ResApp Health Limited
ABN 51 094 468 318

CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Contents to the Consolidated Financial Report

Corporate Information

This annual report is for ResApp Health Limited and its controlled entity ("the Group"). Unless otherwise stated, all amounts are presented in Australian Dollars.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 6 to 9. The directors' report is not part of the financial statements.

Directors
Dr Roger Aston *(appointed 2 July 2015)*
Dr Tony Keating *(appointed 2 July 2015)*
Mr Brian Leedman *(appointed 19 February 2016)*
Mr Chris Ntoumenopoulos *(appointed 21 January 2015)*

Company Secretary
Ms Nicki Farley

Principal Office
Level 8, 127 Creek St
Brisbane QLD 4000

Registered Office
Level 24
44 St Georges Tce,
PERTH WA 6000

Share Registry & Register
Link Market Services Ltd
Level 12, 250 St Georges Tce
PERTH WA 6000

Bankers
National Australia Bank
100 St Georges Tce
PERTH WA 6000

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Auditors
Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
WEST PERTH WA 6005

Solicitors
Price Sierakowski Corporate
Level 24, 44 St Georges Tce
PERTH WA 6000

Stock Exchange Listing
ResApp Health Limited
ASX Code: RAP

Web Site
www.resapphealth.com.au

Directors' Report

The directors of ResApp Health Limited ("the Company") and its controlled entity ("the Group") submit herewith the annual financial statements of the Group for the financial year ended 30 June 2017. These financial statements cover the period from 1 July 2016 to 30 June 2017. In order to comply with the provision of the Corporations Act 2001, the directors' report is as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

Dr Roger Aston

Non-Executive Chairman
(appointed 2 July 2015)

Dr Aston is a scientist and seasoned biotechnology entrepreneur. He has been closely involved in start-up companies and major pharmaceutical companies. Aspects of his experience include US Food and Drug ('FDA') and European Union ('EU') product registration, clinical trials, global licensing agreements, fundraising through private placements, and a network of contacts within the pharmaceutical, banking and stock broking sectors.

Dr Aston has also held Directorships/Chairmanships with Clinuvel Ltd, HalcyGen Ltd, and Ascent Pharma Ltd, and was a member of the AusIndustry Biological Committee advising the Industry Research and Development Brand.

More recently, Dr Aston was Executive Chairman of Mayne Pharma Group from 2009 to 2011 and later, CEO of Mayne Pharma Group.

Interest in Shares and Options

Dr Aston holds 8,437,500 ordinary shares and 8,437,500 performance shares indirectly in the Company.
Dr Aston holds 3,600,000 options in the Company.

Directorships held in other listed entities

During the past three years Dr Aston has served as a Director for the following other listed companies:
(a) Immuron Limited – appointed 25 May 2012;
(b) Regeneus Limited – appointed 21 September 2012;
(c) PharmAust Limited – appointed 12 August 2013;
(d) Oncosil Medical Limited – appointed 28 March 2013;
(e) Polynovo Limited – appointed 15 November 2013, resigned 10 September 2014.

Dr Tony Keating

Chief Executive Officer and Managing Director
(appointed 2 July 2015)

Dr Tony Keating has over 10 years' experience in commercialising technology. Dr Keating created the initial business strategy for ResApp and has led the commercialization of ResApp's technology to date. Previously, Dr Keating was Director, Commercial Engagement at UniQuest Pty Ltd, one of the global leaders in commercialisation of university technology. While at UniQuest, Dr Keating held roles as interim Chief Executive Officer and Non-Executive Director for a number of privately-held, venture-capital funded start-up companies. Prior to joining UniQuest Dr Keating held business development and engineering management roles at Exa Corporation, a US-based software company that is now listed on the NASDAQ.

Dr Keating holds a Bachelor of Engineering, a Master of Engineering Science and a Doctor of Philosophy (Mechanical Engineering) from The University of

Directors' Report (continued)

	Queensland. Dr Keating also has an Executive Certificate of Management and Leadership from the MIT Sloan School of Management, and is a Graduate Member of the Australian Institute of Company Directors.
Interest in Shares and Options	Dr Keating holds nil shares in the Company. Dr Keating holds 23,800,000 options in the Company.
Directorships held in other listed entities	During the past three years Dr Keating has not held directorship of any other ASX listed companies.
Mr Brian Leedman	**Executive Director and Vice President, Corporate Affairs (appointed 19 February 2016)** Mr Leedman is a marketing and investor relations professional with over 15 years' experience in the biotechnology industry. Mr Leedman was co-founder of ResApp Diagnostics Pty Ltd which was acquired by Narhex Life Sciences Ltd to form ResApp Health. Prior to ResApp, Mr Leedman co-founded Oncosil Medical Limited and Biolife Science Limited (acquired by Imugene Limited). Mr Leedman previously served for 10 years as Vice President, Investor Relations for pSivida Corp which is listed on the ASX and NASDAQ. He is formerly the WA chairman of AusBiotech, the association of biotechnology companies in Australia. Mr Leedman holds a Bachelor of Economics and a Master of Business Administration from the University of Western Australia.
Interest in Shares and Options	Mr Leedman holds 25,125,000 ordinary shares and 23,250,000 performance shares indirectly in the Company. Mr Leedman holds 3,600,000 options in the Company.
Directorships held in other listed entities	During the past three years Mr Leedman has served as a Director for the following other listed companies: (a) Alcidion Group Limited – appointed 28 July 2016, resigned 31 July 2017.
Mr Chris Ntoumenopoulos	**Non-Executive Director (appointed 21 January 2015)** Mr Ntoumenopoulos is the Managing Director of Twenty 1 Corporate. He has worked in financial markets for the past 14 years, focusing on Capital Raisings, Portfolio Management and Corporate Advisory. Mr Ntoumenopoulos has advised and funded numerous ASX companies from early stage venture capital, through to IPO. He is an executive director of various private companies which span across finance, technology and medical sectors. Mr Ntoumenopoulos has a Bachelor of Commerce degree from the University of WA, majoring in Money and Banking, Investment Finance and Electronic Commerce.
Interest in Shares and Options	Mr Ntoumenopoulos holds 3,109,375 shares indirectly in the Company. Mr Ntoumenopoulos holds 3,600,000 options in the Company.
Directorships held in other listed entities	During the past three years Mr Ntoumenopoulos has served as a Director for the following other listed companies: (a) Race Oncology Ltd – appointed 27 April 2016.

Directors' Report (continued)

Ms Nicki Farley

Company Secretary
(appointed 7 November 2012)

Ms Farley has over 10 years' experience working within the legal and corporate advisory sector providing advice in relation to capital raisings, corporate and securities laws, mergers and acquisitions and general commercial transactions. Ms Farley also holds a number of company secretarial roles for ASX listed companies. Ms Farley holds a Bachelor of Laws and Arts from the University of Western Australia.

Directors' Meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director).

	Board of Directors	
	Eligible to Attend	**Attended**
Dr Roger Aston	5	5
Dr Tony Keating	5	5
Mr Brian Leedman	5	5
Mr Chris Ntoumenopoulos	5	5

The Board of Directors also approved fifteen (15) circular resolution during the year ended 30 June 2017 which were signed by all Directors of the Company. The audit, compliance and corporate governance committee is performed by the Board of Directors.

PRINCIPAL ACTIVITIES

During the year, the Company continued the development and commercialisation of the ResApp technology for the purpose of providing health care solutions for respiratory disease.

OPERATING RESULTS AND FINANCIAL POSITION

The net loss for the year ended 30 June 2017 was $10,032,750 compared with a net loss of $3,207,577 for the previous year. The Company had a net asset position as at 30 June 2017 of $11,349,067 (2016: $16,046,358).

During the year ended 30 June 2017, the Company increased its research and development activities. A large portion of the net loss (51%) for the current year is also made up of the valuation of options issued during the year. The loss for the prior year is attributable to operating activities and research and development costs incurred following the acquisition of ResApp Diagnostics.

REVIEW OF OPERATIONS

Operational Review

US SMARTCOUGH-C Study

During the period, the Company commenced its SMARTCOUGH-C study in the United States (US). SMARTCOUGH-C is a multi-site, double blind, prospective clinical study to investigate ResAppDx for the diagnosis of respiratory disease in infants and children using cough sounds. The co-primary endpoints of the study are the diagnosis of pneumonia compared to clinical and radiologic diagnosis. Secondary endpoints are diagnosis

Directors' Report (continued)

of upper respiratory tract infection, lower respiratory involvement, croup, asthma/reactive airways disease and bronchiolitis compared with a clinical diagnosis.

On 21 October 2016, the Company announced that it is had received its first institutional review board (IRB) approval at the Cleveland Clinic for the SMARTCOUGH-C study. The Company subsequently announced that it had also received IRB approval at the Massachusetts General Hospital (MGH) on 11 November 2016 and at Baylor College of Medicine and Texas Children's Hospital on 16 November 2016.

