Resonance Health

Be Better Informed

ANNUAL REPORT

2020

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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Postal address

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BURSWOOD WA 6100

Website and e-mail address

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

Auditors

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Level 4,
130 Stirling Street
PERTH WA 6000

Share registry

Advanced Share Registry Ltd
110 Stirling Highway
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Tel: +61 8 9389 8033
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Bankers

National Australia Bank Limited

Solicitors

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

Contents

About

- **Over 15 years' experience working with clinicians and radiologists**
- **Activated over 500 hospital and MRI centres in 50 countries**
- **Manufacturer of regulatory cleared medical devices (SaMD)**

Resonance Health Ltd (ASX: RHT) ("Resonance Health" or the "Company") is an Australian publicly listed healthcare company specialising in the development and commercialisation of radiology image-based analysis tools and services that quantify various parameters, such as iron and fat, in the human body.

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's products and services are used globally in the routine clinical management of patients and in clinical trials and research studies.

Resonance Health is the manufacturer of proprietary, regulatory cleared software and analysis systems used in the provision of services to clinicians in the diagnosis and management of human diseases, to researchers, and pharmaceutical and therapeutic companies for their clinical trials. Our services are delivered to 50 countries with stringent quality control.

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 'software as a medical device' 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®, HepaFat-Scan®, and the recently developed HepaFat-AI.

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 applied in training neural networks to develop our first Artificial Intelligence ("AI") solution, FerriSmart®, the world's first and only regulatory-cleared AI tool for the quantification of LIC.

HepaFat-Scan® has international regulatory clearances (TGA, CE Mark, FDA). It reports the volumetric liver fat fraction for a patient ("VLFF") and can also report the proton density fat fraction, if required. The HepaFat-Scan® technology has been used in the development and validation of the Company's second AI solution, HepaFat-AI. Work on HepaFat-AI has recently progressed with a 510(k)-application submission for regulatory clearance by the United States Food and Drug Administration ("FDA").

About (Cont'd)

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.

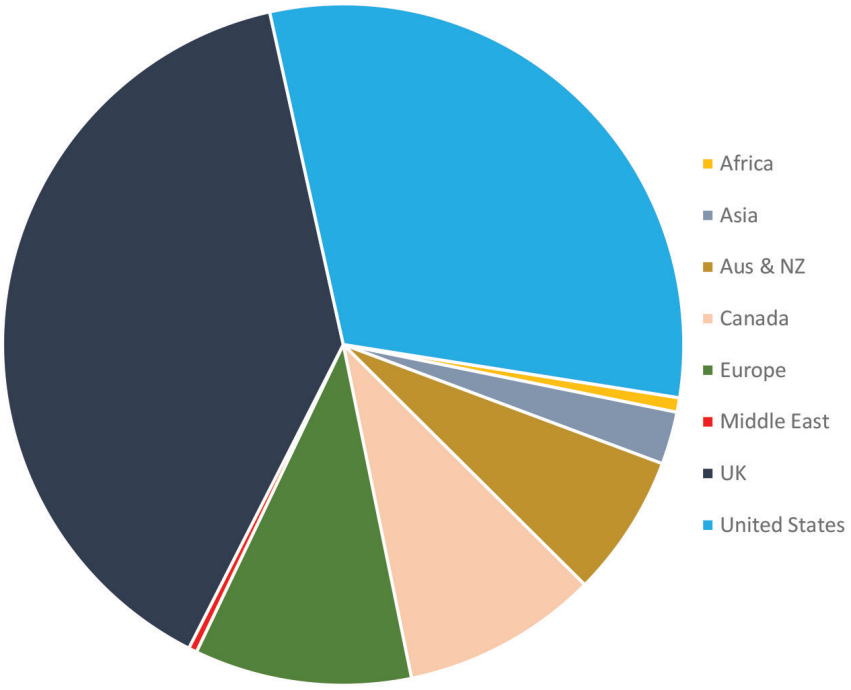
Our Vision and Mission are:

- Be global leaders in radiological diagnostics, monitoring, and core laboratory services;
- Consistently deliver high quality, customer-focused services;
- Develop and commercialise innovative products; and
- Advance healthcare and patient outcomes through product and service excellence

Snapshot of Activities

- Medical Device Licence & Royalty Agreement signed with 3DR Laboratories, LLC, for the non-exclusive right to distribute the Company's FerriSmart® service in the USA.
- Solution Partner Agreement signed with Siemens Healthcare GmbH, a leading medical technology company, for the distribution of the Company's FerriSmart® service through the Siemens Healthineers Digital Marketplace.
- Provisional patent filed for the discovery and use of novel blood markers to determine a person's iron status.
- Provisional patent filed covering the application of novel Antisense Oligonucleotides ("ASOs") to treat liver related disease.
- HepaFat-AI, the Company's second AI solution, was successfully developed and validated for the automated assessment of liver fat from MRI data.
- A 510(k) application was submitted for regulatory clearance by the FDA in the USA, for HepaFat-AI.
- Executed three new contracts to provide services to pharmaceutical companies for new clinical trials this financial year. Additionally, several amendments were executed to extend existing service contracts with pharmaceutical companies. The total aggregated sum of these is approximately USD $2.9 million, subject to full completion of these trials.
- In the months of April and May, the Company experienced a variable reduction in requests for its routine clinical use services from Europe (including the UK) and the USA due to COVID-19. Commercial demand for the Company's services has since returned to pre-COVID levels.

FY2020 IMAGE ANALYSES BY REGION



Chairman's Foreword

Resonance Health has made good progress in a number of areas this financial year and has had continued success promoting its products and services in the difficult global circumstances produced by COVID-19.

Of key focus for the Company this financial year has been the continued expansion of the distribution channels for the Company's products, as well as R&D focus on product improvement and expansion.

The Company has over 17 years' experience providing services using proprietary regulatory cleared products to the international clinical community and pursues excellence in customer care and relationships at all times.

An R&D Strategy built for success

The diversification of in-house R&D projects has three key areas of focus; artificial intelligence, imaging, and molecular medicine.

These focus area include, but are not limited to, the following projects;

(i) a new novel MRI method to assess liver fibrosis,

(ii) shortening the FerriScan® acquisition time and 3T calibration,

(iii) application for regulatory clearance for HepaFat-AI,

(iv) the application of novel Antisense Oligonucleotides ("ASOs") to treat liver related disease, including the filing of a provisional patent;

(v) a number of artificial intelligence projects.

The Board recognises that continued R&D investment must be based 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 months and years.

On behalf of the Board, 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 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:

- **Excluding non-cash share-based payment expenses for employee and director options, the Company recorded a result for the year of positive $1.12 million.**
- **Sales revenue for the year was $3.66 million, a 1% increase on the previous year of $3.62 million. 2020 was impacted by COVID-19 due to global lockdowns and accessibility issues for patients to scanning centres during the global pandemic. Commercial demand for the Company's services has currently returned to pre-COVID levels.**
- **Receipts from customers were $3.60 million, up 2% from the previous year.**
- **R&D tax incentive (refund) of $238 thousand was secured.**
- **Resonance Health has no debt and $6.97 million in cash and equivalents at 30 June 2020, compared to $3.08 million at 30 June 2019.**

DISTRIBUTION CHANNELS EXPANDED FURTHER

The Company's strategy to grow commercial sales revenue includes the utilisation of strategic third-party distribution and servicing platforms with extensive existing customer bases across the five continents. This strategy enables the Company to (i) minimise customer acquisition and service distribution costs, (ii) retain focus on product development, and (iii) pursue new revenue opportunities for the existing product suite.

Over the past twelve months this strategy has seen the Company further expand its distribution network by signing agreements with Siemens Healthcare GmbH and 3DR Laboratories. These agreements allow the Company's FerriSmart® AI solution to be offered through the Siemens Healthineers Digital Marketplace and sold as part of 3DR's post-processing services to their customers in the USA.

