Resonance Health

Be Better Informed

ANNUAL REPORT

2019

Corporate Information

ABN 96 006 762 492

Directors

Dr Martin Blake
Non-executive Chairman

Mr Simon Panton
Non-executive Director

Dr Travis Baroni
Non-executive Director

Mr Mitchell Wells
Non-executive Director

Chief Executive Officer

Ms Alison Laws

Company Secretary

Mr Agha Shahzad Pervez

Securities exchange listing

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

Registered office and Principal place of business

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BURSWOOD WA 6100
Telephone: +61 8 9286 5300
Facsimile: +61 8 9286 5399

Postal address

PO Box 71
BURSWOOD WA 6100

Website and e-mail address

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

Auditors

HLB Mann Judd
Level 4,
130 Stirling Street
PERTH WA 6000

Share registry

Advanced Share Registry Ltd
110 Stirling Highway
NEDLANDS WA 6009
Tel: +61 8 9389 8033
Fax: +61 8 9262 3723

Bankers

National Australia Bank Limited

Solicitors

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

Contents

About

- **Headquartered in Perth, Australia**
- **Global distribution network of over 490 hospital centres**
- **5 regulatory cleared medical devices [SAMD]**

Resonance Health Ltd (ASX: RHT) ("Resonance Health" or the "Company") is an Australian healthcare company specialising in the development and delivery of non-invasive medical imaging software and services. The Company has gained endorsement by leading physicians worldwide for consistently providing the highest quality of quantitative measurements essential in the management of particular diseases.

The Company uses internationally regulatory cleared proprietary software in the provision of services used by clinicians in the diagnosis and management of human diseases, researchers, and pharmaceutical and therapeutic companies in their clinical trials. Our services are delivered to 46 countries and stringent quality control oversees this delivery globally. Resonance Health's dedication to scientific rigour in the development and implementation of its analysis services has enabled it to achieve regulatory clearances on a number of products (SaMD) in the US, Europe and Australia. Resonance Health carries ISO 13485:2016 certification.

Resonance Health has proprietary products for use in patients with suspected iron overload and for use in diseases such as non-alcoholic steatohepatitis (NASH) and non-alcoholic fatty liver disease (NAFLD). The Company's flagship products include FerriScan®, FerriSmart, and HepaFat-Scan®.

FerriScan® is the global gold-standard for liver-iron-concentration ("LIC") quantification, and has become established in many international 'Standards of Care' for Thalassemia and Sickle Cell Disease.

FerriScan®'s proprietary technology was recently applied in training neural networks to develop our newest product, FerriSmart, the world's first and only regulatory-cleared Artificial Intelligence ("AI") tool for the quantification of liver iron concentration.

The Company's other regulatory cleared iron quantification products include Cardiac T2* for the assessment of heart iron loading (the most widely accepted MRI-based method for assessing heart iron loading), and Bone Marrow R2-MRI, for the assessment of iron levels in the bone marrow. Resonance Health also has several research use tools for the assessment of iron levels in the spleen, pancreas, and brain.

HepaFat-Scan® has international regulatory clearances (TGA, CE Mark, FDA), and reports the volumetric liver fat fraction for a patient (VLFF). Additionally, the proton density fat fraction can also be reported if required.

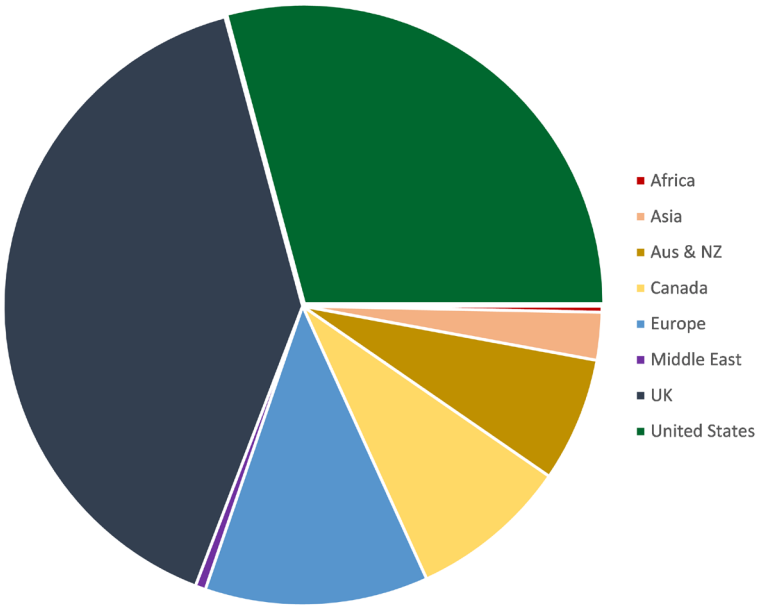
Our Vision and Mission are:

- 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

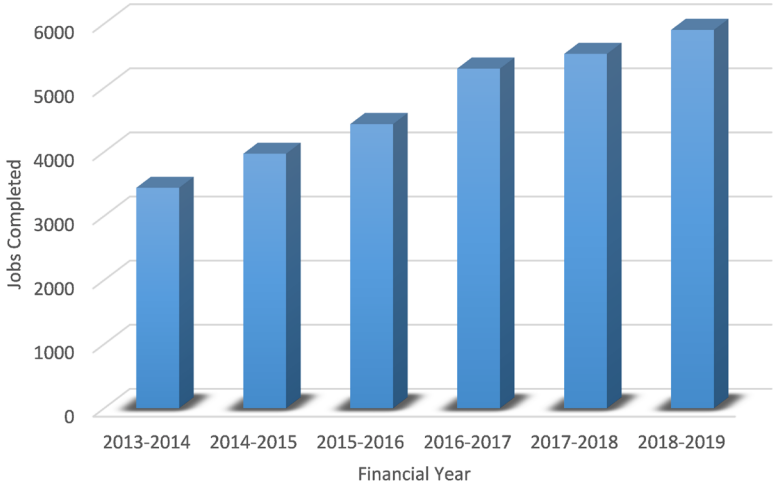
Snapshot

- FerriSmart, the Company's AI solution for the quantification of liver iron concentration ("LIC"), received TGA, CE Mark, and FDA clearance this financial year, it is the world's first and only regulatory cleared artificial intelligence tool for LIC.
- Signed contracts with Blackford Analysis and EnvoyAI for the distribution of the Company's FerriSmart AI solution and other products such as HepaFat-Scan.
- Won four new multi-year work orders from pharmaceutical or therapeutic companies.
- New service offerings –developed several MRI imaging and analysis protocols to address the complexity of measuring brain iron at different locations and different levels of iron.
- Significant progress made in the Dragon 2 Study, a trial looking at several parameters, including protocols attempting to significantly decrease the acquisition time for FerriScan® and FerriSmart.

FY2019 IMAGE ANALYSES BY REGION



COMMERCIAL SALES VOLUME GROWTH



Above fig show all commercial jobs for the FY excluding clinical jobs, R&D studies, and FerriScan vouc r program

Chairman's Foreward

This financial year has been an important one for Resonance Health. In addition to delivering strong growth and a profitable year, the Company has embarked on a product and service portfolio expansion program.

The financial results for the year are emphasised by a strong net profit of $1,270,233, a significant increase from the previous financial year's net profit of $224,619.

Total revenue for the year was $3,624,545, up from the previous financial year's total of $2,896,395, an increase of 25%. This financial year also had receipts from customers increase to $3,538,602, a 33% increase from the previous year's results.

The past twelve months have seen the Company win four additional clinical trial contracts, gain key FDA regulatory clearance for our first AI solution, increase our distribution network by signing with two global channel partners for seamless integration into radiology departments, and make significant progress in a number of key R&D projects.

Marketing activities delivered positive growth in the routine use of FerriScan® in key commercial markets this financial year, with increased revenue seen across our core services, and the Company ending the year with record image analysis volumes provided for clinical use in our Service Centre. The Company has over 15 years' experience providing services using proprietary regulatory cleared products to the international clinical community, and pursues excellence in customer relationship management at all times.

We also continue to actively convert clinical trial FerriScan® sites to routine clinical practice for long-term sustainability, with an additional 60+ hospital centres added to our distribution network during the financial year, allowing them the use of Resonance Health services for commercial and/or clinical trial use.

Diversification of in-house R&D projects, such as new protocols for the measurement of brain iron, shortening the FerriScan® and FerriSmart acquisition time, 3T calibration, and exploring a number of AI opportunities have been a key focus for the Company in this financial year.

Artificial Intelligence

We are proud of the Company's progress in the AI space over the past twelve months. FerriSmart has obtained regulatory clearance from the TGA, CE Mark, and FDA, making it the first and only regulatory cleared artificial intelligence tool for use in liver iron quantification.

Agreements with global channel partners Blackford Analysis and EnvoyAI allows FerriSmart to be instantly and seamlessly integrated into existing radiology workflows via the Blackford and EnvoyAI Exchange platforms. FerriSmart can also be accessed via a Resonance Health web portal for customers who don't have access to Blackford or EnvoyAI.

Resonance Health is actively involved in various AI projects in an effort to diversity its service offerings and develop tools for use in other medical conditions.

Pharma Uptake continues to grow

Resonance Health is making excellent headway with pharma, and has continued its focussed pursuit of clinical trial work with great success this financial year. Resonance Health has in-house regulatory expertise, and can provide tailored CRO and project management services for clinical trials. The past 12 month period has seen the Company acquire an additional four new multi-year work orders from global pharmaceutical and therapeutic companies for a combined total dollar value of approximately US$1,530,200. This newly awarded work means that Resonance Health is now contracted to provide services for a total of nine clinical trials, with the Company actively seeking to pursue additional opportunities wherever possible.

