ResApp Health Limited and its Controlled Entities
ABN 51 094 468 318

Appendix 4E – Preliminary Final Report for the Year Ended 30 June 2021

Reporting Period

The reporting period for ResApp Health Limited is the year ended 30 June 2021 with the previous corresponding year to 30 June 2020.

Results for Announcement to the Market

	Up / Down	Change		2021 $	2020 $
Revenues from ordinary activities	Up	-	-	69,731	-
Loss from ordinary activities after tax attributable to members	Down	20%	to	(6,774,495)	(8,469,158)
Net loss for the period attributable to members	Down	20%	to	(6,774,495)	(8,469,158)

Dividend Information	**Amount per share**	**Franked amount per share**
Dividend – current reporting period	Nil	Nil
Dividend – previous reporting period	Nil	Nil

	2021 Cents	2020 Cents
Net tangible asset backing per ordinary share	0.70	0.72

Commentary on the Results for the Period

Refer to the 'Review of Operations' section in the Directors' report attached for further explanation of the results.

Audit

The financial statements have been audited and an unqualified audit opinion with emphasis of matter has been issued.

Attachment

The Annual Report of ResApp Health Limited for the year ended 30 June 2021 is attached.

Tony Keating
Director

Dated at Brisbane this 27st day of August 2021

ResApp HEALTH

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

ResApp Health Limited

ABN 51 094 468 318

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Corporate Information

This annual report is for ResApp Health Limited and its controlled entities ("the Group"). Unless otherwise stated, all amounts are presented in Australian Dollars.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 7-12. The directors' report is not part of the financial statements.

Directors
Dr Roger Aston *(appointed 2 July 2015)*
Dr Tony Keating *(appointed 2 July 2015)*
Mr Chris Ntoumenopoulos *(appointed 21 January 2015)*
Dr Michael Stein *(appointed 6 April 2020)*
Mr Brian Leedman *(appointed 18 May 2021)*

Company Secretary
Ms Nicki Farley

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Auditors
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111 Eagle Street
Brisbane QLD 4000

Share Registry & Register
Link Market Services Ltd
Level 12, 250 St Georges Tce
Perth WA 6000
Phone: 1300 554 474

Stock Exchange Listing
ResApp Health Limited
ASX Code: RAP

Bankers
National Australia Bank
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Brisbane QLD 4000

Web Site
www.resapphealth.com.au

Directors' Report

The Directors of ResApp Health Limited ("the Company") and its controlled entities ("the Group") submit herewith the annual financial statements of the Group for the financial year ended 30 June 2021. These financial statements cover the period from 1 July 2020 to 30 June 2021. In order to comply with the provision of the *Corporations Act 2001*, the Directors' report is as follows:

The names and particulars of the Directors of the Company as at the date of this report:

Dr Roger Aston

Non-Executive Chairman
(appointed 2 July 2015)
Dr Aston is a scientist and seasoned biotechnology entrepreneur. He has been closely involved in start-up companies and major pharmaceutical companies. Aspects of his experience include US Food and Drug Administration (FDA) and European Union (EU) product registration, clinical trials, global licensing agreements, fundraising through private placements, and a network of contacts within the pharmaceutical, banking and stock broking sectors.

Dr Aston has also held Directorships/Chairmanships with Clinuvel Ltd, HalcyGen Ltd, and Ascent Pharma Ltd, was a member of the AusIndustry Biological Committee advising the Industry Research and Development Board.

More recently, Dr Aston was Executive Chairman of Mayne Pharma Group from 2009 to 2011 and later, CEO of Mayne Pharma Group.

Interest in Shares and Options

Dr Aston holds 8,727,500 ordinary shares indirectly in the Company.
Dr Aston holds 500,000 options in the Company.

Directorships held in other listed entities

During the past three years Dr Aston has served as a Director for the following other listed companies:
(a) Immuron Limited – appointed 25 May 2012;
(b) Regeneus Limited – appointed 21 September 2012; resigned 29 April 2019;
(c) PharmAust Limited – appointed 12 August 2013; and
(d) Oncosil Medical Limited – appointed 28 March 2013.

Dr Tony Keating

Chief Executive Officer and Managing Director
(appointed 2 July 2015)
Dr Keating has over ten years' experience in commercialising technology. Dr Keating created the initial business strategy for ResApp and has led the commercialization of ResApp's technology to date. Previously, Dr Keating was Director, Commercial Engagement at UniQuest Pty Ltd, one of the global leaders in commercialisation of university technology. While at UniQuest, Dr Keating held roles as interim Chief Executive Officer and Non-Executive Director for a number of privately-held, venture-capital funded start-up companies. Prior to joining UniQuest Dr Keating held business development and engineering management roles at Exa Corporation, a US-based software company that was listed on the NASDAQ and later acquired by Dassault Systèmes.

Dr Keating holds a Bachelor of Engineering, a Master of Engineering Science and a Doctor of Philosophy (Mechanical Engineering) from The University of Queensland. Dr Keating also has an Executive Certificate of Management and Leadership from the MIT Sloan School of Management.

