



APPENDIX 4D

HALF-YEAR FINANCIAL REPORT

FOR THE PERIOD ENDED 30 JUNE 2017

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RHS Limited

ACN 010 126 708

Appendix 4D Information

Reporting Period

Half-year ended 30 June 2017

Comparative Period

Half year ended 30 June 2016

Results for announcement to the market

		<i>Percentage change</i>		<i>Amount</i>
		<i>%</i>		<i>\$</i>
Revenue from ordinary activities	up	375	to	98,600
Loss from ordinary activities after tax attributable to members of RHS Limited	down	10.6	to	(809,254)
Net loss attributable to members of RHS Limited	down	10.6	to	(809,254)

Dividend information

No dividend payable for the half year ended 30 June 2017 or the comparative period.

Net Tangible Assets per Security

	<i>30 Jun 17</i>	<i>30 Jun 16</i>
Net tangible assets per security	\$0.02	\$0.01

Other information

This report is based on the consolidated financial statements which have been reviewed by Ernst and Young.

Corporate information

ABN 84 010 126 708

Directors

Dr David Brookes (Non-Executive Chairman)

Dr Michelle Fraser (Managing Director)

Mr Johnathon Matthews

Dr Colin Matthews (Alternate for Mr Johnathon Matthews)

Ms Sue MacLeman

Company Secretary

Mr Raymond Ridge

Registered office

TechInSA Incubator

40 - 46 West Thebarton Road

THEBARTON SA 5031

Principal place of business

TechInSA Incubator

40 - 46 West Thebarton Road

THEBARTON SA 5031

Share Register

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000

Phone: 1300 554 474

RHS Limited's shares are listed on the Australian Securities Exchange (ASX) under the stock code 'RHS'.

Auditors

Ernst & Young Global Limited

121 King William Street

Adelaide SA 5000

Phone: (08) 8417 1600

Directors' report

Your directors submit their report for the half-year ended 30 June 2017.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Dr David Brookes (Chairman)

Dr Michelle Fraser (Managing Director)

Mr Johnathon Matthews

Ms Sue MacLeman

Review and results of operations

The Group has continued to progress the development and marketing of its products. A summary of key developments, during the period 1 January 2017 through to the date of this Directors Report, is as follows:

- RHS has demonstrated QOQ growth in revenue from both product sales and services. This is a trend that is expected to continue following early broad market response to DOPlify™ as a single cell WGA product of excellence, and growth of RHS' PGS services. Additionally, discussions with significant commercial entities in a range of applications are progressing.
- In June, RHS completed a placement to sophisticated investors raising \$1.5m before capital raising costs. These funds are being used to accelerate the commercial pathway for the Company's products, particularly DOPlify™, and include increasing the Company's in-house commercial and scientific resources required to support the broader applications and growing demand.
- At the AGM, the Company changed its name from Reproductive Health Science Limited to RHS Limited. All of the above product and technical developments provided RHS with the opportunity to reposition and rebrand the Company as a single cell molecular tools company. The Company's deep expertise in amplifying and assessing limited DNA, including single cell genomes, has positioned RHS as a global leader.
- RHS received confirmation that DOPlify™ is world leading based on results from the University of Ghent's comparison of single cell WGA kits. The University of Ghent presented the results at the Cambridge Healthtech Institute's Fifth International Molecular Diagnostics conference in Lisbon 10-13 April and the data was published in Nature Scientific Reports in June. The results, together with ease of use, robustness and flexibility provide DOPlify™ with a clear competitive advantage that has relevance in a range of single cell applications, including preimplantation genetic screening and circulating tumour cell analysis. (Refer ASX Announcement 13 April 2017 and RHS Website http://www.rhsc.com.au/uploads/general/Deleye_2017_performance_of_four_modern_whole_genome_amplification_methods.pdf).

