 1 at all times during the year except as noted above.

Principle 2

Structure the Board to add value

The composition of the Board has been determined on the basis of providing the Company with the benefit of a broad range of technical, commercial and financial skills, combined with an appropriate level of experience at a senior corporate level. Details of each Director's skills and experience are set out in the Directors' report.

The ASX guidelines recommend that a listed Company should have a majority of Directors who are independent, Principle 2 Recommendation 2.4. With effect from 31st January 2015 the Board did have a majority of independent Directors.

A Director is considered independent when the Director does not have any relationship with the Company that would be considered to affect their independent status as outlined in the ASX Corporate Governance Council Principle 2 Recommendation 2.4.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is evidence to the contrary) if it is equal or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point at the actual ability in question to shape the direction of the Company's loyalty.

Directors during the financial year were:

- Dr Martin Blake – Independent – Chairman
- Mr Simon Panton – Not independent – substantial shareholder
- Dr Jason Loveridge – Independent – Non-executive Director

A description of the skills and experience of each director and their period of office is disclosed in the Directors' Report. The ASX Corporate Governance Council Principle 2 Recommendation 2.5 recommends that the Chairman should be an independent director. The role of Chairman was performed by an independent director at all times during the financial year. The ASX Corporate Governance Council Principle 2 Recommendation 2.5 recommends that the roles of Chairman and Managing Director be exercised by different individuals. The Company complied with this recommendation at all times during the financial year.

The roles of Chairman and Managing Director are exercised by different individuals, providing for clear division of responsibility at the head of the Company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communication between them.

Directors are subject to re-election by rotation at annual general meetings as stipulated in the Corporations Act and the Company's Constitution. There is no maximum term for non-executive director appointments. Newly elected Directors must seek re-election at the first general meeting of shareholders following their appointment.

The remuneration of the Directors is determined by the Nomination and Remuneration Committee. Further information and the components of remuneration for Directors are set out in the Directors' Report.

ASX Corporate Governance Council Principle 2.1 recommends that the Nomination Committee should consist of a majority of independent Directors, be chaired by an independent Director and have at least three members.

The members of the Nomination and Remuneration Committee during the financial year were:

- Dr Martin Blake – (Chairman) – Independent
- Mr Simon Panton – Not Independent
- Dr Jason Loveridge – Independent

Nomination and Remuneration Committee consists of three Non-executive Directors.

The number of meetings attended by each member of the Nomination and Remuneration Committee are detailed in the Directors' Report. The Company discloses its Nomination and Remuneration Committee Charter on the Company's website.

The Company has a procedure in place for Directors to take independent professional advice at the expense of the Company.

Prior to the appointment of a new director, the Nomination and Remuneration Committee assesses the skills represented on the Board by the non-executive Directors and determines whether those skills meet the skills identified as required. The Committee will then implement a process to identify suitable candidates for appointment. The Committee makes recommendations to the Board on candidates it considers appropriate for appointment. Induction procedures are in place to ensure new Directors are able to participate fully and actively in Board decision-making at the earliest opportunity. Directors are encouraged to engage in continuing education and are encouraged to update and enhance their skills and knowledge. Directors meet regularly to discuss the performance of the Company and to attend to regulatory requirements. The Company Secretary distributes information before each Board meeting to enable Directors to discharge their duties effectively.

The Company's Constitution requires a director of the Company to not hold office without re-election past the third annual general meeting following the director's appointment or three years, whichever is longer.

The Board complied with the ASX Corporate Governance Council Principle 2 at all times during the year except as noted above.

Principle 3

Promote ethical and responsible decision-making

The Board places great emphasis on ethics and integrity in all its business dealings.

In regards to Principle 3.1 the Board considers the business practices and ethics exercised by individual Board members and key executives to be of the highest standards.

The Company has a code of conduct as to the:

- practices necessary to maintain confidence in the Company's integrity;
- practices necessary to take into account their legal obligations and the expectations of shareholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

These practices are outlined in the Company's Board Charter, Communication Policy, Continuous Disclosure Charter, Share Trading Policy, Audit and Risk Charter and Nomination and Remuneration Charter. These documents are disclosed on the Company's website.

Trading in the Company's shares

The Company's policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices. Statutory provisions of the Corporations Act dealing with insider trading have been strictly complied with.

The Company's Share Trading Policy is disclosed on the Company's website.