Directors' Report

Interest in Shares and Options	Dr Keating holds 10,225,000 shares in the Company. Dr Keating holds 1,475,000 options indirectly in the Company.
Directorships held in other listed entities	During the past three years Dr Keating has not held directorship of any other ASX listed companies.
Mr Chris Ntoumenopoulos	**Non-Executive Director (appointed 21 January 2015)** Mr Ntoumenopoulos is the Managing Director of Twenty 1 Corporate. He has worked in financial markets for the past 15 years, focusing on Capital Raisings, Portfolio Management and Corporate Advisory. Mr Ntoumenopoulos has advised and funded numerous ASX companies from early stage venture capital, through to IPO. He is an executive director of various private companies which span across finance, technology and medical sectors. Mr Ntoumenopoulos has a Bachelor of Commerce degree from the University of WA, majoring in Money and Banking, Investment Finance and Electronic Commerce.
Interest in Shares and Options	Mr Ntoumenopoulos holds 3,609,375 shares indirectly in the Company. Mr Ntoumenopoulos holds 500,000 options in the Company.
Directorships held in other listed entities	During the past three years Mr Ntoumenopoulos has served as a Director for other listed companies the following: (a) Race Oncology Ltd – appointed 27 April 2016; resigned 28 October 2020.
Dr Michael Stein	**Non-Executive Director (appointed 6 April 2020)** Dr Stein is currently acting CEO of immuno-oncology company, Valo Therapeutics. Immediately prior to Valo, Michael was the founding CEO of OxStem Ltd, an award-winning biotechnology spinout from the University of Oxford. Dr Stein previously served as founding CEO for Doctor Care Anywhere, a UK-based telemedicine platform acquired by Synergix in 2015. In 2001, he cofounded the Map of Medicine with University College London and was founding CEO. The Map was a set of clinical algorithms that represented the patient healthcare journey from suspected diagnosis to treatment across all healthcare settings. The Map was nationally licensed across NHS England and was acquired by Hearst Business Media in 2008. Dr Stein graduated as a medical doctor and biochemist from the University of Cape Town and with a doctorate in Physiological Sciences from the University of Oxford, which he attended as a Rhodes Scholar.
Interest in Shares and Options	Dr Stein holds no shares in the Company. Dr Stein holds 500,000 options in the Company.
Directorships held in other listed entities	During the past three years Dr Stein has not held directorship of any other ASX listed companies.
Mr Brian Leedman	**Executive Director, Corporate Affairs (appointed 18 May 2021)** Mr Leedman is a marketing and investor relations professional with over 15 years' experience in the biotechnology industry. Mr Leedman is the founder

Directors' Report

of ResApp Diagnostics Pty Ltd which was acquired by Narhex Life Sciences Ltd to form ResApp Health. Prior to ResApp, Mr Leedman co-founded Oncosil Medical Limited and Biolife Science (QLD) Limited (acquired by Imugene Limited). Mr Leedman previously served for 10 years as Vice President, Investor Relations for pSivida Corp which is listed on the ASX and NASDAQ. He is formerly the WA chairman of AusBiotech, the association of biotechnology companies in Australia.

Mr Leedman holds a Bachelor of Economics and a Master of Business Administration from the University of Western Australia.

Interest in Shares and Options

Mr Leedman holds 35,125 shares directly in the Company.
Mr Leedman holds 5,867,522 shares indirectly in the Company.
Mr Leedman holds no options in the Company.

Directorships held in other listed entities

During the past three years Mr Leedman has served as a Director for the following listed companies:

(a) Neurotech International Limited – appointed 19 October 2020;
(b) NGS Limited – appointed 1 September 2020; and
(c) NeuroScientific Biopharmaceuticals Limited – appointed 26 September 2017; resigned 18 May 2021.

Ms Nicki Farley

Company Secretary
(appointed 7 November 2012)

Ms Farley has over 15 years' experience working within the legal and corporate advisory sector providing advice in relation to capital raisings, corporate and securities laws, mergers and acquisitions and general commercial transactions. Ms Farley also holds a number of company secretarial roles for ASX listed companies. Ms Farley holds a Bachelor of Laws and Arts from the University of Western Australia.

Directors' Meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director).

	Board of Directors	
	Eligible to Attend	**Attended**
Dr Roger Aston	8	8
Dr Tony Keating	8	8
Mr Chris Ntoumenopoulos	8	8
Dr Michael Stein	8	8
Mr Brian Leedman	1	1

Directors' Report

PRINCIPAL ACTIVITIES

During the year, the Company continued the development and commercialisation of the ResApp technology for the purpose of providing health care solutions for respiratory disease.

OPERATING RESULTS AND FINANCIAL POSITION

The Company reported revenue of $69,371 for the year ended 30 June 2021. This is following the launch of three new products during the year – ResAppDx (acute respiratory disease diagnostic tool), ResAppCC (cough counter SDK and smartphone application) and SleepCheck (at-home sleep apnoea screening smartphone application). The net loss for the year ended 30 June 2021 was $6,774,495 compared with a net loss of $8,469,158 for the previous year. The Company had a net assets position as at 30 June 2021 of $7,603,999 (2020: $6,998,902).