Important Milestone Reached - Clinical Use Continues to Grow

This year marked a significant milestone for the Company – the 50,000th FerriScan® patient report was delivered, and FerriScan® is now provided in more than 46 countries. Resonance Health is a global authority on iron measurement and has been providing results to the global clinical community for the measurement of liver iron concentration (LIC) since FerriScan®'s first FDA clearance in 2005.

An R&D Strategy built for success

The financial year has seen the Company continue to assess opportunities to expand our core business. As part of this investment, the Company strategy has included the diversification of in-house R&D projects, such as new protocols for the measurement of brain iron, shortening the FerriScan® and FerriSmart acquisition time, 3T calibration, and exploring several AI opportunities thanks to the Company's access to very high-quality datasets and labels, and potential for AI tools to be fully integrated into existing radiology workflows. The Board recognises that continued R&D investment must be secured in commercial potential and we are confident that the talented leadership team we have in place will be able to execute our ambitious program over the coming years.

The Board and I would like to thank our valued shareholders and partners for their ongoing support as we continually work on increasing return on investment and move into a very exciting phase of AI development and increased product growth. Together with our stakeholders, Resonance Health is uniquely positioned to make ongoing, life-changing advances in healthcare for patients and healthcare professionals around the world.

Dr Martin Blake

Chairman

MBBS, FRANZCR, FAANMS, MBA, FAICD

Year In Review

FINANCIAL HIGHLIGHTS FOR THE YEAR:

- **Net profit after tax up 466% to $1.27 million**
- **Total revenue of $3,624,545, up from the previous financial year of $2,896,395, an increase of 25% or $728,150**
- **Receipts from customers were $3,538,602, up 33% from the previous year.**
- **R&D tax incentive (refund) of $328,555 was secured**
- **Cash on hand at 30 June 2019 of $3.1 million, up 99% on the previous year**

DISTRIBUTION CHANNELS EXPANDED

The past twelve months have seen the Company significantly expand its distribution network by signing agreements with international companies Blackford Analysis and EnvoyAI. These agreements allow the Company's FerriSmart AI solution to be offered through the Blackford Platform and EnvoyAI Exchange marketplaces, providing customers with seamless and simple integration into their existing clinical workflows. This results in improved diagnostic confidence, reduced cost of care, and added clinical value.

EnvoyAI is the world's first medical imaging artificial intelligence (AI) marketplace and it provides a cloud-based, vendor-neutral distribution platform that integrates machine learning into radiology, giving physicians access to over 53 AI solutions developed and delivered by more than 31 AI partners globally. FerriSmart is now available via the EnvoyAI Exchange platform, to Envoy's customer base of over 5,000 installations globally, including 85 of the largest 100 hospitals in the United States of America.

Resonance Health's CEO, Alison Laws, said this of the EnvoyAI distribution agreement: "Resonance Health is delighted to be working with EnvoyAI to deliver accessible and scalable solutions for clinicians and radiologists to provide the highest quality data and support tools to assist clinical decision making and patient management. All existing and future customers of EnvoyAI will now have access to FerriSmart® in seamless integration with their existing workflows and Resonance Health looks forward to being of service."

FerriSmart has now been successfully integrated into the EnvoyAI and Blackford platforms, with initial FerriSmart training completed. FerriSmart is now available to EnvoyAI and Blackford Analysis customers.

Year In Review (Cont'd)

This increased accessibility through channel partners such as EnvoyAI and Blackford Analysis will supplement the Company's own established distribution network of over 490 hospital and MRI centres across the globe. This network has been strengthened further this financial year, with over 60 additional hospital centres onboarded by the Company, allowing them the use of Resonance Health services for commercial clinical application and/or clinical trials.

CLINICAL TRIAL WORK GROWS RAPIDLY

Resonance Health is established as a world-leader in the quantification of iron loading for the 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 and underpin the Company's operational culture; from product development to educating the clinical community, and to service delivery.

For over 13 years Resonance Health has worked closely with pharmaceutical companies, hospitals, research institutions, clinicians, and researchers in disease areas such as, thalassemia, sickle cell disease, MDS, Diamond–Blackfan Anemia (DBA), cancer therapy survivors, hereditary hemochromatosis and other clinical conditions.

This financial year has seen Resonance Health continue to seek further clinical trial opportunities for its services, with the Company executing four new multi-year contracts with pharmaceutical and therapeutic companies for a combined total dollar value of approximately US$1,530,200. In addition, the Company executed new contract extensions to three previously announced clinical trials for an approximate combined sum of US$460,000.

To date, Resonance Health products and services have been used by pharmaceutical and therapeutic companies in over 30 clinical trials. As of August 2019, Resonance Health was actively involved in nine ongoing clinical trials, with monthly payments being received by the Company comprising of two components:

a) Fixed Costs: Comprised of Data Management Setup charges, and monthly Project and Data Management fees; and

b) Variable Costs: For use of Resonance Health products and services (such as FerriScan®, Liver Volume, Spleen Iron, Spleen Volume, FerriScan® Phantom Pack supply and analysis, etc.) for the duration of each trial as requested. There is also often provision for ad hoc consulting services to be provided by the Company, to be charged if and when incurred.

Further details of the clinical trials announced during the year are available by viewing the following announcements made during the year:

- 23 August 2018 – 'Resonance Health contracted for two new clinical trials'
- 29 October 2018 – 'Appendix 4C – quarterly'
- 31 October 2018 – 'New Work Order to provide services for Clinical Trial'

Year In Review (Cont'd)

Resonance Health continues to actively pursue clinical trial opportunities with pharmaceutical and therapeutic companies, as the Company looks to further utilise its services in clinical trial settings.

REGULATORY MILESTONE - FIRST FDA CLEARED AI SOLUTION FOR RESONANCE HEALTH

Resonance Health added to its regulatory cleared product line over the year with FerriSmart, the Company's ground-breaking AI solution for the quantification of liver iron concentration (LIC), achieving TGA, CE Mark, and FDA regulatory clearances. These clearances make FerriSmart the only regulatory cleared artificial intelligence tool for use in LIC.

In addition to FerriScan®, FerriSmart is now also the only FDA cleared MR companion diagnostic for use with deferasirox.

FerriSmart is now one of five products developed by Resonance Health with regulatory clearance. Including FerriSmart, these are the Company's five regulatory cleared products:

FerriScan®
MRI Measurement of Liver Iron Concentration

Gold Standard in Liver Iron Concentration

FerriSmart
Powered by FerriScan

Instantaneous Liver Iron Concentration Analysis

HepaFat-Scan®
MRI Measurement of Liver Fat

Volumetric Liver Fat Fraction

CardiacT2*

*Cardiac T2**

BoneMarrow R2-MRI

Estimation of iron levels in the bone marrow

FERRISCAN® AND CARDIAC T2*

FerriScan®, Resonance Heath's flagship product, is internationally recognised by clinicians as the gold standard for the measurement of liver iron concentration. This accurate MRI-based technique is non-invasive and eliminates the need for liver biopsies. FerriScan® is far superior to serum ferritin, which is sometimes used as a proxy for total body iron stores. FerriScan® has regulatory clearance from the FDA (US), CE Mark (Europe) and TGA (Australia). It is also recommended in multiple clinical patient management guidelines and has FDA cleared companion diagnostic device status for the iron chelator deferasirox, providing the essential baseline measurement of liver iron concentration prior to the commencement of use of deferasirox in patients. FerriScan® is then used repeatedly as part of the routine clinical management of patients.

Year In Review (Cont'd)

By July 2019, over 50,000 FerriScan® analyses had been performed globally in 46 countries. FerriScan® is reimbursed in the UK and Canada by their governments, and it has some private payer coverage in the United States.

An increasing number of Resonance Health customers are using the Company's Cardiac T2* measurement service to assess myocardial iron in their patients (iron may begin to accumulate in the heart and other organs of patients with elevated liver iron concentration, potentially causing toxic damage, and increasing risk of serious adverse event and even death).

Cardiac T2* is the most widely accepted MRI based method for assessing heart iron loading. Resonance Health offers a dual analysis service where the Cardiac T2* measurement is provided in addition to FerriScan® for a more comprehensive assessment of the body's iron stores. Both the liver and the heart data are captured in one patient MRI visit. Resonance Health's Cardiac T2* analysis service has regulatory clearances from the FDA in the USA, TGA in Australia, and CE Mark for Europe. The Cardiac T2* analysis service is available to any suitably equipped MRI centres internationally and is processed at the Company's central image analysis centre by specially trained and experienced analysts under stringent quality-controlled conditions.

Cardiac T2* is increasingly being requested by clinicians alongside and in addition to a FerriScan® LIC measurement to enable better-informed decisions on the management of patients with iron related diseases and/or at risk of iron-induced organ damage.