- The Company's presence was extended outside of the reproductive genomics market, as an exhibitor at the American Association for Cancer Research Annual Meeting in Washington DC April 1-5 2017. The overwhelming positive response has encouraged RHS to demonstrate proof of principle with key collaborators for the rapidly emerging liquid biopsy market, which is the testing of circulating tumour cells and cell free tumour DNA, a market estimated to reach USD\$13.4bn by 2020.
- RHS entered into a co-development project with Repromed (part of the Monash IVF Group) on non-invasive PGS was announced at the RHS AGM on the 26th May 2017. This non-invasive approach to embryo screening has the potential to improve IVF outcomes by making PGS more accessible for patients. A media release between Repromed and RHS can be found at the RHS website by the following link: <http://www.rhsc.com.au/news>.
- RHS introduced a new product PG-Seq™ at the European Society for Human Reproduction and Embryology (ESHRE) meeting in Geneva, early July 2017. PG-Seq™ is a complete PGS solution using Next Generation Sequencing (NGS) that includes RHS' DOPlify™ whole genome amplification (WGA), NGS library preparation reagents and software for data analysis. PG-Seq™ enables high-throughput PGS analysis of twice as many samples as the Illumina PGS product VeriSeq (48 compared to 24) and can be combined with RHS' Target Sequence Enrichment for PGS and single gene disorder detection (PGD).
- RHS published a 5 hour protocol for its first product, EmbryoCollect®. This is the shortest array protocol on the market and is significantly shorter than what is achievable using NGS. EmbryoCollect® is a solution to comfortably support fresh embryo transfer with results available the day of biopsy.
- A co-authored abstract has been accepted for poster presentation at the American Society for Histocompatibility and Immunogenetics (11-15 September, San Francisco) with European company GenDx (<http://www.gendx.com/>) on the use of DOPlify™ with target sequence enrichment for HLA typing from 5 cells. This protocol currently requires a blood sample containing 50-200 ng of purified DNA or more than 8,000 cells of DNA.

During the period ended 30 June 2017, the Group incurred a loss of \$809,254 (30 June 2016: \$905,504).

Auditor independence declaration

We have obtained an independence declaration from the Company's auditors, Ernst & Young, as presented on the following page.

Signed in accordance with a resolution of the directors.



Dr David Brookes
Chairman
Adelaide, 15 August 2017

Auditor independence declaration

We have obtained the following independence declaration from the Company's auditors, Ernst & Young.



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Auditor's Independence Declaration to the Directors of RHS Limited

As lead auditor for the review of RHS Limited for the half-year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of RHS Limited and the entities it controlled during the financial period.


Ernst & Young


Nigel Stevenson
Partner
Adelaide
15 August 2017

Interim consolidated statement of comprehensive income

For the half-year ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Sales Revenue		98,600	20,760
Cost of Goods Sold		(17,024)	(9,162)
Gross Profit		81,576	11,598
Research and development tax incentive		234,662	278,104
Other income		27,360	43,303
Total Income		343,598	333,005
Expenses			
Salaries and benefits		(560,342)	(496,323)
Consultants and professional fees		(47,433)	(93,717)
Research and development		(90,907)	(54,210)
Rent and property expenses		(65,439)	(66,891)
Depreciation and amortisation		(34,145)	(35,642)
Travel costs		(62,711)	(75,301)
Other expenses	5	(246,490)	(98,152)
Finance costs		(6,964)	(5,215)
Doubtful debts		-	(10,464)
Share based payments	9	(38,421)	(302,594)
Loss before income tax expense		(809,254)	(905,504)
Income tax benefit/(expense)		-	-
Loss from continuing operations		(809,254)	(905,504)
Loss attributable to members of the parent entity		(809,254)	(905,504)
Other comprehensive income		-	-
Total comprehensive loss for the period		(809,254)	(905,504)
Loss per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share	4	(0.010)	(0.015)
Diluted earnings per share	4	(0.010)	(0.015)