The Company retained a cash balance of $6,587,434 as at 30 June 2021 (2020: $5,775,253). During the year, the net cash used in operating activities were $5,664,212 and receipts from customers were $127,199.

REVIEW OF OPERATIONS

Operational Review

ResAppDx

Service agreement to use ResAppDx on Coviu's telehealth platform

In July 2020, ResApp announced it secured a two-year service agreement with Coviu to make ResApp's acute respiratory diagnostic test, ResAppDx available to Coviu's telehealth customers within Australia. Coviu is a spinout of CSIRO's Data61 initiative that offers video consultation software to healthcare businesses and brings the specific workflows and necessary tools for healthcare consults into an online video call. Under the agreement, ResApp receives a licence fee per test in the range of $5 to $10.

ResApp did not witness a material number of tests from the Coviu partnership during the year. Coviu's general practitioner (GP) user base presently uses the free-to-use healthdirect video call platform. The healthdirect video call platform is powered by Coviu and managed by healthdirect Australia, on behalf of the Commonwealth Department of Health. As an initiative under the department's coronavirus pandemic response, healthdirect has offered the healthdirect video call platform for free to Australian GPs.

Due to the speed of the pandemic response, the initial arrangements for the healthdirect video platform did not include third-party add-on offerings. However, ResApp has advanced discussions with Coviu to offer ResAppDx on the healthdirect platform. ResApp is confident that providing access to ResAppDx to healthdirect users will considerably bolster test numbers.

ResAppDx launched on Phenix Health's telehealth application

In July 2020, the Company announced that it progressed the launch of ResAppDx software on Phenix Health's telehealth mobile application. Phenix Health is Australia's leading virtual super clinic focused on delivering mobile solutions to connect healthcare professionals and patients. Under the agreement, ResApp receives a license fee per test in the range of $5 to $10.

As a telehealth-only provider, Phenix is continuing to navigate the challenging regulatory landscape around telehealth reimbursement in Australia. Currently, patients are required to have had an in-person consultation within the last twelve months to qualify for reimbursement. This has meant that patients can access free telehealth through their regular GP while Phenix has not been able to offer bulk-billed consultations. Coupled with social distancing measures leading to reduced respiratory disease rates, Phenix has seen a very low number of acute respiratory consultations that would necessitate the use of ResAppDx during the year. The company will continue to work with Phenix to assist where possible to drive growth in testing.

Directors' Report

Medgate pilots ResAppDx in Europe

In November 2020, the Company announced that it had signed a six-month joint development and pilot agreement with Medgate AG ("Medgate") to integrate and test ResApp's smartphone-based acute respiratory diagnostic test ResAppDx in Medgate's telemedicine services.

Medgate is a leading provider of telehealth services. Since 2000, Medgate has been operating Europe's largest telemedical centre in Switzerland, and employs over 500 employees worldwide, including over 200 physicians.

In early March 2021, Medgate commenced a three-month pilot trial across its telemedicine services in Switzerland. This pilot trial followed a joint development and integration phase which covered technical integration and clinical workflows.

During the integration process, ResApp and Medgate worked collaboratively to conduct comprehensive clinical and technical reviews of ResApp's technology, detailed mapping of the appropriate user journeys for patients with respiratory disease symptoms, usability testing to deliver a seamless integration pathway, the introduction of automated processes to enhance the patient experience and the development of comprehensive training resources for clinical on boarding to maximise clinician confidence.

During the pilot phase, ResApp and Medgate jointly assessed the impact of ResAppDx on Medgate's telehealth service through a number of key performance indicators.

In June 2021, following an interim review, the Company and Medgate decided to extend the pilot by two months. This additional time was used to collect further data and optimize Medgate's integration of ResAppDx within its telemedicine services.

Subsequent to the end of the financial year, in August 2021, Medgate entered into a commercial license agreement with ResApp.

ResAppDx to be integrated into WMA's telehealth application

In November 2020, the Company announced that it had signed a non-exclusive, two-year software licensing agreement with healthcare solutions provider Workplace Medicine Australia Ltd ("WMA"), to integrate ResApp's acute respiratory diagnostic test ResAppDx, in WMA's upcoming fully integrated and holistic workplace health and wellbeing management application, Medetective (www.medetective.com.au).

In February 2021, following consultations with potential partners and medical practices, WMA decided to considerably broaden its proposed business plan to create an expanded ecosystem for patients, clinicians and corporate partners. As such, the launch date for the integration of ResAppDx has been moved to Q2 FY2022.

Ilara Health to sell ResAppDx in Kenya

In May 2021, the Company announced that it had secured an agreement with Ilara Health to promote, market and sell ResAppDx in Kenya. The non-exclusive distribution agreement follows a successful pilot evaluation undertaken by Ilara of ResAppDx at five partner sites across Kenya.

Ilara Health powers existing primary care facilities with next-generation point of care diagnostic tools to bridge the diagnostic gap across sub-Saharan Africa. Ilara are currently partnered with over 250 clinics across the four largest cities in Kenya and will look to expand across the wider country and a new African market within the next 12 months.