Snapshot of our global FerriScan® sites

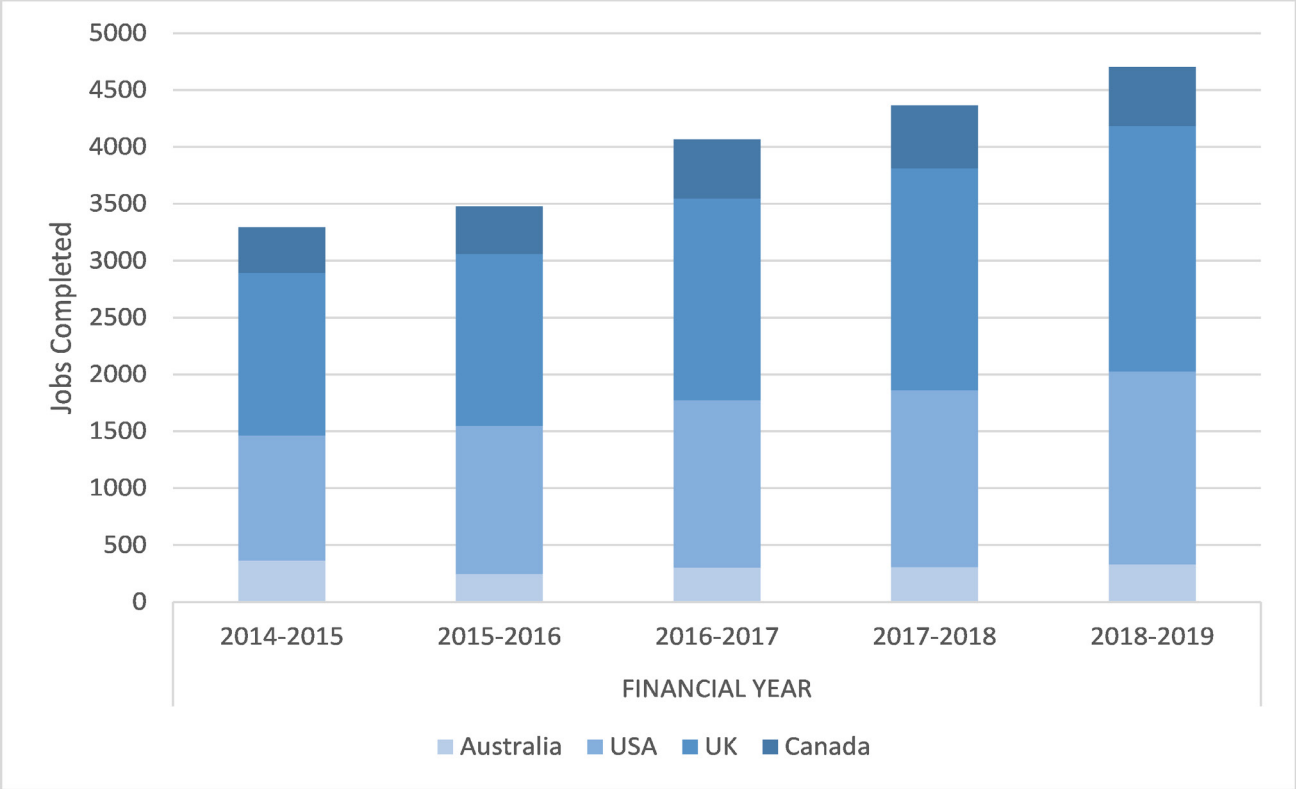
FERRISCAN® AND CARDIAC T2* SALES GROWTH

Resonance Heath is pleased to have once again achieved record commercial sales of FerriScan® and Cardiac T2* in its key markets over the financial year, with the UK experiencing a 10% increase in FerriScan® usage, and the US and UK experiencing a combined 44% increase in commercial uptake of the Company's Cardiac T2* service. In total, Cardiac T2* saw its revenue earning job usage increase by 24% over the previous financial year.

Year In Review (Cont'd)

The Company's "Premium" FerriScan® service offers a rapid turnaround of patient results and this also service also continued to gain traction, with a usage increase of 149% over the previous financial year. The Premium expedited service was utilised in 14% of all FerriScan® jobs in the United States for the financial year.

FerriScan® growth in target markets of USA, Canada, UK, and Australia



CARDIAC T2* - NEW PHANTOM DEVELOPED

To complement the services Resonance Health is supplying to pharmaceutical and therapeutic companies in their clinical trials, the Company has developed a Cardiac T2* phantom. The Cardiac T2* phantom is placed in an MRI machine and scanned to verify the Cardiac T2* scanning sequence in lieu of a test subject (patient/volunteer). The Cardiac T2* phantoms will be provided annually for the duration of three previously announced clinical trials to all participating trial sites. Subject to full completion of these trials, the total additional revenue to be realised from the Cardiac T2* phantoms will be US$108,600. The newly-developed Cardiac T2* phantom is now being offered as part of the Company's trial service offerings.

FUTURE-PROOFING FERRISCAN®

This financial year saw the Company make substantial progress in its Dragon 2 Study, a trial looking at several parameters including protocols attempting to significantly decrease the acquisition time for the

Year In Review (Cont'd)

FerriScan® protocol, which currently takes approximately 7-9 minutes in an MRI machine. A shorter acquisition time for the FerriScan® and FerriSmart services would considerably reduce the time spent by a patient inside an MRI machine whilst also lowering the total costs to the hospital and patient.

The first FerriScan® performed in 2004 required almost 20 to 30 minutes of data acquisition time in an MRI machine, so the 9-minute scan seems short by comparison –but for very busy MRI departments where demand for time on the scanner is highly competitive, every second counts.

As part of the Dragon 2 Study, Resonance Health is also continuing its work to adapt the Company's FerriScan® and FerriSmart services to 3 Tesla (3T) scanners, resulting in better compatibility and usability with advancements in MRI technology.

Due to the success of preliminary results in the Dragon 2 Study, Resonance Health is collaborating with a well-known large US hospital to collect additional MRI images. This US hospital is an existing user of the FerriScan® service and is assisting Resonance Health with the following work:

- Provision of datasets derived from; (i) the shorter acquisition, and (ii) 3T scanners, in connection with their calibration;
- The new datasets from the US, alongside previous datasets obtained from Vietnam, allow the Company's protocols to be tested across multiple scanner manufacturers.

At present, data collection at the US hospital site is more than half way completed, with a significant update expected from the Company before the end of the calendar year.

FERRISMART

FerriSmart uses Artificial Intelligence (AI) as an automated software medical device to accurately and rapidly determine the liver iron concentration (LIC) from a specially acquired Magnetic Resonance (MR) image. FerriSmart was designed to provide a highly scalable and accessible tool for medical professionals to manage their patients with iron overload disorders such as thalassemia, Sickle Cell Disease, Hereditary Haemochromatosis, anaemias, and cancers.

FerriSmart was specifically developed to help clinicians in developing countries access an affordable and clinically validated method for LIC quantification. Due to significant disparities in assessment regimes (largely cost driven), patient outcomes in these countries may be significantly lower than in developed countries. FerriSmart will enable clinicians to monitor the health of patients with potentially fatal liver iron-overload with a similar calibre of diagnostic tool available to clinicians in developed countries.

FerriSmart was trained using thousands of archived FerriScan® image data sets with clinically validated LIC 'labelled' values. These datasets were analysed and labelled according to a set of stringent standards and guidelines implemented as part of an ISO 13485 accreditation quality system in operation for over 12 years. FerriSmart and FerriScan® are the only FDA cleared methods for the quantification of LIC.

Year In Review (Cont'd)

This financial year saw the Company's AI solution (FerriSmart) obtain regulatory clearance from Australia (TGA), United States of America (FDA), and Europe (CE Mark).

To date, FerriSmart has been successfully integrated into the EnvoyAI and Blackford Analysis platforms and initial FerriSmart training has been completed across both salesforces. Resonance Health is now providing ongoing support and assistance in onboarding and sales efforts to setup new FerriSmart users across these two platforms.

Early work on liaising with large hospital chains across India has resulted in several key meetings to discuss FerriSmart's viability in these institutions and their current work practices. After productive meetings, the Company remains in ongoing discussions to tailor solutions to fit their requirements. Further updates will be provided as work progresses.

HEPAFAT-SCAN®

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

From a commercial sales perspective, HepaFat-Scan®'s revenue-generating jobs doubled from the previous financial year, however a historical limiting factor in growth has been the lack of therapeutics available to treat fatty liver disease. This is currently an area of heavy international research. The World Health Organisation estimates that there are over 500 million people globally with fatty liver which can lead to increased rates of diabetes, liver fibrosis, liver cirrhosis, hepatocellular carcinoma, and death.

A LOOK TOWARDS THE FUTURE

Product oriented R&D has become a key priority for the Company in the financial year. Whilst investment in R&D has continued, it is with a greater focus on timely commercial outcomes, and diversification of the existing R&D pipeline has been a priority. This is an escalation of the Company's previous work on the development of new tools for the quantification of iron and volumetric fat fractions in a number of human organs, and is in addition to the previous work on the use of the Company's products by key opinion leaders and pharmaceutical companies in their research. This work encompasses new product R&D as well as key improvements to existing products.

The Company's R&D strategy includes diversification of in-house R&D projects, potential licencing of out-of-house technologies, and potential acquisitions of new medical diagnostic and treatment technologies. The current R&D initiatives include, but are not limited to, the following (due to the competitive and confidential nature of R&D, details of projects, and projects themselves, may be withheld in order to protect Company intellectual property):

Year In Review (Cont'd)

IMAGING R&D:

- Resonance Health has developed several MRI imaging and analysis protocols to address the complexity of measuring brain iron at different locations in the brain and different levels of iron, and these research-use only tools are now available for use.
- Automation of the Company's spleen volume and liver volume analysis, through the application of machine learning, which has significantly reduced analysis time.
- Resonance Health has executed a Non-exclusive License Agreement with Wisconsin Alumni Research Foundation (WARF) for the use of numerous patents owned by WARF. The License Agreement allows the Company to use the licensed patents for the development and commercialisation of new and/or alternative methods for measuring proton density fat fraction (PDFF) from MRI images.
- To date, work has progressed well within the scope of the Company's collaboration with Perth Radiological Clinic (PRC). The partnership provides the sharing of data and the training of neural networks to assess the viability of the development of several screening tools. Through images provided by PRC as part of the agreement, Resonance Health is progressing well with its exploration into potential new AI solutions.

