



INTERIM FINANCIAL REPORT

for the period ended 30 September 2017



Volpara Health Technologies Limited

(NZ Company no. 2206998/ARBN 609 946 867)

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Directors' Report

The directors are pleased to present their report in conjunction with the financial statements of Volpara Health Technologies Limited (Volpara or the Company) and its subsidiaries (together referred to as the Group), for the half-year ended 30 September 2017, and the auditor's report thereon. The financial statements have been reviewed by the Company's auditors and approved by the directors on the recommendation of the Audit and Risk Committee.

Directors

The directors of Volpara in office during the half-year and at the date of this report (unless otherwise stated) are as follows:

Roger Allen AM (Chairman)

Dr Ralph Highnam (CEO)

Professor Sir John Michael Brady

Lyn Swinburne AM

John Diddams

John Pavlidis

Results of operations

In a little over a year since launching the VolparaEnterprise™ software, Volpara has built out its direct sales force and near fully transitioned to a Software as a Service (SaaS), or subscription model, from the previous one-off license model. The progress has been very pleasing, with some significant "luminary" sites now using the VolparaEnterprise™ software. Furthermore, we have a strong sales pipeline, and with annual recurring revenue (ARR) now standing at NZ\$2.14m from 25 customers signed over our traditionally quietest quarters, we are confident that we will meet our 200 percent growth target for ARR for the full year.

Pleasingly, our recognized revenues for the HY are now increasing again after the expected dip last financial year due to the switch from the one-off license model to the SaaS model, where we only recognize revenue monthly even though, in most cases, customers sign a multi-year contract. Recognized revenue increased 12.87 percent to NZ\$1.26m, which is particularly encouraging given NZ\$884k was the SaaS component, compared to no SaaS component in the previous half-year. The Total Contract Value signed during the HY was NZ\$3.93m, 96 percent of FY17's entire TCV and we have contracted revenue of NZ\$6.6m to be recognised over the coming years.

This progress has highlighted the following:

- VolparaEnterprise™ software is in demand from customers, as it:
 - Improves clinical care;
 - Improves clinical and administrative efficiencies;
 - Reduces compliance and other costs; and
 - Increases revenue by identifying "at risk" women for further screening
- The market is ready for Software as a Service, and customer acceptance has been very encouraging
- The market is fully accepting of cloud-based applications and the benefits that accrue from such "big data" applications
- Volpara has excellent product/market fit, evidenced by increased sales, especially to industry-leading reference sites
- Volpara has no direct competitor in this large emerging market driven by the FDA and US laws

Results of operations (continued)

- Volpara has 2 percent penetration in a very large market, with 98 percent of the market still open to us

Furthermore, the half-year results demonstrate:

- The IT model (installation and onboarding) is scalable, with gross margins of over 70 percent, and with most sites at break-even after one month
- The sales model is scalable, with operating expenses over the year remaining relatively flat (rising 6.4 percent), and net loss falling 10.1 percent to NZ\$4.2m for the half-year

We also note that most sites that have been up and running for a reasonable time are seeing significant quality improvements, and indeed are building their quality processes around VolparaEnterprise™ software, which:

- Augurs extremely well for VolparaEnterprise™ software's stickiness, hard to remove once installed;
- Provides us with reference sites for potential customers to call; and
- Suggests we have a repeatable sales model with clear return on investment stories based on hard data from real sites.

The following is a quote from Dr Gary Levine, Medical Director, MemorialCare Breast Centers, Los Angeles, which is being used in our marketing literature for RSNA 2017, the world's biggest radiology trade show hosted at the end of each year:

"The ability of a breast radiologist to detect breast cancer is limited by the quality of the mammogram images they are presented. VolparaEnterprise software gives us the ability to monitor the technical quality of every mammogram performed at our breast centers. It is an invaluable tool used to consistently measure image quality and improve technologist performance. Additionally, with objective information rapidly available, we can more accurately assess breast density and identify high-risk patients requiring adjuvant screening."

The Board is pleased with this progress, which sees us move into a sweet spot for SaaS companies, where we have a wide-open emerging market and no direct competition, and we have a mature product and sales team delivering a sticky service, scalable business and repeatable sales model. Our tasks now are to deliver substantial growth with more customers signing up (increasingly by word of mouth) and to deliver more services to those customers to ensure that they are increasingly successful and that we return increased fees per customer.