On 9 December 2016, ResApp confirmed the initiation of its SMARTCOUGH-C study in the US.

On 10 January 2017, the Company announced that it had entered into a two-year expanded research collaboration with MGH alongside MGH's participation in ResApp's SMARTCOUGH-C study. Working together, ResApp and MGH will perform additional analysis of the SMARTCOUGH-C study data, use the SMARTCOUGH-C dataset to investigate the state of respiratory disease clinical practice today and evaluate the efficacy of ResApp's cough-based diagnostic test in additional respiratory disease indications.

On 15 March 2017, the Company provided an update on its SMARTCOUGH-C study confirming recruitment locations included multiple emergency departments, urgent care facilities and primary care offices at each of the three participating hospitals, with 478 participants having been enrolled as of 10 March 2017.

On 19 April 2017, the Company announced its intention to extend the SMARTCOUGH-C study through to the end of May and increase maximum recruitment to 1,500 patients. Enrolment in the study had progressed well across eleven recruitment locations maintained by the three participating hospitals, however the incidence of pneumonia and croup among study patients had been unseasonably low.

On 19 June 2017, the Company announced that it has completed enrolment in its SMARTCOUGH-C study with a total of 1,245 patients enrolled across the three participating hospitals, all located in the United States. With enrolment complete, the study entered the data verification phase, where clinical and radiologic adjudication were conducted for the remaining patients and final source data verification site visits performed.

Subsequent to the end of the period on 9 August 2017, the Company announced top-line data from its multi-site, double blind, prospective clinical study to investigate ResAppDx for the diagnosis of respiratory disease in infants and children using cough sounds. The predefined study endpoints were based on achieving greater than 75% for positive percent agreement (PPA) and negative percent agreement (NPA) for the diagnosis of pneumonia, croup, bronchiolitis, asthma/reactive airways disease (RAD), lower respiratory tract disease (LRTD) and upper respiratory tract infection (URTI).

In the final data review, prior to the un-blinding of the study data, ResApp identified at least two issues with the clinical data. Contrary to instructions and training, a high number of patients were treated before clinical research staff recorded their cough sounds. A high number of recordings were also found to contain a second person's cough sounds or an unacceptable amount of background noise and interference. These issues are known to affect cough sound analysis and their presence had skewed the preliminary results.

A preliminary analysis indicated that the study is unlikely to meet its predefined endpoints for diagnosis of childhood respiratory disease with the lower bound of the 95% confidence interval of both PPA and NPA with clinical diagnosis being below 75% of all diseases. The most promising result was for bronchiolitis, which achieved an 80% (95%CI 66%-91%) PPA and 95% (95%CI 94%-97%) NPA with clinical diagnosis, although due to the reduced number of bronchiolitis patients (caused by removing recordings with obvious issues) this result did not meet the predefined study endpoint.

The Company proposes completing a second US paediatric pivotal clinical study this US winter as well as continuing and completing its adult program, including its US adult pivotal study which is also set to begin this US winter.

Directors' Report (continued)

Australian Clinical Studies

During the period, the Company continued its Australian paediatric clinical studies at Joondalup Health Campus (JHC) and Princess Margaret Hospital in Perth and its Australian adult studies at JHC and Wesley Hospital in Brisbane.

On 3 October 2016, ResApp announced further positive results from its Australian adult study. ResApp's cough sound-based algorithms achieved between 91% and 100% accuracy for distinguishing adult patients with chronic obstructive pulmonary disease (COPD), asthma or pneumonia from subjects with no discernible respiratory disease. In addition, the new analysis demonstrated accuracy of 100% for distinguishing patients with an upper respiratory tract infection (URTI) from the no respiratory disease group (not previously reported). The differential diagnosis of asthma versus COPD, pneumonia versus asthma and pneumonia versus COPD (not previously reported) was achieved at an accuracy in the range of 88% and 94%. As was found in the paediatric study, the algorithms were able to correctly detect lower respiratory tract disease in 84% of adult patients who were initially diagnosed as clear by experienced clinicians using stethoscopes but were finally diagnosed as having a lower respiratory tract disease after additional clinical testing.

On 18 August 2016, the Company announced preliminary clinical results that demonstrated the potential for measuring the severity of asthma or viral wheeze in children using cough sounds. The Company also announced that it had begun working with two lung function test laboratories, one at Joondalup Health Campus in Perth and one at the Wesley Hospital in Brisbane to record adult asthma and chronic obstructive pulmonary disease (COPD) patients' breathing and cough sounds alongside comprehensive lung function tests.

On 28 April 2017, ResApp announced that it had signed an exclusive worldwide license agreement with UniQuest for an additional diagnostic tool that complements ResApp's existing cough-based diagnostic technology. The tool is a set of machine learning algorithms that use a combination of clinical features to screen for childhood pneumonia. Unlike ResAppDx, it does not use cough sound analysis, but relies on commonly-taken measurements such as heart rate, temperature, presence of chest in-drawing or oxygen saturation.

On 22 June 2017, the Company provided an update on its Australian paediatric clinical study. A total of 1,127 children had been enrolled, and for most disease groups patient numbers had more than doubled since previous results. The dataset and machine learning algorithms were optimised to match the design of the SMARTCOUGH-C study as closely as possible. ResAppDx achieved between 90% and 100% PPA and between 89% and 96% NPA with clinical diagnosis of primary upper respiratory tract infection (i.e. with no comorbidities), croup, lower respiratory tract involvement, asthma/reactive airways disease (RAD) and bronchiolitis. For pneumonia, ResAppDx demonstrated 89% PPA and 79% NPA with clinical diagnosis. The lower NPA reflects the higher uncertainty in the current method of clinical diagnosis of pneumonia and in particular the clinical overlap between pneumonia, bronchiolitis and asthma/RAD, which can occur at the same time.

Doctors Without Borders / Médecins San Frontières (MSF)

On 15 September 2016, the Company, in partnership with UniQuest (the main commercialisation company of The University of Queensland), announced it had shipped smartphones to a leading global humanitarian organisation under the terms of a non-binding memorandum of understanding to field-test ResApp's smartphone-based respiratory disease diagnostic tool in the developing world. The Company subsequently named this humanitarian organisation partner as Doctors Without Borders/Médecins San Frontières (MSF), who are moving towards starting a clinical study of ResAppDx in a lower income rural context setting.

Corporate Review

On 9 November 2016, the Company confirmed the appointment of new auditors Grant Thornton Audit Pty Ltd replacing Greenwich & Co Audit Pty Ltd.

Directors' Report (continued)

Subsequent to the end of the period, on 23 August 2017 the Company announced the appointed of Dr Philip Currie to its Scientific Advisory Board. Dr Currie is a cardiologist with more than 35 years in cardiology both in the US and in Australia with extensive experience in medical research, clinical cardiology and business.

Subsequent Events

As noted above, subsequent to the end of the period on 9 August 2017, the Company announced top-line data from its multi-site, double blind, prospective clinical study to investigate ResAppDx for the diagnosis of respiratory disease in infants and children using cough sounds. In the final data review, prior to the un-blinding of the study data, ResApp identified at least two issues with the clinical data. Contrary to instructions and training, a high number of patients were treated before clinical research staff recorded their cough sounds. A high number of recordings were also found to contain a second person's cough sounds or an unacceptable amount of background noise and interference. These issues are known to affect cough sound analysis and their presence had skewed the preliminary results. Preliminary analysis indicated that the SMARTCOUGH-C study is unlikely to meet its predefined endpoints for diagnosis of childhood respiratory disease with the lower bound of the 95% confidence interval of both PPA and NPA with clinical diagnosis being below 75% of all diseases.

The Company indicated that it proposes completing a second US paediatric pivotal clinical study this US winter as well as continuing and completing its adult program, including its US adult pivotal study which is also set to begin this US winter.

On 14 September 2017, the Company announced that while key staff at MSF have reaffirmed their belief in the potential of ResApp's core technology, after reviewing the issues identified by ResApp in its SMARTCOUGH-C study, and the high cost of keeping the project open, MSF decided to not proceed with its planned field evaluation of ResAppDx at this point in time. ResApp and MSF maintain their collaborative relationship and will seek opportunities for field testing the technology once issues identified in the SMARTCOUGH- C study have been resolved.

Except for the events noted above, no material events have occurred subsequent to the reporting date.

Future Developments

The Group will continue the development and commercialisation of the ResApp technology for the purpose of providing health care solutions to assist doctors and consumers diagnose respiratory disease.

Environmental Issues

The Group's operations are not subject to significant environmental regulations under the law of the Commonwealth or of a State, or Territory.

Dividends

No amounts have been paid or declared by way of dividend by the Group since the end of the previous financial year and the Directors do not recommend the payment of any dividend.