The Board complied with the ASX Corporate Governance Council Principle 3 Recommendations at all times during the year

Principle 4

Safeguard integrity in financial reporting

The Board has established an Audit and Risk Committee that operates in accordance with the Company's Audit and Risk Charter. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board has delegated responsibility for the establishment and framework of internal controls and ethical standards for the management of the Group to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive Directors.

ASX Corporate Governance Council Principle 4.1 recommends that the Audit Committee should consist only of non-executive with a majority of independent Directors, be chaired by an independent director who is not chair of the Board and have at least three members.

The members of the Audit and Risk Committee during the financial year were:

- Dr Martin Blake (Chairman) – Independent
- Mr Simon Panton – Not independent
- Dr Jason Loveridge – Independent

The qualifications of each member of the Audit and Risk Committee and the number of meetings attended are detailed in the Directors' Report.

The Audit and Risk Committee generally invites the Managing Director, Company Secretary, and external auditors to attend meetings.

The Company discloses its Audit and Risk Committee Charter on the Company's website.

The Company's external auditors have a policy for the rotation of audit engagement partners. A new Audit Partner was assigned to the Company with effect for the 2014 financial year in line with this policy.

The Board has not complied with the ASX Corporate Governance Council Principle 4 Recommendations at all times during the year. The Chairman of the Board is also Chairman of the committee which is not in accordance with Principle 4.1, however given the size of the company and the Chair's Independent status the Board's opinion is that it is reasonable and acceptable.

In accordance with Recommendation 4.2 the Chief Financial Officer and General Manager of Operations provide written statements at each reporting period regarding the integrity of the financial statements and the Company's risk management and internal compliance and control systems.

In accordance with Recommendation 4.3 the Company's external auditor is invited to attend the annual general meeting and questions from shareholders regarding the conduct of the audit and the preparation and content of the auditor's report are welcomed.

Principle 5

Make timely and balanced disclosure

The Company complies with all disclosure requirements to ensure that Resonance Health manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. The Company Secretary is authorised to communicate with shareholders and the market in relation to Board approved disclosures.

The Company has a written policy designed to ensure compliance with ASX Listing Rule disclosures and accountability at a senior executive level for that compliance. The details of this policy are outlined in the Company's Continuous Disclosure Charter which is displayed on the Company's website.

All announcements made to the ASX are placed on the Company's web site immediately after public release.

The Board complied with the ASX Corporate Governance Council Principle 5 Recommendations at all times during the year.

Principle 6

Respect the rights of shareholders

The Company has a Communications Policy that details the Company's strategy to communicate with shareholders and actively promote shareholder involvement in the Company. It aims to continue to increase and improve the information available to shareholders on its website. All Company announcements, presentations to analysts and other significant briefings are posted on the Company's website after release to the Australian Securities Exchange.

The Board complied with the ASX Corporate Governance Council Principle 6 Recommendations at all times during the year.

Principle 7

Recognise and manage risk

The Board oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. Recommendation 7.1 requires that the Company has a formal risk management policy and internal compliance and control system. Resonance Health Limited, through its operating subsidiary Resonance Health Analysis Services Pty Ltd, maintained a Quality Management System (QMS) to international standards ISO13485:2003 for the whole financial year which encompass formal risk analysis processes.

Recommendation 7.2 requires implementation and review of the Company's risk management and internal control system. The Company did not have a separately established risk committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the role of the Audit and Risk Committee and the main Board. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee.

In addition, the QMS requires the appointment of a Management Representative that reports directly to the Board of Directors. The Company also has in place classes of insurance at levels which, in the reasonable opinion of the Directors, are appropriate for its size and operations. Management has reported the effectiveness of the Company's management of its material business risks to the Board during the reporting period.

The Company's Audit and Risk Charter is displayed on the Company's website.

In regards to Recommendation 7.3 the Company does not have an Internal Audit Function given its size and the company has maintained a Quality Management System (QMS) to international standards ISO13485:2003 for the whole financial year which encompass formal risk analysis processes.

In regards to Recommendation 7.4 the Company does not have material exposure to economic, environmental and social sustainability risks other than normal trading business risks.

Except for Recommendation 7.3 the Board complied with the ASX Corporate Governance Council Principle 7 Recommendations at all times during the year.

Principle 8

Remunerate fairly and responsibly

The Board has a Nomination and Remuneration Committee. Members of the Committee are outlined under Principle 2 above.

ASX Corporate Governance Council Principles recommend that the Remuneration Committee should consist of a majority of independent Directors, be chaired by an Independent Director and have at least three members.