Outlook

Over the next six months Volpara will continue to focus on increasing the number of SaaS customer sites, and driving growth in annual recurring revenue. As part of this the Company is working towards:

- RSNA 2017, our biggest trade show, attended by some 55,000 people in Chicago each year, and usually the point of major purchasing decisions, which typically leads to Q3 and Q4 being our strongest months
- Continuing to drive down the cost-of-goods through better use of the cloud and internet
- Launching additional features to sell to new and existing VolparaEnterprise™ software users, including a new Risk Counsellor tab to exploit breast density's inclusion in modern breast cancer risk assessment tools such as Tyrer-Cuzick 8
- An implementation trial of VolparaDensity™ software into the UK National Health Screening (NHS), one of the world's largest breast cancer screening programs

Outlook (continued)

- Increasing ARR by over 200 percent by the end of FY18
- Capturing at least 3 percent of all women screened in the US

Additionally, with nearly 2 million images now stored in VolparaEnterprise™ software, we now are amassing enough big data to allow us to apply context-driven machine learning, from spotting outliers for benchmarking to identifying the earliest signs of breast cancer.

Dividends

No dividends have been paid or proposed.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the exposure period which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.



Roger Allen AM

CHAIRMAN

Dated this 9th day of November 2017



Dr Ralph Highnam

CHIEF EXECUTIVE OFFICER

Dated this 9th day of November 2017

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out below.

Deloitte.

AUDITOR INDEPENDENCE DECLARATION TO THE DIRECTORS OF VOLPARA HEALTH TECHNOLOGIES LIMITED

In relation to the independent review report for the half year ended 30 September 2017, to the best of my knowledge and belief there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- No contraventions of any applicable code of professional conduct.

This declaration is in respect of Volpara Health Technologies Limited and the entities it controlled during the half year.

Trevor Deed
Partner
31 October 2017

Financial Statements

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Volpara Health Technologies Limited Group
Consolidated Income Statement and Other Comprehensive Income
For the 6 months ended 30 September 2017

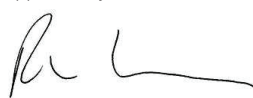
		2017 Unaudited	2016 Unaudited
	Notes	NZ\$'000	NZ\$'000
Revenue			
Sales	2	1,263	1,119
Grants		472	109
Total revenue		1,735	1,228
Cost of sales	4	(374)	(285)
Gross profit		1,361	943
Operating expenses			
Sales and marketing		(2,557)	(2,682)
Product research and development		(1,454)	(1,175)
General and administration		(1,700)	(1,510)
Total operating expenses	4	(5,711)	(5,367)
Foreign exchange gains/(losses)		(15)	(347)
Operating deficit		(4,365)	(4,771)
Finance income		167	97
Finance expense	5	(2)	(1)
Net loss before tax		(4,200)	(4,675)
Income tax expense		-	-
Net loss after tax for the period		(4,200)	(4,675)
Other comprehensive income/(expense)			
Translation of international subsidiaries		(8)	(56)
Total items that may be reclassified to profit and loss		(8)	(56)
Other comprehensive (expense) for the period		(8)	(56)
Total comprehensive (loss) for the period		(4,208)	(4,731)
Basic and diluted (loss) per share (NZ\$)	3	(0.03)	(0.04)

The notes on pages 11 to 22 form part of and should be read in conjunction with these financial statements.

Volpara Health Technologies Limited Group
Consolidated Statement of Financial Position

		As at 30 Sept. 2017 Unaudited	As at 31 March 2017 Audited
	Notes	NZ\$'000	NZ\$'000
Non-current assets			
Trade receivables		73	76
Property and equipment	8	102	50
Intangibles	8	52	28
Right-of-use assets	8	413	-
Contract assets	2	167	-
Total non-current assets		807	154
Current assets			
Cash and cash equivalents	7	1,291	1,276
Cash on deposit	7	8,000	11,600
Trade and other receivables		1,236	1,192
Contract assets	2	236	-
Inventory		10	14
Total current assets		10,773	14,082
Total assets		11,580	14,236
Equity			
Share capital	9	63,052	62,644
Share option reserve		1,849	1,858
Accumulated losses		(55,974)	(51,774)
Foreign currency translation reserve		(162)	(154)
Total equity		8,765	12,574
Non-current liabilities			
Deferred revenue	2	23	19
Lease liabilities	12	284	-
Total non-current liabilities		307	19
Current liabilities			
Trade and other payables		1,649	1,107
Deferred revenue	2	744	536
Lease liabilities	12	115	-
Total current liabilities		2,508	1,643
Total liabilities		2,815	1,662
Total equity and liabilities		11,580	14,236

Approved by Directors:



Ralph Highnam



John Diddams

The notes on pages 11 to 22 form part of and should be read in conjunction with these financial statements.

