

Resonance Health Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Resonance Health Limited
ABN:	96 006 762 492
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	12% to	2,100,130
Loss from ordinary activities after tax attributable to the owners of Resonance Health Limited	up	12% to	(251,793)
Loss for the half-year attributable to the owners of Resonance Health Limited	up	12% to	(251,793)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to \$251,793 (31 December 2021: \$225,409).

3. Net tangible assets

	31 December 2022 Cents	30 June 2022 Cents
Net tangible assets per ordinary security	1.66	1.70

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):


The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-Year Financial Report.

8. Attachments

Details of attachments (if any):

The Half-Year Financial Report of Resonance Health Limited for the half-year ended 31 December 2022 is attached.

9. Signed

Signed 

Date: 28 February 2023

Dr Martin Blake
Chairperson
Perth, Western Australia

Resonance Health Limited

ABN 96 006 762 492

Half-Year Financial Report - 31 December 2022

Resonance Health Limited
Corporate directory
31 December 2022

Directors	Dr Martin Blake - Non-executive Chairman Mr Mitchell Wells - Managing Director Mr Simon Panton - Non-executive Director Dr Travis Baroni - Non-executive Director
Company secretaries	Mr Mitchell Wells, Mr Nicholas Allan, Ms Liesl Ellies
Registered office	141 Burswood Road BURSWOOD WA 6100 T: +61 8 9286 5300 F: +61 8 9286 5399
Principal place of business	141 Burswood Road BURSWOOD WA 6100 T: +61 8 9286 5300 F: +61 8 9286 5399
Share register	Advanced Share Registry Ltd 110 Stirling Highway Nedlands WA 6009 Telephone: +61 8 9389 8033 Fax: +61 8 93897871
Auditor	HLB Mann Judd (WA) Partnership Level 4 130 Stirling Street Perth WA 6000
Solicitors	Steinepreis Paganin Level 4, The Reed Building 16 Milligan Street Perth WA 6000
Bankers	National Australia Bank Limited
Stock exchange listing	Resonance Health Limited shares are listed on the Australian Securities Exchange (ASX code: RHT)
Website	www.resonancehealth.com www.resonanceclinical.com email: info@resonancehealth.com

Resonance Health Limited

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31 December 2022

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The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Resonance Health Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The following persons were Directors of Resonance Health Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Dr Martin Blake
Mr Mitchell Wells
Mr Simon Panton
Dr Travis Baroni

Principal activities

The Group's core business is the development and commercialisation of software-as-medical-device ('SaMD') technologies and services for the quantitative analysis of radiological images in a regulated and quality-controlled environment.

The Group's core SaMD product is FerriScan®, a non-invasive liver analysis technology used for the assessment of iron in the liver. Other Company SaMDs include Cardiac T2*, for the assessment of iron in the heart, and HepaFat-Scan® for the assessment of fat in and around the liver. The Company also has several AI-assisted SaMDs including FerriSmart®, HepaFat-AI, and LiverSmart®.

Review of operations

The loss for the Group after providing for income tax amounted to \$251,793 (31 December 2021: \$225,409).

Sales revenue increased by 12% to \$2,100,130 (31 December 2021: \$1,882,843), and total revenue (including other income) increased by 15% to \$2,163,294 (31 December 2021: \$1,884,759). The higher revenues were driven by increased sales volumes of services including continued uptake of FerriScan® on 3T MRI scanner machines, with 81 new MRI scanners (3T + 1.5T) being onboarded from new and existing customers since FerriScan® was made available on these machines.

Research and development expenditure totalled \$652,292 for the half-year (31 December 2021: \$785,060). This comprised capitalised development costs of \$89,392 that are recognised as an intangible asset on the Condensed Statement of Financial Position and items recognised in the Condensed Statement of Comprehensive Income, being \$165,334 amortisation expense and \$397,566 research and development expense.

Intangible assets, representing capitalised research and development expenditure, totalled \$2,789,063 at the end of the half-year (30 June 2022: \$2,865,005).

The Group has no debt and \$6,529,951 cash and cash equivalents at the end of the half-year (30 June 2022: \$6,783,166).