Indemnification of Officers and Auditors

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Report (continued)

Remuneration Report – Audited

Directors

Dr Roger Aston *(appointed 2 July 2015)*
Dr Tony Keating *(appointed 2 July 2015)*
Mr Brian Leedman *(appointed 19 February 2016)*
Mr Chris Ntoumenopoulos *(appointed 21 January 2015)*

Remuneration Policy

The board policy is to remunerate non-executive directors at a level which provides the company with the ability to attract and retain directors with the experience and qualification appropriate to the development strategy of the company's Intellectual Property. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. This was set at $200,000 per annum by shareholders on 18 November 2005. Directors' fees are reviewed annually. From 1 June 2016, Chairman and non-executive director fees increased to $90,000 and $55,000 per annum respectively.

Non-executive directors' fees are not linked to the performance of the company. However to align directors interests with shareholder interests, the directors are encouraged to hold shares in the company. The board policy is to remunerate executive directors at a level that provides the company with the ability to attract and retain executives with the experience and qualification appropriate to the development strategy of the company's Intellectual Property. During the financial year, the Group did not employ the use of remuneration consultants.

Executive Remuneration

The following table discloses the contractual arrangements with the Group's executive Key Management Personnel.

CEO and Managing Director – Dr Tony Keating	
Fixed remuneration	$280,000 pa from 2 July 2017
Contract duration	2 years commencing on 2 July 2017
Termination notice by the individual/company	6 months
Other entitlements	Annual leave

Vice President, Corporate Affairs and Executive Director – Mr Brian Leedman	
Fixed remuneration	$187,000 pa from 15 September 2017
Contract duration	2 years commencing on 15 September 2017
Termination notice by the individual/company	6 months
Other entitlements	None

Relationship Between the Remuneration Policy and Company Performance

Aside from the matters described above, no Director held or holds any contract for performance-based remuneration with the Company.

Directors' Report (continued)

Remuneration Expense Details for the Year Ended 30 June 2017

The directors incurred the following amounts as compensation for their services as directors and executives of the Group during the year:

2017	Short-term employee benefits			Post employment benefits	Share-based payments		
	Salary and fees $	Bonus $	Other $	Super-annuation and leave $	Options and rights $	Total $	% consisting of share-based payments
Non-Executive Directors:							
Dr Roger Aston[1]	90,000	-	-	-	927,236	1,017,236	91%
Mr Chris Ntoumenopoulos[2]	55,000	-	-	-	927,236	982,236	94%
Executive Directors:							
Dr Tony Keating[3]	255,708	-	-	38,303	974,441	1,268,452	77%
Mr Brian Leedman[4]	187,000	-	-	-	927,236	1,114,236	83%
Total	**587,708**	**-**	**-**	**38,303**	**3,756,149**	**4,382,160**	**-**

[1] Dr Aston's director fees were paid to Newtonmore Biosciences Pty Ltd.
[2] Mr Ntoumenopoulos's director fees were paid to Sobol Capital Pty Ltd.
[3] Dr Keating's director fees were paid to himself.
[4] Mr Leedman's director fees were paid to himself.

2016	Short-term employee benefits			Post employment benefits	Share-based payments		
	Salary and fees $	Bonus $	Other $	Super-annuation $	Options and rights $	Total $	% consisting of share-based payments
Non-Executive Directors:							
Dr Roger Aston[1]	72,210	-	-	-	-	72,210	-
Mr Adam Sierakowski[2]	34,968	-	-	-	-	34,968	
Dr Robert Ramsay[3]	-	-	-	-	-	-	-
Mr Chris Ntoumenopoulos[4]	48,583	-	-	-	-	48,583	-
Executive Directors:							
Dr Tony Keating[5]	188,737	-	-	17,930	330,000	536,667	62%
Mr Brian Leedman[6]	78,083	-	-	-	-	78,083	-
Total	**422,581**	**-**	**-**	**17,930**	**330,000**	**770,511**	**-**

[1] Dr Aston was appointed on 2 July 2015 and his director fees were paid to Newtonmore Biosciences Pty Ltd.
[2] Mr Sierakowski resigned on 22 March 2016 and his director fees were paid to Trident Capital Pty Ltd.
[3] Dr Ramsay resigned on 2 July 2015 and his director fees were paid to himself.
[4] Mr Ntoumenopoulos's director fees were paid to Sobol Capital Pty Ltd.
[5] Dr Keating was appointed on 2 July 2015 and his director fees were paid to himself.
[6] Mr Leedman was appointed on 19 February 2016 and his director fees were paid to himself.

Directors' Report (continued)

Securities Received That are Not Performance-Related

No members of key management personnel are entitled to receive securities that are not performance-based as part of their remuneration package.

Options and Rights Granted as Remuneration

	Grant date	Number	Value[1]	Exercised	Lapsed
Dr Roger Aston	10 November 2016	1,800,000	$502,398	-	-
Dr Tony Keating	10 November 2016	1,800,000	$502,398	-	-
Mr Brian Leedman	10 November 2016	1,800,000	$502,398	-	-
Mr Chris Ntoumenopoulos	10 November 2016	1,800,000	$502,398	-	-
Dr Roger Aston	10 November 2016	1,800,000	$424,838	-	-
Dr Tony Keating	10 November 2016	2,000,000	$472,043	-	-
Mr Brian Leedman	10 November 2016	1,800,000	$424,838	-	-
Mr Chris Ntoumenopoulos	10 November 2016	1,800,000	$424,838	-	-
Total		**14,600,000**	**$3,756,149**	**-**	**-**

[1] The fair value of incentive options granted and as shown in the table above has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

Description of Options Issued as Remuneration

Details of the options granted as remuneration to those key management personnel listed in the previous table are as follows:

Grant date	Issuer	Entitlement on exercise	Dates exercisable by	Exercise price	Value per option at grant date	Amount paid/payable by recipient
10 Nov 2016	ResApp Health Limited	1:1 ordinary share in ResApp Health Limited	10 Nov 2019	$0.45	$0.28	$0.00
10 Nov 2016	ResApp Health Limited	1:1 ordinary share in ResApp Health Limited	10 Nov 2019	$0.75	$0.24	$0.00

Option values at grant date were determined using the Black-Scholes method (note 15).

Directors' Report (continued)

Key Management Personnel Shareholdings

The number of ordinary shares in ResApp Health Limited held by each key management personnel of the Group during the financial year is as follows:

	Balance at 1 July 2016 or on date of appointment	Granted as remuneration during the year	Issued on exercise of options during the year	Net other changes during the year	Balance at 30 June 2017 or on date of resignation
Dr Roger Aston	16,875,000[1]	-	-	-	16,875,000[1]
Dr Tony Keating	-	-	-	-	-
Mr Brian Leedman	53,310,000[2]	-	1,875,000	(6,810,000)	48,375,000[2]
Mr Chris Ntoumenopoulos	2,109,375	-	-	-	2,109,375
Total	**72,294,375**	**-**	**1,875,000**	**(6,810,000)**	**67,359,375**

[1] Includes 8,437,500 performance shares.
[2] Includes 23,250,000 performance shares.

Each of the performance shares will convert to one (1) fully paid ordinary share upon satisfaction of the relevant Milestone. Accordingly, the performance shares will convert into fully paid ordinary shares in the capital of the Company within 7 days of the release of the audited accounts in respect of the period in which ResApp and any subsidiaries of ResApp (or if the Company or any Related Entity of the Company is licensed to use the Licensed IP, the Company and that Related Entity) achieving aggregated gross revenue of $20,000,000 in the five years commencing on the day the Company is readmitted to quotation on ASX, being 14 July 2015.

No performance shares were converted or cancelled during the period. No performance milestones were met during the period.

Options held by the key management personnel of the Group as at 30 June 2017 are as follows:

	Number of Options	Fair Value of Options
Dr Roger Aston	3,600,000	$927,236
Dr Tony Keating	23,800,000	$1,304,441
Mr Brian Leedman	3,600,000	$927,236
Mr Chris Ntoumenopoulos	3,600,000	$927,236

Other Equity-Related Key Management Personnel Transactions

There have been no other transactions involving equity instruments apart from those describe in the table above relating to options, rights and shareholdings.

Other Transactions with Key Management Personnel and/for Their Related Parties

There were no other transactions conducted between the Group and Key Management Personnel or their related parties, apart from those disclosed above and those disclosed in Note 20, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

End of Audited Remuneration Report

Directors' Report (continued)

Voting and Comments Made at the Company's 2016 Annual General Meeting

The Company received 73.62% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Proceedings on Behalf of the 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.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to principles of sound corporate governance. The Company continued to follow best practice recommendations as set out by 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at www.resapphealth.com.au/investor-relations/corporate-governance/.

Non-Audit Services

During the year $20,650 was paid to Grant Thornton for the provision of non-audit services (2016: nil).

