

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 2023
Previous period: For the half-year ended 31 December 2022

2. Results for announcement to the market

\$

Revenues from ordinary activities	up	55% to	3,265,560
Loss from ordinary activities after tax attributable to the owners of Resonance Health Limited	up	121% to	(557,552)
Loss for the half-year attributable to the owners of Resonance Health Limited	up	121% to	(557,552)

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 \$557,552 (31 December 2022: \$251,793). The FY23 half year result included an income tax benefit of \$428,707 relating to the Group's R&D tax incentive claim. At the time of this report, the Group has not yet calculated its current claim which will be finalised and lodged in the six months to 30 June 2024.

3. Net tangible assets

	31 December 2023 Cents	30 June 2023 Cents
Net tangible assets per ordinary security	1.54	1.57

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 2023 is attached.

9. Signed

Signed M. P. Blake

Date: 28 February 2024

Dr Martin Blake
Chairperson
Perth, Western Australia

For personal use only

Resonance Health Limited

ABN 96 006 762 492

Half-Year Financial Report - 31 December 2023

Resonance Health Limited
Corporate directory
31 December 2023

Directors	Dr Martin Blake - Non-executive Chairman Mr Aaron Brinkworth - Non-executive Director Mr Mitchell Wells - Non-executive Director Mr Simon Panton - Non-executive Director Dr Travis Baroni - Non-executive Director
Company secretaries	Mr Mitchell Wells
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 2023

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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 2023.

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 Aaron Brinkworth
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 \$557,552 (31 December 2022: \$251,793).

The FY23 half year result included an income tax benefit of \$428,707 relating to the Group's R&D tax incentive claim. At the time of this report, the Group has not yet calculated its current claim which will be finalised and lodged in the six months to 30 June 2024.

Sales revenue increased by 55% to \$3,265,560 (31 December 2022: \$2,100,130), and Revenue and Other Income increased by 57% to \$3,389,403 (31 December 2022: \$2,163,294). The higher revenues were driven by the commencement of the clinical trial agreement with Sun Pharmaceutical Industries Limited which contributed approximately \$1.1 million in revenue in the period. In addition, the Group experienced increased sales volumes across its Ferriscan, Ferrismart and HepaFatSmart products in particular.

Research and development expenditure totalled \$728,130 for the half-year (31 December 2022: \$652,292). This comprised capitalised development costs of \$62,573 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 \$134,081 amortisation expense and \$531,476 research and development expense.

Intangible assets, representing capitalised research and development expenditure, totalled \$2,641,841 at the end of the half-year (30 June 2023: \$2,713,349).

The Group has no debt and \$5,898,021 cash and cash equivalents at the end of the half-year (30 June 2023: \$6,361,622).

Significant changes in the state of affairs

The Controlled Placement Agreement (CPA) with Acuity Capital expired during the period, with share buy-back of 20,000,000 shares completing on 17 January 2024.

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


Resonance Health Limited
Directors' report
31 December 2022

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 2024
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 2023, 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 2024



N G Neill
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 consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

		Consolidated	
	Note	31 Dec 2023	31 Dec 2022
		\$	\$
Revenue	4	3,265,560	2,100,130
Other income	5	123,843	63,164
Expenses			
Depreciation expense	6,7	(108,612)	(66,130)
Amortisation expense	8	(134,081)	(165,334)
Share-based payments		(459,770)	23,894
Marketing & travel		(354,750)	(415,803)
Consulting and professional services		(376,034)	(79,054)
Employee benefits expense		(1,590,342)	(1,560,578)
Research and development		(531,476)	(397,566)
Statutory and compliance		(85,263)	(90,435)
Foreign exchange gain/(loss)		31,079	137,813
Other expenses		(337,706)	(230,601)
Loss before income tax benefit		(557,552)	(680,500)
Income tax benefit		-	428,707
Loss after income tax benefit for the half-year attributable to the owners of Resonance Health Limited		(557,552)	(251,793)
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		(557,552)	(251,793)
		Cents	Cents
Basic loss per share		(0.12)	(0.05)
Diluted loss per share		(0.12)	(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 consolidated statement of financial position
As at 31 December 2023