ResAppDx in federal government-funded COVID-19 clinic

In September 2020, the Company announced that the use of ResAppDx at a federal government-funded COVID-19 respiratory clinic had been extended for a further 3 three months. ResAppDx was used by doctors at the clinic

Directors' Report

to triage patients who present with respiratory symptoms, helping identify illnesses such as lower respiratory tract infections, pneumonia, asthma exacerbations and chronic obstructive pulmonary disease (COPD) exacerbations. A clinical paper summarising the benefits ResAppDx was able to bring to the clinic has been submitted for publication.

ResAppDx launched on select Android devices

In October 2020, the Company announced that it had launched ResAppDx on select Android devices. This was a major achievement for the Company and significantly broadened the Company's addressable market. According to Google, in 2019 there were an estimated 2.5 billion active Android devices worldwide. Initially, the Company will be focused on deploying the application in Australia and Europe, where there are 11 million and 450 million Android users, respectively.

ResAppDx software updates unlock new opportunities

In December 2020, the Company announced that it had released version 2.3 of its ResAppDx smartphone application on the Apple App Store and Google Play Store. The latest version of the application contained a number of advancements, including App Clip (iOS) and Instant App (Android) capabilities as well as the ability to detect chronic obstructive pulmonary disease (COPD).

Re-engagement with the US FDA

On 10 February 2021, the Company announced that it had filed a Pre-Submission package with the United States (US) Food and Drug Administration (FDA) and requested a meeting with the agency to progress the potential clearance of a prescription-only software as a medical device application to detect lower respiratory tract illness in children and adults.

COVID-19 Clinical Programs

Smartphone-based COVID-19 screening test in development

In May 2021, ResApp commenced a US-based clinical study to explore the relationship between cough and SARS-CoV2 ("COVID-19") infection and entered into an engagement with leading US clinical-grade testing company, Phosphorus. The aim of the pilot study is to secure data to train an algorithm to identify COVID-19 through cough sounds recorded on a smartphone, using Phosphorus' gold-standard at-home saliva based real-time Polymerase Chain Reaction (rt-PCR) pathology test as a reference standard.

ResApp is in a unique position to develop a cough-based COVID-19 screening test. ResApp has the world's only database of cough sounds collected pre-COVID-19 that includes patients with other lower respiratory tract disease such as non-COVID-19 viral and bacterial pneumonia. This dataset is needed to ensure that any COVID-19 screening test accurately identifies COVID-19 and does not just falsely identify other respiratory diseases as COVID-19.

The ability to identify COVID-19 will considerably strengthen ResApp's offering and applicability within health systems and potentially broader settings where rapid, mass screening would be of considerable value.

ResAppCC

AstraZeneca Japan to use new ResApp software

In October 2020, the Company announced that it had built a new smartphone application which has been nonexclusively licensed to AstraZeneca K.K. ("AstraZeneca"), the Japanese subsidiary of global biopharmaceutical company AstraZeneca PLC for use in a clinical study of lung cancer patients. The app uses ResApp's proprietary algorithms which count patient coughs over extended periods.

Directors' Report

AstraZeneca was particularly attracted to ResApp's proprietary technology due to its superior capability to detect and measure cough using only a smartphone, its ability to differentiate between coughs and background noise and its cloud-based reporting functionality.

In March 2021, the Company announced that it had secured a second licensing agreement with AstraZeneca to use its cough counting technology in a program to support asthma patients. Under the one-year, non-exclusive licensing agreement, ResApp's cough counting technology will be integrated into AstraZeneca's direct-to-consumer asthma management smartphone application, to assist patients in monitoring symptoms in the home setting and support them in managing their asthma. AstraZeneca will pay an annual licence fee to ResApp for each patient provided with AstraZeneca's asthma management smartphone application.

CE Mark and TGA clearance achieved for wearable device

The Company achieved CE Mark certification and Australian Therapeutic Goods Administration (TGA) clearance for its wearable device as a Class I medical device accessory in March 2021, allowing the Company to progress the manufacture and sale of the product in Europe and Australia.

ResApp's wearable device is an easily worn, clip-on, unobtrusive platform, which allows for continuous 24-hour patient monitoring using cough audio. It has broad applicability. ResApp will initially focus on clinical trial settings to measure cough frequency, which is one of the major indicators of disease progression.

SleepCheck

SleepCheck available in 36 countries

In August 2020, the Company announced that SleepCheck, the Company's direct-to-consumer smartphone application for the self-assessment of sleep apnoea, is available in the App Store for iPhone in 36 countries. SleepCheck version 1.3 was upgraded to be available in English, German, French, Portuguese, Spanish and Italian and available to purchase in the App Store for iPhone throughout Europe (including the United Kingdom), Australia, New Zealand, Hong Kong and Singapore. In addition to translations, SleepCheck v1.3 included enhancements to save the user's age, gender and neck size for easier repeat testing, and provides additional educational material on sleep apnoea, its symptoms and risks, and treatment options.