		Share capital	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	Notes	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Unaudited						
Balance at 1 April 2017		62,644	1,858	(154)	(51,774)	12,574
Net loss after tax for the period		-	-	-	(4,200)	(4,200)
Other comprehensive loss		-	-	(8)	-	(8)
Total comprehensive loss for the year, net of tax		-	-	(8)	(4,200)	(4,208)
Transactions with owners:						
Issue of share capital from exercise of share options		408	(400)	-	-	8
Recognition of share-based payments	4	-	391	-	-	391
Balance at 30 Sept. 2017		63,052	1,849	(162)	(55,974)	8,765
Unaudited						
Balance at 1 April 2016		744	1,534	(106)	(42,203)	(40,031)
Net loss after tax for the year		-	-	-	(4,675)	(4,675)
Other comprehensive loss		-	-	(56)	-	(56)
Total comprehensive loss for the year, net of tax		-	-	(56)	(4,675)	(4,731)
Transactions with owners:						
Conversion of convertible preference shares to ordinary shares	10	40,111	-	-	-	40,111
Issue of share capital at initial public offering (IPO)		11,198	-	-	-	11,198
Costs of IPO capital raising		(774)	-	-	-	(774)
Issue of share capital from exercise of share options		551	(519)	-	-	32
Recognition of share-based payments	4	-	563	-	-	563
Balance at 30 Sept. 2016		51,830	1,578	(162)	(46,878)	6,368

The notes on pages 11 to 22 form part of and should be read in conjunction with these financial statements.

Volpara Health Technologies Limited Group
Consolidated Statement of Cash Flows
For the 6 months ended 30 September 2017

		2017 Unaudited	2016 Unaudited
	Notes	NZ\$'000	NZ\$'000
Cash flow from operating activities			
Receipts from customers		1,601	1,498
Payments to suppliers and employees		(5,409)	(5,454)
Other income received		198	109
Net interest received		211	39
Net taxes received		2	45
Lease payments for low-value assets		(2)	-
Net cash used in operating activities	6	(3,399)	(3,763)
Cash flows from investing activities			
Purchases of property and equipment		(34)	(18)
Purchase of leasehold improvements		(43)	-
Payments for intangibles		(24)	-
Payments into term deposits		(8,500)	-
Receipts from term deposits		12,100	-
Net cash provided by investing activities		3,499	(18)
Cash flows from financing activities			
Issue of share capital at initial public offering (IPO)		-	11,198
Costs of capital raising		-	(570)
Exercising of share options		8	30
Short-term loan advances		-	81
Short-term loan repayments		-	(29)
Lease liability payments		(70)	-
Net cash used in financing activities		(62)	10,710
Net increase/(decrease) in cash and cash equivalents		38	6,929
Effects of currency translation on cash and cash equivalents		(23)	(411)
Cash and cash equivalents as at 1 April		1,276	277
Cash and cash equivalents at the end of the period*	7	1,291	6,795

*Cash and cash equivalents does not include cash on deposits totalling \$8M. Refer to note 7 for further details.

The notes on pages 11 to 22 form part of and should be read in conjunction with these financial statements.

Corporate Information

Volpara Health Technologies Limited (the Company) is a limited liability company incorporated and domiciled in New Zealand. Its principal place of business and registered office is Level 7, 44 Victoria Street, Wellington 6011, New Zealand.

Volpara Health Technologies Limited is designated as a profit-oriented company incorporated under the Companies Act 1993 and is listed on the Australian Securities Exchange. The Company's principal sales and services are in the medical device software industry. These condensed consolidated interim financial statements for the period ended 30 September 2017 comprise Volpara Health Technologies Limited and its subsidiaries (the Group); Volpara Solutions Limited, Volpara Solutions Incorporated, Volpara Solutions Europe Limited, and Volpara Solutions Australia Pty Limited. Volpara Health Technologies Limited is a FMC reporting entity under the Financial Markets Conduct Act 2013 and these financial statements comply with that Act.