	Note	Consolidated 31 Dec 2023 \$	30 Jun 2023 \$
Assets			
Current assets			
Cash and cash equivalents		5,898,021	6,361,622
Trade and other receivables		1,263,489	1,143,870
Other assets		180,218	51,909
Total current assets		7,341,728	7,557,401
Non-current assets			
Property, plant and equipment	6	543,766	385,106
Right-of-use assets	7	290,903	244,494
Intangibles	8	2,641,841	2,713,349
Other assets		102,707	82,886
Total non-current assets		3,579,217	3,425,835
Total assets		10,920,945	10,983,236
Liabilities			
Current liabilities			
Trade and other payables		687,609	732,378
Lease liabilities	9	127,205	100,394
Provisions		64,027	31,414
Other liabilities		10,883	11,188
Total current liabilities		889,724	875,374
Non-current liabilities			
Lease liabilities	9	193,692	172,551
Total non-current liabilities		193,692	172,551
Total liabilities		1,083,416	1,047,925
Net assets		9,837,529	9,935,311
Equity			
Issued capital	10	74,166,888	73,882,788
Reserves		2,269,895	2,094,225
Accumulated losses		(66,599,254)	(66,041,702)
Total equity		9,837,529	9,935,311

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

Resonance Health Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2023

	Issued capital \$	Foreign currency translation reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
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

	Issued capital \$	Foreign currency translation reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2023	73,882,788	(270,580)	2,364,805	(66,041,702)	9,935,311
Loss after income tax benefit for the half-year	-	-	-	(557,552)	(557,552)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(557,552)	(557,552)
<i>Transactions with owners in their capacity as owners:</i>					
Vesting of Tranche A Performance Rights (note 16)	284,100	-	(284,100)	-	-
Share-based payments (note 16)	-	-	459,770	-	459,770
Balance at 31 December 2023	74,166,888	(270,580)	2,540,475	(66,599,254)	9,837,529

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

Resonance Health Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 \$	31 Dec 2022 \$
Cash flows from operating activities			
Receipts from customers		3,186,134	2,126,221
Payments to suppliers and employees		(3,465,938)	(2,629,755)
		(279,804)	(503,534)
Interest received		76,419	4,842
Grants received		59,860	50,000
Research and development tax incentive		-	409,745
Net cash used in operating activities		(143,525)	(38,947)
Cash flows from investing activities			
Payments for property, plant and equipment	6	(210,278)	(226,335)
Payments for intangibles	8	(62,573)	(89,392)
Net cash used in investing activities		(272,851)	(315,727)
Cash flows from financing activities			
Repayment of lease liabilities		(58,480)	(36,347)
Payments for cash-backed guarantees		(19,824)	-
Net cash used in financing activities		(78,304)	(36,347)
Net decrease in cash and cash equivalents		(494,680)	(391,021)
Cash and cash equivalents at the beginning of the financial half-year		6,361,621	6,783,166
Effects of exchange rate changes on cash and cash equivalents		31,080	137,806
Cash and cash equivalents at the end of the financial half-year		5,898,021	6,529,951

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 2024.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023 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. These had no material impact on the group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. These are not likely to have material effect on the group.

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 2023.

	Services \$	Research and development \$	Corporate \$	Other segments \$	Total \$
Consolidated - 31 Dec 2023					
Revenue					
Sales to external customers	3,265,560	-	-	-	3,265,560
Total revenue	3,265,560	-	-	-	3,265,560
Total revenue	3,265,560	-	-	-	3,265,560
Other income	-	-	123,843	-	123,843
Other expenses	(717,682)	(481,909)	(2,747,364)	-	(3,946,955)
(Loss)/profit before income tax benefit	2,547,878	(481,909)	(2,623,521)	-	(557,552)
Income tax benefit	-	-	-	-	-
Loss after income tax benefit	2,547,878	(481,909)	(2,623,521)	-	(557,552)
Assets					
Segment assets	1,263,489	2,641,841	7,015,615	-	10,920,945
Total assets	1,263,489	2,641,841	7,015,615	-	10,920,945
Liabilities					
Segment liabilities	-	-	1,083,416	-	1,083,416
Total liabilities	-	-	1,083,416	-	1,083,416
	Services \$	Research and development \$	Corporate \$	Other segments \$	Total \$
Consolidated - 31 Dec 2022					
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	-	-	428,707
Loss after income tax benefit	1,636,607	(134,488)	(1,753,912)	-	(251,793)
Consolidated – 30 Jun 2023					
Assets					
Segment assets	1,104,333	2,713,349	7,165,554	-	10,983,236
Total assets	1,104,333	2,713,349	7,165,554	-	10,983,236
Liabilities					
Segment liabilities	-	-	1,047,925	-	1,047,925
Total liabilities	-	-	1,047,925	-	1,047,925

