RESONANCE HEALTH LIMITED

ABN 96 006 762 492

("Resonance Health" or "Company")

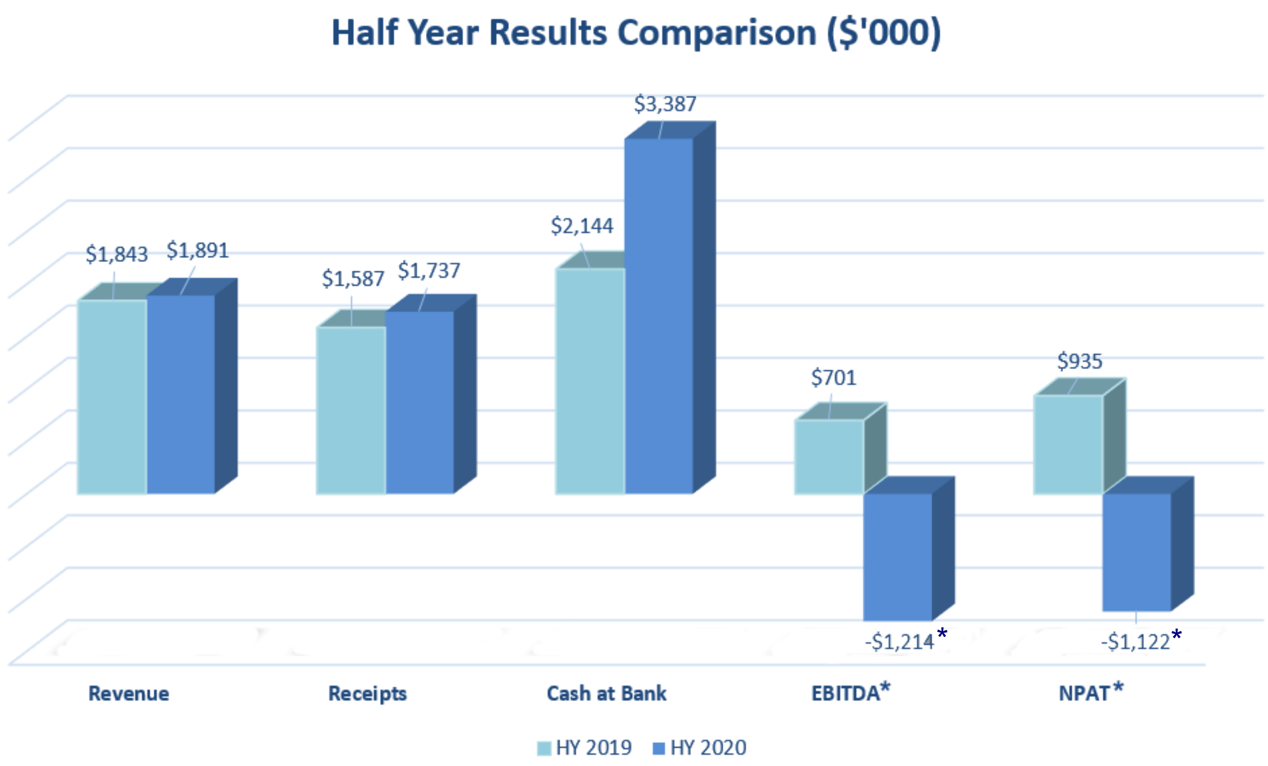
Appendix 4D

Half year report
for the half year ended 31 December 2019

(previous corresponding period to 31 December 2018)

Results for announcement to the market

	Change	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenues from ordinary activities	Up 3%	1,891	1,843
(Loss)/ Profit from ordinary activities after tax attributable to members	Down 220%	(1,122)	935
(Loss)/ Profit for the period attributable to members	Down 220%	(1,122)	935
		31 Dec 2019	**31 Dec 2018**
Net tangible assets per security (cents)		0.90	0.64