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared in accordance with NZ IAS 34 and IAS 34 Interim Financial Reporting as appropriate for profit-orientated entities.

New standards, interpretations and amendments adopted by the Group

Apart from the changes noted below (refer to "Adoption of new accounting standards" below) the condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's annual report for the year ended 31 March 2017.

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in New Zealand Dollars (\$) which is the Parent's functional currency and are rounded to the nearest thousand (\$'000), except where explicitly stated.

Going concern

The Group recorded a net loss of \$4.200M for the half-year ended 30 September 2017 (30 September 2016: \$4.675M). At 30 September 2017 the Group had equity of \$8.765M (30 September 2016: \$6.368M). The consolidated financial statements have been prepared using the going concern assumption.

The considered view of the directors of the Group is that the going concern assumption is valid. This view has been reached after making due enquiry and having regard to the circumstances which the directors consider will occur and are reasonably likely to affect the Group during the period of one year from the date these consolidated financial statements are approved.

The Group has prepared forecasts which indicate that cash on hand at the period end, combined with cash flow as a result of operations and the potential for additional capital to be raised, will enable the Group to continue operating and satisfy its going concern requirements.

Going concern (continued)

While the directors believe in the Group's ability to continue as a going concern, as is common with early stage businesses there is material uncertainty as to the extent of future profits, if any, and the time required to achieve a sustained profitability. If the Group fails to penetrate, or further penetrate, the international markets for its products, the Group may take longer than anticipated, or may never, become profitable. This would also affect the Group's ability to achieve commercial sales levels within the timeframe set out in the Group's forecasts and therefore the cash flow required to operate as a going concern, prior to utilisation of current and any future available cash resources.

Notwithstanding the above, the directors are confident that the Group remains a going concern and are confident of being able to raise further share capital, or raise further debt funding or reduce variable operating costs to a level which would enable the Group to continue operating and satisfy its going concern requirements.

If the Group was unable to continue as a going concern, and pay debts as and when they become due, adjustments would have to be made to reflect the situation. In such circumstances, assets may need to be realised, and liabilities extinguished, other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the Consolidated Statement of Financial Position.

Adoption of new accounting standards

The Group has elected to early adopt NZ IFRS 16 Leases as issued in February 2016, which would otherwise be mandatorily effective for annual reporting periods beginning on or after 1 January 2019. The initial application date for the Group is 1 April 2017.

The Group elected to apply the standard under the cumulative catch-up approach as permitted by NZ IFRS 16 whereby the Group recognises the cumulative effect of initially applying NZ IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

See below for further details on the key impacts arising from the adoption of the new standard. In addition, refer to the note 12 for details, including key judgements made as part of the adoption of the new standard.

No practical expedients allowed under first time adoption of NZ IFRS 16 have been selected and applied.

The Group considers laptop computers to be of 'low value' and has therefore used the recognition exemption provided by para 5(b). The lease expense related to these items are therefore recognised on a straight line basis over the lease term.

1. Segment information

The Chief Operating Decision Maker ('CODM') is the Board of Directors, who reviews information for the Group as a whole. The Group operates in one industry, being medical device software. The Group operates across three geographical locations (APAC - Asia Pacific; EMEA - Europe, Middle East & Africa; North America - US & Canada) and three revenue streams. Namely Capital (once-off) sales, Software Maintenance Agreement (SMA) contracts, and the recently entered space of Software as a Service (SaaS) contracts. Currently, the information reviewed by the CODM is prepared in the same format as included in the consolidated financial statements. For disclosure purposes only, the Group has decided to disclose additional information in respect of the three regions in relation to the revenue from contracts with customers note.

At 30 September 2017 no customers accounted for more than 10% of revenue (September 2016, one customer accounted for more than 10% of revenue, totalling \$292,624). All material non-current assets are based in New Zealand.