The Nomination and Remuneration Committee regularly review the level and composition of remuneration of non-executive Directors, executive Directors and senior management with regards to industry best practice, Company and individual performance. During Financial year ended 30 June 2016 the Nomination and Remuneration Committee met two times.

The Company pays fees to The University of Western Australia for services provided by Prof. St Pierre who is the Chief Scientific Officer the Company.

All Management employees receive a base salary and superannuation. The Company has a share plan. Directors do not receive any equity based remuneration unless specifically approved on a case by case basis at a general meeting.

The members of the Nomination and Remuneration Committee are outlined in Principle 2. Their attendance at Nomination and Remuneration Committee meetings is detailed in the Directors' Report. Director disclosure requirements are detailed in the Remuneration Report.

The Nomination and Remuneration Committee Charter is displayed on the Company's website.

Recommendation 8.3 – The Company does not have a written policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Share Plan. However the Directors discourage employees from doing so especially if it is a short term trading activity.

The Board complied with the ASX Corporate Governance Council Principle 8 Recommendations at all times during the year excepted for Recommendation 8.3 as noted above

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Perth, Western Australia
29 September 2016

L Di Giallonardo
Partner

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Statement of Comprehensive Income for the Year Ended 30 June 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
Sales revenue	2(a)	2,547,685	2,443,476
Other income	2(b)	48,939	233,284
Revenue		**2,596,624**	**2,676,760**
Employee benefits expense		(1,474,535)	(1,348,506)
Consulting and professional services		(30,947)	(94,032)
Research and development		(111,157)	(68,665)
Depreciation expense		(16,309)	(13,649)
Amortisation expense		(132,927)	(121,052)
Marketing and travel		(781,540)	(371,733)
Statutory and compliance		(148,116)	(159,449)
Foreign exchange (loss)/gain		(39,175)	143,430
Due diligence expense		-	(15,264)
Other expenses	2(c)	(345,844)	(379,207)
Profit/(loss) before income tax benefit		**(483,926)**	**248,633**
Income tax benefit	3	99,560	214,601
Net profit/(loss) for the year attributable to owners of the parent		**(384,366)**	**463,234**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		-	(61,916)
Exchange differences arising on translation of foreign loan		-	(37,314)
Other comprehensive income/(loss) for the year, net of tax		**-**	**(99,230)**
Total comprehensive income/(loss) for the year attributable to owners of the parent		**(384,366)**	**364,004**
Basic earnings/(loss) per share (cents per share)	5	(0.10)	0.12

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
Current Assets			
Cash and cash equivalents	7	2,512,441	2,797,203
Trade and other receivables	8	485,331	662,177
Other assets	9	44,457	42,304
Total Current Assets		**3,042,229**	**3,501,684**
Non-Current Assets			
Plant and equipment	10	74,691	27,216
Intangible assets	11	1,745,589	1,601,442
Other assets	9	64,310	62,106
Total Non-Current Assets		**1,884,590**	**1,690,764**
Total Assets		**4,926,819**	**5,192,448**
Current Liabilities			
Trade and other payables	12	415,364	329,158
Provisions	14	52,100	44,070
Other liabilities	13	425,433	413,932
Total Current Liabilities		**892,897**	**787,160**
Total Liabilities		**892,897**	**787,160**
Net Assets		**4,033,922**	**4,405,288**
Equity			
Issued capital	15(a)	69,419,199	69,406,199
Reserves	15(b)	(204,296)	(204,296)
Accumulated losses		(65,180,981)	(64,796,615)
Total Equity		**4,033,922**	**4,405,288**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2016

	Consolidated				
	Issued Capital $	Foreign Currency Translation Reserve $	Option Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2014	68,703,510	(171,350)	66,284	(65,259,849)	3,338,595
Profit for the year	-	-	-	463,234	463,234
Other comprehensive loss	-	(99,230)	-	-	(99,230)
Total comprehensive income for the year	**-**	**(99,230)**	**-**	**463,234**	**364,004**
Shares issued	745,039	-	-	-	745,039
Share issue costs	(42,350)	-	-	-	(42,350)
Balance at 30 June 2015	**69,406,199**	**(270,580)**	**66,284**	**(64,796,615)**	**4,405,288**
Loss for the year	-	-	-	(384,366)	(384,366)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**(384,366)**	**(384,366)**
Shares issued	13,000	-	-	-	13,000
Balance at 30 June 2016	**69,419,199**	**(270,580)**	**66,284**	**(65,180,981)**	**4,033,922**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2016