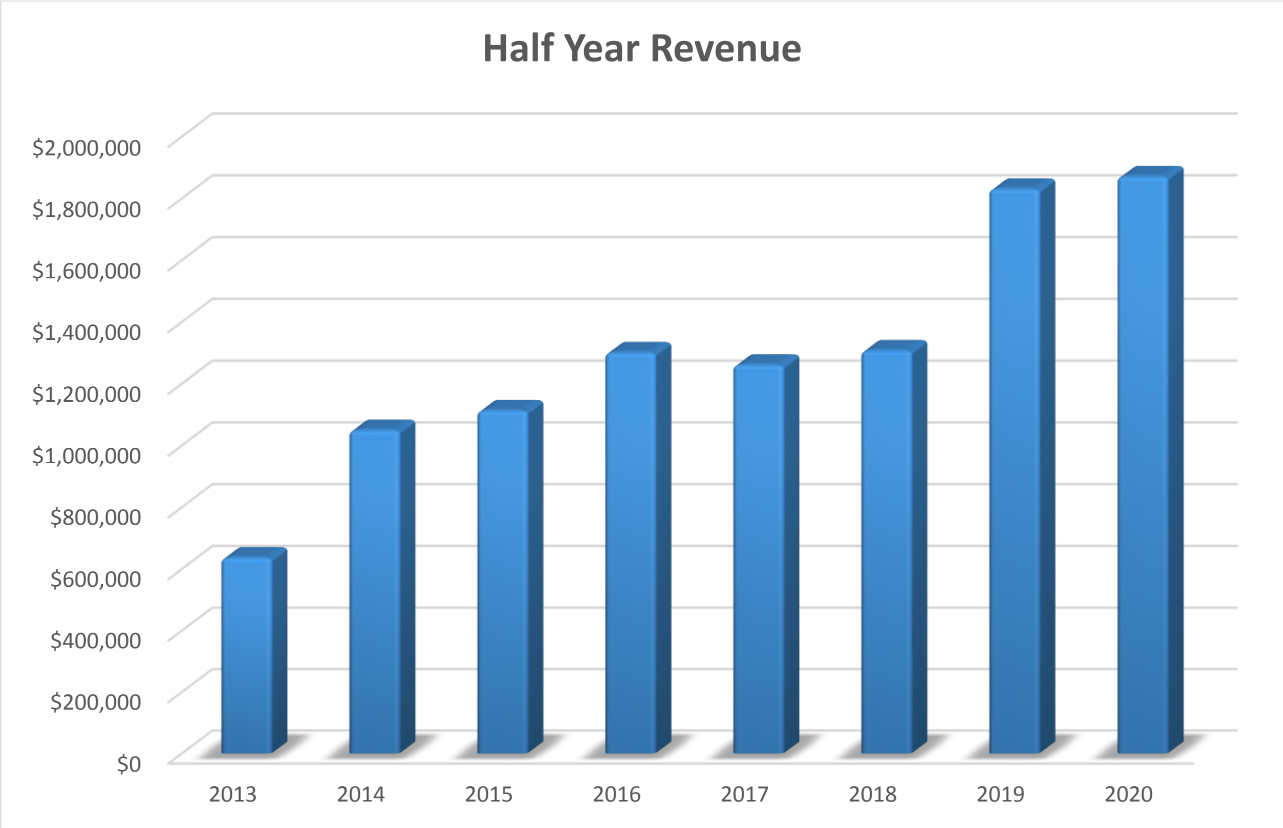
***EBITDA and NPAT for the half-year were materially impacted by a one-off, non-cash, share-based payment expense of $1,730,980, and a related payroll tax cash expense of $27,060. The share-based payment expense related to employee and director options that were issued during the half-year under the Company's approved Incentive Option Plan. The directors' options were approved by the Company's shareholders at the Company's AGM held on 28 November 2019.**

Achievements

The Company is pleased to report:

- Resonance Health executed a Master Services Agreement and an associated initial Scope of Work with a US NASDAQ-listed pharmaceutical company for the use of Resonance Health products and services in their clinical trial. The total dollar value of this Scope of Work is approximately US $1 million over the duration of the trial (see ASX announcement dated 19 July 2019, "Resonance Health contracted for new clinical trial").
- The Company executed several non-material amendments and extensions to existing contracts with pharma over the half year. The total aggregate sum of these is US $701,650, subject to full completion of these trials. The Company refers to its previous announcements on the following dates:
    - 28/10/2019 – Appendix 4C – quarterly
    - 29/01/2020 – Appendix 4C – quarterly
- A provisional patent was filed for the discovery and use of novel blood markers to determine an individual's iron status. These blood markers have been identified as part of the Company's molecular medicine R&D program (see ASX announcement dated 20 November 2019, "Resonance Health Files Provisional Patent").
- A neural network was successfully trained for the automated assessment of liver fat from MRI data. The neural network, which has been trained and validated using in-house HepaFat-Scan® datasets, is intended to provide a fully automated solution for the assessment of liver fat, and to be integrated directly into existing radiology workflows (see ASX announcement dated 21 November 2019, "New Artificial Intelligence Tool for Automated Assessment of Liver Fat").
- Work commenced on dossier preparation for FDA regulatory clearance for the Company's new Artificial Intelligence tool for the automated assessment of liver fat. The Company intends to submit its dossier in the March 2020 quarter.
- Solution Partner Agreement signed with Siemens Healthcare GmbH, a leading medical technology company headquartered in Erlangen, Germany, for the distribution of the Company's FerriSmart product through the Siemens Healthineers Digital Marketplace. The FerriSmart scanning protocol will also be made available to radiologists, radiographers, and technicians via the Siemens Healthineers website (see ASX announcement dated 28 November 2019, "Resonance Health Partners with Siemens Healthineers").
- FerriSmart was available for viewing via our channel partners at their display booths (Siemens, Blackford, EnvoyAI) at the RSNA Conference (Radiology Society of North America), the world's largest radiology conference in December 2019.
- A new FerriScan® product website (www.ferriscan.com) was developed to further promote the Company's iron related products and clinical trial services to pharmaceutical companies. A corporate website redesign is also being planned.
- Received an R&D Tax Incentive of $240K for eligible R&D work performed in the 2018/2019 financial year. The refund was primarily for the Company's ongoing R&D in AI development, molecular medicine projects, and several product improvements.
- In addition to several product improvements, including shortening the FerriScan® and FerriSmart acquisition times (time in scanner), and calibration to 3T MRI machines, the Company commenced a new study to investigate the ability of a novel MRI method to assess liver fibrosis.

- Continuous revenue growth as shown in the chart below:



Resonance Health Limited

(ABN 96 006 762 492)

Half-Year Financial Report

31 December 2019

Corporate Directory

Directors
Dr Martin Blake
Chairman/Non-executive Director

Mr Simon Panton
Non-executive Director

Dr Travis Baroni
Non-executive Director

Mr Mitchell Wells
Non-executive Director

Company secretary
Mr Agha Shahzad Pervez

Website and e-mail address
www.resonancehealth.com
Email:info@resonancehealth.com

Postal address
PO Box 71
Burswood WA 6100

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

Share registry
Advanced Share Registry Ltd
110 Stirling Highway
Nedlands WA 6009
Tel: +61 8 9389 8033
Fax: +61 8 9389 7871

Auditors
HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000

Registered office and Principal place of business
Suite 2, 141 Burswood Road
Burswood WA 6100
Telephone: 61 8 9286 5300
Facsimile: 61 8 9286 5399

Bankers
National Australia Bank Limited

Solicitors
Steinepreis Paganin
Level 4
16 Milligan Street
Perth WA 6000

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DIRECTORS' REPORT

The directors submit the financial report of the Group for the half-year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors:

The names of directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Dr Martin Blake	Non-executive Director – Chairman
Mr Simon Panton	Non-executive Director
Dr Travis Baroni	Non-executive Director
Mr Mitchell Wells	Non-executive Director

Review of Operations:

Resonance Health is an Australian healthcare company specialising in the development and delivery of non-invasive medical imaging software and services. Resonance Health has gained endorsement by leading physicians worldwide for consistently providing the highest quality quantitative measurements essential in the management of particular diseases. Our products are used globally by clinicians in the diagnosis and management of human diseases and by pharmaceutical companies in their clinical trials. Resonance Health's dedication to scientific rigour in the development and implementation of its analysis services has enabled it to achieve regulatory clearances on a number of products (SaMD) in the US, Europe and Australia, including FerriScan, FerriSmart, Cardiac T2*, HepaFat-Scan, and Bone Marrow R2. Resonance Health carries ISO 13485:2016 certification.