2. Revenue from contracts with customers

Revenue is recognised when control of a service is transferred to the customer. The Group recognises revenue in respect of Capital, SMA and SaaS contracts at a point in time and over time, depending on the deliverable. Due to the nature of the services provided in each contract the timing of various point in time and over time deliverables may vary; these are monitored on a deliverable by deliverable basis.

The policies relating to each revenue stream have not changed since the annual report for the year ended 31 March 2017; see that document for further details.

Contract modifications

There was one contract modification that occurred during the year where a customer on an existing SMA signed a SaaS contract.

Contract Costs

Costs incurred to fulfil a contract are incurred in line with the deliverables within the contract and as such are expensed as incurred with no asset recognised as at balance date.

The Group recognises the incremental costs of obtaining contracts as an expense over the life of the contract with a contract asset recognised at balance date. Where the life of the contract is less than one year, the cost is expensed as incurred, in accordance with a practical expedient in the standard.

2. Revenue from contracts with customers (continued)

Revenue from contracts with customers

For the period ended 30 September	2017 Unaudited	2016 Unaudited
	NZ\$'000	NZ\$'000
Capital sales		
North America	65	940
EMEA	-	22
APAC	177	47
Capital sales total	242	1,009
Service maintenance agreements		
North America	121	96
EMEA	-	-
APAC	16	14
Service maintenance agreements total	137	110
Software as a Service		
North America	794	-
EMEA	3	-
APAC	87	-
Software as a Service total	884	-
Total revenue from contracts with customers	1,263	1,119

Remaining performance obligations relating to SMA and SaaS contracts

For the period ended 30 September 2017 Unaudited				
	0–12 months NZ\$'000	1–2 years NZ\$'000	2–5 years NZ\$'000	Total NZ\$'000
SMA contracts	186	11	4	201
SaaS contracts	558	8	-	566
Total	744	19	4	767

For the year ended 31 March 2017 Audited				
	0–12 months NZ\$'000	1–2 years NZ\$'000	2–5 years NZ\$'000	Total NZ\$'000
SMA contracts	189	13	6	208
SaaS contracts	347	-	-	347
Total	536	13	6	555

2. Revenue from contracts with customers (continued)

Contract asset from contracts with customers

	As at 30 Sept. 2017 Unaudited	As at 31 March 2017 Audited
	NZ\$'000	NZ\$'000
Opening balance as at 1 April	-	-
Amount recognised in revenue	-	-
Contracts entered into in current year	403	-
Closing balance as at 30 September	403	-

Deferred revenue from contracts with customers

	As at 30 Sept. 2017 Unaudited	As at 31 March 2017 Audited
	NZ\$'000	NZ\$'000
Opening balance as at 1 April	555	144
Amount recognised in revenue	(1,021)	(312)
Contracts entered into in current year	1,233	723
Closing balance as at 30 September	767	555

3. Earnings per share

Basic earnings per share is calculated by dividing net loss after tax attributable to shareholders of the Group by the weighted average number of ordinary shares in issue during the year.

For six months ended 30 September	2017 Unaudited	2016 Unaudited
Net loss after tax attributable to the shareholders (NZ\$'000)	(4,200)	(4,675)
Ordinary number of shares ('000's)	145,193	124,279
Weighted average number of shares on issue ('000's)	144,688	120,415
Basic and diluted (loss) per share	(0.03)	(0.04)

Diluted Earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has potential ordinary shares in the form of share options however as these are anti-dilutive due to the company being in a loss position, the earnings per share and diluted earnings per share are the same.

4. Expenses

For six months ended 30 September		2017 Unaudited	2016 Unaudited
	Note	NZ\$'000	NZ\$'000
Cost of sales and operating expenses			
Salaries and benefits		2,365	1,716
Other operating expenses		783	819
Research and development		686	528
Consulting and subcontracting		582	497
Travel		404	402
Share-based payments expense	11	391	563
Advertising and marketing		358	554
Superannuation contributions		228	147
Directors' fees		168	184
Depreciation and amortisation	8	81	12
Review of interim financial statements - Deloitte Limited		22	20
Bad debts		10	-
Callaghan grant audit - Deloitte Limited		5	4
Low-value lease expenses		2	-
Listing expenses		-	158
Operating lease expense	12	-	48
Total cost of sales and operating expenses		6,085	5,652