	Notes	Consolidated 2016 $	2015 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		2,513,564	2,489,302
Payments to suppliers and employees		(2,787,159)	(2,481,556)
Due diligence expense		-	(42,887)
Grants received		-	161,934
Interest received		48,744	70,370
Income tax received		285,794	-
Net cash provided by operating activities	7(i)	**60,943**	**197,163**
Cash flows from investing activities			
Payments for plant and equipment		(63,784)	(11,417)
Payments for intangible assets		(277,074)	(159,210)
Net cash used in investing activities		**(340,858)**	**(170,627)**
Cash flows from financing activities			
Share issues		-	650,000
Share issue costs		-	(18,687)
Net cash provided by financing activities		**-**	**631,313**
Net (decrease)/increase in cash and cash equivalents		(279,915)	657,849
Foreign exchange differences on cash balances		(4,847)	41,747
Cash and cash equivalents at the beginning of period		2,797,203	2,097,607
Cash and cash equivalents at the end of the period	7	**2,512,441**	**2,797,203**

The accompanying notes form part of these financial statements.

NOTE 1: Statement of significant accounting policies

(a) Basis of preparation

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

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

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

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

(b) Adoption of new and revised standards

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the 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 2016. As a result of this review the Directors have determined that AASB 15 Revenue from contracts with Customers may have a material effect on the Company in future reporting periods. The Company have elected to not early adopt this Standard and Interpretation and have not quantified the material effect of application on future periods.

Other than the above, there are no other material impact of the new and revised Standards and Interpretations 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 29 September 2016.

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

(d) Basis of consolidation

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

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

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

NOTE 1: Statement of significant accounting policies (continued)

(d) Basis of consolidation (continued)

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.

Share-based payment transactions

The Group measures the cost of cash-settled share-based payments at fair value at the grant date.

(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.

NOTE 1: Statement of significant accounting policies (continued)

(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.

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.

NOTE 1: Statement of significant accounting policies (continued)

(j) Lease (continued)

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.

(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.

NOTE 1: Statement of significant accounting policies (continued)

(l) Other taxes (continued)

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.

(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.

NOTE 1: Statement of significant accounting policies (continued)

(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. 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-

NOTE 1: Statement of significant accounting policies (continued)

(p) Financial assets (continued)

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
- 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.

NOTE 1: Statement of significant accounting policies (continued)

(r) Impairment of financial assets (continued)

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.

(s) Plant and equipment

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

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

- Plant and equipment 3 – 5 years

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

(i) Impairment

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

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

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

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

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

(ii) Derecognition and disposal

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

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

NOTE 1: Statement of significant accounting policies (continued)

(t) Intangible assets

Internally generated intangible assets – research and development expenditure

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

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

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

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

(u) Trade and other payables

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

(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.

NOTE 1: Statement of significant accounting policies (continued)

(y) Share-based payment transactions

Equity-settled transactions

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

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

(z) Issued capital

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

(aa) Earnings per share ("EPS")

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

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

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

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

(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.

NOTE 1: Statement of significant accounting policies (continued)

(ac) Parent entity financial information

The financial information for the parent entity, Resonance Health Limited, disclosed in Note 20 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	
		2016	2015
		$	$
(a)	**Sales revenue**		
	Sales to external customers	2,547,685	2,443,476
(b)	**Other income**		
	Grants received	-	161,934
	Interest received	48,939	65,518
	Other revenue	-	5,832
		48,939	233,284
(c)	**Expenses**		
	Rental expense on operating leases	106,076	107,794

NOTE 3: Income tax benefit

	Consolidated	
	2016 $	2015 $
Income tax recognised in profit or loss		
The major components of tax benefit are:		
Current taxation – reversal of prior year entries	-	144,316
Fringe Benefits Tax Paid	(2,159)	-
Adjustments recognised in the current year in relation to the current tax of prior years – R&D tax offset	101,719	70,285
	99,560	214,601
The prima facie income tax benefit on pre-tax accounting (loss)/profit from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting (loss)/profit before income tax	(483,926)	248,633
Income tax benefit calculated at 30%	(145,178)	(74,590)
Effect of expenses that are not deductible in determining taxable profit	158,199	(120,113)
Effect of unused tax losses not recognised as deferred tax assets	264,906	(292,563)
Effect of temporary differences not recognised as deferred tax assets and liabilities	(277,927)	474,562
Effect of capital raising costs recognised directly in equity	-	12,704
Fringe Benefits Tax Paid	(2,159)	-
Income tax benefit reversal of prior year entries	-	144,316
Tax refund receivable (research and development tax offset)	101,719	70,285
Income tax benefit reported in the statement of comprehensive income	99,560	214,601