The principal activity of Resonance Health during the period was the delivery of FerriScan® image analysis services for the clinical management of patients with iron overload conditions. This also includes cardiac iron overload assessments in some countries. Our central image analysis facility provides a range of services to the pharmaceutical industry requiring imaging core lab services for their clinical trials.

Financial and Operational Summary:

- Loss reported for the half-year was $1,121,596 compared to a profit of $934,650 in the previous corresponding half-year. This reported loss is due to a share-based payment expense of employee options $35,081 and Director options expense of $1,695,899 and related expenses of $27,060 (payroll tax) as a result of vesting of Directors' options approved by shareholders at Company's AGM held on 28 November 2019.
- Sales revenue increased by 2% to $1,870,420 from $1,829,999 compared to the previous corresponding half-year.
- The Company received a research and development tax incentive of $239,900 for eligible expenditure conducted by the company for the financial year ended 30 June 2019.
- Research and development expenditure totalled $459,518 for the half-year, up from $430,725 in the previous corresponding half-year. This comprised capitalised development costs of $109,852 that are recognised as an intangible asset on the Statement of Financial Position and items recognised in the Statement of Comprehensive Income, being $130,237 amortisation expense, $111,302 research and development expense and $108,127 employee benefits expense.
- Intangible assets, representing capitalised development expenditure, totalled $2,530,433 at the end of the half-year, compared to $2,550,818 at the end of the 30 June 2019 financial year.
- Resonance Health has no debt and $3,387,235 in cash and equivalents at the end of the half-year, compared to $3,081,192 at 30 June 2019.
- The Group has accumulated income tax losses of $10,052,041 as at 30 June 2019.

Auditor's Independence Declaration:

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2019.

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

M.P. Blake

Dr Martin Blake

Chairman

Dated this 21st day of February 2020.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
21 February 2020

M R Ohm
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated 31 December 2019 $	Consolidated 31 December 2018 $
Sales revenue	2	1,870,420	1,829,999
Other income	2	20,570	13,239
Revenue		1,890,990	1,843,238
Employee benefits expense		(846,619)	(707,345)
Employee benefits expense – share-based payments		(1,730,980)	-
Consulting and professional services		(53,592)	(37,940)
Research and development		(111,302)	(54,502)
Depreciation expense		(37,829)	(12,507)
Amortisation expense		(130,237)	(95,367)
Marketing and travel		(125,513)	(146,386)
Statutory and compliance		(103,010)	(78,913)
Foreign exchange gain/(loss)		(506)	29,360
Other expenses		(112,898)	(133,543)
(Loss)/ Profit before income tax		**(1,361,496)**	**606,095**
Income tax benefit	3	239,900	328,555
Net (loss)/ profit for the half-year		**(1,121,596)**	**934,650**
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive (loss)/ income for the half-year		**(1,121,596)**	**934,650**
Basic earnings per share from continuing operations (cents per share)	14	(0.26)	0.23
Diluted earnings per share from continuing operations (cents per share)	14	(0.26)	0.23

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Consolidated	
		31 December 2019 $	30 June 2019 $
Assets			
Current Assets			
Cash and cash equivalents		3,387,235	3,081,192
Trade and other receivables		1,108,804	661,902
Other assets		103,622	36,320
Total Current Assets		4,599,661	3,779,414
Non-Current Assets			
Plant and equipment		30,644	40,511
Right-of-use asset	12	139,812	-
Intangible assets	4	2,530,433	2,550,818
Other assets		45,900	45,900
Total Non-Current Assets		2,746,789	2,637,229
Total Assets		7,346,450	6,416,643
Liabilities			
Current Liabilities			
Trade and other payables		558,383	392,809
Provisions		81,200	75,855
Other liabilities		29,156	54,399
Current lease liability	13	53,808	-
Total Current Liabilities		722,547	523,063
Non-Current Assets			
Non-current lease liability	13	88,439	-
Total Non-Current liabilities		88,439	-
Total Liabilities		810,986	523,063
Net Assets		6,535,464	5,893,580
Equity			
Issued capital	5	69,706,699	69,674,199
Reserves		1,940,707	209,727
Accumulated losses		(65,111,942)	(63,990,346)
Total Equity		6,535,464	5,893,580