The Group derived 32% of its external customer sales revenue from one major customer and 10% of its external customer sales revenue from a second 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 2023	31 Dec 2022
	\$	\$
Asia/Pacific	1,180,892	159,782
North America	1,285,710	1,405,439
EMEA	798,958	534,909
Total sales to external customers	3,265,560	2,100,130

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 2023	31 Dec 2022
	\$	\$
<i>Revenue from contracts with customers</i>		
Commercial revenue	1,362,498	1,219,898
Clinical trials	1,787,442	697,120
Other studies	115,620	183,112
Revenue	3,265,560	2,100,130

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

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Segment revenue	3,265,560	2,100,130
Adjustments and eliminations	-	-
Total revenue from contracts with customers	3,265,560	2,100,130

Note 5. Other income

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Subsidies and grants	59,860	50,000
Interest revenue	63,983	13,164
Other income	123,843	63,164

Note 6. Property, plant and equipment

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	755,524	545,246
Less: Accumulated depreciation	(211,758)	(160,140)
	543,766	385,106

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 2022	137,686
Additions	288,225
Depreciation expense	(40,805)
Balance at 30 Jun 2023	385,106
Additions	210,278
Depreciation expense	(51,618)
Balance at 31 December 2023	543,766

Note 7. Right-of-use assets

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	510,283	406,880
Less: Accumulated depreciation	(219,380)	(162,386)
	290,903	244,494

The Group has three 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 2022	253,480
Additions	86,692
Depreciation expense	(47,129)
Balance at 31 December 2022	293,043
Balance at 1 July 2023	244,494
Additions	103,403
Depreciation expense	(56,994)
Balance at 31 December 2023	290,903

Note 8. Intangibles

	Consolidated 31 Dec 2023 \$	30 Jun 2023 \$
<i>Non-current assets</i>		
Research & development - at cost	4,402,804	4,340,231
Less: Accumulated amortisation	(1,760,963)	(1,626,882)
	2,641,841	2,713,349

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 2022	2,865,005
Additions	89,392
Amortisation expense	(165,334)
Balance at 31 December 2022	2,789,063
Balance at 1 July 2023	2,713,349
Additions	62,573
Amortisation expense	(134,081)
Balance at 31 December 2023	2,641,841

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

Note 8. Intangibles (continued)

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.

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 2023. A full impairment assessment including intangible assets not yet available for use will be conducted at 30 June 2024 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 2023 is 20 months. The incremental borrowing rate applied to this lease is 3.60%.

The remaining term of the Office lease at Bentley as at 31 December 2023 is 44 months. The incremental borrowing rate applied to this lease is 8.32%.

The remaining term of the Lab lease at Office Bentley as at 31 December 2023 is 44 months. The incremental borrowing rate applied to this lease is 10.51%.

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current liabilities</i>		
Lease liability	127,205	100,394
<i>Non-current liabilities</i>		
Lease liability	193,692	172,551
	320,897	272,945

Refer to note 12 for further information on financial instruments.

Note 9. Lease liabilities (continued)

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	145,463	115,726	96,946	358,135
Interest	(18,258)	(12,080)	(6,900)	(37,238)
Net present values	(127,205)	(103,646)	(90,046)	(320,897)

Note 10. Issued capital

	Consolidated			
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	466,892,928	461,149,601	74,166,888	73,882,788

On 20 October 2023, 5,743,327 Tranche A Performance Rights vested and were converted into shares. As a result the fair value at date of issue was transferred from reserves to issued capital totalling \$284,100.

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 had an available capacity of \$5m under the CPA. On 31 July 2023 the CPA expired and was not renewed. The share buy-back was completed on 17 January 2024 with the buyback of 20,000,000 shares.

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.

During the period the likelihood of any outflow to the group from this transaction has been re-assessed as being sufficiently remote to no longer consider this as being a contingent liability.

Note 14. Related party transactions

Parent entity

Resonance Health Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 31 Dec 2023	31 Dec 2022
	\$	\$
Sale of goods and services:		
Services provided to Perth Radiological Clinic *	1,357	1,348
Payment for goods and services:		
Services provided by Perth Radiological Clinic *	545	60

* Dr Martin Blake is a shareholder and consulting Radiologist of Perth Radiological Clinics. Dr Martin Blake was also a director of Perth Radiological Clinics up to 31 December 2022.