Auditor's Independence Declaration

The auditor's independence declaration is included on page 15 of the annual report.

Signed in accordance with a resolution of the directors

Tony Keating
Director

Brisbane
29th day of September 2017

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Auditor's Independence Declaration to the Directors of ResApp Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of ResApp Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance
29 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the financial year ended 30 June 2017

		Consolidated	
	Note	**2017 $**	**2016 $**
Interest income		**204,317**	82,633
Other income	7	**1,143,368**	-
Administration costs	8	**(2,573,594)**	(1,428,488)
Research and development costs	9	**(3,462,380)**	(1,093,896)
Finance costs		**(4,861)**	(2,708)
Amortisation	6	**(269,829)**	-
Doubtful debts expense		**-**	(330,600)
Share based payment expense		**(5,069,771)**	(434,518)
Loss before income tax		**(10,032,750)**	(3,207,577)
Income tax benefit	11	**-**	-
Loss for the year		**(10,032,750)**	(3,207,577)
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**(10,032,750)**	(3,207,577)
Loss per share (basic and diluted) (cents)	16	**(1.53)**	(0.65)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 30 June 2017

		Consolidated	
	Note	**2017** **$**	**2016** **$**
Current assets			
Cash and cash equivalents	17	**8,554,764**	13,735,219
Trade receivables		**83,852**	100,495
Other receivables	12	**1,164,395**	20,890
Other assets		**26,096**	6,231
Total current assets		**9,829,107**	13,862,835
Non-current assets			
Intangibles (net)	6	**2,158,630**	2,428,459
Total non-current assets		**2,158,630**	2,428,459
Total assets		**11,987,737**	16,291,294
Current liabilities			
Trade and other payables	13	**584,354**	221,550
Annual leave provision		**54,316**	23,386
Total current liabilities		**638,670**	244,936
Total liabilities		**638,670**	244,936
Net assets		**11,349,067**	16,046,358
Equity			
Issued capital	14	**21,781,211**	21,515,523
Reserves	15	**6,327,741**	1,257,970
Accumulated losses		**(16,759,885)**	(6,727,135)
Total equity		**11,349,067**	16,046,358

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the financial year ended 30 June 2017

	Fully paid ordinary shares $	Equity-settled benefits reserve $	Accumulated losses $	Total $
Consolidated				
Balance at 1 July 2015	**4,004,499**	**-**	**(3,519,558)**	**484,941**
Loss for the year	-	-	(3,207,577)	(3,207,577)
Total comprehensive income	**-**	**-**	**(3,207,577)**	**(3,207,577)**
Transactions with owners, in their capacity as owners				
Issue of options	-	1,257,970	-	1,257,970
Issue of shares	19,565,062	-	-	19,565,062
Costs directly attributable to issue of share capital	(2,054,038)	-	-	(2,054,038)
Balance at 30 June 2016	**21,515,523**	**1,257,970**	**(6,727,135)**	**16,046,358**
Consolidated				
Balance at 1 July 2016	**21,515,523**	**1,257,970**	**(6,727,135)**	**16,046,358**
Loss for the year	-	-	(10,032,750)	(10,032,750)
Total comprehensive income	**-**	**-**	**(10,032,750)**	**(10,032,750)**
Transactions with owners, in their capacity as owners				
Issue of options	-	5,069,771	-	5,069,771
Issue of shares	265,688	-	-	265,688
Costs directly attributable to issue of share capital	-	-	-	-
Balance at 30 June 2017	**21,781,211**	**6,327,741**	**(16,759,885)**	**11,349,067**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the financial year ended 30 June 2017

		Consolidated	
	Note	**2017 $**	**2016 $**
Cash flows from operating activities			
Cash payments to suppliers and employees		**(5,645,463)**	(2,467,614)
Interest paid		**(4,861)**	-
Interest received		**204,181**	41,443
Net cash flows used in operating activities	17	**(5,446,143)**	(2,426,171)
Cash flows from investing activities			
Cash acquired on acquisition of ResApp Diagnostics		**-**	31,872
Net cash flows provided by investing activities		**-**	31,872
Cash flows from financing activities			
Proceeds from issue of share capital		**265,688**	13,116,789
Costs of capital raising		**-**	(1,084,400)
Net cash flows (used in)/provided by financing activities		**265,688**	12,032,389
Net (decrease)/increase in cash and cash equivalents		**(5,180,455)**	9,638,090
Cash and cash equivalents at the beginning of the financial year		**13,735,219**	4,097,129
Cash and cash equivalents at the end of the financial year		**8,554,764**	13,735,219

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Notes to the Financial Statements
for the financial year ended 30 June 2017

Note 1 Reporting Entity

This annual financial report includes the financial statements and notes of ResApp Health Limited ("the Company") and its controlled entity ("the Group"). The Group is a for-profit entity and is domiciled in Australia. The Group, through an exclusive license is developing smart phone applications for respiratory disease diagnostics and management. Its registered address is Level 24, 44 St George's Terrace, Perth, Western Australia, 6000. Its principal office is Level 8, 127 Creek Street, Brisbane, Queensland, 4000.

Note 2 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 liabilities in the ordinary course of business. The entity incurred an operating loss of $10,032,750 for the year ended 30 June 2017 (2016: $3,207,577) and a net cash outflow from operating activities amounting to $5,446,143 (2016: $2,426,171).

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. The Directors believe there are sufficient funds to meet the Company's working capital requirements and as at the date of this report, the Company believes it can meet all liabilities as and when they fall due.

Note 3 New Accounting Standards for Application in Future Periods

There are a number of new Accounting standards and Interpretations issued by the AASB as follows, that are not yet mandatorily applicable to the Group and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early.

AASB 2016-1 - Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Tax Losses (continued)
The estimate of future taxable profits can include recovery of certain assets at amounts more than their carrying amount if there is enough evidence that it is probable that the entity will recover the asset for more than its carrying amount. Examples would include:

- Property measured using cost model for which an external valuation has been conducted
- Fixed rate debt instruments held to maturity.

Application date - Financial years beginning on or after 1 January 2017
Expected Impact - No expected impact

AASB 2016-3 - Amendments to Australian Accounting Standards – Clarifications to AASB 15
Clarifies AASB 15 application issues relating to:

- Identifying performance obligations
- Principal vs. agent considerations
- Licensing
- Practical expedients

Application date - Financial years beginning on or after 1 January 2018
Expected Impact - No expected impact

AASB 2016-5 - Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions:
This Standard amends AASB 2 *Share-based Payment* to address:

- The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

- The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Application date - Financial years beginning on or after 1 January 2018
Expected Impact - No expected impact

AASB 9 - Financial Instruments
AASB 9 (December 2014) is a new standard which Replaces AASB 139. This new version supersedes AASB issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.

Application date - Financial years beginning on or after 1 January 2018
Expected Impact – The Group has no financial instruments and therefore there is no expected impact.

AASB 15 - Revenue from Contracts with Customers
This Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Application date - Financial years beginning on or after 1 January 2018
Expected Impact - The Group has no revenues and therefore there is no expected impact

AASB 16 - Leases
AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its Statement of Financial Position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its Statement of Financial Position for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

Lessor accounting remains largely unchanged from AASB 117.

Application date - Financial years beginning on or after 1 January 2019
Expected Impact - No expected impact

Note 4 Significant Accounting Policies

Basis of preparation

These financial statements include the financial statements of the ResApp Health Limited (the "Company"), and its controlled entity (the "Group"). These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Australian Accounting Standards are equivalent to International Financial Reporting Standards ("IFRS"). Compliance with Australian Accounting Standards ensures that these financial statements comply with International Financial Reporting Standards.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for the cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The functional currency of the Group is measured using the currency of the primary economic environment in which the Group operates. These financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. 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.

b) Financial instruments

Recognition and initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are then classified and measured as set out below.

Classification and subsequent measurement
All financial instruments of the Group are subsequently measured at amortised cost, using the effective interest rate method.

Amortised cost
Amortised cost is calculated as a) the amount at which the financial asset or liability is measured at initial recognition; b) less principal repayments; c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and d) less any reduction for impairment.

Effective interest rate method
The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Derecognition
Financial instruments are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

b) Impairment of other tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount.

An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

c) Income tax

Current tax
Current tax is calculated by reference to the amount of income taxes payable to or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequence that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authorities and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Research and development tax incentives
Research and development tax incentives are recognised as revenue during the financial period in which the claim for refund is made.

d) Share-based payments

Equity-settled share-based payments are measured at fair value of the equity instrument at the grant date. Fair value is measured by the use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

e) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

f) Asset acquisitions

On 2 July 2015, ResApp Health Limited acquired 100% of all the rights and title to ResApp Diagnostics Pty Ltd through the issue of 93,750,000 Fully Paid Ordinary Shares and 93,750,000 Performance Shares to the Vendors as consideration for the acquisition.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for the deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

h) Critical accounting judgements and key sources of estimation uncertainty

The directors make a number of estimates and assumptions in preparing general purpose financial statements. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods if relevant.