Siemens Healthcare GmbH, a leading medical technology company headquartered in Erlangen, Germany, will distribute the Company's FerriSmart® product through the Siemens Healthineers Digital Marketplace.

The Siemens Healthineers Digital Marketplace provides healthcare professionals with direct and open access to a curated and growing portfolio of digital clinical solutions. The FerriSmart® scanning protocol will be available to radiologists, radiographers, and technicians via the Siemens Healthineers website. Future customers can download the FerriSmart® protocol settings directly from the Digital Marketplace, removing the

Year In Review (Cont'd)

need for radiology to liaise with Resonance Health directly during the setup of MRI machines, and thereby greatly improving the customers' experience.

Resonance Health also entered into a Medical Device Licence & Royalty Agreement with 3DR Laboratories, LLC, the largest 3D medical post-processing laboratory in the United States, the non-exclusive right to sell the Company's FerriSmart® service in the United States.

Integration work into these platforms has now been successfully completed for FerriSmart®. The increased accessibility for customers to FerriSmart® through partners such as Siemens and 3DR will supplement the Company's own established distribution network of over 500 hospital and MRI centres across the globe.

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 underpin the Company's operational culture; from product development to educating the clinical community and service delivery.

For over 14 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 the Company has executed three new multi-year contracts and several new amendments and extensions to existing trial contracts with pharmaceutical and therapeutic companies. The total aggregated sum of these extensions is approximately USD $2.9 million, subject to full completion of trials.

To date, Resonance Health products and services have been used by pharmaceutical and therapeutic companies in over 30 clinical trials. For each clinical trial in progress, Resonance Health receives monthly payments 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 the 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 are available by viewing (on the Company's or the ASX's website) the following Company announcements made during the year:

- 19 July 2019 – 'Resonance Health contracted new clinical trials'
- 28 October 2019 – 'Appendix 4C – quarterly'

Year In Review (Cont'd)

- 29 January 2020 – 'Appendix 4C – quarterly'
- 28 April 2020 – 'Appendix 4C – quarterly'
- 28 July 2020 - 'Appendix 4C – quarterly'

Resonance Health continues to actively pursue clinical trial opportunities with pharmaceutical and therapeutic companies.

SUITE OF REGULATORY CLEARED SOLUTIONS

Resonance Health is currently in the process of obtaining regulatory clearance for its second AI solution, with the Company having submitted in April 2020 its 510(k) application to the USA FDA for HepaFat-AI, the Company's newly developed fully automated AI liver fat solution.

HepaFat-AI can be deployed in the cloud or on premises and can be integrated directly into existing radiology workflows. HepaFat-AI may be suitable to aid in a patient's management of several conditions, including fatty liver disease, monitoring the liver-fat content in patients undergoing weight loss management, and aiding in the assessment and screening of living donors for liver transplants.

Previous work has seen the successful development of FerriSmart®, the only regulatory cleared (TGA, CE Mark, and FDA) AI tool for use in liver iron concentration (LIC). In addition to FerriScan®, FerriSmart® is also the only FDA cleared MR companion diagnostic for use with Deferasirox. The Company's services with regulatory clearances include:

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

BoneMarrow R2-MRI

Estimation of iron levels in the bone marrow

CardiacT2*

*Cardiac T2**

Year In Review (Cont'd)

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 superior to serum ferritin, which is sometimes used as a proxy for total body iron stores. FerriScan® has regulatory clearance from the FDA (USA), CE Mark (Europe) and TGA (Australia). It is 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.

By June 2020, over 55,000 FerriScan® analyses had been performed globally in 50 countries. FerriScan® is reimbursed in the UK and Canada by their governments, and it has some private payer coverage in the USA.

The Company's 'expedited' FerriScan® service offers a rapid turnaround of patient results. It continued to gain traction during the year despite being impacted by COVID-19, with a usage increase of 13% over the previous year. The expedited service was utilised in 16% of all FerriScan® jobs in the USA for the year.

An increasing number of Resonance Health customers are using the Company's Cardiac T2* measurement service to assess myocardial iron in their patients.

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, the 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

Year In Review (Cont'd)

FERRISMART®

FerriSmart® uses AI as an automated software medical device to accurately and rapidly determine 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 using a similar calibre of diagnostic tool available to clinicians in developed countries.

In December 2019, FerriSmart® was showcased at the Siemens, Blackford Analysis, and Envoy AI display booths at Radiology Society of North America ("RSNA") conference, which is the world's largest radiology conference.

To date, FerriSmart® has been successfully integrated into the Siemens, EnvoyAI, Blackford, and 3DR systems. Resonance Health is providing support and assistance as necessary in efforts to setup FerriSmart® users across these platforms.

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 increased by over 60% from the previous financial year. Historically a limiting factor to revenue growth for HepaFat-Scan has been the lack of a therapeutic for the treatment of fatty liver disease, however this is currently an area of heavy research.

It is estimated that the prevalence of NAFLD in the general global population is between 24% and 30%, meaning that between 1.8 and 2.3 billion people may be affected at present[1]. This is expected to grow year-on-year consistent with increasing rates of obesity. In North America, NAFLD is now the leading cause of liver disease, and with no treatments readily available for this disease, it is a leading cause for liver transplant[2].

Year In Review (Cont'd)

Of the 1.8 to 2.3 billion individuals estimated to have NAFLD, it is estimated that 20%, or up to 468 million, will also develop NASH[3]. NASH is the most severe form of NAFLD where inflammation can cause liver damage and fibrosis. Fibrosis can worsen over time and lead to severe scarring of the liver, called cirrhosis. Patients who develop cirrhosis have an increased risk of liver failure and liver cancer.

In the USA alone, it is estimated that 64 million people have some form of NAFLD, ranging from simple fatty liver to late-stage cirrhosis costing their healthcare system up to $103 billion annually. In the European countries of Germany, France, Italy, and the United Kingdom, there are approximately 52 million people with NAFLD, with an estimated healthcare system cost of approximately €35 billion annually[4].

If the prevalence of NAFLD continues to rise in line with the obesity epidemic, it is predicted that the healthcare burden of NAFLD over the next 10 years could increase to $1.005 trillion in the USA, and €334 billion across Germany, France, Italy, and the United Kingdom[4].

1. Sayiner, M., Koenig, A., Henry, L., & Younossi, Z. M. (2016). Epidemiology of Nonalcoholic Fatty Liver Disease and Nonalcoholic Steatohepatitis in the United States and the Rest of the World. Clinics in liver disease, 20(2), 205–214. Retrieved from https://doi.org/10.1016/j.cld.2015.10.001
2. Jayakumar, S. (2018). Liver transplantation for non-alcoholic fatty liver disease—a review. AME Medical Journal, 3(2). Retrieved from http://amj.amegroups.com/article/view/4320
3. Spengler, E. K., & Loomba, R. (2015). Recommendations for Diagnosis, Referral for Liver Biopsy, and Treatment of Nonalcoholic Fatty Liver Disease and Nonalcoholic Steatohepatitis. Mayo Clinic proceedings, 90(9), 1233–1246. Retrieved from https://doi.org/10.1016/j.mayocp.2015.06.013
4. Younossi, Z. M., Blissett, D., Blissett, R., Henry, L., Stepanova, M., Younossi, Y., Racila, A., Hunt, S., & Beckerman, R. (2016). The economic and clinical burden of nonalcoholic fatty liver disease in the United States and Europe. Hepatology (Baltimore, Md.), 64(5), 1577–1586. Retrieved from https://doi.org/10.1002/hep.28785.