NOTE 3: Income tax benefit (continued)

	Consolidated	
	2016 $	2015 $
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	3,239,315	2,974,408
Amortisation and depreciation timing differences	647,875	892,813
Business related costs	47,049	66,697
Unrealised foreign exchange losses	9,602	1,708
Accrued expenses and liabilities	68,940	57,621
	4,012,781	3,993,247
Deferred tax liabilities:		
Capitalised research and development costs	523,677	480,433
Accrued income	380	321
	524,057	480,754
Income tax benefits not recognised directly in equity		
Share issue costs	-	12,704

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

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

Tax Consolidation

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

NOTE 4: Segment reporting

Segment Information

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

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 2016.

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

The Group derived 43% of its external customer sales revenue from one major customer.

The following table presents revenue and profit/loss information and certain asset and liability information regarding business segments for the year ended 30 June 2014.

	Services $	Research and Development $	Corporate $	Total $
Segment revenue				
Sales to external customers	2,605,410	-	-	2,605,410
Interest revenue	-	-	65,518	65,518
Other revenue	-	-	5,832	5,832
Total segment revenue	2,605,410	-	71,350	2,676,760
Segment profit/(loss) before tax	709,671	(110,565)	(350,473)	248,633
Income tax benefit	-	214,601	-	214,601
Segment assets	662,177	1,601,441	2,928,830	5,192,448
Segment liabilities	743,090	-	44,070	787,160

NOTE 5: Earnings per share

	Consolidated	
	2016	2015
	$	$
Basic earnings/(loss) per share (cents per share)	(0.10)	0.12
(a) Profit/(loss) used in the calculation of basic earnings per share	(384,366)	463,234

	2016	2015
	Number	Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	398,239,002	363,572,613

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

NOTE 6: Dividends

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

NOTE 7: Cash and cash equivalents

	Consolidated	
	2016	2015
	$	$
Deposits at call	1,538,127	557,580
Term deposits	974,314	2,239,623
	2,512,441	2,797,203

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.

NOTE 7: Cash and cash equivalents (continued)

		Consolidated	
		2016 $	2015 $
(i) Reconciliation of loss for the year to net cash flows from operating activities			
(Loss)/profit for the year		(384,366)	463,234
Non-cash flows in loss:			
Depreciation		16,309	13,649
Amortisation of intangible assets		132,927	121,052
Employee share costs	Note 15	17,000	12,000
Changes in net assets and liabilities:			
Decrease/(increase) in trade and other receivables		176,846	(162,778)
Increase in other assets (current)		(2,153)	(17,702)
Increase in other assets (non-current)		-	(3,007)
(Increase)/decrease in other financial assets		(2,204)	3,004
Increase/(decrease) in trade creditors and other payables		95,084	(257,425)
Decrease in current tax liabilities		-	(144,316)
Decrease in other liabilities		11,500	169,452
Net cash provided by operating activities		60,943	197,163
(ii) Financing facilities			
Secured credit card:			
Amount used		9,570	12,793
Amount unused		10,430	7,207
		20,000	20,000
(iii) Cash balances not available for use			
Security deposits:			
Credit card		20,000	20,000
Lease premises		44,310	39,099
		64,310	59,099

NOTE 8: Trade and other receivables

	Consolidated	
	2016 $	2015 $
Trade receivables	466,930	457,839
Other receivables	18,401	204,338
	485,331	662,177

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

Aging of past due but not impaired		
Up to 30 days	88,931	101,255
60-90 days	82,804	41,269
90-120 days	95,983	83,675
120+ days	-	-
	267,718	226,199

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 17% (2015: 18%) 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

	Consolidated	
	2016 $	2015 $
Current Prepayments	44,457	42,304
Non-Current Deposits	64,310	62,106

NOTE 10: Plant and equipment

	Consolidated	
	2016	2015
	$	$
Fixtures and equipment		
At cost	349,021	285,237
Less: Accumulated depreciation	(274,330)	(258,021)
Total plant and equipment	74,691	27,216