SleepCheck Pre-Submission meeting held with the US FDA

In September 2020, the Company filed its Pre-Submission package with the United States (US) Food and Drug Administration (FDA) and requested a meeting with the regulatory body to progress clearance of its mobile medical application SleepCheck for use in the US. The Pre-Submission package was lodged as part of the FDA's Pre-Submission Program which provides applicants with the opportunity to obtain targeted feedback from the organisation in response to questions related to their marketing application or data requirements prior to a pre-market submission. The meeting with the FDA in November 2020 defined a clear path towards gaining regulatory approval.

To progress the expansion and availability of SleepCheck into additional markets, the Company is progressing an FDA 510(k) clearance for a prescription-only version of the SleepCheck app for the US market. ResApp is finalising the 510(k) submission, which is expected to be made in Q1 FY2022.

Partnership to integrate HealthEngine's booking engine into SleepCheck

In October 2020, the Company announced that it had signed a 12-month non-exclusive marketing agreement with Australia's largest consumer healthcare network, HealthEngine (HealthEngine.com.au) to integrate its booking engine into the Company's mobile medical application, SleepCheck. Under the agreement, the Company will integrate HealthEngine's booking network into its SleepCheck application, in turn HealthEngine will also promote the use of SleepCheck.

Directors' Report

SleepCheck launched on select Android devices

In December 2020, the Company announced that it had launched SleepCheck on select Android phones, including the Samsung Galaxy S9, S9+, S10, S10+ and S20 phones, considerably broadening the addressable market for SleepCheck.

Others

MOU with RB terminated to pursue direct-to-consumer initiatives

In December 2020, the Company announced that it had terminated its Memorandum of Understanding (MOU) with global health products manufacturer RB as both parties could not agree on the scope and timeframe of a joint development program. This has allowed the Company to pursue other initiatives involving a direct-to-consumer approach.

Intellectual Property

On 2 February 2021, the Company announced that the European Patent Office has issued a Notice of Allowance for the Company's patent titled, "Methods and apparatus for cough detection in background noise environments."

Corporate

Key Personnel

On 11 January 2021, Company announced that it has appointed Mr Mike Connell as Vice President (VP), Commercial. Mr Connell is a leading executive with extensive experience in sales, marketing and strategy, focused on the pharmaceuticals, health insurance and fast-moving consumer goods (FMCG) sectors. As VP, Commercial, Mr Connell will pursue global commercial activities and progress the company's growth strategy.

In May 2021, the Company's co-founder, Brian Leedman was reappointed to the Board of Directors as Executive Director, Corporate Affairs. Mr Leedman was instrumental in the Company's founding and has over 15 years of experience in investor relations and a deep understanding of healthcare investors' requirements.

Additional Funding

On 4 February 2021, the Company announced that it has received a $707,744 R&D tax refund and a $93,994 Export Market Development Grant.

In April 2021, ResApp successfully completed a $5.5m (before costs) capital raise to grow its commercial partnership pipeline and expedite product development initiatives. ResApp issued 94,827,588 new fully paid ordinary shares at an issue price of 5.8 cents per share. Shares were issued under the company's existing placement capacity.

Subsequent Events

On 5 July 2021, the Company announced that it had entered into a commercial agreement with Doctors on Demand for the integration of ResAppDx in their telehealth services in Q1 FY2022. The deal also includes promotion of ResApp's SleepCheck within Doctors on Demand's virtual sleep clinic.

On 5 July 2021, the Company also announced the publication of acute exacerbation of chronic obstructive pulmonary disease (COPD) data from its Breathe Easy adult clinical study in the peer-reviewed Nature Partner Journal, *npj Digital Medicine*. In patients with known COPD, the algorithm was found to correctly identify the presence of an acute exacerbation of COPD in 82.6% of subjects.

Directors' Report

On 4 August 2021, the Company announced that it has signed a commercial licence agreement with Medgate to use ResApp's smartphone-based acute respiratory diagnostic test, ResAppDx on Medgate's telehealth platform in Europe and the Philippines.

On 4 August 2021, the Company also announced that has signed a software licence agreement with Indonesian-based telehealth company Alodokter, under which Alodokter will integrate ResApp's smartphone-based acute respiratory diagnostic test ResAppDx in their chat and telehealth services. Alodokter expects to launch ResAppDx on its platform prior to 1 December 2021.

On 9 August 2021, the Company announced that it has expanded its COVID-19 clinical program by including the collection of longitudinal data for subjects who are COVID-19 positive. ResApp has also engaged Triomics, a clinical trial company based in India, to start recruitment of COVID-19 positive and negative patients in India.

No other material events have occurred subsequent to the reporting date.

Future Developments

The Group will continue the development and commercialisation of the ResApp technology for the purpose of providing health care solutions to assist doctors and consumers diagnose respiratory disease.

Environmental Issues

The Group's operations are not subject to significant environmental regulations under the law of the Commonwealth or of a State, or Territory.

Dividends

No amounts have been paid or declared by way of dividend by the Group since the end of the previous financial year and the Directors do not recommend the payment of any dividend.