A FOCUSED R&D PIPELINE

Product oriented R&D has become a key priority for the Company over the past two years. 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. 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 overall 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. Due to the competitive and confidential nature of R&D, details of projects may be withheld in order to protect the Company's intellectual property. The current R&D initiatives include, but are not limited to, the following:

Year In Review (Cont'd)

IMAGING

Shortening the FerriScan MRI acquisition time.

Resonance Health has made significant progress in its trials looking at several protocols attempting to significantly decrease the acquisition time for FerriScan® for 1.5 and 3T scanners. A shorter acquisition time for the FerriScan® service would considerably reduce the time spent by a patient inside an MRI machine whilst also lowering the total costs to customers.

Calibration of FerriScan to 3T MRI machines

Resonance Health is currently studying whether the FerriScan® service can be calibrated to 3 Tesla (3T) scanners. If successful, this would also allow customers to select the FerriScan® service on either 1.5 or 3T MRI machines.

Novel MRI method to assess liver fibrosis

Resonance Health has commenced a new study to investigate the ability of a novel non-invasive MRI method to assess liver fibrosis.

Brain iron measurement

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. These tools do not have regulatory clearance (TGA, CE Mark, FDA) and results are to be interpreted in the context of a clinical study.

ARTIFICIAL INTELLIGENCE ("AI")

FerriSmart

FerriSmart® is an automated system for measuring liver iron concentration (LIC). FerriSmart® uses a specially trained convolutional neural network (artificial intelligence – machine learning) to analyse R2-MRI images to quantify the patient's LIC. These images, acquirable on most makes and models of 1.5 Tesla MRI machines, are obtained through a unique and standardised scanning sequence to ensure results are accurate, reliable, and reproducible over time and between hospitals and the various makes and models of MRI scanners.

In addition to FerriScan®, FerriSmart® is the only FDA cleared MR companion diagnostic for use with Deferasirox. FerriSmart® is regulatory cleared by the FDA, TGA, and CE Mark.

HepaFat-AI

HepaFat-AI is a fully automated AI software tool that measures a patient's volumetric liver fat fraction (liver fat). HepaFat-AI has been developed to be either deployed in the cloud or on premises and can be integrated directly into existing radiology workflows. HepaFat-AI may be suitable to aid in a patient's management of several conditions, including fatty liver disease, monitoring the liver-fat content in patients undergoing weight loss management, and aiding in the assessment and screening of living donors for liver transplants.

A 510(k) application for regulatory clearance by the USA's FDA was submitted in April 2020.

Confidential AI Projects- # 1-3

Using in-house and externally sourced MRI and CT datasets in various diseases and/or conditions, Resonance Health is making progress on training neural networks in assessing a number of organs, including three specific AI projects.

Year In Review (Cont'd)

MOLECULAR MEDICINE

New method for treating liver related disease

Resonance Health has filed a provisional patent covering the application of novel Antisense Oligonucleotides ("ASOs") to treat liver related disease.

The novel ASOs were designed to specifically and selectively target a human (host) protein essential to the lifecycle of a number of human viruses. In the liver this protein supports the infectivity, growth and maturation of: Hepatitis B Virus (HBV), Hepatitis C Virus (HCV), and Immunodeficiency Virus Type 1 (HIV-1).

Resonance Health is investigating the use of the novel ASOs as a treatment for Chronic Hepatitis B ("CHB") infection.

Discovery and use of novel blood markers to determine an individual's iron status

Resonance Health has filed a provisional patent for the discovery and use of novel blood markers to determine an individual's iron status.

Whilst the use of FerriScan® remains the global gold standard for quantifying an individual's iron status, the Company is actively pursuing alternative biochemical methods to assist clinicians to diagnose and monitor iron overload in locations where access to MRI is limited.

A WIDE SUITE OF SERVICES NOW AVAILABLE

Resonance Health has a suite of 'for investigational use only' tools available. These tools have been developed inhouse and in accordance with our quality management processes and procedures. These tools do not yet have regulatory clearance and are therefore available for research or investigational use only.

These 'investigational use only' tools include:

- **Quantitative Iron Assessment in Other Organs** – surrogate iron measurements (R2 / R2*) in other organs including pancreas, spleen, and kidney;
- **Brain iron** – several brain iron imaging protocols to quantify iron deposition in various regions of the brain such as leptomeninges, basal ganglia, etc;
- **Pancreatic Fat Assessment** – quantitative assessment of pancreatic fat;
- **Visceral / Subcutaneous Fat and Organ Fat in Metabolic Disease** – quantitative assessments of visceral fat, subcutaneous fat, epicardial fat;
- **Fibrosis and Inflammation** – a combination of MRI measures to assess liver fibrosis and inflammation;
- **Liver Biopsy** – Stereology Services – quantitative assessment of hepatic steatosis of digitised biopsies using stereology;
- **Organ Volume Measurements** – measurements of various organs such as the liver and spleen;
- **Other** – 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.

Year In Review (Cont'd)

BONE MARROW R2-MRI FOR IRON ASSESSMENT

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.

STEREOLOGY SERVICES - LIVER BIOPSY

Resonance Health can provide a quantitative assessment of hepatic steatosis of digitised biopsies using stereology. Stereology offers multiple key advantages:

- Stereology is a non-biased method that delivers a standardised assessment of steatosis from biopsies. In particular, this can add value in circumstances where more than one histopathologist is engaged across multiple study sites. As histopathological scoring for a given biopsy can vary between experts, stereology can provide a means to ascertain the extent of bias.
- Stereology can be applied retrospectively to analyse archived biopsy data originating from completed studies so as to determine if a 'drug effect' has been obscured because of disparate assessments from expert histopathologists.
- As stereology is used to determine the number of hepatocytes with fat vesicles (macrovesicular/microvesicular steatosis) within a liver biopsy, its findings are reported as a volumetric liver fat fraction (VLFF), and can be directly compared to the HepaFat-Scan measurements.

VISCERAL, SUBCUTANEOUS, AND ORGAN FAT IN METABOLIC DISEASE

A key indicator in the establishment of metabolic disease is the deposition of abnormal fat within and around organs and muscle tissue.

Given the links between hepatic steatosis, diabetes, and non-alcoholic steatohepatitis, Resonance Health has developed a number of investigational imaging tools to quantify the presence of fat within tissues such as pancreas, kidneys, and skeletal muscle.

ORGAN VOLUME MEASUREMENTS

Volume measurements of various organs such as liver and spleen for use in identifying disease states or tracking change over time as result of treatment.

CUSTOMIZED IMAGING SOLUTIONS

Our team of physicists is able to design protocols on an as required basis, include protocols to assess tracer entry into cells (e.g. Gadolinium) to attempt to monitor drug delivery; novel cardiac imaging protocols; and many others.

RESEARCH SERVICES AND COLLABORATIONS

In recognising the changing needs of the clinical community and healthcare industry, Resonance Health remains committed to the development of novel and clinically relevant imaging modalities. As such, our team of scientists and academics are available to assist our pharmaceutical partners in the development of customised imaging solutions to maximise the return on their clinical trial investment.

Financial Report 30 June 2020

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 2020. 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 recently served as Chair of two large non-profit organisations and he has previously served as the company secretary of two ASX listed public companies and as the corporate secretary of a US Nasdaq listed public company. He currently serves as a director of several private companies. Mr. Wells provides part-time consulting services to the company full details of which are set out in the remuneration report.

Other listed company current directorships:

None

Former listed company directorships in last 3 years:

Lonestar Resources US Inc. – Nasdaq Listed US Public Company

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:

None

Special responsibilities:

Member of the Audit and Risk Committee

Member of the Remuneration Committee

Dr Travis Baroni

Position: Director — Independent and 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:

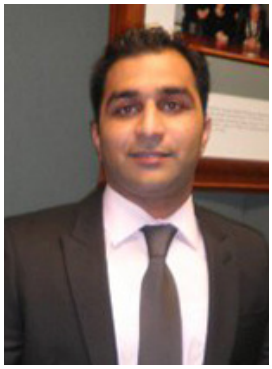
None

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	3,000,000
Dr T Baroni	500,000	3,000,000
Mr M Wells	600,000	3,000,000
Mr S Panton	73,546,350	3,000,000
Total	81,111,027	12,000,000

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)

Interests in the Shares and Options of the Company

The following relevant interest in shares of the Company were held by Management Executives at the balance date. There have been no changes up to the date of this report.