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated				
	Issued Capital	Foreign Currency Translation Reserve	Option Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2019	69,674,199	(270,580)	480,307	(63,990,346)	5,893,580
Net loss for the half-year	-	-	-	(1,121,596)	(1,121,596)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(1,121,596)	(1,121,596)
Shares issued	32,500	-	-	-	32,500
Options issued	-	-	1,730,980	-	1,730,980
Balance at 31 December 2019	**69,706,699**	**(270,580)**	**2,211,287**	**(65,111,942)**	**6,535,464**
Balance at 1 July 2018	69,424,199	(270,580)	241,198	(65,260,579)	4,134,238
Net profit for the half-year	-	-	-	934,650	934,650
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	934,650	934,650
Options Issued	-	-	34,804	-	34,804
Balance at 31 December 2018	**69,424,199**	**(270,580)**	**276,002**	**(64,325,929)**	**5,103,692**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	31 December 2019 $	31 December 2018 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	1,737,414	1,586,929
Payments to suppliers and employees	(1,354,019)	(1,155,638)
Interest received	34,839	10,949
Interest paid	(3,648)	-
Research and development tax incentive	-	328,555
Net cash provided by operating activities	414,586	770,795
Cash flows from investing activities		
Payments for plant and equipment	-	(896)
Payments for intangible assets	(103,934)	(186,933)
Net cash used in investing activities	(103,934)	(187,829)
Cash flows from Financing activities		
Proceeds from the exercise of options	32,500	-
Reduction in finance lease principal	(25,527)	-
Share issue cost paid	(15,000)	-
Net cash used in financing activities	(8,027)	-
Net increase in cash and cash equivalents	302,625	582,966
Foreign exchange differences on cash balances	3,418	12,316
Cash and cash equivalents at beginning of half-year	3,081,192	1,549,088
Cash and cash equivalents at end of half-year	3,387,235	2,144,370

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Resonance Health Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

Basis of Preparation

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies adopted and methods of computation are consistent with those of the previous financial year and corresponding half-year reporting period except where stated. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised standards

Standards and interpretations applicable to 31 December 2019

In the half-year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods.

AASB 16 Leases

The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information. The impact on the accounting policies, financial performance and financial position of the Group from the adoption of AASB 16 is detailed in Note 11. Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

Standards and interpretations in issue not yet adopted

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

Going Concern

The financial report has been prepared on a 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2: REVENUE

NOTE 2(a): DISAGGREGATED REVENUE

	Consolidated Six months to 31 December 2019 $	Consolidated Six months to 31 December 2018 $
The group derives its revenue from the services at a point in time and over time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment:		
Commercial Revenue	1,134,013	1,033,824
Voucher Program	13,311	88,647
Clinical Trials	690,199	663,672
Other Studies	32,897	43,856
Total Revenue from contracts with customers	1,870,420	1,829,999

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

	Consolidated Six months to 31 December 2019 $	Consolidated Six months to 31 December 2018 $
Segment revenue	1,870,420	1,829,999
Adjustments and eliminations	-	-
Total revenue from contracts with customers	1,870,420	1,829,999

NOTE 2(b): SALES REVENUE AND OTHER INCOME	Consolidated Six months to 31 December 2019 $	Consolidated Six months to 31 December 2018 $
The following revenue items are relevant in explaining the financial performance for the half-year:		
(a) Sales revenue		
Sales to external customers	1,870,420	1,829,999
(b) Other income		
Interest received	20,570	13,239

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 3: INCOME TAX BENEFIT

The tax consolidated group has received a R&D Tax Incentive refund after the half-year ended 31 December 2019 for the amount of $239,400 (31 December 2018: $328,555).

Resonance Health Limited and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation from 1st July 2012. The Group has accumulated income tax losses of $10,052,041 as at 30th June 2019.