5. Finance expenses

For six months ended 30 September		2017 Unaudited	2016 Unaudited
		NZ\$'000	NZ\$'000
Interest expense		(1)	(1)
Interest expense on lease liabilities		(1)	-
Total finance expenses		(2)	(1)

6. Reconciliation of operating cash flows

For the six months ended 30 September	2017 Unaudited	2016 Unaudited
	NZ\$'000	NZ\$'000
Net loss after tax for the period	(4,200)	(4,675)
Non-cash and non-operating items:		
Depreciation and amortisation	81	12
Losses on foreign exchange transactions	15	369
Share-based payments	391	563
Capital-raising costs/listing expenses	-	(202)
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(60)	380
(Increase) in contract assets	(403)	-
(Increase)/decrease in inventory	4	(4)
Increase/(decrease) in trade and other payables	545	(219)
Increase in deferred revenue	228	13
Net cash used in operating activities	(3,399)	(3,763)

7. Cash and cash equivalents, and cash on deposit

	As at 30 Sept. 2017 Unaudited	As at 31 March 2017 Audited
	NZ\$'000	NZ\$'000
Cash at bank and on hand	1,291	526
Short-term deposits	-	750
Cash on deposit *	8,000	11,600
Total cash and cash equivalents and cash on deposit	9,291	12,876

*Cash on deposit is in the form of term deposits that have maturity periods of between 101 and 270 days.

A guarantee for \$500,000 has been provided to De Lage Landen Limited, for a Microsoft Azure agreement, against the Group's cash reserves. The guarantee expires on 29 June 2018.

8. Intangibles, property & equipment and right-of-use assets

Right-of-use assets are recognised when the Group, as a lessee, has the right to use an underlying asset for the lease term. In the Group's case the underlying asset relates to the office space for the head office in Wellington, New Zealand. The right-of-use assets are depreciated over the lease term. Refer to note 12 for further details.

	Right-of-use assets Unaudited	Intangibles Unaudited	Property and equipment Unaudited	Total Unaudited
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Cost				
Balance as at 1 April 2017	-	28	127	155
Additions	469	24	77	570
Disposals and write-offs	-	-	-	-
Balance as at 30 September 2017	469	52	204	725
Depreciation, Amortisation and Impairment				
Balance as at 1 April 2017	-	-	77	77
Depreciation and amortisation	56	-	25	81
Disposals and write-offs	-	-	-	-
Balance as at 30 September 2017	56	-	102	158
Net book value	413	52	102	567

9. Share capital

On 27 April 2016 the Group listed on the Australian Securities Exchange through an Initial Public Offering ('IPO') of 20 million shares at A\$0.50 per share. They were fully subscribed and increased equity by NZ\$11.2M. At the same time the convertible preference shares ('CPS's') converted from debt to ordinary shares at a ratio of 1:1 based on the number of convertible preferences shares recorded as at 31 March 2016. A further 17.8 million shares were issued through a placement and entitlement offer in November/December 2016 at A\$0.60 per share. The net result was an increase in equity of NZ\$10.65M.

	For the period ended 30 Sept. 2017 Unaudited		For the year ended 31 March 2017 Audited	
Fully Paid Ordinary Shares	NZ\$'000	000's	NZ\$'000	000's
Opening balance on 1 April	62,644	142,645	744	30,057
Conversion of CPS's to ordinary shares	-	-	40,111	72,411
Issue of share capital at initial public offering (IPO)	-	-	10,424	20,000
Exercise of share options	408	2,548	716	2,363
Issue of share capital from placement	-	-	6,983	11,600
Issue of share capital from entitlement offer	-	-	3,666	6,214
Closing balance*	63,052	145,193	62,644	142,645

* The 145.193M shares on issue as at 30 September 2017 includes 51.182M escrowed shares. These shares are escrowed for 24 months from the date of the IPO.

The shares have no par value and each share has equal rank in voting power. All ordinary shares rank equally with regards to the Company's residual assets.

Dividends

No dividends have been declared or paid for the period ended 30 September 2017 (30 September 2016: \$nil).

10. Convertible preference shares (CPSs)

The CPSs that were in issue as at 31 March 2016 were, subsequent to the listing on the Australian Stock Exchange, converted to ordinary shares at a ratio of 1:1. That is, no further quasi-dividend entitlements were awarded, nor were there any further tranches sold. The value assigned to them as at 31 March 2016 was based on a fair value per share of A\$0.50 (or NZ\$0.56) per the prospectus underwritten on 24 March 2016. This was ultimately the price that the shares subscribed for were sold at and therefore no fair value adjustment was required on conversion.