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 2023	30 Jun 2023
	\$	\$
Current receivables:		
Trade receivables from Perth Radiological Clinic	307	593

Loans to/from related parties

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

Note 14. Related party transactions (continued)

Terms and conditions

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

Note 15. Events after the reporting period

The Controlled Placement Agreement (CPA) with Acuity Capital expired during the period, with share buy-back of 20,000,000 shares completing on 17 January 2024.

Other than the above, no matter or circumstance has arisen since 31 December 2023 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.

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

	Number of options 31 Dec 2023	Weighted average exercise price 31 Dec 2023	Number of options 31 Dec 2022	Weighted average exercise price 31 Dec 2022
Outstanding at the beginning of the financial period	-	-	12,200,000	\$0.175
Forfeited	-	-	-	-
Expired	-	-	(12,200,000)	\$0.175
Cancelled	-	-	-	-
Outstanding at the end of the financial period	-	-	-	-
Exercisable at the end of the financial period	-	-	-	-

Set out below are summaries of performance rights under the plan:

	Number of performance rights 31 Dec 2023	Number of performance rights 31 Dec 2022
Outstanding at the beginning of the financial period	-	-
Issued	21,938,709	-
Converted	(5,743,327)	-
Expired	-	-
Outstanding at the end of the financial period	16,195,382	-
Vested at the end of the financial period	-	-

Note 16. Share-based payments (continued)

Director Performance Rights

1,830,000 Performance rights were approved for issue by shareholders to Mitchell Wells at the Company AGM on 24 November 2022, with the following vesting conditions:

Tranche	Number granted	Vesting Date
A	610,000	1 October 2023
B	610,000	1 October 2024
C	610,000	1 October 2025
	<u>1,830,000</u>	

The performance rights were issued for nil cash consideration and convertible into fully paid ordinary shares in the capital of the Company, upon vesting.

These performance rights were valued, using a valuation methodology based on the guidelines set out in AASB 2 *Share-based Payment*.

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Assumptions:	Tranche A	Tranche B	Tranche C
Number of performance rights	610,000	610,000	610,000
Valuation date	24 November 2022	24 November 2022	24 November 2022
Share price on valuation date	\$0.064	\$0.064	\$0.064
Indicative value per performance right	\$0.064	\$0.064	\$0.064
- Mr Mitchell Wells	\$39,040	\$39,040	\$39,040

The value of the performance rights are being expensed over the deemed life of the Rights, from shareholder approval. During the period, \$28,965 was recognised as an expense in relation to the rights. Tranche A of these performance rights vested during the period, and \$39,040 was recognised in issued capital in relation to these rights.

Employee and Consultant Performance Rights

20,108,709 Performance rights issued to employee and consultants on 11 October 2023, with the following vesting conditions:

Tranche	Number granted	Vesting Date
A	6,702,907	12 months from date of entitlement
B	6,702,901	24 months from date of entitlement
C	6,702,901	36 months from date of entitlement
	<u>20,108,709</u>	

The performance rights were issued for nil cash consideration and convertible into fully paid ordinary shares in the capital of the Company, upon vesting.

These performance rights were valued, using a valuation methodology based on the guidelines set out in AASB 2 *Share-based Payment*.

Note 16. Share-based payments (continued)

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Assumptions:	Tranche A	Tranche B	Tranche C
Number of performance rights	6,702,907	6,702,901	6,702,901
Valuation date	Various	Various	Various
Average Share price on valuation date	\$0.053	\$0.053	\$0.053
Indicative value per performance right	\$0.053	\$0.053	\$0.053
- Employee and Consultant	\$357,603	\$357,603	\$357,603

The value of the performance rights are being expensed over the deemed life of the Rights, from shareholder approval. During the period, \$430,805 was recognised as an expense in relation to the rights. 5,133,336 of the Tranche A performance rights vested during the period, and \$245,060 was recognised in issued capital in relation to these rights.

Reconciliation of share based payments expense:

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Performance rights to staff and consultants	(459,770)	-
Options to staff and consultants	-	(23,894)

Resonance Health Limited
Directors' declaration
31 December 2023

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 2023 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 2024
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 half-year financial report of Resonance Health Limited ("the Company") and its controlled entities ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2023, 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, selected explanatory notes, 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 accompanying 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 2023 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.

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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* including giving a true and fair view of the Group's financial position as at 31 December 2023 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
Chartered Accountants

Perth, Western Australia
28 February 2024



N G Neill
Partner