Reconciliation

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

Fixtures and equipment		
Carrying amount at the beginning of the year	27,216	29,448
Additions	63,784	11,417
Depreciation expense	(16,309)	(13,649)
Carrying amount at the end of the year	74,691	27,216

NOTE 11: Intangible assets

Development expenditure		
At cost	2,123,571	1,846,497
Less: Accumulated amortisation	(377,982)	(245,055)
Total development expenditure	1,745,589	1,601,442

Reconciliation

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

Development expenditure		
Carrying amount at the beginning of the year	1,601,442	1,563,284
Additions	277,074	159,210
Amortisation expense	(132,927)	(121,052)
Carrying amount at the end of the year	1,745,589	1,601,442

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.

NOTE 11: Intangible assets (continued)

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 12: Trade and other payables

	Consolidated	
	2016	2015
	$	$
Current		
Trade payables (i)	119,783	85,228
Sundry creditors and accruals	295,581	243,930
	415,364	329,158

(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 17.

NOTE 13: Other liabilities

Current		
Unearned income	425,433	413,932

NOTE 14: Provisions

Long service leave	52,100	44,070
	52,100	44,070
Reconciliation		
Balance at the beginning of the year	44,070	88,623
Arising during the year	15,691	4,163
Utilised during the year	(7,661)	(48,716)
Balance at the end of the year	52,100	44,070

NOTE 15: Issued capital and reserves

	2016		2015	
	No.	$	No.	$
(a) Issued and paid up capital	402,330,902	69,419,199	401,566,203	69,406,199

Movements – Ordinary shares	2016	2016	2015	2015
	No of shares	$	No. of shares	$
Balance at the beginning of the year	401,566,203	69,406,199	386,541,784	68,703,510
Placement 15 September 2014 at $0.05 each	-	-	13,000,000	650,000
Placement 30 September 2014 at $0.05 each	-	-	1,660,783	83,044
Employee Shares 31 March 2015 at $0.033 each	-	-	363,636	12,000
Share capital issue costs	-	-	-	(42,350)
Employee Shares 29 June 2016 at $0.017 each	764,699	13,000	-	-
Balance at the end of the year	402,330,902	69,419,199	401,566,203	69,406,204

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

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

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

(b) Reserves

Nature and purpose of reserves:

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

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

NOTE 16: Financial instruments

(a) Capital risk management

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

NOTE 16: Financial instruments (continued)

(b) Categories of financial instruments

	Consolidated	
	2016 $	2015 $
Financial assets/(liabilities)		
Cash and cash equivalents	2,512,441	2,797,202
Trade and other receivables	485,331	662,177
Other assets	44,457	62,106
Trade and other payables	(415,364)	(329,158)

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

(c) Financial risk management objectives

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

(d) Market risk

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

(e) Foreign currency risk management

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

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

	Liabilities		Assets	
	2016 $	2015 $	2016 $	2015 $
United States Dollars	26,349	16,276	1,269,733	375,225
Great British Pounds	21,685	25,055	238,390	248,574
European Euros	1,692	4,996	124,271	21,493

NOTE 16: Financial instruments (continued)

(e) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

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

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

	2016 $	2015 $
Profit or loss impact:		
- USD	(113,035)	(32,632)
- GBP	(19,700)	(20,320)
- EUR	(11,144)	(1,500)

(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.

	Less than one month	One to three months	Total
Cash and cash equivalent financial assets			
2016	$2,512,441	$64,310	$2,576,751
Weighted average effective interest rate	1.24%	2.12%	
2015	$2,797,203	$62,106	$2,859,309
Weighted average effective interest rate	1.59%	2.66%	

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

NOTE 16: Financial instruments (continued)

(g) Credit risk management

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

Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. At 30 June 2016, the Group had one customer that accounted for 17% of all trade receivables (2015: 18%).

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 $
2016				
Non-interest bearing	265,854	53,448	96,062	415,364
2015				
Non-interest bearing	202,889	62,240	64,029	329,158

(i) Fair value of financial instruments

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

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

NOTE 17: Commitments for expenditure

	Consolidated	
	2016	2015
	$	$
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	124,873	117,060
Later than 1 year but no later than 5 years	10,440	131,887
Total commitments not recognised in the financial statements	135,313	248,947

A lease over premises was entered into effective 1 August 2011 and has been extended from 1 August 2014 for a further 3 years to July 2017.