Interim consolidated statement of financial position

As at 30 June 2017

	Note	30 June 2017 \$	31 December 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		1,989,556	1,358,449
Trade and other receivables		32,065	24,763
Inventories		10,121	15,522
Other current assets		60,918	2,000
TOTAL CURRENT ASSETS		2,092,660	1,400,734
NON-CURRENT ASSETS			
Property, plant and equipment		291,428	310,260
Intangible assets	6	56,486	60,328
Other non-current assets		10,400	10,400
TOTAL NON-CURRENT ASSETS		358,314	380,988
TOTAL ASSETS		2,450,974	1,781,722
CURRENT LIABILITIES			
Trade and other payables		199,012	171,755
Deferred Revenue		18,200	18,200
Interest-bearing loans and borrowings	7	67,599	47,632
Provisions		190,130	175,649
TOTAL CURRENT LIABILITIES		474,941	413,236
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	7	90,620	115,753
Provisions		32,759	21,578
TOTAL NON-CURRENT LIABILITIES		123,379	137,331
TOTAL LIABILITIES		598,320	550,567
NET ASSETS		1,852,654	1,231,155
EQUITY			
Contributed equity		15,019,333	13,627,001
Share based payments reserve	9	1,127,700	1,089,279
Accumulated losses		(14,294,379)	(13,485,125)
TOTAL EQUITY		1,852,654	1,231,155

Interim consolidated statement of changes in equity

For the half-year ended 30 June 2017

	Note	Issued capital ordinary \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2017		13,627,001	1,089,279	(13,485,125)	1,231,155
<i>Comprehensive income</i>					
Loss for the period		-	-	(809,254)	(809,254)
Other comprehensive income/(expense)		-	-	-	-
Total comprehensive income/(loss) for the period		-	-	(809,254)	(809,254)
<i>Transactions with owners, in their capacity as owners and other transfers</i>					
Issue of share capital		1,500,000	-	-	1,500,000
Costs associated with the issue of shares		(107,668)	-	-	(107,668)
Share based payments	9	-	38,421	-	38,421
Total transactions with owners and other transfers		1,392,332	38,421	-	1,430,753
Balance at 30 June 2017		15,019,333	1,127,700	(14,294,379)	1,852,654

Interim consolidated statement of changes in equity (Continued)

For the half-year ended 30 June 2017

	Note	Issued capital ordinary \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2016		12,239,599	786,685	(11,675,900)	1,350,384
<i>Comprehensive income</i>					
Loss for the period		-	-	(905,504)	(905,504)
Other comprehensive income/(expense)		-	-	-	-
Total comprehensive income/(loss) for the period		-	-	(905,504)	(905,504)
<i>Transactions with owners, in their capacity as owners and other transfers</i>					
Share based payments	9	-	302,594	-	302,594
Total transactions with owners and other transfers		-	302,594	-	302,594
Balance at 30 June 2016		12,239,599	1,089,279	(12,581,404)	747,474

Interim consolidated statement of cash flows

For the half-year ended 30 June 2017

	Note	Half year ended 30 June 2017 \$	Half year ended 30 June 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		92,276	24,005
Payments to suppliers and employees		(1,092,198)	(919,893)
Interest paid		(6,964)	(5,215)
Interest received		3,022	13,061
R&D Tax benefit received		234,662	-
EMDG grant received		23,269	63,927
Other income		1,345	8,000
NET CASH USED IN OPERATING ACTIVITIES		(744,588)	(816,115)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-	(24,646)
Proceeds from sale of assets		-	544
Purchase of Property, Plant & Equipment		(11,471)	(277)
NET CASH USED IN INVESTING ACTIVITIES		(11,471)	(24,379)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,500,000	-
Payment of transaction costs for issue of shares		(107,668)	-
Proceeds from borrowings		29,553	-
Finance lease repayments		(34,719)	(17,274)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		1,387,166	(17,274)
Net (decrease) in cash and cash equivalents		631,107	(857,768)
Cash at the beginning of the period		1,358,449	1,455,483
CASH AT THE END OF THE PERIOD		1,989,556	597,715

Notes to the consolidated financial statements

For the half-year ended 30 June 2017

1. Corporate information

The interim condensed consolidated financial statements of RHS Limited and its subsidiaries (collectively, the Group) for the half-year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 15 August 2017.