	As at 30 Sept. 2017 Unaudited		As at 31 March 2017 Audited	
	NZ\$'000	No. of CPSs 000's	NZ\$'000	No. of CPSs 000's
Outstanding as at 1 April	-	-	40,111	72,411
Conversion to ordinary shares	-	-	(40,111)	(72,411)
Closing balance	-	-	-	-

11. Share-based remuneration

The Group operates two equity-settled, share-based incentive plans for directors, executives, senior management, employees and others of the company and its subsidiaries. The plans are designed to retain key personnel. There is a legacy share option plan (Legacy ESOP) that was in operation from 2009 until the Initial Public Offering (IPO). Since the IPO a new employee share option plan (New ESOP) has been in operation.

The value of the services rendered for the grant of the share options is recognised as an expense over the vesting period (which ranges from 0 to 5 years or upon meeting stipulated milestones). The amount is determined by reference to the fair value of the share options granted which is calculated using the Black-Scholes options model.

The share option reserve arises on recognition of the share-based payment expense. Amounts are transferred out of the reserve and into issued capital when the options are exercised or into retained earnings when options lapse. No options, Legacy or New ESOP, lapsed during the year.

Legacy employee share option plan (ESOP)

Movements in the number of share options outstanding are as follows:

	Number of options Unaudited	Weighted-average exercise price Unaudited	Number of options Unaudited	Weighted-average exercise price Unaudited
	2017 000's	2017 NZ\$	2016 000's	2016 NZ\$
Outstanding at 1 April	8,263	0.20	10,627	0.19
Granted during the period	-	-	-	-
Exercised during the period	(2,548)	0.003	(1,812)	0.02
Forfeited during the period	-	-	-	-
Outstanding as at 30 September	5,715	0.29	8,815	0.19
Vested as at 30 September	4,165		6,202	

11. Share-based remuneration (continued)

New ESOP

Movements in the number of share options outstanding are as follows:

	Number of options Unaudited	Weighted-average exercise price Unaudited	Number of options Unaudited	Weighted-average exercise price Unaudited
	2017 000's	2017 A\$	2016 000's	2016 A\$
Outstanding at 1 April	5,821	0.50	5,336	0.50
Granted during the period	185	0.60	605	0.50
Exercised during the period	-	-	-	-
Forfeited during the period	-	0.50	(120)	-
Outstanding as at 30 September	6,006	0.50	5,821	0.50
Vested as at 30 September	-		-	

The fair value of options granted during the six months ended 30 September 2017 was estimated on the date of grant using the following assumptions:

Option series	Legacy ESOP	New ESOP
Grant date share price	\$0.40—\$0.47	A\$0.38—0.50
Exercise price	\$0.00003—\$0.47	A\$0.50—0.60
Expected volatility	50%	50.00%
Option life	5—10 years	7 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	2.17%—3%	1.74%—2.47%

For the six months ended 30 September 2017, the Group has recognised \$391k of share-based payment expense in the consolidated income statement (30 September 2016: \$563k).

12. Lease liabilities

The Group entered into property lease agreements for the head office, based in Wellington, New Zealand. During the six months ended 30 September 2017 the Group moved premises, on 1 September 2017. This resulted in the termination of one lease and the beginning of another. The lease in existence at the beginning of the year was not extended and there were no penalties, restoration costs or residual value guarantees related to that lease. No accruals or prepayments were applicable either. The new lease agreement, entered into in April 2017, began on 1 September 2017.