Management Executives	Fully paid ordinary shares	Number of options
Ms A Laws	9,091	10,000,000
Mr AS Pervez	9,091	3,500,000

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	15,000,000	$0.03 to $0.10	9/3/2021
14/02/2019	2,000,000	$0.10 to $0.125	1/1/2022
13/06/2019	3,000,000	$0.10	13/6/2022
28/11/2019	12,000,000	$0.15 to $0.20	28/11/2022
02/12/2019	200,000	$0.10	1/12/2022

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
03/12/2019	750,000	$32,500
13/01/2020	3,000,000	$90,000
06/03/2020	250,000	$18,750

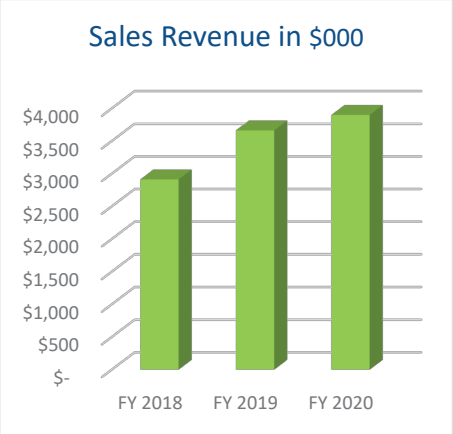
Review of Operations

Resonance Health Maintains Strong Balance Sheet

Sales Revenue

Sales revenue for the year was $3.66 million, a 1% increase on the previous year of $3.62 million. 2H20 was impacted by COVID-19 due to global lockdowns and accessibility issues for patients to scanning centres during the global pandemic. Commercial demand for the Company's services has now returned to pre-COVID levels.

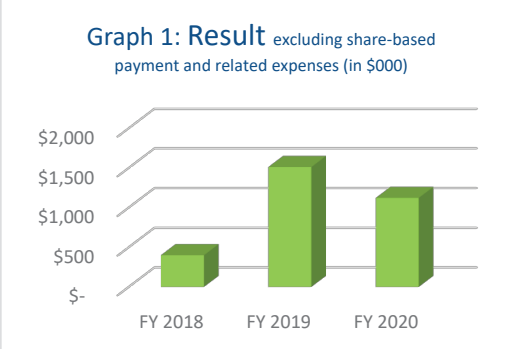
Resonance Health continued to win contracts to provide services to sponsors for their clinical trials. The combined total dollar value of additional work won amounts to approximately US$2.9 million (see ASX announcements on 19 July 2019, 28 October 2019, 29 January 2020, 28 April 2020, and 28 July 2020). This includes the execution of three new contracts to provide services to pharmaceutical companies for their new clinical trials, and several amendments executed to extend existing service contracts with pharmaceutical companies.

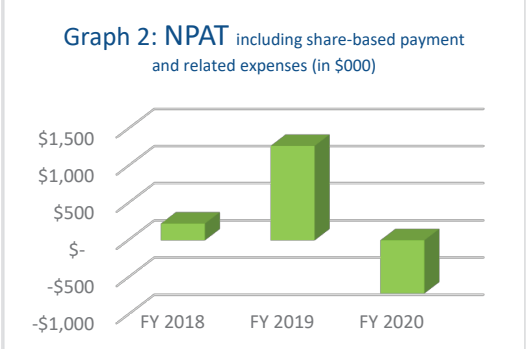


76% of sales revenue for the year was derived from the USA and Canada with the UK contributing 18% and the balance spread across Europe, Australia, Asia and the Middle East. Commercial revenue combined with voucher revenue accounted for 55% of total revenue, with clinical trials and other studies making up the balance. Receipts from customers were $3,601,142, up 2% from the previous year's result.

Net Profit after Tax (NPAT)

Excluding non-cash share-based payment expenses for employee and Director options, the Company recorded a result for the full year of positive $1,121,147 (Graph 1 below). Including the non-cash share-based payment expenses, the Company reported a Net Loss after Tax for the full year of $715,076 (Graph 2 below). This reported loss is due to a non-cash share-based payment expense of employee options of $140,324 and Director options expense of $1,695,899 and related payroll tax expenses of $27,060 as a result of the vesting of Directors' options. The Directors options were approved by shareholders at the Company's AGM on 28 November 2019.





Directors' Report (Cont'd)

Research & Development ("R&D")

Resonance Health has applied for regulatory clearance from the US Food and Drug Administration ("FDA") for HepaFat-AI, the Company's newly developed and fully automated AI liver fat quantification tool (see ASX announcement on 06 April 2020). If successful, HepaFat-AI will be the second of the Company's AI tools to gain FDA regulatory clearance (the first of these tools is FerriSmart, which is used for liver iron concentration calculation). These tools have been developed as part of the Company's AI R&D stream.

The Company has also progressed its molecular medicine R&D stream over the financial year using in-house expertise in molecular biology. This year, two provisional patents have been filed on behalf of the Company (see ASX announcements on 20 November 2019 and 25 May 2020).

The Company received an R&D tax incentive of $237,624 for eligible R&D work expended by the Company for the financial year ended 30 June 2020.

Overall R&D expenditure totalled $880,286 for the financial year, up from $820,075 in the previous year.

R&D expenditure for the year comprised the following:

- $246,512 recognised as an intangible asset on the Statement of Financial Position.
- $265,208 amortisation expense recognised in the Statement of Comprehensive Income
- $152,280 R&D expense recognised in the Statement of Comprehensive Income
- $216,286 employee benefits expense recognised in the Statement of Comprehensive Income

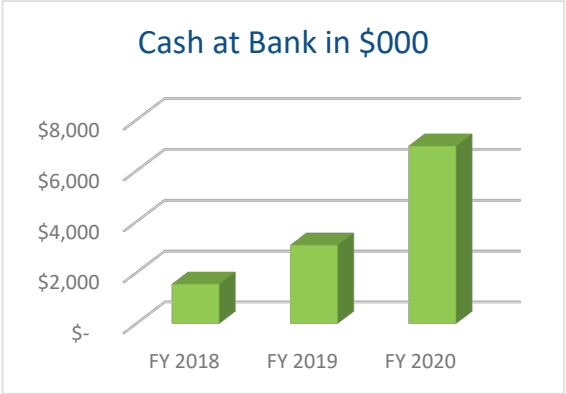
Intangible assets, representing capitalised development expenditure, totalled $2,532,122 at the end of financial year. By comparison, intangible assets totalled $2,550,818 at the end of the 30 June 2019 financial year.

The Company continues to assess opportunities to expand its core business, with R&D expenditure targeted specifically towards the diversification of in-house R&D projects by establishing three key areas of focus; artificial intelligence, imaging, and molecular medicine.

Cash

Cash balances at 30 June 2020 totalled $6.97 million, in comparison to the 30 June 2019 cash balance of $3.08 million. The financial year included an R&D tax incentive refund of $238K and a capital raising of $2.75m via the utilisation of a controlled placement agreement ("CPA"). Further details of the CPA were included in the Company's announcement dated 30 April 2019.

The Company has no debt.



Directors' Report (Cont'd)

Strategy for Growth

The Company's strategy to grow commercial sales revenue includes the strategic utilisation of third-party distribution and servicing platforms with extensive existing customer bases across the five continents. 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.