Key activities during the half-year ended 31 December 2022 include the following:

- Lodged a provisional patent application for an invention to detect and assess fibrosis of the liver and potentially other organs. The application is based on initial proof of concept results utilising a novel non-invasive approach devised by a team led by Resonance Health's Chief Scientific Officer, Dr. Wenjie Pang.
- Initial proof of concept showed strong predictive capability to identify liver fibrosis, using standard MRI scanners and acquisition sequences. Results are a culmination of a decades-long pursuit by the Company to conceive a solution potentially capable of replacing liver biopsy as the gold standard.
- US FDA has identified the lack of validated non-invasive liver fibrosis biomarkers and radiological modalities as a key unresolved challenge, especially in clinical trials for drug development. Chronic liver disease is a leading cause of death and morbidity worldwide with early identification of liver fibrosis essential to managing disease.
- Engagement with globally recognised clinical key opinion leaders commenced with all contacted confirming interest in collaborating on the invention.
- Resonance Clinical launched to capitalise on the rapidly expanding global clinical trial marketplace, with expanded service capabilities being developed for provision to new and existing pharmaceutical customers, in clinical trial management (CRO) and wet-lab service provision. Laboratories at 2 separate locations consolidated into new single dedicated laboratory with fit-out of new lab largely completed during the quarter incurring one-off costs in property plant and equipment.
- FerriScan®-3T made available to clinicians globally from 25 July 2022. 81 new MRI scanners registered for services during the period, following the successful upgrade of the gold standard FerriScan® device to new generation 3T MRI machines.
- Two new clinical trials contracted with new pharmaceutical customers for the provision of Company services.
- New websites for Resonance Health (www.resonancehealth.com) + Resonance Clinical (www.resonanceclinical.com)
- TGA requalification audit successfully completed, with the Company's suite of medical devices receiving renewed certifications through to 2024 or later, if so advised by the TGA.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

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 immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Dr Martin Blake
Chairperson

28 February 2023
Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Resonance Health Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
28 February 2023



M R Ohm
Partner

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

Resonance Health Limited
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Revenue	4	2,100,130	1,882,843
Other income	5	63,164	1,916
Expenses			
Depreciation expense		(66,130)	(55,193)
Amortisation expense		(165,334)	(153,486)
Share-based payments		23,894	(3,813)
Marketing & travel		(415,803)	(488,566)
Consulting and professional services		(79,054)	(126,285)
Employee benefits expense		(1,560,578)	(1,117,691)
Research and development		(397,566)	(290,204)
Statutory and compliance		(90,435)	(122,009)
Foreign exchange gain/(loss)		137,813	74,476
Other expenses		(230,601)	(252,731)
Loss before income tax benefit		(680,500)	(650,743)
Income tax benefit		428,707	425,334
Loss after income tax benefit for the half-year attributable to the owners of Resonance Health Limited		(251,793)	(225,409)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of Resonance Health Limited		(251,793)	(225,409)
		Cents	Cents
Basic loss per share		(0.05)	(0.05)
Diluted loss per share		(0.05)	(0.05)

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Resonance Health Limited
Condensed statement of financial position
As at 31 December 2022

		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		6,529,951	6,783,166
Trade and other receivables		1,062,070	1,505,040
Other assets		577,973	59,554
Total current assets		8,169,994	8,347,760
Non-current assets			
Property, plant and equipment	6	345,023	137,686
Right-of-use assets	7	293,043	253,480
Intangibles	8	2,789,063	2,865,005
Other assets		82,886	82,886
Total non-current assets		3,510,015	3,339,057
Total assets		11,680,009	11,686,817
Liabilities			
Current liabilities			
Trade and other payables		904,587	697,272
Lease liabilities	9	95,080	79,794
Provisions		28,563	7,673
Other liabilities		12,740	22,411
Total current liabilities		1,040,970	807,150
Non-current liabilities			
Lease liabilities	9	223,485	188,426
Total non-current liabilities		223,485	188,426
Total liabilities		1,264,455	995,576
Net assets		10,415,554	10,691,241
Equity			
Issued capital	10	73,882,788	73,882,788
Reserves		2,045,900	2,069,794
Accumulated losses		(65,513,134)	(65,261,341)
Total equity		10,415,554	10,691,241

The above condensed statement of financial position should be read in conjunction with the accompanying notes

Resonance Health Limited
Condensed statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	73,882,788	(270,580)	2,334,757	(64,119,564)	11,827,401
Loss after income tax benefit for the half-year	-	-	-	(225,409)	(225,409)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(225,409)	(225,409)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 16)	-	-	3,813	-	3,813
Balance at 31 December 2021	73,882,788	(270,580)	2,338,570	(64,344,973)	11,605,805

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	73,882,788	(270,580)	2,340,374	(65,261,341)	10,691,241
Loss after income tax benefit for the half-year	-	-	-	(251,793)	(251,793)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(251,793)	(251,793)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 16)	-	-	(23,894)	-	(23,894)
Balance at 31 December 2022	73,882,788	(270,580)	2,316,480	(65,513,134)	10,415,554

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes

Resonance Health Limited
Condensed statement of cash flows
For the half-year ended 31 December 2022