ARTIFICIAL INTELLIGENCE R&D:

The Company is strongly committed to AI tools due to their excellent reproducibility of results, the Company's access to very high-quality datasets and labels, and the potential for AI tools to be fully and seamlessly integrated into existing radiology workflows.

Using in-house and externally sourced datasets in various diseases and/or conditions, the Company is making progress on training neural networks in assessing a number of organs. These machine learning tools are in various stages of development, ensuring Resonance Health has a strong pipeline of AI development.

MOLECULAR R&D:

Using in-house expertise in molecular biology, the Company has commenced two molecular projects this financial year:

- A biomarker project has been underway for the duration of the Dragon 2 study. Preliminary results are expected by the end of the calendar year, following which the Company will decide whether to progress with this project.
- A molecular project that will assess the success of a particular compound that may have some efficacy as a treatment strategy to mitigate liver disease.

Year In Review (Cont'd)

A WIDE SUITE OF SERVICES NOW AVAILABLE

Resonance Health has recently increased its product suite with the inclusion of several new MRI imaging and analysis protocols to address the complexity of measuring brain iron at different locations and different levels of iron. Resonance Health also offers the following services:

- **Bone Marrow R2-MRI for Iron Assessment** – provides a non-invasive assessment of iron levels in the bone marrow. Available for clinical use in the EU and Australia, and available for investigational use in study settings in the USA. Bone Marrow R2-MRI may provide additional valuable data as conjunct/replacement for bone marrow aspirates to measure changes in underlying bone marrow iron deposition.
- **Brain Iron** – several brain iron imaging protocols to quantify iron deposition in various regions of the brain such as leptomeninges, basal ganglia, etc.
- **Fibrosis and Inflammation** – a combination of prototype MRI measures to assess liver fibrosis and inflammation.
- **Liver Biopsy – Stereology Services** – quantitative assessment of hepatic steatosis of digitized biopsies using stereology.
- **Pancreatic Fat and/or Assessment** – standardised quantitative assessment of pancreatic fat and/or iron.
- **Spleen Volume and/or Iron Assessment** – standardised quantitative assessment of spleen volume and/or iron.
- **Visceral/Subcutaneous Fat and Organ Fat in Metabolic Disease** – quantitative assessments of visceral fat, subcutaneous fat, epicardial fat.
- **Customised Imaging Solutions** – customised design protocols on an as required basis. Examples include protocols to assess tracer entry into cells (e.g. Gadolinium) to attempt to monitor drug delivery; novel cardiac imaging protocols; and many others.

Financial Report 30 June 2019

Directors' Report

The Directors present their report on the Group, consisting of Resonance Health Limited ("Company") and the entities it controlled together ("the Group") with the annual financial report for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Dr Martin Blake

MBBS,FRANZCR, FAANMS, MBA, FAICD

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

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

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

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

Other listed company current directorships:

None

Former listed company directorships in last 3 years::

None

Special responsibilities:

Chairman of the Remuneration Committee

Member of the Audit and Risk Committee

Mr Mitchell Wells

L.LB, B.Comm

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

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

Other listed company current directorships:

None

Former listed company directorships in last 3 years::

Lonestar Resources US Inc. – Nasdaq Listed US Public Company

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

Special responsibilities:

Member of the Audit and Risk Committee

Member of the Remuneration Committee

Directors' Report (Cont'd)

Mr Simon Panton

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

Experience: Mr Panton has been a strong supporter of the Company and the FerriScan technology over a number of years and is a major shareholder of Resonance Health. Mr Panton brings skills in business and marketing having run his own successful business.

Other current listed company directorships:

None

Former listed company directorships in last 3 years:

Non-Executive Director of 4DS Ltd

Special responsibilities:

Member of the Audit and Risk Committee

Member of the Remuneration Committee

Dr Travis Baroni

Position: Director — Non-Executive (appointed 25 November 2016)

Experience: Mr Baroni has broad experience across industrial research, commercialisation of technology, asset valuations and investment banking services. He has managed innovation development and technology strategy in a large company setting as well as being an active investor in early stage investments. He has worked in investment banking, providing advisory services to equity capital market transactions, corporate research and valuations to clients.

Other current listed company directorships:

None

Former listed company directorships in last 3 years:

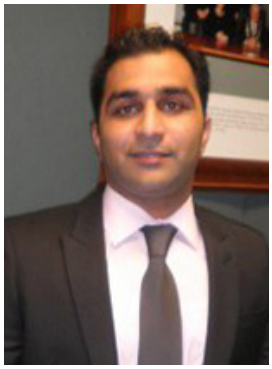
None

Special responsibilities:

Chairman of the Audit and Risk Committee

Member of the Remuneration Committee

Company Secretary



Mr Agha Shahzad Pervez

B.Sc (IT) Hons, M.Com (Accounting)

Position: Company Secretary and Chief Financial Officer (appointed 29 November 2017)

Experience: Mr Pervez has over ten years' experience in managing the financial obligations of an ASX listed corporation. He joined Resonance Health in 2009 and has in-depth knowledge of all financial and operational aspects of Resonance. Agha has also been responsible for the handling of EMDG rebates and R&D Tax Incentive claims for the last several years.

Directors' Report (Cont'd)

Interests in the Shares of the Company

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

	Number of fully paid ordinary shares	Number of options
Directors		
Dr M Blake	6,464,677	-
Dr T Baroni	500,000	-
Dr M Wells	600,000	-
Mr S Panton	73,546,350	-
Total	**81,111,027**	**-**

Dividends Paid or Recommended

No dividend was paid or declared for the financial year.

Principal Activities

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

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

Directors' Report (Cont'd)

Shares and Options Granted to Directors and Management Executives

Directors and Management Executives	Number of options granted	Number of ordinary shares under option
Ms A Laws	10,000,000	10,000,000
Mr AS Pervez	4,000,000	4,000,000

Unissued Shares under option

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

Date options granted	Number of shares under option	Exercise price of option	Expiry date of options
09/03/2018	18,500,000	$0.03 to $0.10	09/03/2021
13/09/2018	500,000	$0.05 to $0.075	13/9/2021
30/4/2019	7,000,000	$0.075 to $0.125	01/01/2022
16/7/2019	3,000,000	$0.10	13/6/2022

Shares issued or since the end of the year as a results of exercise

As at the date of this report details of ordinary shares issued by the Company during or since the end of the financial year as a results of exercise of an options are:

Date of exercise	Number of shares issued	Amount paid for the shares
16/07/2019	4,500,000	$250,000

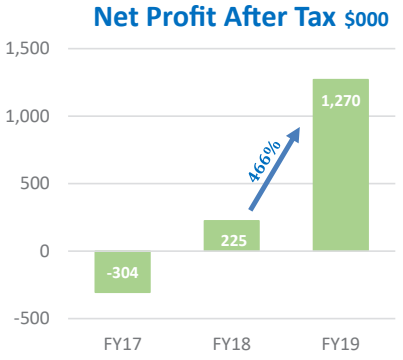
Review of Operations

Resonance Health Strategy Delivers Strong Profit

- **Net profit after tax up 466% to $1.27 million**
- **EPS increase to 0.31 cents per share from 0.06 cents per share in FY18**
- **Sales revenue up 25% as a result of distribution expansion focus**
- **Cashflow from operations up 327% to $1.62 million**
- **Cash on hand as at 30 June 2019 up 99% to $3.1 million**

Resonance Health Limited (ASX: RHT) ("Resonance Health" or the "Company") is pleased to announce a full year NPAT of $1.27 million, representing a fivefold increase over FY18 NPAT of $0.22 million.

EBITDA for the year was $1.15 million, which is a significant reversal from the loss of $0.62 million in FY18, reflecting improvements made to core business.



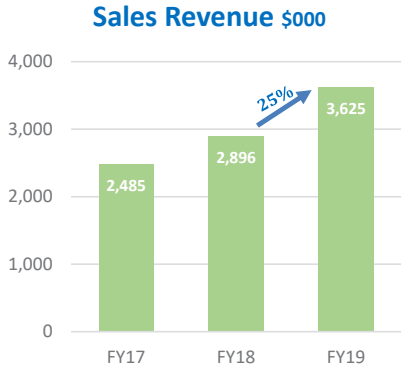
The improved performance is a result of both sales revenue increases and cost reductions across the business.

Chief Executive Officer, Alison Laws, said, "This year's profit represents the successful implementation of concurrent sales revenue growth and cost control programs, with a 25% increase in revenue and a 16% decrease in operating costs."

Sales Revenue

Sales revenue for the year was $3.62 million, a 25% increase on the previous year of $2.90 million with a 13% increase to $1.79 million in 2H19 from $1.59 million in 2H18. This increase is the result of the Company's distribution expansion strategy through:

- the addition of a further 60 hospitals and imaging centres using Resonance Health services either commercially or in clinical trials; and
- a continued focus on using FerriScan and other Resonance Health services in existing and new clinical trials and partnering with pharmaceutical and therapeutic companies.



Clinical trial work won this financial year resulted in a combined total dollar value of approximately US$1,530,200 (see ASX announcements dated 23 August 2018, 29 October 2018, and 31 October 2018).

76% of sales revenue for the year was derived from the United States and Canada with the United Kingdom contributing 20% and the balance spread across Australia, Asia and The Middle East. Commercial revenue combined with voucher revenue accounted for 60% of total revenue with clinical trials and other studies making up the balance.

Ms Laws commented, "These results are a strong indication of the potential for the business given the proven international demand for our flagship product and the high margin revenue derived from sales."