The following key judgement and estimate was made in preparing these financial statements:

Impairment of intangibles
The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using calculations which incorporate various key assumptions. All intangible assets are accounting for using the cost model whereby costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite, if indicators the Group considers indicators are present. The Group has ascribed an estimated useful life of the intangibles of 18 years from the date of acquisition, which is based on the expected usage and benefits derived over the patents' useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

Share based payment expenses
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

R&D tax incentive
The R&D Tax Incentive is recognised when a reliable estimate of the amounts receivable can be made. For the year end 30 June 2017, the Group has estimated the rebate which will be received in early 2018 and has accrued that amount has income in the statement of profit or loss and other comprehensive income.

Note 5 Investment

The consolidated financial statements include financial statements of ResApp Health Limited and the following subsidiary:

		% Equity Interest	
Name	**Country of Incorporation**	**2017**	**2016**
ResApp Diagnostics Pty Ltd	Australia	100%	100%

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

Note 6 Intangibles

	Consolidated	
	2017 $	**2016 $**
Intangibles (licences held over patent)	**2,428,459**	2,428,459
Amortisation[1]	**(269,829)**	-
	2,158,630	2,428,459

[1] The Group has ascribed an estimated useful life of the intangibles of 18 years from the date of acquisition, which is based on the expected usage and benefits derived over the patents' useful lives.

The Licensed IP developed (and owned) by UQ and licensed to ResApp via UniQuest includes patent applications filed in five countries as well as those countries encompassed by the European Patent Convention. The patent applications all claim a priority date of 29/3/2012. The following table summarises the patent applications.

Country	Application Number	Title
Australia	2013239327	A method and apparatus for processing patient sounds
United States	14/389291	A method and apparatus for processing patient sounds
Europe	13768257.1	A method and apparatus for processing patient sounds
Japan	2015-502020	A method and apparatus for processing patient sounds
China	201380028268.X	A method and apparatus for processing patient sounds
Korea	10-2014-7030062	A method and apparatus for processing patient sounds

In addition to these patent applications, ResApp has an exclusive license of the know-how (and trade secrets) in the set of mathematical features and classifier technology used for the diagnosis and severity measurement of pneumonia, asthma and COPD developed by the research team at UQ.

Note 7 Other Income

Management applied judgement to estimate the amount of Research & Development rebate (R&D rebate) available to the Group for the financial year ended 30 June 2017 to be $629,435. In August 2017, the Group received an R&D rebate of $513,933 for the financial year ended 30 June 2016.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Note 8 Administration Expenses

	Consolidated	
	2017 **$**	**2016** **$**
Consulting fees	**(187,000)**	(81,833)
Director fees and employee costs	**(1,243,282)**	(653,937)
Professional fees (including legal fees)	**(237,244)**	(137,323)
Other administration expenses	**(906,068)**	(555,395)
	(2,573,594)	(1,428,488)

Note 9 Research and Development Costs

During the period, the Group incurred research and development costs associated with its technology and clinical studies in both Australia and the United States. These research and development costs do not include costs of employees involved in research and development.

Note 10 Remuneration of Auditors

	Consolidated	
	2017 **$**	**2016** **$**
Audit and other non-audit services		
Grant Thornton Audit Pty Ltd:		
Audit and review of financial reports	**23,635**	-
Other services	**20,650**	-
Greenwich & Co Audit Pty Ltd:		
Audit and review of financial reports	**-**	21,500
Somes Cooke:		
Audit and review of financial reports	**-**	18,000
	44,285	39,500

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Note 11 Incomes Taxes

	Consolidated	
	2017 $	**2016 $**
(a) Income tax recognised in profit or loss Tax expense/(income) comprises:		
Current tax expense/(income)		
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**-**	-
Total tax expense/(income)	**-**	-
(b) The prima face income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from operations	**(10,032,750)**	(3,207,577)
Income tax benefit calculated at 27.5% (2016: 30%)	**(2,759,006)**	(962,273)
Tax effect of:		
- Other timing differences	**-**	104,605
- Non-deductible items		
o Share based payments	**1,394,187**	130,355
o Expenditure subject to R&D claim	**397,919**	-
o Entertainment	**12,088**	3,057
o Other non-deductible items	**-**	6,359
- Capital raising costs	**-**	(13,374)
- Non-assessable R&D refund	**(314,426)**	-
- Current year deferred tax asset not recognised	**1,269,238**	731,271
Income Tax Expense	**-**	-
(c) Unrecognised deferred tax balances		
The following deferred tax assets (at 30%) have not been brought to account:		
Unrecognised deferred tax asset – tax losses	**2,557,443**	1,459,276
Unrecognised deferred tax asset – other temporary differences	**67,887**	109,084
Net deferred tax assets	**2,325,330**	1,568,360

The net deferred tax assets not brought to account will only be of a benefit to the Company if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the Company is able to meet the continuity of ownership and/or continuity of business tests.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Note 12 Other Receivables

	Note	Consolidated 2017 $	Consolidated 2016 $
Interest receivable		**21,027**	20,890
R&D rebate receivable	7	**1,143,368**	-
		1,164,395	20,890

Note 13 Trade and Other Payables

	Consolidated 2017 $	Consolidated 2016 $
Trade and other payables – related parties	**18,186**	10,004
Trade and other payables – non-related parties	**384,086**	150,509
Accruals – related parties	**43,505**	33,392
Accruals – non-related parties	**138,577**	27,645
	584,354	221,550

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Note 14 Issued Capital

	No	$
Fully paid ordinary shares and authorised capital		
Balance as at 1 July 2015	**249,273,353**	**4,004,499**
Shares issued 2 July 2015 under Public Offer (i)	200,000,000	4,000,000
Shares issued 2 July 2015 for the acquisition of ResApp Diagnostics (i)	93,750,000	1,875,000
Shares issued 2 July 2015 under the Facilitation Offer (i)	18,749,999	375,000
Shares issued 22 January 2016 for conversion of options (ii)	18,093,750	470,438
Shares issued 11 February 2016 for conversion of options (iii)	187,500	4,875
Shares issued 29 April 2016 pursuant to Placement (iv)	62,500,000	12,500,000
Shares issued 29 April 2016 as Advisory Shares pursuant to Placement (iv)	1,016,250	203,250
Shares issued 18 May 2016 for conversion of unlisted options (vi)	468,750	12,187
Shares issued 2 June 2016 for conversion of unlisted options (vii)	3,375,000	87,750
Shares issued 9 June 2016 for conversion of unlisted options (viii)	1,312,500	34,125
Shares issued 28 June 2016 for conversion of unlisted options (ix)	93,750	2,437
Costs directly attributable to issue of share capital (x)	-	(2,054,038)
Balance as at 30 June 2016	**648,820,852**	**21,515,523**
Balance as at 1 July 2016	**648,820,852**	**21,515,523**
Shares issued 15 July 2016 for conversion of unlisted options(xi)	375,000	9,750
Shares issued 22 July 2016 for conversion of unlisted options(xii)	750,000	19,500
Shares issued 16 September 2016 for conversion of unlisted options(xiii)	187,500	4,875
Shares issued 7 October 2016 for conversion of unlisted options(xiv)	2,437,500	63,375
Shares issued 26 October 2016 for conversion of unlisted options(xv)	1,218,750	31,688
Shares issued 16 December 2016 for conversion of unlisted options(xvi)	5,250,000	136,500
Balance as at 30 June 2017	**659,039,602**	**21,781,211**

(i) Pursuant to the Company's Replacement Prospectus dated 26 May 2015, the Company issued 200,000,000 shares under the Public Offer, 93,750,000 shares under the Vendor Offer and 18,749,999 shares under the Facilitation Offer.
(ii) On 22 January 2016, 18,093,750 shares were issued on the conversion of unlisted options at $0.026 per share.
(iii) On 11 February 2016, 187,500 shares were issued on the conversion of unlisted options at $0.026 per share.
(iv) On 29 April 2016, 62,500,000 shares were issued at $0.20 per share pursuant to a Placement.
(v) On 29 April 2016, 1,016,250 shares were issued in consideration for fees for capital raising services.
(vi) On 18 May 2016, 468,750 shares were issued on the conversion of unlisted options at $0.026 per share.
(vii) On 2 June 2016, 3,375,000 shares were issued on the conversion of unlisted options at $0.026 per share.
(viii) On 9 June 2016, 1,312,500 shares were issued on the conversion of unlisted options at $0.026 per share.
(ix) On 28 June 2016, 93,750 shares were issued on the conversion of unlisted options at $0.026 per share.
(x) Costs of capital comprises: $203,250 relating to Advisory Shares (outlined above), $823,452 relating to valuation of Unlisted Options issued on 29 April 2016 (Note 7), and other costs of $1,027,336.
(xi) On 15 July 2016, 375,000 shares were issued on the conversion of unlisted options at $0.026 per share.
(xii) On 22 July 2016, 750,000 shares were issued on the conversion of unlisted options at $0.026 per share.
(xiii) On 16 September 2016, 187,500 shares were issued on the conversion of unlisted options at $0.026 per share.
(xiv) On 7 October 2016, 2,437,500 shares were issued on the conversion of unlisted options at $0.026 per share.
(xv) On 26 October 2016, 1,218,750 shares were issued on the conversion of unlisted options at $0.026 per share.
(xvi) On 16 December 2016, 5,250,000 shares were issued on the conversion of unlisted options at $0.026 per share.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 15 Equity-Settled Benefits Reserve