	Consolidated	
	2016	2015
	$	$
Clinical Study commitments		
Commitments for minimum payments in relation to non-cancellable clinical trials are payable as follows:		
Within one year	172,975	114,732
Later than 1 year but no later than 5 years	-	47,805
Total commitments not recognised in the financial statements	172,975	162,537

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 incorporation	Country of Class of shares	2016 Equity holding	2015 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

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 $136,221 (2015: $46,600) on behalf of RHT. During the year RHAS repaid $80,000 of loan balance to RHT.

During the Year expenses were paid by RHT totalling $48,898 on behalf of RHAS. During the year RHT provide funds of $1,015,000 to RHAS

At the 30 June 2016 RHAS owed a loan balance of $542,864 to RHT.

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

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

NOTE 19: Parent entity disclosures

	Consolidated	
	2016	2015
	$	$
Financial Position		
Assets		
Current assets	1,187,783	2,444,159
Non-current assets	1,254,286	856,682
Total assets	2,442,069	3,300,841
Liabilities		
Current liabilities	91,578	87,707
Non-current liabilities	-	450,073
Total liabilities	91,578	537,780
Equity		
Issued capital	69,419,199	69,406,199
Option reserve	66,284	66,284
Accumulated losses	(67,134,992)	(66,709,421)
Total equity	2,350,491	2,763,062

Financial Performance

	Year ended 30 June 2016	Year ended 30 June 2015
	$	$
Loss for the year	(425,571)	(468,058)
Other comprehensive income	-	-
Total comprehensive loss	(425,571)	(468,058)

NOTE 20: Significant events after balance date

On the 31st August 2016 Resonance issued 166,666 shares to employees under the Resonance Health Limited – Employee Share Plan.

NOTE 21: Auditor's remuneration

	Consolidated	
	2016	2015
	$	$
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	51,500	50,000
Taxation compliance services	16,450	45,500
	67,950	95,500

NOTE 23: Key management personnel disclosures

(a) Details of key management personnel

(i) Directors

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

ii) Management

Professor Tim St Pierre	Chief Scientific Officer
Mr Sander Bangma	General Manager
Mrs Melanie Baxter	Director of Marketing
Mr Adrian Bowers	CFO and Company Secretary
Mrs Celine Royet	Manager of Quality Assurance and Regulatory Affairs

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

(b) Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

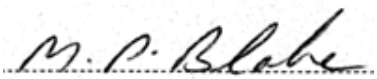
The totals paid to KMP of the Group during the year are as follows:

	2016	2015
	$	$
Short term employee benefits	892,238	885,126
Post employment benefits	43,456	53,258
Share based payments	2,000	3,000
Total KMP compensation	937,694	941,384

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 2016 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional requirements and other mandatory requirements; and
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

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



Dr Martin Blake Chairman

Place: Perth, Western Australia

Dated: 29 September 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Resonance Health Limited

Report on the Financial Report

We have audited the accompanying financial report of Resonance Health Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Resonance Health Limited is 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 2016 and its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Resonance Health Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo

L Di Giallonardo
Partner

Perth, Western Australia
29 September 2016

Additional Information for Listed Public Companies

The following additional information is disclosed in accordance with Section 4.10 of the Australian Stock Exchange Ltd Listing rules in respect of listed public companies only.

The following additional information is supplied as at 11th October 2016.

1. Analysis of Shareholdings

Distribution of Shareholders (ASX Code: RHT)

Range	Holders	Units	Percentage
1 - 1,000	69	12,332	0.00%
1,001 - 5,000	38	132,754	0.03%
5,001 - 10,000	46	357,582	0.09%
10,001 - 100,000	573	27,274,009	6.78%
> 100,000	384	374,720,891	93.10%
Total	1,110	402,497,568	100.00%

The number of shareholdings holding less than a marketable parcel of shares are 185.