Over the past twelve months this strategy has seen the Company further expand its established distribution network by signing agreements with Siemens Healthcare GmbH and 3DR Laboratories. These agreements allow the Company's FerriSmart® AI solution to be offered through the Siemens Healthineers Digital Marketplace and sold as part of 3DR's post-processing services to their customers in the USA (see ASX announcements dated 04 February 2020 and 28 November 2019).

The strategy to grow revenue from clinical trials includes increasing incremental sales to existing pharma 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 FY21, leveraging off the Company's FY20 success

COVID-19 Impact

In the months of April and May, the Company experienced a reduction in requests for its routine clinical use services from Europe (including the UK) and the USA due to COVID-19. Commercial demand for the Company's services has since returned to pre-COVID levels.

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

There has been no additional matter or circumstance that has arisen after the 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.

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 2020. 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.

Directors' Report (Cont'd)

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 a high 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 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 was 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.

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.

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 and provides commercial, investor relations, and management consulting services on a part-time basis. This Consultancy Agreement provides for consultancy fees of $90,000 pa. The agreement may be terminated on mutual agreement 30 days.

Adoption of Remuneration Report

The remuneration report for FY19 was adopted at the 2019 AGM.

Details of Remuneration for Year Ended 30 June 2020

The remuneration for key management personnel of the Group during the 2020 year was as follows:

	Short-term employee benefits	Post employment benefits	Equity	Total		
	Salary & Fees	Superannuation Contributions	Shares/ Options[2]		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%
Non-Executive Directors' remuneration						
Dr T Baroni	36,530	3,470	423,975	463,975	9%	91%
Dr M Blake	54,795	5,205	423,975	483,975	12%	88%
Mr M Wells[1]	130,000	-	423,975	553,975	23%	77%
Mr S Panton	36,530	3,470	423,975	463,975	9%	91%
Total	257,855	12,145	1,695,900	1,965,900		

Directors' Report (Cont'd)

	Short-term employee benefits		Post employment benefits	Equity	Total		
	Salary & Fees	Cash Bonus	Superannuation Contributions	Shares/ Options[2]		Fixed Remuneration	Remuneration linked to performance
	$	$	$	$	%	%	
Management Executives' remuneration							
Ms A Laws	250,000	27,000	26,315	1,000	304,315	90%	10%
Mr AS Pervez	150,000	15,000	15,675	141,322	321,997	51%	49%
Total	400,000	42,000	41,990	142,322	626,312		

[1] Mr M Wells remuneration represents $40,000 director fees and $90,000 consulting fees.

[2] The share-based remuneration is a non-cash expense of $140,322 for employee options and $1,695,900 for Director options as a result of all options being expensed out this financial year. The Directors options were approved by shareholders at the Company's AGM held on 28 November 2019. The valuation is based on the grant date according to AASB 2, and no director has exercised any of their options.

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	65%	35%
Total	295,673	28,088	70,161	393,922		

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

Cash bonuses of $42,000 were granted in 2020. And no cash bonuses were granted in 2019.

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 1/7/2019	Received as Remuneration	Net Change Other	Received during the year on exercise of options	Balance 30/6/2020
Dr M Blake	6,464,677	-	-	-	6,464,677
Dr T Baroni	500,000	-	-	-	500,000
Mr M Wells	600,000	-	-	-	600,000
Mr S Panton	73,546,350	-	-	-	73,546,350
Ms A Laws	-	9,091	-	-	9,091
Mr AS Pervez	100,000	9,091	(600,000)	500,000	9,091

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 1/7/2019	Received as Remuneration	Net Change Other	Received during the year on exercise of options	Balance 30/6/2020
Dr M Blake	-	3,000,000	-	-	3,000,000
Dr T Baroni	-	3,000,000	-	-	3,000,000
Mr M Wells	-	3,000,000	-	-	3,000,000
Mr S Panton	-	3,000,000	-	-	3,000,000
Ms A Laws	10,000,000	-	-	-	10,000,000
Mr AS Pervez	4,000,000	-	(500,000)	-	3,500,000

There are no other payments outstanding to key management personnel.

During the year, 12 million options were issued to Directors with the following terms:

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Series 1	4,000,000	28/11/2019	28/11/2022	0.15	$588,423
Series 2	4,000,000	28/11/2019	28/11/2022	0.175	$564,476
Series 3	4,000,000	28/11/2019	28/11/2022	0.20	$543,000

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020	2019	2018	2017	2016
	$'000	$'000	$'000	$'000	$'000
Total revenue	3,899	3,662	2,912	2,533	2,597
EBITDA	(653)	1150	(62)	(473)	(384)
EBIT	(994)	904	(243)	(667)	(533)
Profit/ (loss) after income tax	(715)	1270	225	(304)	(384)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year end ($)	0.15	0.105	0.024	0.024	0.017
Basic earnings per share) (cents per share)	(0.17)	0.31	0.06	(0.08)	(0.10)

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 2020, 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	1	1
Dr T Baroni	9	9	3	3	1	1
Mr S Panton	9	9	3	3	1	1
Mr M Wells	9	8	3	3	1	1

Proceedings on Behalf of Company

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

Auditor Independence and Non-audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 15 and forms part of this Directors' Report for the year ended 30 June 2020.

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.

Indemnity and Insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditors of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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

Dr Martin Blake
Chairman
Perth, Western Australia
Dated this 30 September 2020

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 2020, 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
30 September 2020

M R Ohm
Partner

hlb.com.au

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

Statement of Comprehensive Income

For The Year Ended 30 June 2020

	Notes	Consolidated 2020 $	2019 $
Sales revenue	2(b)	3,668,184	3,624,545
Other income	2(c)	231,239	37,228
Revenue		**3,899,423**	**3,661,773**
Employee benefits expense		(1,734,589)	(1,432,104)
Share-based payments		(1,836,223)	(239,109)
Consulting and professional services		(108,822)	(92,801)
Research and development		(152,280)	(63,177)
Depreciation expense		(75,364)	(23,815)
Amortisation expense		(265,208)	(221,239)
Marketing and travel		(236,457)	(266,307)
Statutory and compliance		(215,917)	(154,247)
Foreign exchange gain		(4,024)	37,361
Other expenses		(223,239)	(264,657)
(Loss)/ profit before income tax benefit		**(952,700)**	**941,678**
Income tax benefit	4	237,624	328,555
Net (loss)/ profit for the year attributable to owners of the parent		**(715,076)**	**1,270,233**
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/ income for the year attributable to owners of the parent		**(715,076)**	**1,270,233**
Basic and diluted (loss)/ earnings per share (cents per share)	6	(0.17)	0.31

The accompanying notes form part of these financial statements

Statement of Financial Position

As At 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Current Assets			
Cash and cash equivalents	7	6,974,237	3,081,192
Trade and other receivables	8	765,606	661,902
Other assets	9	39,871	36,320
Total Current Assets		7,779,714	3,779,414
Non-Current Assets			
Plant and equipment	10	27,431	40,511
Right-of-use asset	26	111,849	-
Intangible assets	11	2,532,122	2,550,818
Other assets	9	45,900	45,900
Total Non-Current Assets		2,717,302	2,637,229
Total Assets		10,497,016	6,416,643
Current Liabilities			
Trade and other payables	12	385,272	392,809
Provisions	14	75,821	75,855
Other liabilities	13	13,843	54,399
Lease liability	27	55,998	-
Total Current Liabilities		530,934	523,063
Non-Current Liabilities			
Lease liability	27	60,105	-
Total Non-Current Liabilities		60,105	-
Total Liabilities		591,039	523,063
Net Assets		9,905,977	5,893,580
Equity			
Issued capital	15(a)	72,565,449	69,674,199
Reserves	15(b)	2,045,950	209,727
Accumulated losses		(64,705,422)	(63,990,346)
Total Equity		9,905,977	5,893,580

The accompanying notes form part of these financial statements.