	Balance at 1 July 2016	Issued during the year	Exercised during the year	Balance at 30 June 2017
Unlisted options (including ESOP options)	41,585,417	24,600,000	(10,218,750)	55,966,667

	$
Balance as at 1 July 2015	-
Fair value of options issued[1]	1,257,970
Balance as at 30 June 2016	1,257,970

	$
Balance as at 1 July 2016	1,257,970
Fair value of options issued[2]	5,069,771
Balance as at 30 June 2017	6,327,741

[1] During the financial year ended 30 June 2016, ResApp Health Limited issued the following unlisted options:

- 5,000,000 unlisted options were issued to Dr Tony Keating on 2 July 2015, following shareholder approval at the General Meeting held on 26 November 2014. The options are to subscribe for ordinary fully paid shares in the Company at any time on or before 2 July 2020 at an exercise price of $0.025.
- 5,000,000 unlisted options were issued to Dr Tony Keating on 2 July 2015, following shareholder approval at the General Meeting held on 26 November 2014. The options are to subscribe for ordinary fully paid shares in the Company at any time on or before 2 July 2020 at an exercise price of $0.05.
- 10,000,000 unlisted options were issued to Dr Tony Keating on 2 July 2015, following shareholder approval at the General Meeting held on 26 November 2014. The options are to subscribe for ordinary fully paid shares in the Company at any time on or before 2 July 2020 at an exercise price of $0.10.
- 3,000,000 unlisted options were issued to Dr Udantha Abeyratne on 22 September 2015, as approved by Shareholders at the General Meeting held on 30 November 2015. The options are to subscribe for ordinary fully paid shares in the Company at any time on or before 2 July 2020 at an exercise price of $0.05.
- 2,000,000 unlisted options were issued to Dr Udantha Abeyratne on 22 September 2015, as approved by Shareholders at the General Meeting held on 30 November 2015. The options are to subscribe for ordinary fully paid shares in the Company at any time on or before 2 July 2020 at an exercise price of $0.10.
- On 29 April 2016 the Company issued 4,500,000 Unlisted Options (exercisable at $0.28, expiring 29 April 2019) and 1,866,667 Unlisted Options (exercisable at $0.30, expiring 29 April 2019) in consideration for capital raising services provided. These options are escrowed for a period of 12 months to 29 April 2017.

[2] During the financial year ended 30 June 2017, ResApp Health Limited issued the following options which were expensed as share based payments:

- 2,000,000 Employee Incentive Options were issued to Employees on 16 September 2016 pursuant to the terms of the Company's Employee Incentive Plan. The Options are exercisable at $0.45 and expire on 16 September 2019. One third of the Employee Incentive Options vest immediately with the remaining two thirds vesting in equal quarterly instalments over 2 years from the date of issue if the employee remains employed by the Company.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

- 2,000,000 Consultancy Incentive Options were issued to consultants on 16 September 2016, being exercisable at $0.45 and expiring on 16 September 2019.
- 2,000,000 Consultancy Incentive Options were issued to consultants on 16 September 2016, being exercisable at $0.75 and expiring on 16 September 2019.
- 7,200,000 Director Incentive Options were issued to Directors on 10 November 2016, being exercisable at $0.45 and expiring on 10 November 2019, as approved by Shareholders at the Company's Annual General Meeting on 2 November 2016.
- 7,400,000 Director Incentive Options were issued to Directors on 10 November 2016, being exercisable at $0.75 and expiring on 10 November 2019, as approved by Shareholders at the Company's Annual General Meeting on 2 November 2016.
- 750,000 Employee Incentive Options were issued to Employees on 14 February 2017, being exercisable at $0.45. 250,000 Options are expiring on 31 October 2020 with one third of the Options vesting on 31 October 2017 with the remaining two thirds vesting in equal quarterly instalments over 2 years from 31 October 2017 if the employee remains employed by the Company. 500,000 Options are expiring on 12 December 2020 with one third of the Options vesting on 12 December 2017 with the remaining two thirds vesting in equal quarterly instalments over 2 years from 12 December 2017, if the employee remains employed by the Company.
- 500,000 Employee Incentive Options were issued to Employees on 13 March 2017, being exercisable at $0.45 and expiring on 13 March 2021 with one third of the Options vesting on 13 March 2018 with the remaining two thirds vesting in equal quarterly instalments over 2 years from 13 March 2018, if the employee remains employed by the Company.
- 250,000 Employee Incentive Options were issued to Employees on 1 May 2017, being exercisable at $0.45 and expiring on 1 May 2021 with one third of the Options vesting on 1 May 2018 with the remaining two thirds vesting in equal quarterly instalments over 2 years from 1 May 2018, if the employee remains employed by the Company.

The fair value of the options issued was estimated at the date of grant using the Black-Scholes option pricing model. The following table sets out the assumptions made in determining the fair value of the options granted.

	Options expiring 2-Jul-20	**Options expiring 2-Jul-20**	**Options expiring 2-Jul-20**	**Options expiring 22-Sep-20**	**Options expiring 22-Sep-20**	**Options expiring 29-Apr-19**
Grant date	2-Jul-15	2-Jul-15	2-Jul-15	22-Sep-15	22-Sep-15	29-Apr-16
Dividend yield	0%	0%	0%	0%	0%	0%
Expected volatility	110%	110%	110%	110%	110%	110%
Risk-free interest rate	1.92%	1.92%	1.92%	1.92%	1.92%	2.00%
Option exercise price	$0.025	$ 0.05	$0.10	$0.05	$0.10	$0.28
Expected life (years)	5	5	5	5	5	3
Share price on date of grant	$0.021	$ 0.021	$0.021	$0.03	$0.03	$0.210
Value attributable to the options in the equity settled benefits reserve at 30 June 2017	$95,000	$85,000	$150,000	$66,006	$38,512	$585,445

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

	Options expiring 29-Apr-19	**Options expiring 16-Sep-19**	**Options expiring 16-Sep-19**	**Options expiring 16-Sep-19**	**Options expiring 10-Nov-19**	**Options expiring 10-Nov-19**
Grant date	29-Apr-16	16-Sep-16	16-Sep-16	16-Sep-16	10-Nov-16	10-Nov-16
Dividend yield	0%	0%	0%	0%	0%	0%
Expected volatility	110%	100%	100%	100%	104%	104%
Risk-free interest rate	2.00%	1.48%	1.48%	1.48%	1.48%	1.48%
Option exercise price	$0.30	$0.45	$0.45	$0.75	$0.45	$0.75
Expected life (years)	3	3	3	3	3	3
Share price on date of grant	$0.210	$ 0.430	$ 0.430	$0.430	$0.440	$0.440
Value attributable to the options in the equity settled benefits reserve at 30 June 2017	$238,007	$314,064*	$527,454	$439,545	$2,009,593	$1,746,558

	Options expiring 31-Oct-20	**Options expiring 12-Dec-20**	**Options expiring 13-Mar-21**	**Options expiring 1-May-21**
Grant date	14-Feb-17	14-Feb-17	13-Mar-17	1-May-17
Dividend yield	0%	0%	0%	0%
Expected volatility	100%	100%	100%	100%
Risk-free interest rate	1.48%	1.48%	1.48%	1.48%
Option exercise price	$0.45	$0.45	$0.45	$0.45
Expected life (years)	3.7	3.8	4	4
Share price on date of grant	$0.370	$0.370	$0.315	$0.320
Value attributable to the options in the equity settled benefits reserve at 30 June 2017	$8,149*	$11,686*	$9,933*	$2,789*

* subject to vesting conditions as disclosed in the narrative of this note 15.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Note 16 Loss Per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Consolidated	
	2017 **$**	**2016** **$**
Attributable to ordinary equity holders (used in calculating basic and diluted EPS) – continuing operations.	**(10,032,750)**	(3,207,577)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share adjusted for share consolidation[1]	**655,480,955**	491,713,750
Loss per share (basic and diluted) (cents)	**(1.53)**	(0.65)

[1] 55,966,667 options excluded from the calculation will have no impact due to the Group's loss-making position.