Indemnification of Officers and Auditors

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Report

Remuneration Report – Audited

Directors and Key Management Personnel

Dr Roger Aston *(appointed 2 July 2015)*
Dr Tony Keating *(appointed 2 July 2015)*
Mr Chris Ntoumenopoulos *(appointed 21 January 2015)*
Dr Michael Stein *(appointed 6 April 2020)*
Mr Brian Leedman *(appointed 18 May 2021)*

Remuneration Policy

Non-Executive Directors Remuneration
The board policy is to remunerate non-executive directors at a level which provides the company with the ability to attract and retain directors with the experience and qualifications appropriate to the development strategy of the company's Intellectual Property. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. This was set at $400,000 per annum by shareholders on 15 November 2018. Directors' fees are reviewed annually. From 1 June 2016, Chairman and non-executive director fees increased to $90,000 and $55,000 per annum respectively.

Non-executive directors' fees are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

Executive Remuneration
The board policy is to remunerate executive directors at a level that provides the company with the ability to attract and retain executives with the experience and qualifications appropriate to the development strategy of the company's Intellectual Property. During the financial year, the Group did not employ the use of remuneration consultants.

The following table discloses the contractual arrangements with the Group's executive Key Management Personnel.

CEO and Managing Director – Dr Tony Keating	
Fixed remuneration	$280,000 pa (inclusive of super)
Term	No fixed term. Contract continues until terminated in accordance with the terms of the Contract.
Termination notice by the individual/company	6 months
Other entitlements	Annual leave and long-service leave. Incentive Options under the Company's ESOP, as approved by the Shareholders on 28 November 2019 (grant date), exercisable at $0.21, expiring 5 years from date of issue and vesting on satisfaction of the following specific performance milestones: (i) CE Mark approval – 325,000 Options (ii) FDA clearance – 325,000 Options (iii) Commercial release of hardware product – 325,000 Options
Executive Director, Corporate Affairs – Mr Brian Leedman	
Fixed remuneration	$187,000 pa (inclusive of super)
Term	2 years commencing on 18 May 2021
Termination notice by the individual/company	6 months
Other entitlements	Annual leave and long-service leave.

Directors' Report

Relationship Between the Remuneration Policy and Company Performance

Aside from the matters described above, no Director held or holds any contract for performance-based remuneration with the Company.

Remuneration Expense Details

The directors received the following amounts as compensation for their services as directors and executives of the Group during the year:

	Short-term employee benefits			Post employment benefits	Share-based payments		
2021	**Salary and fees $**	**Bonus $**	**Other $**	**Super-annuation and annual leave $**	**Options and rights $**	**Total $**	**Perfor-mance related %**
Non-Executive Directors:							
Dr Roger Aston[1]	82,192	-	-	7,808	-	90,000	0%
Mr Chris Ntoumenopoulos[2]	55,000	-	-	-	-	55,000	0%
Dr Michael Stein[3]	54,375	-	-	-	31,456	85,831	0%
Executive Directors:							
Dr Tony Keating[4]	255,708	-	-	37,743	65,025	358,476	18%
Mr Brian Leedman[5]	15,764	-	-	2,710	-	18,474	0%
Total	**463,039**	**-**	**-**	**48,261**	**96,481**	**607,781**	

[1] Dr Aston's director fees were paid to himself.
[2] Mr Ntoumenopoulos's director fees were paid to Twenty1 Corporate Pty Ltd.
[3] Dr Stein's director fees were paid to himself.
[4] Dr Keating's director fees were paid to himself.
[5] Mr Leedman's director fees were paid to himself.

	Short-term employee benefits			Post employment benefits	Share-based payments		
2020	**Salary and fees $**	**Bonus $**	**Other $**	**Super-annuation and annual leave $**	**Options and rights $**	**Total $**	**Perfor-mance related %**
Non-Executive Directors:							
Dr Roger Aston[1]	90,000	-	-	-	63,792	153,792	41%
Mr Chris Ntoumenopoulos[2]	55,000	-	-	-	63,792	118,792	54%
Mr Nathan Buzza[3]	41,250	-	-	-	63,792	105,042	61%
Dr Michael Stein	-	-	-	-	-	-	0%
Executive Director:							
Dr Tony Keating[4]	255,708	-	-	26,259	166,749	448,716	37%
Total	**441,958**	**-**	**-**	**26,259**	**358,125**	**826,342**	

[1] Dr Aston's director fees were paid to Newtonmore Biosciences Pty Ltd.
[2] Mr Ntoumenopoulos's director fees were paid to Twenty1 Corporate Pty Ltd.
[3] Mr Buzza's director fees were paid to Allure Capital Pty Ltd.
[4] Dr Keating's director fees were paid to himself.

Directors' Report

Securities Received That are Not Performance-Related

Aside from the matters described above, no members of key management personnel are entitled to receive securities that are not performance-based as part of their remuneration package.

Options and Rights Granted as Remuneration

On 19 June 2019, the Company announced 975,000 Employee Incentive Options under the Company's employee share and option plan, to be issued to Dr Keating, subject to Shareholder Approval. The options are exercisable at $0.21 and expire five years from the date of issue. The options vest on the satisfaction of the following specific performance milestones:
(i) CE Mark approval – 325,000 Options
(ii) FDA clearance – 325,000 Options
(iii) Commercial release of hardware product – 325,000 Options

Dr Keating is required to be employed by the Company in order to exercise the Incentive Options.