Statement of Changes In Equity

For The Year Ended 30 June 2020

Consolidated	Note	Issued Capital $	Foreign Currency Translation Reserve $	Option Reserve $	Accumulated Losses $	Total Equity $
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 loss for the year		**-**	**-**		**1,270,233**	**1,270,233**
Shares Issued		250,000	-	-	-	250,000
Equity settled share-based payments	23	-	-	239,109	-	239,109
Balance at 30 June 2019		**69,674,199**	**(270,580)**	**480,307**	**(63,990,346)**	**5,893,580**
Loss for the year		-	-	-	(715,076)	(715,076)
Other comprehensive loss		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**(715,076)**	**(715,076)**
Share issued		2,891,250	-	-	-	2,891,250
Equity settled share-based	23	-	-	1,836,223	-	1,836,223
Balance at 30 June 2020		**72,565,449**	**(270,580)**	**2,316,530**	**(64,705,422)**	**9,905,977**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For The Year Ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		3,601,142	3,538,602
Payments to suppliers and employees		(2,654,492)	(2,273,443)
Grant received		88,000	-
Interest received		47,639	21,343
Interest paid		(9,135)	-
Income tax received	4	237,624	328,555
Net cash provided by operating activities	7(i)	1,310,778	1,615,057
Cash flows from investing activities			
Payments for plant and equipment		(2,106)	(3,340)
Payments for intangible assets		(248,526)	(344,653)
Net cash used in investing activities		(250,632)	(347,993)
Cash flows from financing activities			
Proceeds from share issues		141,250	250,000
Proceeds from issue of equity securities		2,750,000	-
Reduction in lease liability		(51,671)	-
Share issue costs paid		(15,000)	-
Net cash provided by financing activities		2,824,579	250,000
Net increase in cash and cash equivalents		3,884,725	1,517,064
Foreign exchange differences on cash balances		8,320	15,040
Cash and cash equivalents at the beginning of period		3,081,192	1,549,088
Cash and cash equivalents at the end of the period	7	6,974,237	3,081,192

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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. Cost is based on the fair value 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 primarily 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 2020

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 16 Leases 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 16 Leases

The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information. The impact on the accounting policies, financial performance, and financial position of the Group from the adoption of AASB 16 is detailed in Note 25. Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for recording periods beginning on or after 1 July 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and therefore no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 30 September 2020.

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: Statement of significant accounting policies

(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"). Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns for its involvement with the entity and has the ability to affect those returns through its power to direct the actions of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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.

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

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

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

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

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

Impairment of intangibles

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

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

NOTE 1: Statement of significant accounting policies

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

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.

The directors acknowledge that there is potential uncertainty surrounding budgeted commercial income as a result of the COVID-19 pandemic. As a result, the projected cash flows have been adjusted. For commercial income in the 2021 financial year, we have assumed a 30% reduction in job volume for the first half of the year, a 15% reduction in the March quarter, with no further reduction past this point. For following periods, a reduced growth rate of 10% has been adopted.

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 analyses of 5% and 10% reduction in revenue and the use of a pre-tax discount rate of 15% have been calculated and did not indicate an impairment.

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity (refer to Note 23).

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: Statement of significant accounting policies

(g) Foreign currency translation (continued)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items 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 for accounting policy.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(i) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(j) Leases

Refer to Note 25 for accounting policy.

(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. Any research and development tax offset received during the year is recognised as an income tax benefit.

NOTE 1: Statement of significant accounting policies

(k) Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance date. Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

NOTE 1: Statement of significant accounting policies

(k) Income tax (continued)

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.

(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 non-financial 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

NOTE 1: Statement of significant accounting policies

(m) Impairment of non-financial assets (continued)

of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Cash and cash equivalents

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

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

(o) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: Statement of significant accounting policies

(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.

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'.

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.

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.

(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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: Statement of significant accounting policies

(q) Plant and equipment (continued)

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

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.

(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 2020

NOTE 1: Statement of significant accounting policies

(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) 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.

(u) Employee benefits

Wages, salaries, annual leave and long service leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service 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.

(v) Share-based payment transactions

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative change to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: Statement of significant accounting policies

(v) Share-based payment transactions (continued)

and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the medication has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled award and new award is treated as if they were a modification.

(w) 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.

(x) 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 2020

NOTE 1: Statement of significant accounting policies

(y) 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.

(z) 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, less any impairment in the parent entity's financial statements.

(aa) Going concern

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

NOTE 2: AASB 15 Revenue from Contracts with Customers

(a) 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.

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 changed 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.

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

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

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

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

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

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

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

(i) Establishment services

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

(ii) Trial establishment project and data management

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

(iii) Project and data management services

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

(iv) Analysis services

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

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

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

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 2020 $	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	2,007,927	2,084,562
Voucher Program	25,342	90,441
Clinical Trials	1,587,337	1,414,363
Other Studies	47,578	35,179
Total Revenue from contracts with customers	3,668,184	3,624,545

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

	Consolidated Twelve months to 30 June 2020 $	Consolidated Twelve months to 30 June 2019 $
Segment revenue	3,668,184	3,624,545
Adjustments and eliminations	-	-
Total revenue from contracts with customers	3,668,184	3,624,545

NOTE 3: Other Revenue

	2020 $	2019 $
(a) Other income		
Grants received[1]	189,925	-
Interest received	41,314	37,228
	231,239	37,288

[1] Grants received included $117,000 in Jobkeeper and $72,925 in cash flow boost.

NOTE 4: Income tax benefit

	Consolidated 2020 $	Consolidated 2019 $
Income tax recognised in profit or loss		
The major components of tax benefit are:		
Research and Development tax offset	237,624	328,555
	237,624	328,555
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	(952,700)	941,678
Income tax expense calculated at 27.5%	(261,993)	258,961
Effect of expenses that are not deductible in determining taxable profit	548,516	232,703

	Consolidated	
	2020	2019
NOTE 4: Income tax benefit (continued)	$	$
Non-assessable income	(20,054)	-
Effect of unused tax losses not recognised as deferred tax assets	-	(220,073)
Tax losses recovered	(233,474)	(140,906)
Effect of temporary differences not recognised as deferred tax assets and liabilities	(32,995)	(130,685)
Research and Development tax offset	237,624	328,555
Income tax benefit reported in the statement of comprehensive income	237,624	328,555

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	2,530,838	2,890,357
Amortisation and depreciation timing differences	139,972	199,045
Business related costs	1,925	4,127
Unrealised foreign exchange losses	1,107	2,338
Accrued expenses and liabilities	101,688	90,216
Others	1,170	-
	2,776,700	3,186,083
Deferred tax liabilities:		
Capitalised research and development costs	696,334	701,475
Accrued income	2,970	4,710
Prepayments	-	9,988
	699,304	716,173
Income tax benefits not recognised directly in equity		
Share issue costs	-	-

NOTE 4: Income tax benefit (continued)

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.

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.

	2020	2019
	$	$
Asia/Pacific	115,185	155,770
North America	1,149,062	1,128,675
EMEA	2,403,937	2,340,100
Total Sales to external customers	3,668,184	3,624,545

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 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: Segment reporting (continued)

	Services $	Research and Development $	Corporate $	Total $
Segment revenue				
Sales to external customers	3,668,184	-	-	3,668,184
Interest revenue	-	-	231,239	231,239
Total segment revenue	3,668,184	-	231,239	3,899,423
Segment profit/(loss) before tax	1,583,246	(300,400)	(2,235,546)	(952,700)
Income tax benefit	-	237,624	-	237,624
Segment assets	765,606	2,532,122	7,199,288	10,497,016
Segment liabilities	399,115	-	191,924	591,039

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

In the year ended 30 June 2020, there were non-current asset additions of $246,512 (2019: $349,377) in the Research and Development segment, and $174,133 (2019: $3,340) in the corporate segment, which included a right-of-use asset of $167,774.