		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers		2,126,221	1,704,905
Payments to suppliers and employees		(2,629,755)	(2,291,333)
		(503,534)	(586,428)
Interest received		4,842	3,562
Grants received		50,000	-
Research and development tax incentive		409,745	-
Net cash used in operating activities		(38,947)	(582,866)
Cash flows from investing activities			
Payments for property, plant and equipment	6	(226,335)	(101,930)
Payments for intangibles	8	(89,392)	(341,370)
Net cash used in investing activities		(315,727)	(443,300)
Cash flows from financing activities			
Repayment of lease liabilities		(36,347)	(33,083)
Payments for cash-backed guarantees		-	(36,986)
Net cash used in financing activities		(36,347)	(70,069)
Net decrease in cash and cash equivalents		(391,021)	(1,096,235)
Cash and cash equivalents at the beginning of the financial half-year		6,783,166	8,856,820
Effects of exchange rate changes on cash and cash equivalents		137,806	74,474
Cash and cash equivalents at the end of the financial half-year		6,529,951	7,835,059

The above condensed statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Resonance Health Limited as a Group consisting of Resonance Health Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Resonance Health Limited's functional and presentation currency.

Resonance Health Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

141 Burswood Road
BURSWOOD WA 6100
T: +61 8 9286 5300
F: +61 8 9286 5399

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 settlement of liabilities in the ordinary course of business.

Note 3. Operating segments

Identification of reportable operating segments

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

Note 3. Operating segments (continued)

Business Segments

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the half-year ended 31 December 2022.

Consolidated - 31 Dec 2022	Services \$	Research and development \$	Corporate \$	Other segments \$	Total \$
Revenue					
Sales to external customers	2,100,130	-	-	-	2,100,130
Total revenue	2,100,130	-	-	-	2,100,130
Total revenue	2,100,130	-	-	-	2,100,130
Other income	-	-	63,164	-	63,164
Other expenses	(463,523)	(563,195)	(1,817,076)	-	(2,843,794)
(Loss)/profit before income tax benefit	1,636,607	(563,195)	(1,753,912)	-	(680,500)
Income tax benefit					428,707
Loss after income tax benefit					(251,793)
Assets					
Segment assets	1,009,906	3,217,770	7,452,333	-	11,680,009
Total assets					11,680,009
Liabilities					
Segment liabilities	-	-	1,264,455	-	1,264,455
Total liabilities					1,264,455
Consolidated - 31 Dec 2021	Services \$	Research and development \$	Corporate \$	Other segments \$	Total \$
Revenue					
Sales to external customers	1,882,843	-	-	-	1,882,843
Total revenue	1,882,843	-	-	-	1,882,843
Total revenue	1,882,843	-	-	-	1,882,843
Other income	-	-	1,916	-	1,916
Other expenses	(322,717)	(443,690)	(1,769,095)	-	(2,535,502)
(Loss)/profit before income tax benefit	1,560,126	(443,690)	(1,767,179)	-	(650,743)
Income tax benefit					425,334
Loss after income tax benefit					(225,409)
Consolidated - 30 Jun 2022					
Assets					
Segment assets	1,045,668	2,865,005	7,776,144	-	11,686,817
Total assets					11,686,817
Liabilities					
Segment liabilities	-	-	995,576	-	995,576
Total liabilities					995,576

The Group derived 15% of its external customer sales revenue from one major customer.

Note 3. Operating segments (continued)

Geographical Segments

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

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Asia/Pacific	159,782	92,813
North America	1,405,439	1,319,561
EMEA	534,909	470,469
Total sales to external customers	2,100,130	1,882,843

Note 4. Revenue

Disaggregation of revenue

The Group derives its revenue from the services at a point in time and over time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Revenue from contracts with customers</i>		
Commercial revenue	1,219,898	1,173,685
Clinical trials	697,120	600,484
Other studies	183,112	108,674
Revenue	2,100,130	1,882,843

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Segment revenue	2,100,130	1,882,843
Adjustments and eliminations	-	-
Total revenue from contracts with customers	2,100,130	1,882,843

Note 5. Other income

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Subsidies and grants	50,000	-
Interest revenue	13,164	1,916
Other income	63,164	1,916

Note 6. Property, plant and equipment

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	483,356	257,021
Less: Accumulated depreciation	(138,333)	(119,335)
	345,023	137,686

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial half-year are set out below:

Consolidated	Plant and equipment \$
Balance at 1 July 2021	52,481
Additions	119,043
Depreciation expense	(33,838)
Balance at 30 Jun 2022	137,686
Additions	226,335
Depreciation expense	(18,998)
Balance at 31 December 2022	345,023

Note 7. Right-of-use assets

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	406,880	320,188
Less: Accumulated depreciation	(113,837)	(66,708)
	293,043	253,480

The Group has two premises leases.