RHS Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activities are the development and marketing of its biotechnology technologies.

2. Basis of preparation and changes to the Group's accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statement are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

The interim condensed consolidated financial statements for the half-year ended 30 June 2017 have been prepared in accordance with AASB 134 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

3. Segment reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group only operates in one business segment being the development and marketing of biotechnology technologies.

4. Earnings per share

The weighted average number of ordinary shares in the period ending 30 June 2017 is 80,449,292 (59,005,165 in the period ending 30 June 2016).

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taking into account for the periods ended 30 June 2016 and 30 June 2017.

Notes to the consolidated financial statements

For the half-year ended 30 June 2017 (Continued)

5. Other expenses

	30 June 2017	30 June 2016
	\$	\$
Share registry expenses	6,442	4,287
ASX fees	678	4,558
IT expenses	15,771	10,172
Repairs and maintenance	18,020	1,771
Insurance expenses	15,849	15,203
Shareholder General Meeting expenses	6,518	5,300
Subscriptions and memberships	526	186
Telephone	2,378	2,641
Foreign exchange loss / (gain)	1,139	90
Patent & Trademark annual license fees	20,287	25,665
Advertising & Marketing	141,608	-
Client Training	-	4,312
Other expenses	17,274	23,967
	246,490	98,152

6. Intangible assets

	30 June 17 (6 months)	31 Dec 16 (12 months)
	\$	\$
Balance at the beginning of the period	60,328	66,519
Additional patent costs	-	1,635
Amortisation expense	(3,842)	(7,826)
	56,486	60,328

Costs incurred in obtaining patent protection are capitalised and amortised on a straight line basis over the life of the patent granted.

7. Interest-bearing loans and borrowings

	30 June 17	31 Dec 16
	\$	\$
Current		
Obligations under finance lease	49,378	47,632
Insurance Funding	18,221	-
Total Current	67,599	47,632

Notes to the consolidated financial statements

For the half-year ended 30 June 2017 (Continued)

	30 June 17	31 Dec 16
	\$	\$
Non-current		
Obligations under finance lease	90,620	115,753
Total Non-current	90,620	115,753

In May 2017, the Group entered a finance agreement for insurance premiums of \$29,553. The funding provides for fixed monthly payments over a one year period, with an effective interest rate of 13.95%.

The finance lease commenced April 2016, and provides for fixed monthly payments over a three year period, and a 7.22% interest rate. Future minimum lease payments are as follows:

Within one year	57,872	57,873
After one year but less than five years	96,454	125,390
-More than five years	-	-
Total minimum lease payments	154,326	183,263
Less amounts representing finance charges	(14,328)	(19,878)
Present value of minimum lease payments	139,998	163,385

The finance lease is secured over the relevant item of plant that the Group owns. Fair value approximates carrying value as there has not been a significant change in market rates.

8. Contributed equity

	30 June 17	31 Dec 16
	\$	\$
Fully paid ordinary shares	15,019,333	13,627,001
	15,019,333	13,627,001

	Number	Number
Ordinary shares		
Balance at beginning of the period	79,206,198	59,005,165
Ordinary shares issued in the period	10,714,285	20,201,033
Balance at end of the period	89,920,483	79,206,198

Notes to the consolidated financial statements

For the half-year ended 30 June 2017 (Continued)

9. Share based payments reserve

	30 June 17	31 Dec 16
	\$	\$
Share based payments reserve	1,127,700	1,089,279
	<u>1,127,700</u>	<u>1,089,279</u>

<i>Share based payments reserve</i>		
Opening balance 1 January	1,089,279	786,685
Fair value of share options issued	38,421	307,094
Fair value of options forfeited	-	(4,500)
	<u>1,127,700</u>	<u>1,089,279</u>

Fair value of share options issued in the prior year to 31 December 2016

Issued in the half-year ended 30 June 2016	302,594
Issued in the half-year ended 31 December 2016	1,730
	<u>304,324</u>

The share option reserve comprises the fair value of options issued to directors of the Company and other parties.