As at the date of this report, 650,000 Options have vested as the performance milestone of CE Mark approval and commercial release of hardware product have been achieved.

On 28 November 2019, at the Annual General Meeting, the Shareholders approved the issuance of Managing Director Incentive Options to Dr Keating. In addition, the Shareholders approved the issuance of Directors Incentive Options are as follows:
a. Dr Aston – 500,000 Options
b. Mr Ntoumenopoulos – 500,000 Options
c. Mr Buzza – 500,000 Options
d. Dr Keating – 500,000 Options

The Directors Incentive Options are exercisable at $0.43 and expire three years from the date of issue.

On 6 April 2020, the Company announced 500,000 Employee Incentive Options under the Company's employee share and option plan, to be issued to Dr Stein, subject to Shareholder Approval. The options are exercisable at $0.16 (being a 20% premium to the volume weighted average price of the Company's shares calculated over the 20 trading days immediately prior to appointment) and expire three years from the date of issue. On 26 November 2020, at the Annual General Meeting, the Shareholders approved the issuance Employee Incentive Options to Dr Stein.

Except above, no other options or rights were granted as remuneration to members of key management personnel as part of their remuneration package during the year ended 30 June 2021.

Directors' Report

Key Management Personnel Shareholdings

The number of ordinary shares in ResApp Health Limited held by each key management personnel of the Group during the financial year is as follows:

	Balance at 1 July 2020	Granted as remuneration during the year	Issued on exercise of options during the year	Net other changes during the year	Balance at 30 June 2021
Directors					
Dr Roger Aston	8,437,500	-	-	290,000	8,727,500
Dr Tony Keating	-	-	20,000,000	(9,775,000)	10,225,000
Mr Chris Ntoumenopoulos	3,109,375	-	-	500,000	3,609,375
Dr Michael Stein	-	-	-	-	-
Mr Brian Leedman	-	-	-	5,902,647	5,902,647
Total	**11,546,875**	**-**	**20,000,000**	**(3,082,353)**	**28,464,522**

The number of options held by the key management personnel of the Group as at 30 June 2021 are as follows:

	Balance at 1 July 2020	Granted	Exercised/ Forfeited/ Lapsed	Balance at 30 June 2021
Directors				
Dr Roger Aston	500,000	-	-	500,000
Dr Tony Keating	21,475,000	-	(20,000,000)	1,475,000
Mr Chris Ntoumenopoulos	500,000	-	-	500,000
Dr Michael Stein	-	500,000	-	500,000
Mr Brian Leedman	-	-	-	-
Total	**22,475,000**	**500,000**	**(20,000,000)**	**2,975,000**

There have been no other transactions involving equity instruments apart from those describe in the table above relating to options, rights and shareholdings.

Other Transactions with Key Management Personnel and/for Their Related Parties

There were no other transactions conducted between the Group and Key Management Personnel or their related parties, apart from those disclosed above and those disclosed in Note 21, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

End of Audited Remuneration Report

Voting and Comments Made at the Company's 2020 Annual General Meeting

The Company received 77.02% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2020 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Directors' Report

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to principles of sound corporate governance. The Company continued to follow best practice recommendations as set out by 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at www.resapphealth.com.au/investor-relations/corporate-governance/.

Non-Audit Services

During the year, no fees were paid to Ernst & Young for the provision of non-audit services.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 18 of the annual report.

Signed in accordance with a resolution of the directors

Tony Keating
Director

Brisbane
27th day of August 2021

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Auditor's Independence Declaration to the Directors of ResApp Health Limited

As lead auditor for the audit of the financial report of ResApp Health Limited, for the financial year ended 30 June 2021, 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 audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ResApp Health Limited and the entities it controlled during the financial year.

Ernst & Young

Madhu Nair
Partner
27 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Financial Year Ended 30 June 2021

		Consolidated	
		2021	2020
	Note	**$**	$
Revenue from contracts with customers		**69,731**	–
Interest income		**16,727**	51,226
Other income	4	**1,182,638**	973,415
Selling, general and administrative costs	5	**(3,748,611)**	(2,942,357)
Research and development costs	6	**(4,294,980)**	(6,551,442)
Loss before income tax		**(6,774,495)**	(8,469,158)
Income tax benefit	7	**–**	–
Loss for the year		**(6,774,495)**	(8,469,158)
Other comprehensive income (loss) for the year			
Foreign currency translation adjustment		**1,144**	(2,293)
Total comprehensive income (loss) for the year		**(6,773,351)**	(8,471,451)
Loss per share (basic and diluted) (cents)	18	**(0.87)**	(1.20)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2021