Note 17 Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	2017 **$**	**2016** **$**
Cash at bank	**8,554,764**	13,735,219
	8,554,764	13,735,219

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

(b) Reconciliation of loss for the period to net cash flows from operating activities

	Consolidated	
	2017 $	**2016 $**
Loss after income tax	**(10,032,750)**	(3,207,577)
Non-cash flows in loss:		
Interest accrued	**(21,027)**	(20,300)
Share based payments	**5,069,771**	434,518
Bad debt	**-**	330,600
Bank fees	**-**	24
Amortisation	**269,829**	-
Foreign exchange movements	**31,003**	-
Changes in assets and liabilities relating to operating activities		
(Increase) in trade receivables	**(16,643)**	(35,478)
(Increase) in other receivables	**(1,166,841)**	(20,890)
Decrease/(increase) in other assets	**19,865**	91,912
(Decrease)/increase in trade and other payables	**528,139**	(22,366)
Increase/(decrease) in provisions	**(121,045)**	23,386
Net cash flows from operating activities	**(5,446,143)**	(2,426,171)

Note 18 Financial Instruments

The Company's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

	Consolidated	
	2017 $	**2016 $**
Financial assets		
Cash and cash equivalents	**8,554,764**	13,735,219
Trade receivables	**83,852**	100,495
Other receivables	**-**	20,890
Total financial assets	**8,638,616**	13,856,604
Financial liabilities		
Trade and other payables	**584,354**	221,550
Total financial liabilities	**584,354**	221,550

(a) Financial risk management policies

The Group's principal financial instruments comprise cash and short-term deposits and trade and other payables as disclosed in the financial statements. The main purpose of these financial instruments is to manage the working capital needs of the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken. The board reviews and agrees policies for managing this risk is summarised below.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

(i) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 4 to the financial statements.

(ii) Credit risk management

The Company is not currently exposed to credit risk other than in the normal course of business.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Consolidated	
	2017 $	**2016 $**
Cash and cash equivalents		
AA- rated	**8,554,764**	13,735,219
	8,554,764	13,735,219

(iii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Consolidated	
	2017 $	**2016 $**
Financial liabilities due for payment		
Trade and other payables	**584,354**	221,550
Total expected outflows	**584,354**	221,550
Financial assets – cash flow realisable		
Cash and cash equivalents	**8,554,764**	13,735,219
Trade receivables	**83,852**	100,495
Other receivables	**-**	20,890
Total anticipated inflows	**8,638,616**	13,856,604
Net inflow on financial instruments	**8,054,262**	13,635,054

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

(iv) Interest rate risk

The financial instruments which primarily expose the Company to interest rate risk are cash and cash equivalents. The Company's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities is set out below:

	Effective interest rate	Floating interest rate $	1 year or less $	1 to 5 years $	Non-interest bearing $	Total $
Consolidated						
30 June 2017						
Financial assets						
Cash assets	1.00%	-	8,554,764	-	-	8,554,764
Trade receivables	-	-	-	-	83,852	83,852
Total financial assets	-	-	8,554,764	-	83,852	8,638,616
Financial liabilities						
Trade and other payables	-	-	-	-	584,354	584,354
Total financial liabilities	-	-	-	-	584,354	584,354

	Effective interest rate	Floating interest rate $	1 year or less $	1 to 5 years $	Non-interest bearing $	Total $
Consolidated						
30 June 2016						
Financial assets						
Cash assets	0.95%	-	13,735,219	-	-	13,735,219
Trade receivables	-	-	-	-	100,495	100,495
Other receivables	-	-	-	-	20,890	20,890
Total financial assets	-	-	13,735,219	-	121,385	13,856,604
Financial liabilities						
Trade and other payables	-	-	-	-	221,550	221,550
Total financial liabilities	-	-	-	-	221,550	221,550

(v) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analyses.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

The directors consider that the carrying amounts of financial assets and financial liabilities which are all recorded at amortised cost less accumulated impairment charges in these financial statements, approximate their fair values.

	Consolidated 2017		Consolidated 2016	
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Financial assets				
Cash and cash equivalents	8,554,764	**8,554,764**	13,735,219	13,735,219
Trade receivables	83,852	**83,852**	100,495	100,495
Other receivables	-	**-**	20,890	20,890
Total financial assets	8,638,616	**8,638,616**	13,856,604	13,856,604
Financial liabilities				
Trade and other payables	584,354	**584,354**	221,550	221,550
Total financial liabilities	584,354	**584,354**	221,550	221,550

Note 19 Related Party Transactions

(a) Transactions with key management personnel

i. Key management personnel compensation

The aggregate compensation made to key management personnel of the company and the Company is set out below:

	Consolidated	
	2017 $	**2016 $**
Short term employee benefits	**587,708**	422,581
Post-employment benefits	**38,303**	17,930
Termination benefits	**-**	-
Other benefits	**-**	-
Share-based payments	**3,756,149**	330,000
	4,382,160	770,511

ii. Transactions with key management personnel and related parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. There were no related party transactions that occurred in the reporting period.

Note 20 Contingent Liabilities

The Directors of the Group are not aware of any contingent liabilities which require disclosure in the financial year ended 30 June 2017.

Consolidated Notes to the Financial Statements (continued)
for the financial year ended 30 June 2017

Note 21 Commitments

	Consolidated	
	2017 $	**2016 $**
Operating lease commitments		
Not later than 1 year	**26,649**	68,463
Later than 1 year but not later than 5 years	**193,846**	203,838
Total operating lease commitments	**220,495**	272,301
Company secretary commitments		
Not later than 1 year	**32,000**	32,000
Total company secretarial commitments	**32,000**	32,000
Research expenditure commitments		
Not later than 1 year	**341,138**	170,376
Later than 1 year but not later than 5 years	**-**	492,141
Net cash flows from operating activities	**341,138**	662,517

	Consolidated	
	2017 USD	**2016 USD**
Clinical study commitments		
Not later than 1 year	**880,087**	-
Later than 1 year but not later than 5 years	**-**	-
Total operating lease commitments	**880,087**	-

Note 22 Subsequent Events

On 9 August 2017, the Company announced top-line data from its multi-site, double blind, prospective clinical study to investigate ResAppDx for the diagnosis of respiratory disease in infants and children using cough sounds. A preliminary analysis indicated that the SMARTCOUGH-C study is unlikely to meet its predefined endpoints for diagnosis of childhood respiratory disease with the lower bound of the 95% confidence interval of both PPA and NPA with clinical diagnosis being below 75% of all diseases. The Company indicated that it proposes completing a second US paediatric pivotal clinical study this US winter as well as continue and complete our adult program, including our US adult pivotal study which is also set to begin this US winter.

On 14 September 2017, the Company announced that while key staff at MSF have reaffirmed their belief in the potential of ResApp's core technology, after reviewing the issues identified by ResApp in its SMARTCOUGH-C study, and the high cost of keeping the project open, MSF decided to not proceed with its planned field evaluation of ResAppDx at this point in time. ResApp and MSF maintain their collaborative relationship and will seek opportunities for field testing the technology once issues identified in the SMARTCOUGH- C study have been resolved.

Except for the events noted above, no material events have occurred subsequent to the reporting date.

Consolidated Notes to the Financial Statements (continued)

for the financial year ended 30 June 2017

Note 23 Segment Note

The Group has identified its operating segment as medical technology. The reportable segment is represented by the primary consolidated statements forming the financial report for the year ended 30 June 2017. These are the figures that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

Note 25 Parent Entity Information

The following detailed information is related to the parent entity, ResApp Health Limited, as at 30 June 2016 and 30 June 2017.

	2017 $	**2016 $**
Current assets	**9,515,506**	14,062,918
Non-current assets	**1,980,171**	2,250,000
Total assets	**11,495,677**	16,312,918
Current liabilities	**638,670**	244,935
Non-current liabilities	**-**	-
Total liabilities	**638,670**	244,935
Contributed equity	**21,781,211**	21,515,524
Reserves	**6,426,350**	1,257,970
Accumulated Losses	**(17,350,554)**	(6,705,512)
Total equity	**10,857,007**	16,067,982
Loss for the year	**(10,645,042)**	(3,185,954)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(10,645,042)**	(489,321)

Directors' Declaration

The Directors' of the Group declare that:

1. in the Directors' opinion, the financial statements and accompanying notes set out on pages 16 to 40 are in accordance with the *Corporations Act 2001* and:

    (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and

    (b) give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date;

2. note 4 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

4. the remuneration disclosures included in pages 10 to 13 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2017, comply with section 300A of the *Corporations Act 2001*; and

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Tony Keating
Director

Brisbane
29th day of September 2017

Grant Thornton

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Independent Auditor's Report to the Members of ResApp Health Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of ResApp Health Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of ResApp Health Limited 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 2017 and of its performance for the year ended on that date; 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 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Group, would be in the same terms if given to the Directors as at the time of this auditor's report.