1,000,000 unlisted options were issued to the employees of the Company on 6 January 2017. These options are exercisable at a price of \$0.208, at any time prior to 31 May 2020. The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	68%
Estimated life	3.4 years
Risk free rate	1.94%
Number of steps	150

The total value pertaining to these options using the above assumptions amounted to \$29,212. None of the options contained vesting conditions and hence have been expensed in the Company's statement of comprehensive income for the half year ended 30 June 2017.

A further 200,000 unlisted options were issued to two business development consultants. These options are exercisable at a price of \$0.20, at any time prior to 31 May 2019. The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	68%
Estimated life	2.2 years
Risk free rate	1.77%
Number of steps	1,000

Notes to the consolidated financial statements

For the half-year ended 30 June 2017 (Continued)

The total value pertaining to these options using the above assumptions amounted to \$2,884. None of the options contained vesting conditions and hence have been expensed in the Company's statement of comprehensive income for the half year ended 30 June 2017.

A further 100,000 unlisted options were issued to a consultant on 9 July 2017. These options are exercisable at a price of \$0.20, at any time prior to 31 May 2019. The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	75%
Estimated life	3 years
Risk free rate	1.73%
Number of steps	1,000

The total value pertaining to these options using the above assumptions amounted to \$6,325. None of the options contained vesting conditions and hence have been expensed in the Company's statement of comprehensive income for the half year ended 30 June 2017.

10. Events after the reporting period

There has not arisen any matters or circumstances, since the half year period ending 30 June 2017, which significantly affected or could materially impact the operations of the Group, the results of those operations, or the state of the Group in future years.

11. Going concern basis of accounting

In preparing this report, the Directors have made an assessment of the ability of the Group to continue as a going concern. As described in the Directors' report, the Company continues to progress into a growth phase of operations and is conservatively forecast to operate at an operating loss and cash flow deficit for the immediate forecast period. In considering their position, the Directors have had regard to the current cash reserves and forecasts of cash expenditure and income; the possibilities of major projects and supply agreements; together with the likelihood of being able to raise funds as needed. The Directors have concluded there are reasonable grounds to believe the Company is a going concern and will be able to continue to pay its debts as and when they become due and payable.

Should the Group not achieve its forecast trading result or not raise funds of a level or timing as required, there is material uncertainty as to whether the group will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

Directors' declaration

In accordance with a resolution of the directors of RHS Limited, I state that:

In the opinion of the directors:

- a) The financial statements and notes of RHS Limited for the half-year ended 30 June 2017 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 Interim Financial Reporting, and the *Corporations Regulations 2001*
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

A handwritten signature in black ink, appearing to read 'David Brookes', is written over a light blue rectangular background.

Dr David Brookes
Chairman

15 August 2017

Independent Auditor's Review Report to the Members of RHS Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of RHS Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 30 June 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial 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*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modification to our conclusion, we draw attention to Note 11 in the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. The conditions set forth in Note 11, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 is free from material misstatement, whether due to fraud or error.

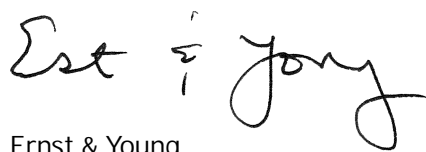
Auditor's Responsibility

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, anything has come to our attention that causes us to 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 consolidated financial position as at 30 June 2017 and its consolidated financial 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 Group, 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.

Independence

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



Ernst & Young



Nigel Stevenson
Partner
Adelaide
15 August 2017