NOTE 4: INTANGIBLE ASSETS

	Consolidated	
	Six months to 31 December 2019	Year ended 30 June 2019
	$	$
Development expenditure		
At cost	3,580,173	3,470,321
Less: Accumulated amortisation	(1,049,740)	(919,503)
Total development expenditure	2,530,433	2,550,818

Reconciliation of the carrying amounts of development expenditure is set out below:		
Carrying amount at the beginning of the period	2,550,818	2,422,680
Additions	109,852	349,377
Amortisation expense	(130,237)	(221,239)
Carrying amount at the end of the period	2,530,433	2,550,818

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

During the half-year development continued to relate primarily to improvements to the FerriScan software technology, Ferrismart, HepaFat tools and the development of the liver fibrosis MRI diagnostic tool.

The recoupment of development expenditure is dependent on the successful development and commercialisation or sale of the technology developed. The directors are required to assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists an estimate is made of the asset's recoverable amount. Where the asset's carrying value exceeds the estimated recoverable amount an impairment is recognised. Intangible assets not yet ready for use are tested annually for impairment. The Directors do not consider that there has been any indication that the asset may be impaired as at balance date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 5: ISSUED CAPITAL

	Consolidated	
	31 December 2018 $	30 June 2019 $
Ordinary shares		
Issued and fully paid	69,706,699	69,674,199

Movement in ordinary shares

	Six months to 31 December 2019		Year ended 30 June 2019	
	Number of shares	$	Number of shares	$
Balance at beginning of period	422,497,568	69,674,199	402,497,568	69,424,199
Shares issued on conversion of options	5,250,000	32,500	-	250,000
Shares issued under ESS	136,365	15,000		
Shares issued to Acuity Capital	-	-	20,000,000	-
Controlled placement agreement costs	-	(15,000)	-	-
Balance at end of period	427,883,933	69,706,699	422,497,568	69,674,199

NOTE 6: SEGMENT REPORTING

The table below represents the revenue and profit/(loss) information regarding the segment information provided to the Chief Operating Decision Maker, which is the Board of Directors, for the half-years ended 31 December 2019 and 31 December 2018.

Business segments

The following tables present revenue and profit/(loss) information and certain asset and liability information regarding business segments for the half-years ended 31 December 2019 and 31 December 2018.

The Group's reporting segments are determined by the products and services provided.

Internal reporting to the Board focuses on the following reporting segments:

- Services – commercialisation of FerriScan and HepaFat Scan technology
- Research and development – relating to MRI scanning and other technologies
- Corporate

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 6: SEGMENT REPORTING (CONT'D)

	Consolidated			
	Services	Research and Development	Corporate	Total
	$	$	$	$
31 December 2019				
Sales revenue to external customers	1,870,420	-	-	1,870,420
Interest received	-	-	20,570	20,570
Segment revenue	1,870,420	-	20,570	1,890,990
Segment profit/(loss) before taxation	863,932	(176,151)	(2,049,277)	(1,361,496)
Segment assets	1,108,805	2,530,433	3,707,212	7,346,450
Segment liabilities	587,539	-	223,447	810,986
31 December 2018				
Sales revenue to external customers	1,829,999	-	-	1,829,999
Interest received	-	-	13,239	13,239
Segment revenue	1,829,999	-	13,239	1,843,238
Segment profit/(loss) before taxation	1,006,617	(141,815)	(258,707)	606,095
Segment assets	794,798	2,520,856	2,330,319	5,645,973
Segment liabilities	478,699	-	63,582	542,281

There are no changes in regards to the basis of reporting on segmentation or to the basis of reporting on segment profit/(loss) from the position at 30 June 2019.

NOTE 7: 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 8: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial periods.

NOTE 10: SHARE-BASED PAYMENTS

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

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is $1,730,980.