Directors' Report (Cont'd)

Research and Development

The Company has been successful in obtaining a number of business-critical regulatory clearances, including FDA clearance in the United States, CE Mark in Europe and TGA clearance in Australia. FerriSmart is the first and only regulatory cleared AI tool for use in liver iron quantification in the world.

R&D expenditure for the year was reduced from $1.03 million in FY18 to $0.82 million in FY19 as a result of the re-organisation and streamlining of existing projects and an increase in focus on expansion of breadth of work into additional areas of unmet clinical need. This reduced level of R&D includes $0.35 million that was capitalised. Despite the reduction in R&D expenditure it remains central to the future success of the Company, and as such our commitment to it remains unchanged. R&D expenditure will be targeted at imaging analysis product development, other relevant biomarker developments, and AI automation.

Operating Costs

Operating costs for the year were reduced by $0.47 million over the previous year, a decrease of more than 15% excluding foreign exchange gains. Major drivers of the reduction in OPEX include reductions of $0.32 million in marketing and travel costs and a reduction of $0.11 million in employee benefits.

Cash

The success of concurrent growth and cost containment strategies has resulted in substantial improvement in the company's cash position. Cashflow from operations increased by $1.24 million as a result of an increase in customer receipts of $0.89 million (33%) over 2018, and a decrease in payments to suppliers and employees of $0.47 million (17%). Net cash used in investing activities decreased by $0.2 million over 2018 as a result of a lower level of capitalised R&D expenditure. Cash on hand at 30 June totaled $3.08 million, almost double the 2018 level of $1.55 million. The company has no debt.

Strategy for Growth

Resonance Health is a medical imaging business, focusing on the research and development of new and improved proprietary tools and techniques and their subsequent commercialisation. As such, the strategy to grow commercial sales revenue includes utilisation of third party distribution and servicing platforms with extensive existing customer bases across five continents. The agreements entered into in FY19 with EnvoyAI and Blackford Analysis (see ASX announcements dated 15 January 2019 and 5 July 2018) provide platforms for distribution of Resonance Health's software and services to well over 5000 hospitals and MRI Centres worldwide, including 85 of the largest 100 hospitals in the United States. This strategy enables the Company to minimise customer acquisition and service distribution costs, retain a product development focus, and pursue new revenue opportunities for the existing product suite.

The strategy to grow revenue from clinical trials includes increasing incremental sales to existing customers, as well as a continued focus on relationship and brand awareness building with potential pharmaceutical and therapeutic customers. The strategy will continue to be implemented in FY20, leveraging off the Company's success in FY19.

Directors' Report (Cont'd)

Significant Changes in State of Affairs

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

Significant Events After Balance Date

4,500,000 shares were issued as a result of exercised options and 136,365 shares per Employee Share Scheme on 16 July 2019.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods

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

Directors' Report (Cont'd)

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 2019. The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

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

Key Management Personnel

(i) Directors

Dr Martin Blake – Chairman

Mr Simon Panton

Dr Travis Baroni

Mr Mitchell Wells

(ii) Management Executives

Ms Alison Laws – Chief Executive Officer

Mr Agha Shahzad – Company Secretary & Chief Financial Officer

Remuneration Policy

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

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

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

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 Mr Mitchell Wells) receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

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

(ii) Variable Remuneration

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

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

Directors' Report (Cont'd)

Employment Agreements

Management Employment Agreements

Mr Pervez was appointed to the role of Company Secretary & Chief Financial Officer of Resonance Health Ltd on 29th November 2017. His employment agreement provides for a salary of $150,000 pa exclusive of superannuation and a termination notice of 4 weeks.

Ms Laws was appointed to the role of Chief Executive Officer of Resonance Health Analysis Services Pty Ltd on 23rd February 2018. Her employment agreement provides for a salary of $250,000 pa exclusive of superannuation and a termination notice of 3 months by the Company or Ms Laws.

Consultancy Services Agreement

Mr Mitchell Wells has a Consultancy Agreement with Resonance Health Analysis Services to provide duties as an Investor Relations Consultant. This Consultancy Agreement provides for consultancy fees of $90,000 per annum increased from $60,000 per annum from 1 January 2019. The agreement may be terminated at any time upon mutual agreement.

Details of Remuneration for Year Ended 30 June 2019

The remuneration for key management personnel of the Group during the 2019 year was as follows:

	Short-term employee benefits	Post employment benefits	Equity	Total		
	Salary & Fees	Superannuation Contributions	Shares/ Options		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%
Non-Executive Directors' remuneration						
Dr T Baroni	36,530	3,470	-	40,000	100%	-
Dr M Blake	54,795	5,205	-	60,000	100%	-
Mr M Wells[1]	112,500	-	-	112,500	100%	-
Mr S Panton	36,530	3,470	-	40,000	100%	-
Total	240,355	12,145	-	252,500		

Directors' Report (Cont'd)

	Short-term employee benefits	Post employment benefits	Equity	Total		
	Salary & Fees	Superannuation Contributions	Shares/ Options		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%
Management Executives' remuneration						
Ms A Laws	179,058	17,010	-	196,068	100%	-
Mr AS Pervez	116,615	11,078	70,161	197,854	100%	-
Total	295,673	28,088	70,161	393,922		

[1] Mr M Wells remuneration represents $40,000 director fees and $72,500 consulting fees.

Details of Remuneration for Year Ended 30 June 2018

The remuneration for key management personnel of the Group during the 2018 year was as follows:

	Short-term employee benefits	Post employment benefits	Equity	Total		
	Salary & Fees	Superannuation Contributions	Shares/ Options		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%
Non-Executive Directors' remuneration						
Dr T Baroni	36,530	3,470	-	40,000	100%	-
Dr M Blake	54,795	5,205	-	60,000	100%	-
Mr M Wells[1]	93,333	-	-	93,333	100%	-
Mr S Panton	36,530	3,470	-	40,000	100%	-
Total	221,188	12,145	-	233,333		

Directors' Report (Cont'd)

	Short-term employee benefits	Post employment benefits	Equity	Total		
	Salary & Fees	Superannuation Contributions	Shares/ Options		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%
Management Executives' remuneration						
Dr T St Pierre[2]	206,940	-	-	206,940	100%	-
Mr S Bangma[3]	108,313	13,267	-	121,580	100%	-
Mr A Bowers[4]	58,890	3,688	-	62,578	100%	-
Ms A Laws[5]	154,846	14,710	79,764	249,320	100%	-
Mr AS Pervez[6]	99,408	9,444	7,976	116,828	100%	-
Total	628,397	41,109	87,740	757,246		

[1] Mr M Wells was appointed a Director 28th February 2018.
[2] Dr T St Pierre is the Chief Scientific Officer; remuneration represents consulting fees for duties as Chief Scientific Officer paid to The University of Western Australia. At 30 June 2017 a balance of $26,161 was owing to The University of Western Australia.
[3] Mr S Bangma resigned as a General Manager effective 22nd November 2017.
[4] Mr A Bowers resigned as a Company Secretary/ CFO effective 29th November 2017.
[5] Ms A Laws was appointed as Chief Executive Officer 23rd February 2018.
[6] Mr AS Pervez was appointed as Company Secretary/ CFO 29th November 2017.

No cash bonuses were granted in 2019 and 2018.

No share-based remuneration granted as compensation in 2019 and 2018.

Shareholdings of key management personnel

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

	Balance 1/7/2018	Received as Remuneration	Net Change Other	Received during the year on exercise of options	Balance 30/6/2019
Dr M Blake	6,464,677	-	-	-	6,464,677
Dr T Baroni	500,000	-	-	-	500,000
Mr M Wells	200,000	-	400,000	-	600,000
Mr S Panton	71,275,743	-	2,270,607	-	73,546,350
Ms A Laws	-	-	-	-	-
Mr AS Pervez	600,823	-	(500,823)	-	100,000

Directors' Report (Cont'd)

Option holdings of key management personnel

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

	Balance 1/7/2018	Received as Remuneration	Net Change Other	Received during the year on exercise of options	Balance 30/6/2019
Dr M Blake	-	-	-	-	-
Dr T Baroni	-	-	-	-	-
Mr M Wells	-	-	-	-	-
Mr S Panton	-	-	-	-	-
Ms A Laws	10,000,000	-	-	-	10,000,000
Mr AS Pervez	1,000,000	3,000,000	-	-	4,000,000

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

Nil

End of Remuneration Report

Directors' Report (Cont'd)

Meetings of Directors

The number of meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Director Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr M Blake	9	9	3	3	2	2
Dr T Baroni	9	9	3	3	2	2
Mr S Panton	9	9	3	3	2	2
Mr M Wells	9	8	3	3	2	2

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor Independence and Non-audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 13 and forms part of this Directors' Report for the year ended 30 June 2019.

Non-audit Services

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

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

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

Dr Martin Blake
Chairman
Perth, Western Australia
Dated this 27 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2019, 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
27 September 2019

M R Ohm
Partner

hlb.com.au

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Liability limited by a scheme approved under Professional Standards Legislation.