2. Voting Rights

Ordinary shares

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

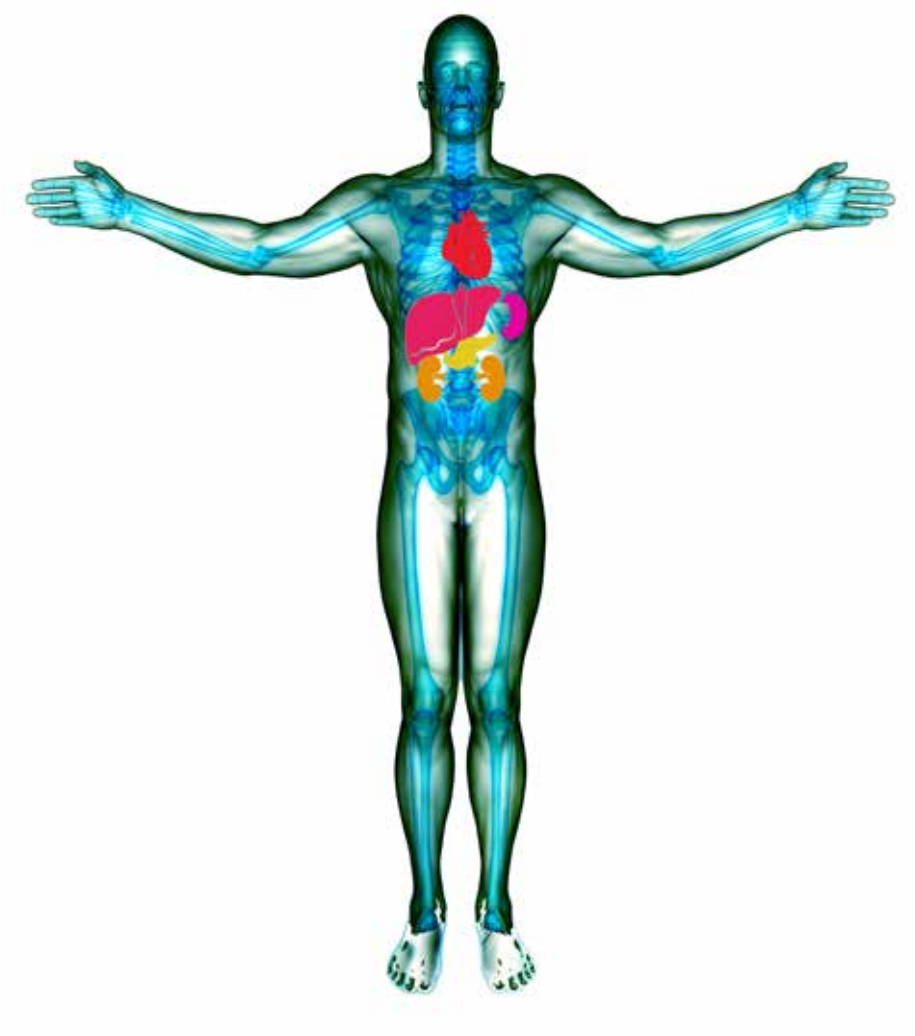
3. Twenty Largest Shareholders of Quoted Ordinary Shares

	Name	Number of Ordinary Shares	Percentage of Total
1	Southam Investments 2003 Pty Ltd <Warwickshire Investment A/C>	65,414,622	16.25%
2	HSBC Custody Nominees (Australia) Limited	28,333,056	7.04%
3	The University of Western Australia	9,078,750	2.26%
4	Mr Gregory Peter Wilson	9,006,256	2.24%
5	Mr Robert Panton	7,527,966	1.87%
6	Mr Helmut Rocker	6,400,000	1.59%
7	Mr Sean Saxon <Saxon Family Super Fund A/C>	6,371,636	1.58%
8	Dr Timothy Guy St Pierre <The St Pierre Family A/C>	6,168,500	1.53%
9	Dr Wanida Chua-Anusorn <Medta A/C>	6,005,000	1.49%
10	Mr Harry Basle	5,022,422	1.25%
11	Mr Andrew Frederick Trowse <AF Trowse Family A/C>	4,698,896	1.17%
12	Molonglo Pty Ltd <Peter Hutchinson Family A/C>	4,500,000	1.12%
13	Walker Trusco Pty Ltd <Walker Family A/C>	4,494,844	1.12%
14	Dr Martin Peter Blake	3,798,590	0.94%
15	Mr Thomas Psarakis	3,725,000	0.93%
16	Marcolongo Nominees Pty Ltd <Marcolongo Family A/C>	3,626,000	0.90%
17	Mrs Mridula Asija	3,563,390	0.89%
18	Mr Vincent Oladele	3,294,617	0.82%
19	Mr Bruce Alan Stevenson	3,097,404	0.77%
20	Anahein Pty Ltd	3,010,598	0.75%
		187,137,547	**46.49%**

4. Substantial Shareholders

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

Southam Investments 2003 Pty Ltd <Warwickshire Investment A/C>	65,414,622	ordinary shares
SG Hiscock & Company Limited	21,016,635	ordinary shares



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