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 customers sales revenue from one major customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated	
	2020	2019
NOTE 6: Loss/Earnings per share	$	$
Basic and diluted (loss)/ earnings per share (cents per share)	(0.17)	0.31
(a) Loss/Profit used in the calculation of basic and diluted (loss)/ earnings per share	(715,076)	1,270,233
	2020 Number	2019 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings per share	432,385,267	405,840,034
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	432,385,267	405,906,230

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

	Consolidated	
	2020	2019
NOTE 7: Cash and cash equivalents	$	$
Deposits at call	929,779	1,081,192
Term deposits	6,044,458	2,000,000
	6,974,237	3,081,192

Deposits at call earn interest at floating rates based on daily bank deposit rates.

Term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective term deposit rates.

NOTE 7: Cash and cash equivalents (continued)

	Consolidated	
	2020	2019
	$	$
(i) Reconciliation of profit for the year to net cash flowsfrom operating activities		
Profit/ (loss) for the year	(715,076)	1,270,233
Non-cash flows in profit:		
Depreciation	75,364	23,815
Amortisation of intangible assets	265,208	221,239
Share-based payment expense	1,836,223	239,109
Changes in net assets and liabilities:		
Trade and other receivables	(103,278)	(103,319)
Other assets (current)	(3,551)	(2,688)
Trade creditors and other payables and provisions	(44,078)	(50,587)
Other liabilities	(34)	17,255
Net cash provided by operating activities	1,310,778	1,615,057
(ii) Financing facilities		
Secured credit card:		
Amount used	5,562	14,175
Amount unused	14,438	5,825
	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	
	2020	2019
NOTE 8: Trade and other receivables	$	$
Trade receivables	739,517	626,802
Other receivables	26,089	35,100
	765,606	661,902
Aging of past due but not impaired		
30-60 days	88,813	155,173
60-90 days	35,512	80,506
90-120 days	279,044	161,278
	403,369	396,957

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 financing 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 2020 was determined as $nil (30 June 2019: $nil).

NOTE 9: Other assets		
Current		
Prepayments	39,871	36,620
Non-Current		
Deposits	45,900	45,900

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated	
	2020	2019
NOTE 10: Plant and equipment	$	$
Fixtures and equipment		
At cost	397,916	391,557
Less: Accumulated depreciation	(370,485)	(351,046)
Total plant and equipment	27,431	40,511

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	40,511	60,986
Additions	6,359	3,340
Depreciation expense	(19,439)	(23,815)
Carrying amount at the end of the year	27,431	40,511

NOTE 11: Intangible assets

Development expenditure

At cost	3,716,832	3,470,321
Less: Accumulated amortisation	(1,184,710)	(919,503)
Total development expenditure	2,532,122	2,550,818

Reconciliation

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

Development expenditure		
Carrying amount at the beginning of the year	2,550,818	2,422,680
Additions	246,512	349,377
Amortisation expense	(265,208)	(221,239)
Carrying amount at the end of the year	2,532,122	2,550,818

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	
	2020	2019
NOTE 12: Trade and other payables	$	$
Trade payables (i)	53,617	91,289
Sundry creditors and accruals	331,655	301,520
	385,272	392,809

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms. The carrying value of the trade payables is considered a reasonable approximation of fair value. 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 2020

	Consolidated	
	2020	2019
NOTE 13: Other liabilities	$	$
Unearned income	13,843	54,399

NOTE 14: Provisions		
Long service leave	75,821	75,855
Reconciliation		
Balance at the beginning of the year	75,855	58,600
Arising during the year	25,868	35,879
Utilised during the year	(25,902)	(18,624)
Balance at the end of the year	75,821	75,855

NOTE 15: Share capital and reserves

	2020		2019	
	Number	$	Number	$
(a) Share capital	443,773,933	72,565,449	422,497,568	69,674,199

Movements - Ordinary shares	2020 Number of shares	2020 $	2019 No. of shares	2019 $
Balance at the beginning of the year	422,497,568	69,674,199	402,497,568	69,424,199
Share issue on conversion of options	8,500,000	141,250	-	250,000
Shares issue under ESS	136,365	15,000	-	-
Controlled placement cost	-	(15,000)	-	-
Share issue to Acuity Capital[1]	12,640,000	2,750,000	20,000,000	-
Balance at the end of the year	443,773,933	72,565,449	422,497,568	69,674,199

(1) As announced on the ASX on 30 April 2019, the Company agreed to place additional 20,000,000 shares from its Listing Rule 7.1 capacity, at nil consideration to Acuity Capital (collateral shares). In the current year, the Company agreed to place additional 12,640,000 shares from its Listing Rule 7.1 capacity, at issue price of $0.218 per share to Acuity Capital (collateral shares) but may, at any time, cancel the Controlled Placement Agreement and buy back the collateral shares for no consideration.

NOTE 15: Share capital and reserves (continued)

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

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

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

(b) Reserves

Nature and purpose of reserves:

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

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

NOTE 16: Financial instruments

(a) Capital risk management

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

(b) Categories of financial instruments

	Consolidated	
	2020	2019
Financial assets/(liabilities)	$	$
Cash and cash equivalents	6,974,237	3,081,192
Trade and other receivables	765,606	661,902
Other assets – deposits	45,900	45,900
Trade and other payables	(385,272)	(392,809)
Lease liabilities	(116,103)	-

(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.

NOTE 16: Financial instruments (Continued)

(d) Market risk

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

(e) Foreign currency risk management

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

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

	Liabilities		Assets	
	2020	2019	2020	2019
	$	$	$	$
United States Dollars	5,441	-	1,052,673	666,033
Great British Pounds	4,378	4,378	291,320	391,923
European Euros	2,249	-	174,061	115,397

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.

NOTE 16: Financial instruments (Continued)

Profit or loss impact:	2020 $	2019 $
- USD	(95,203)	(60,548)
- GBP	(26,086)	(35,231)
- EUR	(15,619)	(10,491)

(f) Interest rate risk management

All financial assets and financial liabilities are non-interest bearing except for cash and cash equivalent balances, and lease liabilities. The following table details the Group's expected maturities for cash and cash equivalent financial assets.

Cash and cash equivalent financial assets	Less than one month	One to three months	Total
2020	$6,974,237	$45,900	$7,020,137
Weighted average effective interest rate	0.86%	1.34%	
2019	$3,081,192	$45,900	$3,127,092
Weighted average effective interest rate	1.81%	2.54%	

The Group is exposed to fluctuations in interest rates as it has deposited monies at floating 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 2020, the Group had one customer that accounted for 12% of all trade receivables (2019: 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.

NOTE 16: Financial instruments (continued)

(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.

TThe 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 $
2020				
Non-interest bearing	342,361	42,000	-	384,361
2019				
Non-interest bearing	351,688	41,121	-	392,809

(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

The Group has no operating or capital commitments.

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	2020 Equity holding	2019 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%

NOTE 18: Related party disclosure (continued)

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

Transactions with related parties

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

Transactions with key management personnel

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

Transactions between group companies

During the year the following transactions occurred between group companies:

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

During the year expenses were paid by RHAS totalling $51,194 (2019: $23,450) on behalf of RHT.

During the year expenses were paid by RHT totalling $Nil (2019: $Nil) on behalf of RHAS.

At the 30 June 2020 RHT owed a loan balance of $3,195,247 (2019: $1,899,592) 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	2020 $	2019 $
Financial Position		
Assets		
Current assets	6,091,272	2,510,882
Non-current assets	856,682	856,682
Total assets	6,947,954	3,367,564
Liabilities		
Current liabilities	59,343	92,686
Non-current liabilities	3,340,507	2,044,852
Total liabilities	3,399,850	2,137,538

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19: Parent entity disclosures (continued)

Equity

Issued capital	72,565,449	69,674,199
Option reserve	2,316,530	480,307
Accumulated losses	(71,333,875)	(68,924,480)
Total equity	3,548,104	1,230,026

Financial Performance	Year ended 30 June 2020 $	Year ended 30 June 2019 $
Loss for the year		
Other comprehensive income	(2,409,395)	(712,063)
	-	-
Total comprehensive loss	(2,409,395)	(712,063)

NOTE 20: Significant events after balance date

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.