Lease liabilities

	2017 NZ\$'000			
Property	0—12 months	1—2 years	2+ years	Total
Level 7, 44 Victoria Street, Wellington NZ	115	124	160	399

12. Lease liabilities (continued)

Potential Future Rental Payments

2017 NZ\$'000				
Property	Lease liabilities recognised	Payable in 1—5 years	Payable in 6—10 years	Total
Level 7, 44 Victoria Street, Wellington, NZ	399	270	135	803

The details for the new lease are as follows:

Property	
Level 7, 44 Victoria Street, Wellington, NZ	
Lease details	
Start date	1 September 2017
Initial lease period	6 years
Extension options	3 years
Extension options exercised	N/A
Termination options	After 3.25 years and any point thereafter up until 6 years
Termination penalties	3 months rent, reducing by a month each year after 3.25 years
Residual value guarantees	None
Variable lease payments	None
Indirect costs incurred	Lawyers fees
Restrictions and/or covenants	None
Incremental rate of borrowing	12%
Market rent reviews	Every two years

The total cash outflow for leases for the period ended 30 September 2017 totaled \$70k (30 September 2016: \$48k). As at the year ended 31 March 2017 there was an operating lease commitment of \$45k. There are no leases that the Group has entered which have not yet commenced.

13. Commitments and contingencies

Contingent liabilities and capital commitments

The Group had no contingencies or commitments to purchase property or equipment as at 30 September 2017 (30 September 2016: \$nil).

14. Financial instruments and financial risk management objectives

The Group's principal financial instruments comprise receivables, payables, cash, short-term deposits and cash on deposit.

The Group classifies its financial assets at amortised cost.

The Group classifies its financial liabilities at amortised cost.

The carrying amounts of these assets and liabilities do not materially differ from their fair values.

There were no transfers between classes of financial instruments during the period.

Refer to the 31 March 2017 annual report for further details on the Group's financial risk management objectives.

15. Related Parties

Details of all related party transactions have been disclosed in the annual report for the year ended 31 March 2017.

For the current interim period, no new transactions with directors occurred that would be considered a related party transaction. The value of outstanding balances payable to key management and directors at balance date total \$145k (30 September 2016: \$141k).

16. Events after the balance sheet date

There were no significant events between balance date and the date these financial statements were authorised for issue.

Independent Review Report



INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF VOLPARA HEALTH TECHNOLOGIES LIMITED

We have reviewed the condensed consolidated interim financial statements of Volpara Health Technologies Limited and its subsidiaries ('the Group') which comprise the statement of financial position as at 30 September 2017, and the income statement and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 7 to 22.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Volpara Health Technologies Limited and its subsidiaries, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor and the provision of assurance review services for a Callaghan Innovation (R&D Growth Grant), we have no relationship with or interests in the Group. These services have not impaired our independence as auditor of the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2017 and its financial performance and cash flows for the period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Independent Review Report



Emphasis of Matter – Going Concern

Without modifying our opinion, we draw attention to page 11 in the condensed consolidated financial statements, which notes that the Group is an early stage business which has not yet achieved the commercial sales levels required to achieve sustained profitability. In the current period the Group incurred a net loss of \$4.200m. The financial statements have been prepared on a going concern basis which is dependent on existing cash resources, cash flows from operations and the potential for additional capital (share capital or debt funding) to be raised. These events or conditions, along with other matters as set forth on page 11 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Deloitte Limited

31 October 2017
Chartered Accountants
WELLINGTON, NEW ZEALAND

Corporate Directory

Volpara Health Technologies Limited

Registered Office

Volpara Health Technologies Limited
Level 7, 44 Victoria Street
Wellington Central
Wellington 6011
New Zealand

Board of Directors

Roger Allen AM - Chairman, Non-Executive Independent
Dr Ralph Highnam - Chief Executive Officer
Professor Sir Mike Brady - Non-Executive Independent
Lyn Swinburne AM - Non-Executive Independent
John Diddams - Non-Executive Independent
John Pavlidis - Non-Executive Independent

Company Secretary

Craig Hadfield

New Zealand Incorporation

The Company is registered under the laws of New Zealand, company number 2206998

Australian Registered Body Number (ARBN)

609 946 867

The Company's registered office address in Australia

Suite 9, Level 1, 357 Military Road
Mosman
Sydney
NSW 2088
Australia

Share Register

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Grosvenor Place
Level 12, 225 George Street
Sydney
NSW 2000
Australia

Auditor

Deloitte Limited
Level 1, 98 Customhouse Quay
PO Box 1990
Wellington 6140
New Zealand

Legal Advisers

Simmonds Stewart (New Zealand)
Norton Rose Fulbright (Australia)
Enterprise Law Group, Inc. (USA)

Bankers

Kiwibank (New Zealand)
Lloyds Bank (United Kingdom)
Bank of America (USA)
NAB (Australia)