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.

Key audit matter	How our audit addressed the key audit matter
Intangible assets – licenses held over patent: Note 6	
At 30 June 2017 the carrying value of intangible assets was $2,158,630. In accordance with AASB 138 *Intangible Assets,* the entity is required to review at each reporting period the amortisation period and amortisation method for intangible assets with finite lives. In accordance with AASB 136 *Impairment of Assets,* the entity must also assess if there are any triggers for impairment which may suggest the carrying value of the intangible assets is in excess of the recoverable value. The intellectual property assets are licenses held over patents and the entity is currently in the research stage. The process to assess the related patent amortisation period and method and to evaluate potential impairment triggers involves significant management judgement and subjectivity. This area is a key audit matter due to the degree of subjectivity involved in the estimates and assumptions used by management in the impairment analysis and in the assessment of the amortisation period and method.	Our procedures included, amongst others: • Assessing the reasonableness of management's assessment of the amortisation period and amortisation method, pursuant to AASB 138; • Making enquiries of management to gain an understanding of the judgements and assumptions they have used in making their assessment; • Analysing management's impairment memorandum to understand their assessment of impairment indicators under AASB 136; • Considering the application of requirements under AASB 136 for identifying an asset that may be impaired; and • Assessing the appropriateness of the related financial statement disclosures.
Recognition of R&D tax incentive – Note 7	
Under the research and development (R&D) tax incentive scheme, the Group receives a 43.5% refundable tax offset (2016: 45%) of eligible expenditure if its turnover is less than $20 million per annum, provided it is not controlled by income tax exempt entities. An R&D plan is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management performed a detailed review of the Group's total R&D expenditure to estimate the refundable tax offset receivable under the R&D tax incentive legislation. The process undertaken by management to estimate the amount of the incentive requires an element of judgement in determining eligible expenditures. Management has an incentive to classify expenditures as R&D to make a claim under the tax incentive scheme. This area is a key audit matter due to the size of the accrual and the degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.	Our procedures included, amongst others: • Comparing the nature of the R&D expenditure included in the current year estimate to the prior period claims; • Utilising an internal R&D tax specialist to review the expenditure methodology employed by management for consistency with the R&D tax offset rules; • Considering the nature of the expenditure against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria; • Comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger; • Inspecting copies of relevant correspondence with AusIndustry and the ATO related to historic claims; and • Assessing the appropriateness of the related financial statement disclosures.

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 2017, 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 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 Group 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 13 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of ResApp Health Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 29 September 2017

ASX Additional Information

Pursuant to the Listing Rules of the Australian Securities Exchange, the shareholder information set out below was applicable as at 18 September 2017.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shares	%	Number of Shareholders
1 to 1,000	265,723	0.04	578
1,001 to 5,000	3,590,286	0.54	1,254
5,001 to 10,000	7,157,325	1.09	897
10,001 to 100,000	94,816,183	14.39	2,572
100,001 and Over	553,210,085	83.94	824
	659,039,602	**100.00**	**6,125**

There were 2,188 shareholders holding less than a marketable parcel of ordinary shares.

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

	Issued Ordinary Shares	
Shareholder Name	**Number**	**%**
FIL Limited (i)	60,848,856	9.23
Freeman Road Pty Ltd <The Avenue A/C>	46,200,000	7.01
Ian Francis Reynolds (i)	36,930,633	5.60

Note (i) - This information is based on the Substantial Shareholder Notices lodged by the respective holders.

C. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

	Shareholder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	60,319,883	9.15
2	Freeman Road Pty Ltd <The Avenue A/C>	46,200,000	7.01
3	Mr Brian Leedman & Mrs Natasha Leedman	20,625,000	3.13
4	Narhex Life Sciences Developments Limited	15,000,000	2.28
5	CEM International (Asia) Pty Ltd	12,352,883	1.87
6	J P Morgan Nominees Australia Limited	12,246,047	1.86
7	Mr Frank Weng Thong Chew	11,975,000	1.82
8	BNP Paribas Nominees Pty Ltd <IB AU NOMS Retail Client DRP>	10,431,897	1.58
9	Newtonmore Biosciences Pty Ltd <The Newtonmore Superannuation Fund>	8,437,500	1.28
10	Uniquest Pty Ltd	8,437,500	1.28

ASX Additional Information

11	Let Superannuation Pty Ltd <Let Super Fund A/C>	6,000,000	0.91
12	Tittel Pty Ltd	5,800,000	0.88
13	Citicorp Nominees Pty Limited	4,839,704	0.73
14	Wilk Holdings Pty Ltd <The Wilk Super Fund A/C>	4,800,000	0.73
15	Tashtech Pty Ltd	4,500,000	0.68
16	Mr Victor John Wilk	4,500,000	0.68
17	Comsec Nominees Pty Limited	4,139,213	0.63
18	Gardmac Pty Ltd <Macks Super Fund A/C>	3,460,069	0.53
19	L & V P Pty Ltd <The LNtoumenopoulos A/C>	3,281,250	0.50
20	Benoni Pty Ltd <The MKJ Super Fund A/C>	3,250,000	0.49
	TOTAL	**250,595,946**	**38.02**

D. Listed Options

As at the date of this report there were nil listed options on issue in the Company.

E. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

F. Unquoted Securities

Performance Shares

Number of Performance Shares	93,750,000
Number of Holders	8
Holders with more than 20%	UniQuest Pty Ltd – 45%
	Brian Leedman & Natasha Leedman – 20%

Unlisted Options - $0.28; 29 April 2019

Number of Options	4,500,000
Number of Holders	3
Holders with more than 20%	Jay-V Inc. – 61.11%
	Mr Robert Hamilton – 31.11%

Unlisted Options - $0.30; 29 April 2019

Number of Options	1,866,667
Number of Holders	1
Holders with more than 20%	Jett Capital Advisors Pty Ltd - 100%

ASX Additional Information

Incentive Options - $0.025; 2 July 2020

Number of Performance Shares	5,000,000
Number of Holders	1
Holders with more than 20%	Dr Tony Keating – 100%

Incentive Options - $0.05; 2 July 2020

Number of Performance Shares	5,000,000
Number of Holders	1
Holders with more than 20%	Dr Tony Keating – 100%

Incentive Options - $0.10; 2 July 2020

Number of Incentive Options	10,000,000
Number of Holders	1
Holders with more than 20%	Dr Tony Keating – 100%

Incentive Options - $0.05; 22 September 2020

Number of Incentive Options	3,000,000
Number of Holders	1
Holders with more than 20%	Dr Udantha Abeyratne – 100%

Incentive Options - $0.10; 22 September 2020

Number of Incentive Options	2,000,000
Number of Holders	1
Holders with more than 20%	Dr Udantha Abeyratne – 100%

Consultancy Incentive Options- $0.45; 16 September 2019

Number of Incentive Options	2,000,000
Number of Holders	2
Holders with more than 20%	Dr Udantha Abeyratne – 50%
	Dr Paul Porter – 50%

Consultancy Incentive Options- $0.75; 16 September 2019

Number of Incentive Options	2,000,000
Number of Holders	2
Holders with more than 20%	Dr Udantha Abeyratne – 50%
	Dr Paul Porter – 50%

ASX Additional Information

Employee Incentive Options

ESOP Options - $0.45; 16 September 2019	2,000,000 Options – 4 holders
ESOP Options - $0.45; 10 November 2019	7,200,000 Options – 4 holders
ESOP Options - $0.75; 10 November 2019	7,400,000 Options – 4 holders
ESOP Options - $0.45; 31 October 2020	250,000 Options – 1 holder
ESOP Options - $0.45; 12 December 2020	500,000 Options – 1 holder
ESOP Options - $0.45; 13 March 2021	500,000 Options – 1 holder
ESOP Options - $0.45; 1 May 2021	250,000 Options – 1 holder
ESOP Options - $0.45; 1 June 2020	1,000,000 Options – 1 holder
ESOP Options - $0.75; 1 June 2020	1,500,000 Options – 1 holder

G. Details Performance Shares

Each of the 93,750,000 performance shares will convert to one (1) fully paid ordinary share upon satisfaction of the relevant Milestone. Accordingly, the performance shares will convert into fully paid ordinary shares in the capital of the Company within 7 days of the release of the audited accounts in respect of the period in which ResApp and any subsidiaries of ResApp (or if the Company or any Related Entity of the Company is licensed to use the Licensed IP, the Company and that Related Entity) achieving aggregated gross revenue of $20,000,000 in the five years commencing on the day the Company is readmitted to quotation on ASX, being 14 July 2015.

No performance shares were converted or cancelled during the period. No performance milestones were met during the period.

H. On Market Buy-Back

There is no current on market buy-back for any of the Company's securities.

I. Restricted Securities

There are currently no restricted securities on issue.