Statement of Comprehensive Income

For The Year Ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Sales revenue	2(b)	3,624,545	2,896,395
Other income	2(c)	37,228	15,220
Revenue		3,661,773	2,911,615
Employee benefits expense		(1,671,213)	(1,782,770)
Consulting and professional services		(92,801)	(58,501)
Research and development		(63,177)	(123,016)
Depreciation expense		(23,815)	(26,835)
Amortisation expense		(221,239)	(153,119)
Marketing and travel		(266,307)	(583,613)
Statutory and compliance		(154,247)	(122,610)
Foreign exchange gain		37,361	18,988
Other expenses	2(d)	(264,657)	(307,424)
Profit/(loss) before income tax benefit		**941,678**	**(227,285)**
Income tax benefit	4	328,555	451,904
Net profit for the year attributable to owners of the parent		**1,270,233**	**224,619**
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to owners of the parent		**1,270,233**	**224,619**
Basic and earnings diluted per share (cents per share)	6	0.31	0.06

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 30 June 2019

	Notes	Consolidated 2019 $	2018 $
Current Assets			
Cash and cash equivalents	7	3,081,192	1,549,088
Trade and other receivables	8	661,902	573,623
Other assets	9	36,320	33,632
Total Current Assets		3,779,414	2,156,343
Non-Current Assets			
Plant and equipment	10	40,511	60,986
Intangible assets	11	2,550,818	2,422,680
Other assets	9	45,900	45,900
Total Non-Current Assets		2,637,229	2,529,566
Total Assets		6,416,643	4,685,909
Current Liabilities			
Trade and other payables	12	392,809	401,631
Provisions	14	75,855	58,600
Other liabilities	13	54,399	91,440
Total Current Liabilities		523,063	551,671
Total Liabilities		523,063	551,671
Net Assets		5,893,580	4,134,238
Equity			
Issued capital	15(a)	69,674,199	69,424,199
Reserves	15(b)	209,727	(29,382)
Accumulated losses		(63,990,346)	(65,260,579)
Total Equity		5,893,580	4,134,238

The accompanying notes form part of these financial statements

Statement of Changes In Equity

For The Year Ended 30 June 2019

Consolidated	Note	Issued Capital $	Foreign Currency Translation Reserve $	Option Reserve $	Accumulated Losses $	Total Equity $
Balance at 30 June 2017		**69,424,199**	**(270,580)**	**66,284**	**(65,485,198)**	**3,734,705**
Profit for the year		-	-	-	224,619	224,619
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		**-**	**-**	**-**	**224,619**	**224,619**
Equity settled share-based payments	23	-	-	174,914	-	174,914
Balance at 30 June 2018		**69,424,199**	**(270,580)**	**241,198**	**(65,260,579)**	**4,134,238**
Profit for the year		-	-	-	1,270,233	1,270,233
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**1,270,233**	**1,270,233**
Share issued		250,000	-	-	-	250,000
Equity settled share-based	23	-	-	239,109	-	239,109
Balance at 30 June 2019		**69,674,199**	**(270,580)**	**480,307**	**(63,990,346)**	**5,893,580**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For The Year Ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		3,538,602	2,652,132
Payments to suppliers and employees		(2,273,443)	(2,741,114)
Interest received		21,343	15,051
Income tax received	3	328,555	451,904
Net cash provided by operating activities	7(i)	1,615,057	377,973
Cash flows from investing activities			
Payments for plant and equipment		(3,340)	(14,912)
Payments for intangible assets	11	(344,653)	(531,729)
Net cash used in investing activities		(347,993)	(546,641)
Cash flows from financing activities			
Proceeds from share issues		250,000	-
Net cash provided by financing activities		250,000	-
Net increase/(decrease) in cash and cash equivalents		1,267,064	(168,668)
Foreign exchange differences on cash balances		15,040	32,381
Cash and cash equivalents at the beginning of period		1,549,088	1,685,375
Cash and cash equivalents at the end of the period	7	3,081,192	1,549,088

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 selected non-current assets, 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

Standards and Interpretations applicable to 30 June 2019

The Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. It has been determined by the Directors that other than AASB 15 Revenue from Contracts with Customers there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to the Group's accounting policies.

AASB 15 Revenue from Contracts with Customers

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

The key changes to the full year financial statements are:

- The comparative information for each of the primary financial statements is presented based on the requirements of AASB 111, AASB 118 and related Interpretations.
- The cumulative catch-up adjustment to the opening balance of retained earnings (or other components of equity) as at 1 July 2018, either for all contracts or only for contracts that are not completed at the date of initial application, is recognised in the statement of changes in equity and would be disclosed in Note 1(a).
- The narrative in Note 2(a), describes the changes and impact of adopting AASB 15.
- The Group has elected to apply that method to all contracts at date.

The disclosure of disaggregated revenue in Note 2(b) does not include comparative information under AASB 15.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(b) Adoption of new and revised standards (continued)

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurements, impairment of financial assets and hedge accounting model.

The Group has adopted AASB 9 from 1 July 2018.

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information accordingly, the information presented for 30 June 2018 has not been restated.

Other than the above, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(b) Adoption of new and revised standards (continued)

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2019. Those which may have a material impact on the Group are set out below.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases or finance leases-for the lessee – effectively treating all leases as finance leases.

AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019.

Impact on operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments.
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss.
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

The Group has elected not to early adopt AASB 16 but has conducted an assessment of the impact of the new standard based in the facts and circumstances that existed at that date and have concluded that the initial application of AASB 16 will have the following impact on the Group's leases as regards classification and measurement.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $180,352.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(b) Adoption of new and revised standards (continued)

A preliminary assessment indicates that $180,352 of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group will recognise a right-of-use asset of $165,305 and a corresponding lease liability of the same amount.

The impact on profit or loss is to decrease other expenses by $56,650, to increase depreciation by $50,987 and to increase interest expense by $11,314.

Under AASB 117, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities by $56,650 and to increase net cash used in financing activities by the same amount.

(c) Statement of compliance

The financial report was authorised for issue on 27 September 2019.

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 Company, using consistent accounting policies.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

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

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

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

Impairment of intangibles

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

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

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

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

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

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

(f) Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(g) Foreign currency translation

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

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

Refer to Note 2.

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) Leases

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(j) Leases (continued)

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

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

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

(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.

NOTE 1: Statement of significant accounting policies

(k) Income tax (continued)

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

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

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

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

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

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

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

Tax consolidation legislation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(l) Other taxes

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

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

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

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

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

(m) Impairment of assets

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

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

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior

NOTE 1: Statement of significant accounting policies

(m) Impairment of assets (continued)

years. Such reversal is recognised in statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Cash and cash equivalents

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

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

(o) Trade and other receivables

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

(p) Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

NOTE 1: Statement of significant accounting policies

(p) Financial Instruments (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

NOTE 1: Statement of significant accounting policies

(p) Financial Instruments (continued)

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI.

Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139.

Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is to "hold to collect" the associated cash flows and sell financial assts; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

NOTE 1: Statement of significant accounting policies

(p) Financial Instruments (continued)

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(p) Financial Instruments (continued)

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(q) Plant and equipment

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

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

- Plant and equipment 3 – 5 years

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

Impairment

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

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

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

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

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

Derecognition and disposal

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(r) Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets – research and development expenditure

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(r) Intangible assets (continued)

Impairment of tangible and intangible assets other than goodwill

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

(s) 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.

(t) 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.

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(v) 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.

(w) 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.

(x) Share 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.

(y) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Statement of significant accounting policies

(z) 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.

(aa) Parent entity financial information

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

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the parent entity's financial statements.

(ab) Going concern

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: AASB 15 Revenue from Contracts with Customers

(a) Adoption of AASB 15

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

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

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

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

(1) Identify the contract(s) with a customer

(2) Identify the performance obligations in the contract

(3) Determine the transaction price

(4) Allocate the transaction price to the performance obligations in the contract

(5) Recognise revenue when or as the entity satisfies it performance obligations

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

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

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

Accounting policy for revenue

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

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

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

NOTE 2: AASB 15 Revenue from Contracts with Customers (continued)

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

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

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

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

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

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

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

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

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

NOTE 2: AASB 15 Revenue from Contracts with Customers (continued)

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

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

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

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

(i) Establishment services

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

(ii) Trial establishment project and data management

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

(iii) Project and data management services

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

(iv) Analysis services

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

Contract fulfilment assets and liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: AASB 15 Revenue from Contracts with Customers (continued)

Deferred and accrued income

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

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

b): Disaggregated Revenue	**Consolidated** Twelve months to 30 June 2019 $
The group derives its revenue from the services at a point in time and over time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment:	
Commercial Revenue	2,084,562
Voucher Program	90,441
Clinical Trials	1,414,363
Other Studies	35,179
Total Revenue from contracts with customers	3,624,545

(c) Reconciliation of revenue from contracts with customers with the amounts disclosed in segment information	**Consolidated** Twelve months to 30 June $
Segment revenue	3,624,545
Adjustments and eliminations	-
Total revenue from contracts with customers	3,624,545

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated	
	2019	2018
NOTE 3: Other Revenue and Expenses	$	$
(a) Other income		
Interest received	37,228	15,220
	37,228	15,220
(b) Other expenses		
Rental expense on operating leases	56,052	64,223

	Consolidated	
	2019	2018
NOTE 4: Income tax benefit	$	$
Income tax recognised in profit or loss		
The major components of tax benefit are:		
Research and Development tax offset	328,555	451,904
	328,555	451,904
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting loss before income tax	941,678	(227,285)
Income tax expense calculated at 27.5%	258,961	(62,503)
Effect of expenses that are not deductible in determining taxable profit	232,703	290,950
Effect of unused tax losses not recognised as deferred tax assets	(220,073)	(28,151)
Tax losses recovered	(140,906)	-
Effect of temporary differences not recognised as deferred tax assets and liabilities	(130,685)	(200,296)
Research and Development tax offset	328,555	451,904
Income tax benefit reported in the statement of comprehensive income	328,555	451,904

	Consolidated	
	2019	2018
NOTE 4: Income tax benefit (continued)	$	$
Unrecognised deferred tax balances		
The following deferred tax assets and liabilities have not been brought to account:		
Deferred tax assets:		
Losses available for offset against future taxable income - revenue	2,890,357	3,110,431
Amortisation and depreciation timing differences	199,045	283,034
Business related costs	4,127	9,310
Unrealised foreign exchange losses	2,338	(2,392)
Accrued expenses and liabilities	90,216	75,276
	3,186,083	3,475,659
Deferred tax liabilities:		
Capitalised research and development costs	701,475	666,237
Accrued income	4,710	341
Prepayments	9,988	9,249
	716,173	675,827
Income tax benefits not recognised directly in equity		
Share issue costs	-	-

Deferred tax assets have not been recognised in respect of the above items because it is not considered probable that future taxable profit will be available against which the Group can utilise the benefits thereof. Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Tax Consolidation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: Segment reporting

Segment Information

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

Geographical Segment

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

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

NOTE 3: Other Revenue and Expenses	2019 $	2018 $
Asia/Pacific	155,770	146,311
North America	1,128,675	1,085,508
EMEA	2,340,100	1,664,576
Total Sales to external customers	3,624,545	2,896,395

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 2019.