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

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Series 1	4,000,000	28/11/2019	28/11/2022	0.15	$588,423
Series 2	4,000,000	28/11/2019	28/11/2022	0.175	$564,476
Series 3	4,000,000	28/11/2019	28/11/2022	0.20	$543,000
Series 4	200,000	02/12/2019	02/12/2022	0.10	$27,830

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

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

	Six months to 31 December 2019		Year to 30 June 2019	
	Number	Weighted Average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of period	33,500,000	$0.074	21,000,000	$0.060
Granted during the period	12,200,000	$0.17	12,500,000	$0.0985
Exercised during the period	(5,250,000)	-	-	-
Forfeited during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of period	40,450,000	$0.103	33,500,000	$0.074
Exercisable at the end of period	40,450,000	$0.103	33,500,000	$0.074

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 10: SHARE-BASED PAYMENTS (CONT'D)

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

	Dividend (%)	Volatility (%)	Risk-free interest rate (%)	Expected life of option (years)	Exercise price ($)	Grant date share price ($)
Series 1	0	100	0.66	3.00	0.150	0.215
Series 2	0	100	0.66	3.00	0.175	0.215
Series 3	0	100	0.66	3.00	0.20	0.215
Series 4	0	100	0.73	3.00	0.100	0.190

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

NOTE 11: AASB 16 LEASES

Change in Accounting Policy

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial Impact on accumulated losses under this approach, and comparatives have not been restated.

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 11: AASB 16 LEASES (CONT'D)

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

• Fixed lease payments less any lease incentives receivable;

• Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;

• Any amounts expected to be payable by the Group under residual value guarantees;

• The exercise price of purchase options, if the Group is reasonably certain to exercise the options; and

• Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

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

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

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

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

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

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

Impact on adoption of AASB 16

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 11: AASB 16 LEASES (CONT'D)

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

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

The net impact on retained earnings on 1 July 2019 was $nil.

Practical expedients applied

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

• For existing contracts as at 1 July 2019, the Group has elected to apply the definition of lease contained in AASB 117 and Interpretation 4 and has not applied AASB 16 to contracts that were previously not identified as leases under AASB 117 and Interpretation 4;

• Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

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

	2019 $
Operating lease commitments disclosed as at 30 June 2019	180,373
Discounted using the lessee's incremental borrowing rate at the date of initial application	167,774
Less: Short term leases recognised on a straight-line basis as an expense	-
Less: Low value leases recognised on a straight-line basis as an expense	-
Less: Contracts reassessed as service agreements	-
Add: Adjustment as a result of a different treatment of extension and termination options	-
Lease liabilities as at 1 July 2019	167,774

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 12: RIGHT-OF-USE ASSETS

Carrying value

	Premises
	$
Cost	167,774
Accumulated depreciation	(27,962)
Carrying value as at 31 December 2019	139,812

NOTE 13: LEASE LIABILITIES

	Premises
	$
Current liabilities	53,808
Non-current liabilities	88,439
Total	142,247

AASB 16 has been adopted during the period, refer note 11 for details.

The Group leases only premises. The remaining term of the lease is 30 months.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 13: LEASE LIABILITIES (CONT'D)

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	2-3 years	Total
31 December 2019	$	$	$	$
Lease payments	59,225	61,002	30,952	151,179
Interest	5,417	2,736	779	8,932
Net present values	53,808	58,266	30,173	142,247

Total cash outflow relating to leases for the period ended 31 December 2019 was $29,175.

NOTE 14: EARNINGS PER SHARE

		Consolidated	
		Six months to 31 December 2019	Six months to 31 December 2018
	Basic and diluted (loss)/earnings per share (cents)	(0.26)	0.23
(a)	(Loss)/profit used in the calculation of basic and diluted (loss)/earnings per share	(1,121,596)	934,650
		2019 Number	2018 Number
(b)	Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	426,884,743	402,497,568
	Weighted average number of ordinary shares for the purpose of diluted earnings/ (loss) per share	426,884,743	402,977,479

DIRECTORS' DECLARATION

In the opinion of the directors of Resonance Health Limited ("the company"):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

M. P. Blake

Dr Martin Blake

Chairman

Dated this 21st day of February 2020

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 2019, the condensed consolidated statement 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 notes, and the directors' declaration, for the consolidated entity 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 is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 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*.

Directors' responsibility for the half-year 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, 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* including: giving a true and fair view of the Group's financial position as at 31 December 2019 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*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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

M R Ohm
Partner

Perth, Western Australia
21 February 2020