Note 7. Right-of-use assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial half-year are set out below:

Consolidated	Land and buildings \$
Balance at 1 July 2021	55,925
Additions	278,244
Depreciation expense	(80,689)
Balance at 31 December 2021	253,480
Additions	86,695
Depreciation expense	(47,132)
Balance at 31 December 2022	293,043

Note 8. Intangibles

	Consolidated 31 Dec 2022 \$	30 Jun 2022 \$
<i>Non-current assets</i>		
Research & development - at cost	4,742,853	4,653,461
Less: Accumulated amortisation	(1,953,790)	(1,788,456)
	2,789,063	2,865,005

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial periods are set out below:

Consolidated	\$
Balance at 1 July 2021	2,594,630
Additions	584,954
Amortisation expense	(314,579)
Balance at 30 Jun 2022	2,865,005
Additions	89,392
Amortisation expense	(165,334)
Balance at 31 December 2022	2,789,063

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

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

Note 8. Intangibles (continued)

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

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

Based upon this assessment, no impairment indicators were determined to be present at 31 December 2022. A full impairment assessment including intangible assets not yet available for use will be conducted at 30 June 2023 in accordance with AASB 136.

Note 9. Lease liabilities

The Group leases only premises.

The remaining term of the lease at Burswood as at 31 December 2022 is 32 months. The incremental borrowing rate applied to this lease is 3.60%.

The remaining term of the lease at Bentley as at 31 December 2022 is 56 months. The incremental borrowing rate applied to this lease is 5.00%.

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Lease liability	95,080	79,794
<i>Non-current liabilities</i>		
Lease liability	223,485	188,426
	318,565	268,220

Refer to note 12 for further information on financial instruments.

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

	Lease payments due			
	1 year	1 - 2 years	3 years and more	Total
	\$	\$	\$	\$
Lease payments	108,634	198,025	42,130	348,789
Interest	(13,553)	(14,508)	(2,163)	(30,224)
Net present values	95,081	183,517	39,967	318,565

Note 10. Issued capital

	31 Dec 2022	30 Jun 2022	Consolidated 31 Dec 2022	30 Jun 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	461,149,601	461,149,601	73,882,788	73,882,788

The Controlled Placement Agreement ("CPA") that was entered into on 18 April 2019, was initially established with a limit of \$5m and the Company has utilised the CPA to raise a total of \$2.75m. On 30 June 2021 it was announced that the CPA limit was increased to \$7.75m and expiry date was extended to 31 July 2023. The Company now has available capacity of \$5m under the CPA.

There is no requirement to utilise the CPA and there were no fees or costs associated with the increase in and extension of the CPA.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 11. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Financial instruments

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position.

The carrying amounts of current receivables and current payables are considered to be a reasonable approximation of their fair value.

Note 13. Contingent liabilities

On 10 September 2020 the Company announced that they had entered into a licence agreement with the Telethon Kids Institute ("Telethon Kids") and the Erasmus University Medical Centre for the use of computer tomography ("PRAGMA-CF Data") datasets that will be used by the Company in the potential development of a new artificial intelligence ("AI") algorithm for the automated assessment of lung disease progression in patients with cystic fibrosis.

Under the agreement a 10% net royalty on all sales of the analysis performed by the Device will be payable by the Group and a further 297,620 ordinary shares will be issued on submission of the medical device dossier.

Note 14. Related party transactions

Parent entity

Resonance Health Limited is the parent entity.

Note 14. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Sale of goods and services:		
Services provided to Perth Radiological Clinic *	1,348	809
Payment for goods and services:		
Services provided by Perth Radiological Clinic *	60	60

* Dr Martin Blake is a shareholder, Director and consulting Radiologist of Perth Radiological Clinics.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Current receivables:		
Trade receivables from Perth Radiological Clinic	593	-

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 16. Share-based payments

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

Note 16. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

	Number of options 31 Dec 2022	Weighted average exercise price 31 Dec 2022	Number of options 31 Dec 2021	Weighted average exercise price 31 Dec 2021
Outstanding at the beginning of the financial period	12,200,000	\$0.175	13,200,000	\$0.170
Forfeited	-	\$0.000	-	\$0.000
Expired	(12,200,000)	\$0.175	-	\$0.000
Cancelled	-	\$0.000	-	\$0.000
Outstanding at the end of the financial period	-	\$0.000	13,200,000	\$0.170
Exercisable at the end of the financial period	-	\$0.000	13,200,000	\$0.170

200,000 options exercisable at \$0.10 on or before 2 December 2022 with vesting conditions, did not vest before expiry. An amount of \$23,894 previously recognised as a share-based payment expense in prior periods was reversed.

Reconciliation of share based payments expense:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Options to staff and consultants	(23,894)	3,813

Resonance Health Limited
Directors' declaration
31 December 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Dr Martin Blake
Chairperson

28 February 2023
Perth, Western Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Resonance Health Limited

Report on the Condensed Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of Resonance Health Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Resonance Health Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001*

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including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 February 2023



M R Ohm
Partner