	Services $	Research and Development $	Corporate $	Total $
Segment revenue				
Sales to external customers	3,624,545	-	-	3,624,545
Interest revenue	-	-	37,228	37,228
Total segment revenue	3,624,545	-	37,228	3,661,773
Segment profit/(loss) before tax	1,885,252	(232,942)	(710,632)	941,678
Income tax benefit	-	328,555	-	328,555
Segment assets	661,902	2,550,818	3,203,923	6,416,643
Segment liabilities	447,208	-	75,855	523,063

The Group derived 14% of its external customer sales revenue from one major customer.

In the year ended 30 June 2019, There were non-current asset additions of $349,377 (2018: $445,814) in the Research and Development segment, and $3,340 (2018: $14,912) in the corporate segment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: Segment reporting (Continued)

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2018.

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

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

	Consolidated	
	2019	2018
NOTE 6: Earnings per share	$	$
Basic and diluted earnings per share (cents per share)	0.31	0.06
(a) Earnings used in the calculation of basic and diluted earnings per share	1,270,233	224,619
	2019 Number	2018 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings per share	405,840,034	402,497,568
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	408,906,230	402,497,658

The dilutionary impact of options did not change the earnings per share.

	Consolidated	
	2019	2018
NOTE 7: Cash and cash equivalents	$	$
Deposits at call	1,081,192	941,405
Term deposits	2,000,000	607,683
	3,081,192	1,549,088

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 an1d earn interest at the respective term deposit rates.

(i) Reconciliation of profit for the year to net cash flows from operating activities		
Profit for the year	1,270,233	224,619
Non-cash flows in profit:		
Depreciation	23,815	26,835
Amortisation of intangible assets	221,239	153,119
Share-based payment expense	239,109	174,914
Changes in net assets and liabilities:		
Trade and other receivables	(103,319)	(28,609)
Other assets (current)	(2,688)	28,648
Other assets (non-current)	-	45,073
Trade creditors and other payables and provisions	(50,587)	(235,897)
Other liabilities	17,255	(10,729)
Net cash provided by operating activities	1,615,057	377,973

(ii) Financing facilities		
Secured credit card:		
Amount used	14,175	16,079
Amount unused	5,825	3,921
	20,000	20,000

(iii) Cash balances not available for use		
Security deposits:		
Credit card	20,000	20,000
Lease premises	25,900	25,900
	45,900	45,900

	Consolidated	
	2019	2018
NOTE 8: Trade and other receivables	$	$
Trade receivables	626,802	555,250
Other receivables	35,100	18,373
	661,902	573,623

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

Aging of past due but not impaired		
30-60 days	155,173	171,926
60-90 days	80,506	73,816
90-120 days	161,278	95,735
	396,957	341,477

Trade receivables are non-interest bearing and are generally on terms of 14 days to 90 days. All amounts are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value.

Expected credit losses

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Trade receivables are written off when there is no reasonable expectation of recovery.

On the basis determined above, the expected credit loss for trade receivables as at 30 June 2019 was determined as $nil (30 June 2018: $nil).

NOTE 9: Other assets

Current		
Prepayments	36,620	33,632
Non-Current		
Deposits	45,900	45,900

	Consolidated	
	2019	2018
NOTE 10: Plant and equipment	$	$
Fixtures and equipment		
At cost	391,557	388,217
Less: Accumulated depreciation	(351,046)	(327,231)
Total plant and equipment	40,511	60,986

Reconciliation

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

Fixtures and equipment		
Carrying amount at the beginning of the year	60,986	72,909
Additions	3,340	14,912
Depreciation expense	(23,815)	(26,835)
Carrying amount at the end of the year	40,511	60,986

NOTE 11: Intangible assets

Development expenditure

At cost	3,470,321	3,120,944
Less: Accumulated amortisation	(919,503)	(698,264)
Total development expenditure	2,550,818	2,422,680

Reconciliation

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

Development expenditure		
Carrying amount at the beginning of the year	2,422,680	2,129,985
Additions	349,377	445,814
Amortisation expense	(221,239)	(153,119)
Carrying amount at the end of the year	2,550,818	2,422,680

NOTE 11: Intangible assets (Continued)

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

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

The recoupment of development expenditure is dependent on the successful development and commercialisation or sale of the technology developed. The Directors are required to assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists an estimate is made of the asset's recoverable amount. Impairment tests are also required for intangible assets not yet ready for use regardless of the existence of indicator of impairment. Where the asset's carrying value exceeds the estimated recoverable amount a provision for impairment is recognised.

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

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

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

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

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

	Consolidated	
	2019	2018
NOTE 12: Trade and other payables	$	$
Trade payables (i)	91,289	52,263
Sundry creditors and accruals	301,520	349,368
	392,809	401,631

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated	
	2019	2018
NOTE 13: Other liabilities	$	$
Unearned income	54,399	91,440
NOTE 14: Provisions		
Long service leave	75,855	58,600
Reconciliation		
Balance at the beginning of the year	58,600	69,329
Arising during the year	35,879	2,481
Utilised during the year	(18,624)	(13,210)
Balance at the end of the year	75,855	58,600

NOTE 15: Share capital and reserves

	2019		2018	
	Number	$	Number	$
(a) Share capital	422,497,568	69,674,199	402,497,568	69,424,199

Movements – Ordinary shares	2019	2019	2018	2018
	Number of shares	$	No. of shares	$
Balance at the beginning of the year	402,497,568	69,424,199	402,497,568	69,424,199
Share issue on conversion of options[1]	-	250,000		
Share issue to Acuity Capital[2]	20,000,000	-	- -	
Balance at the end of the year	422,497,568	69,674,199	402,497,568	69,424,199

(i) As announced on the ASX on 16 July 2019, $250,000 was received in advance in the year ended 30 June 2019 in relation to 4,500,000 fully paid ordinary shares issued on conversion of 1,250,000 Series 1 Options, 1,250,000 Series 2 Options and 2,000,000 Series 7 Options.

(ii) As announced on ASX dated 30 April 2019, "Collateral for the Controlled Placement Agreement", the Company agreed to place 20,000,000 shares from its Listing Rule 7.1 capacity, at nil consideration to Acuity Capital (collateral shares) but may, at any time, cancel the Controlled Placement Agreement and buy back the collateral shares for no consideration.

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.

NOTE 15: Share capital and reserves (continued)

(b) Reserves

Nature and purpose of reserves:

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

Option reserve – the option reserve is used to record the fair value of options issued as share-based payments.

NOTE 16: Financial instruments

(a) Capital risk management

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

(b) Categories of financial instruments

	Consolidated	
	2019	2018
Financial assets/(liabilities)	$	$
Cash and cash equivalents	3,081,192	1,549,088
Trade and other receivables	661,902	573,623
Other assets – prepayments	36,321	33,632
Other assets - deposits	45,900	45,900
Trade and other payables	(392,809)	(401,631)

(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.

NOTE 16: Financial instruments (continued)

(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	
	2019 $	2018 $	2019 $	2018 $
United States Dollars	-	1,986	666,033	487,846
Great British Pounds	4,378	4,362	391,923	500,880
European Euros	-	-	115,397	47,580

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 an 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.

	2019 $	2018 $
Profit or loss impact:		
- USD	(60,548)	(44,169)
- GBP	(35,231)	(45,138)
- EUR	(10,491)	(4,325)

(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.

NOTE 16: Financial instruments (continued)

Cash and cash equivalent financial assets	Less than one month	One to three months	Total
2019	$3,081,192	$45,900	$3,127,092
Weighted average effective interest rate	1.81%	2.54%	
2018	$1,549,088	$45,900	$1,594,988
Weighted average effective interest rate	1.29%	2.44%	

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

(g) Credit risk management

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

Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. At 30 June 2019, the Group had one customer that accounted for 12% of all trade receivables (2018: 12%).

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.

NOTE 16: Financial instruments (continued)

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 $
2019				
Non-interest bearing	351,688	41,121	-	392,809
2018				
Non-interest bearing	358,631	43,000	-	401,631

(i) Fair value of financial instruments

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

NOTE 17: Commitments for expenditure

	Consolidated 2019 $	Consolidated 2018 $
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	58,356	56,652
Later than 1 year but no later than 5 years	122,017	180,359
Total commitments not recognised in the financial statements	180,373	237,011

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

NOTE 18: Related party disclosure

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

Name of entity	Country of incorporation	Class of shares	2018 Equity holding	2017 Equity holding
Resonance Health Analysis Services Pty Ltd	Australia	Ordinary	100%	100%
WA Private Health Care Services Pty Ltd	Australia	Ordinary	100%	100%
IVB Holdings Pty Ltd	Australia	Ordinary	100%	100%
Resonance USA Inc	USA	Ordinary	100%	100%

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

NOTE 18: Related party disclosure (continued)

Transactions with related parties

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

Transactions with key management personnel

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

Transactions between group companies

During the year the following transactions occurred between group companies:

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

During the year expenses were paid by RHAS totalling $23,450 (2018: $90,053) on behalf of RHT.