	Consolidated	
	2020	2019
NOTE 21: Auditor's remuneration	$	$
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	57,528	56,736
Taxation compliance services	12,500	12,325
	70,028	69,061

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: Key management personnel disclosures

Key Management Personnel Compensation

	2020	2019
	$	$
Short-term employee benefits	699,855	536,028
Post-employment benefits	54,135	40,233
Share-based payments	1,838,222	70,161
	2,592,212	646,422

NOTE 23: Share-based payments

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

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is $1,836,223.

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	4,000,000	28/11/2019	28/11/2022	0.15	$588,423
Series 2	4,000,000	28/11/2019	28/11/2022	0.175	$564,476
Series 3	4,000,000	28/11/2019	28/11/2022	0.20	$543,000
Series 4	200,000	2/12/2019	2/12/2022	0.10	$27,830

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: Share-based payments (Continued)

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

	2020		2019	
	Number	Weighted Average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of year	33,500,000	$0.074	21,000,000	$0.0600
Granted during the year	12,200,000	$0.170	12,500,000	$0.0985
Exercised during the year	(8,500,000)	-	-	-
Forfeited during the year	(5,000,000)	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of year	32,200,000	$0.122	33,500,000	$0.0744
Exercisable at the end of year	32,200,000	$0.122	33,500,000	$0.0744

The weighted average share price during the year was $0.087.
The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.5 years.

The fair value of the equity-settled share options granted under the option plan 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	100	0.66	3.00	0.150	0.2150
Series 2	0	100	0.66	3.00	0.175	0.2150
Series 3	0	100	0.66	3.00	0.200	0.2150
Series 4	0	100	0.66	3.00	0.100	0.1900

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 2020 (2019: $nil).

NOTE 25: AASB 16 Leases

Change in Accounting Policy

AASB 16 Leases supersedes AASB 117 Leases and related interpretations. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.
The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on accumulated losses under this approach, and comparatives have not been restated.

The Group has a single premises lease and plant and equipment leases. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Company is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.

Lease payments included in the initial measurement of the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of purchase options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

An extension option is included within the property lease held by the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

NOTE 25: AASB 16 Leases (Continued)

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there is a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 4.79%.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

In the Condensed Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

On 1 July 2019, the adoption of AASB 16 resulted in the recognition of right-of-use assets of $167,774 and lease liabilities of $167,774 in respect of all operating leases, other than short-term leases and leases of low-value assets.

The net impact on accumulated losses on 1 July 2019 was $nil.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25: AASB 16 Leases (Continued)

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- For existing contracts as at 1 July 2019, the Group has elected to apply the definition of lease contained in AASB 117 and Interpretation 4 and has not applied AASB 16 to contracts that were previously not identified as leases under AASB 117 and Interpretation 4;
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019:

	$
Operating lease commitments disclosed as at 30 June 2019	180,373
Discounted using the lessee's incremental borrowing rate at the date of initial application	167,774
Lease liabilities as at 1 July 2019	167,774

NOTE 26: Right-of-use Assets

Carrying value

	Premises $
Cost	167,774
Accumulated depreciation	(55,925)
Carrying value as at 30 June 2020	111,849

NOTE 27: Lease Liabilities

	Premises $
Current liabilities	55,998
Non-current liabilities	60,105
Total	116,103

AASB 16 has been adopted during the period, refer note 25 for details.

The Group leases only premises. The remaining term of the lease as of 30 June 2020 is 24 months. The incremental borrowing rate applied to this lease is 4.79%.

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

	Lease payments due		
	<1 year	1-2 years	Total
30 June 2020	$	$	$
Lease payments	60,100	61,903	122,003
Interest	4,102	1,798	5,900
Net present values	55,998	60,105	116,103

Total cash outflow relating to leases for the period ended 30 June 2020 was $58,350.

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 2020 and of its performance for the year then ended; and

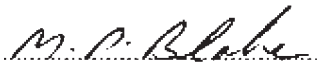
   ii.complying with Australian Accounting Standards, the Corporations Regulations 2001, professional requirements and other mandatory requirements;

   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 2020.

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



Dr Martin Blake
Chairman

Place: Perth, Western Australia
Dated: 30 September 2020

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 2020, 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 2020 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 matter 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 Refer to Note 11	
As at 30 June 2020, the Group has an intangible asset balance of $2,532,122 which comprises intangible assets not yet available for use and other intangible assets. Under AASB 136 *Impairment of Assets*, intangible assets not yet available for use are	Our audit procedures included but were not limited to the following: - Obtained an understanding of the key controls associated with the preparation of the value-in-use calculation used to assess the recoverable amount of the intangible assets;

HLB MANN JUDD
ADVISORY AND ACCOUNTING

subject to an annual impairment test and other intangible assets are subject to an impairment test should indicators of impairment arise. 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.	- 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.

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 2020 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.

INDEPENDENT AUDITOR'S REPORT

HLB MANN JUDD
ADVISORY AND ACCOUNTING

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 2020.

In our opinion, the Remuneration Report of Resonance Health Limited for the year ended 30 June 2020 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
30 September 2020

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 8 September 2020)

Distribution of shareholders (ASX Code: RHT)

Range of holdings	Holders	Units	Percentage
1 - 1,000	110	20,728	0.01%
1,001 - 5,000	202	768,924	0.18%
5,001 - 10,000	251	2,020,965	0.46%
10,001 - 100,000	1,152	46,560,953	10.49%
100,001 - 999,999,999,999	463	394,384,363	88.87%
TOTAL	**2,178**	**443,773,933**	**100%**

The number of shareholders holding less than a marketable parcel are 183.

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 8 September 2020)

Rank	Name	Units	% of Units
1	SOUTHAM INVESTMENTS 2003 PTY LTD <WARWICKSHIRE INVESTMENT A/C>	73,000,000	16.45
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	43,574,154	9.82
3	ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD	20,000,000	4.51
4	MRS CHERYL LESLEY THOMPSON	9,325,519	2.10
5	MR HELMUT ROCKER	6,500,000	1.46
6	DR MARTIN PETER BLAKE	6,464,677	1.46
7	MR BRUCE ALAN STEVENSON	5,967,716	1.34
8	MR GREGORY PETER WILSON	5,460,000	1.23
9	MR ROBERT FRANCIS PANTON	5,440,824	1.23
10	CASTLEREAGH EQUITY PTY LTD	5,400,000	1.22
11	MARCOLONGO NOMINEES PTY LTD <MARCOLONGO FAMILY A/C>	5,186,200	1.17
12	THE UNIVERSITY OF WESTERN AUSTRALIA	4,978,750	1.12
13	MR THOMAS PSARAKIS	4,434,777	1.00
14	MR PAUL ANDREW FITZMAURICE	4,170,000	0.94
15	NEWECONOMY COM AU NOMINEES PTY LIMITED	4,062,284	0.92
16	BNP PARIBAS NOMINEES PTY LTD	4,045,653	0.91
17	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	4,014,908	0.90
18	MR VINCENT OLADELE	3,641,552	0.82
19	FULLERTON PRIVATE CAPITAL PTY LIMITED	3,500,000	0.79
20	ANAHEIN PTY LTD	3,010,598	0.68
		222,177,612	**50.07**

2. Twenty largest shareholders of quoted ordinary shares (as of 8 September 2020)

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	43,574,154	Ordinary shares

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