During the year expenses were paid by RHT totalling $Nil (2018: $63,463) on behalf of RHAS.

At the 30 June 2019 RHT owed a loan balance of $1,899,592 (2018: $221,402) to RHAS.

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

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

NOTE 19: Parent entity disclosures	**2019 $**	**2018 $**
Financial Position		
Assets		
Current assets	2,510,882	1,033,099
Non-current assets	856,682	856,681
Total assets	3,367,564	1,889,780
Liabilities		
Current liabilities	92,686	70,139
Non-current liabilities	2,044,852	366,661
Total liabilities	2,137,538	436,800
Equity		
Issued capital	69,674,199	69,424,199
Option reserve	480,307	241,198
Accumulated losses	(68,924,480)	(68,212,417)
Total equity	1,230,026	1,452,980

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19: Parent entity disclosures (continud)

Financial Performance	Year ended 30 June 2019 $	Year ended 30 June 2018 $
Loss for the year	(712,063)	(636,839)
Other comprehensive income	-	-
Total comprehensive loss	(712,063)	(636,839)

NOTE 20: Significant events after balance date

4,500,000 Shares were issued as a result of exercised options and 136,365 shares per Employee Share Scheme on 16 July 2019.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

NOTE 21: Auditor's remuneration	Consolidated 2019 $	Consolidated 2018 $
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	56,736	53,000
Taxation compliance services	12,325	11,150
	69,061	64,150

NOTE 22: Key management personnel disclosures

Key Management Personnel Compensation

	2019 $	2018 $
Short term employee benefits	536,028	849,585
Post employment benefits	40,233	53,254
Share-based payments	70,161	87,740
	646,422	990,579

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 23: Share-based payments

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

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is $239,109.

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

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Series 1	7,000,000	08/11/2018	09/03/2021	0.0300	$97,424
Series 2	4,750,000	08/11/2018	09/03/2021	0.0500	$47,872
Series 3	4,500,000	08/11/2018	09/03/2021	0.0750	$32,818
Series 4	4,750,000	08/11/2018	09/03/2021	0.1000	$26,468
Series 5	250,000	08/11/2018	13/09/2021	0.0500	$2,908
Series 6	250,000	08/11/2018	13/09/2021	0.0750	$2,227
Series 7	3,000,000	14/02/2019	01/01/2022	0.0750	$134,144
Series 8	3,000,000	14/02/2019	01/01/2022	0.1000	$120,594
Series 9	3,000,000	14/02/2019	01/01/2022	0.1250	$109,837
Series 10	3,000,000	13/06/2019	13/06/2022	0.1000	$210,483

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

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

	2019		2018	
	Number	Weighted Average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of the year	21,000,000	$0.0600	-	-
Granted during the year	12,500,000	$0.0985	21,000,000	$0.0600
Forfeited during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of year	33,500,000	$0.0744	21,000,000	$0.0600
Exercisable at the end of year	33,500,000	$0.0744	21,000,000	$0.0600

NOTE 23: Share-based payments (continued)

No share options were exercised during 2019.

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

	Dividend (%)	Volatility (%)	Risk-free interest rate (%)	Expected life of option (years)	Exercise price (cents)	Grant date share price
Series 1	0	83	2.27	3.00	0.0300	0.0290
Series 2	0	83	2.27	3.00	0.0500	0.0290
Series 3	0	83	2.27	3.00	0.0750	0.0290
Series 4	0	83	2.27	3.00	0.1000	0.0290
Series 5	0	83	2.27	3.00	0.0500	0.0290
Series 6	0	83	2.27	3.00	0.0750	0.0290
Series 7	0	100	1.73	3.00	0.0750	0.0750
Series 8	0	100	1.73	3.00	0.1000	0.0750
Series 9	0	100	1.73	3.00	0.1250	0.0750
Series 10	0	100	1.03	3.00	0.1000	0.1100

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

NOTE 24: Contingent liabilities and assets

The group has no contingent liabilities and assets as at 30 June 2019 (2018: $nil).

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 2019 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional requirements and other mandatory requirements;

      b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

      c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

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

Dr Martin Blake
Chairman

Place: Perth, Western Australia
Dated: 27 September 2019

INDEPENDENT AUDITOR'S REPORT

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT

To the members of Resonance Health Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Resonance Health Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Intangible assets Note 11 of the financial report	
As at 30 June 2019, the Group has an intangible asset balance of $2,550,818 which comprises intangible assets not yet available for use and other intangible assets.	Our audit procedures included but were not limited to the following: - Obtained an understanding of the key controls associated with the preparation

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Key audit matter	How our audit addressed the key audit matter
Under AASB 136 *Impairment of Assets*, intangible assets not yet available for use are subject to an annual impairment test and other intangible assets are subject to an impairment test should indicators of impairment arise. The cash generating unit has been attributed to both intangible assets not yet available for use are subject to an annual impairment test and other intangible assets and an impairment assessment using value in use approach. A net present value calculation was performed and no impairment was required. We consider this to be a key audit matter as it involves complex matters involving subjectivity and judgement, it is material to the users' understanding of the financial statements as a whole and it required significant auditor attention and communication with those charged with governance.	of the value-in-use calculation used to assess the recoverable amount of the intangible assets; - Critically evaluated management's methodology used in the value-in-use calculation and the basis for key assumptions including the discount rate used; - Assessed the value-in-use calculation for consistency with accounting standard requirements; - Compared key assumptions in forecast cash flows to historical results and, where these were materially different, we critically reviewed the basis for differing future expectations; - Considered whether the assets comprising the cash-generating unit had been correctly allocated; - Compared the value-in-use to the carrying amount of assets comprising the cash-generating unit; - Performed sensitivity analyses around the key inputs used in the cash flow forecasts and the headroom impact on the value-in-use calculation; - Reviewed the mathematical accuracy of the net present value calculation; and - Assessed the appropriateness of the disclosures included in the relevant notes to the financial report.
Application of AASB 15 *Revenue from Contracts with Customers* Note 2 of the financial report	
The Group has adopted *AASB 15 Revenue from Contracts with Customers* effective from 1 July 2018. The Company has two distinct categories of revenue being (i) revenue recognised at a point in time and (ii) revenue recognised over time as described in Note 2 of the financial report. We focused on this area as a key audit matter due to its importance for the understanding of users of the financial statements and the degree of audit effort involved.	Our procedures included but were not limited to the following: - Reviewing a sample of the Company's key contracts to determine if we concurred with management's assessment of performance obligations, the transaction price and any contract assets and liabilities that may arise, the allocation of the transaction price, and when to recognise revenue, either at a point in time, or over time; - Assessing whether the revenue recognised during the year is materially correct based upon contractual terms and the requirements of AASB 15; and - Assessing the adequacy of the disclosures included within the financial report.

INDEPENDENT AUDITOR'S REPORT

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Resonance Health for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
27 September 2019

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

1. Corporate Governance

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

2. Analysis of Shareholdings (as of 20 September 2019)

Distribution of shareholders (ASX Code: RHT)

Range of holdings	Holders	Units	Percentage
1 - 1,000	95	18,405	0.00%
1,001 - 5,000	115	474,935	0.11%
5,001 - 10,000	222	1,841,963	0.43%
10,001 - 100,000	946	38,889,313	9.11%
100,001 - 999,999,999,999	406	385,909,317	90.35%
TOTAL	**1,784**	**427,133,933**	**100%**

The number of shareholders holding less than a marketable parcel are 119.

3. Voting Rights

Ordinary shares

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

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

4. Twenty largest shareholders of quoted ordinary shares (as of 20 September 2019)

Rank	Name	Units	% of Units
1	SOUTHAM INVESTMENTS 2003 PTY LTD <WARWICKSHIRE INVESTMENT A/C>	73,000,000	17.09
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	42,771,412	10.01
3	ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD	20,000,000	4.68
4	MR GREGORY PETER WILSON	9,000,000	2.11
5	CASTLEREAGH EQUITY PTY LTD	8,400,000	1.97
6	MR JACK MOSTYN LONDON	8,263,103	1.93
7	THE UNIVERSITY OF WESTERN AUSTRALIA	7,978,750	1.87
8	MR HELMUT ROCKER	7,000,000	1.64
9	DR MARTIN PETER BLAKE	6,464,677	1.51
10	MR BRUCE ALAN STEVENSON	5,667,716	1.33
11	MR ROBERT FRANCIS PANTON	5,640,824	1.32
12	MARCOLONGO NOMINEES PTY LTD <MARCOLONGO FAMILY A/C>	5,354,000	1.25
13	MR THOMAS PSARAKIS	4,434,777	1.04
14	NEWECONOMY COM AU NOMINEES PTY LIMITED	4,434,446	1.04
15	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	3,989,538	0.93
16	MR VINCENT OLADELE	3,676,552	0.86
17	MRS CHERYL LESLEY THOMPSON	3,260,094	0.76
18	ANAHEIN PTY LTD	3,010,598	0.70
19	BNP PARIBAS NOMINEES PTY LTD	2,714,577	0.64
20	FULLERTON PRIVATE CAPITAL PTY LIMITED	2,650,000	0.60
		227,711,064	**53.3**

5. Twenty largest shareholders of quoted ordinary shares (as of 20 September 2019)

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>	73,000,000	Ordinary shares
SG Hiscock & Company Limited	42,771,412	Ordinary shares

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