		Consolidated	
		2021	2020
	Note	**$**	$
Current assets			
Cash and cash equivalents	8	**6,587,434**	5,775,253
Trade and other receivables	9	**806,227**	809,230
Prepayments		**88,534**	71,818
Total current assets		**7,482,195**	6,656,301
Non-current assets			
Right-of-use asset and equipment	12	**233,422**	340,792
Intangibles	13	**1,618,971**	1,753,887
Other financial asset	24	**103,673**	103,673
Total non-current assets		**1,956,066**	2,198,352
Total assets		**9,438,261**	8,854,653
Current liabilities			
Trade and other payables	14	**1,294,936**	1,168,785
Employee benefits provision	15	**267,077**	277,109
Lease liability	24	**152,077**	137,891
Total current liabilities		**1,714,090**	1,583,785
Noncurrent liabilities			
Employee benefits provision	15	**81,251**	80,966
Lease liability	24	**38,921**	191,000
Total noncurrent liabilities		**120,172**	271,966
Total liabilities		**1,834,262**	1,855,751
Net assets		**7,603,999**	6,998,902
Equity			
Issued capital	16	**42,935,923**	35,944,770
Share-based payment reserve	17	**1,423,523**	1,772,183
Foreign currency translation reserve		**(1,149)**	(2,293)
Accumulated losses		**(36,754,298)**	(30,715,758)
Total equity		**7,603,999**	6,998,902

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2021

	Fully paid ordinary shares	**Share-based payment reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2019	**28,780,784**	**6,778,204**	–	**(27,871,571)**	**7,687,417**
Loss for the year	–	–	–	(8,469,158)	(8,469,158)
Foreign currency translation adjustment	–	–	(2,293)	–	(2,293)
Total comprehensive income (loss)	–	–	**(2,293)**	**(8,469,158)**	**(8,471,451)**
Transactions with owners, in their capacity as owners					
Issue of shares	7,500,000	–	–	–	7,500,000
Costs directly attributable to issue of share capital	(336,014)	–	–	–	(336,014)
Share based payments	–	618,950	–	–	618,950
Expiration/forfeiture of options	–	(5,624,971)	–	5,624,971	–
Balance at 30 June 2020	**35,944,770**	**1,772,183**	**(2,293)**	**(30,715,758)**	**6,998,902**
Balance at 1 July 2020	**35,944,770**	**1,772,183**	**(2,293)**	**(30,715,758)**	**6,998,902**
Loss for the year	–	–	–	(6,774,495)	(6,774,495)
Foreign currency translation adjustment	–	–	1,144	–	1,144
Total comprehensive income (loss)	–	–	**1,144**	**(6,774,495)**	**(6,773,351)**
Transactions with owners, in their capacity as owners					
Issue of shares	7,525,000	–	–	–	7,525,000
Costs directly attributable to issue of share capital	(533,847)	–	–	–	(533,847)
Share based payments	–	387,295	–	–	387,295
Expiration/forfeiture/exercise of options	–	(735,955)	–	735,955	–
Balance at 30 June 2021	**42,935,923**	**1,423,523**	**(1,149)**	**(36,754,298)**	**7,603,999**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2021

	Note	Consolidated 2021 $	2020 $
Cash flows from operating activities			
Cash payments to suppliers and employees		**(7,012,856)**	(6,298,420)
Receipts from customers		**127,199**	75,962
Interest received		**16,807**	61,733
R&D tax incentive and other grants received		**1,204,638**	1,965,453
Net cash flows used in operating activities	19	**(5,664,212)**	(4,195,272)
Cash flows from investing activities			
Acquisition of equipment		**(46,130)**	(9,750)
Investment in other financial asset		**–**	(103,673)
Net cash flows used in investing activities		**(46,130)**	(113,423)
Cash flows from financing activities			
Proceeds from issues of share capital		**5,500,000**	5,000,000
Proceeds from exercise of share options		**1,525,000**	–
Costs of capital raising		**(353,775)**	(336,014)
Payment of lease liability		**(148,702)**	(96,424)
Net cash flows provided by financing activities		**6,522,523**	4,567,562
Net increase in cash and cash equivalents		**812,181**	258,867
Cash and cash equivalents at beginning of year		**5,775,253**	5,516,386
Cash and cash equivalents at end of year	8	**6,587,434**	5,775,253

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2021

Note 1 Reporting Entity

This annual financial report includes the financial statements and notes of ResApp Health Limited ("the Company") and its controlled entities ("the Group"). The Group is a for-profit entity and is domiciled in Australia. The Group, through an exclusive license is developing smart phone applications for respiratory disease diagnostics and management. Its registered address and principal office is Level 12, 100 Creek Street, Brisbane, Queensland, 4000.

ResApp Health Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Note 2 Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

During the year ended 30 June 2021, the Group incurred a net loss after tax of $6,774,495 (2020: $8,469,158) and a net cash outflow from operating activities amounting to $5,664,212 (2020: $4,195,272). At 30 June 2021, the Group had cash and cash equivalents of $6,587,434, net assets of $7,603,999 and net working capital of $5,768,105.

In August 2019, ResApp received CE Mark certification for ResAppDx, the world's first smartphone-based diagnostic test for respiratory disease in adults and children. In October 2019, ResApp announced that ResAppDx had received Australian Therapeutics Goods Administration (TGA) approval as a Class IIa medical device for paediatric use and is now listed on the Australian Register of Therapeutic Goods (ARTG). In February 2020, ResApp announced that it had received approval for adult use. These regulatory approvals allow the company to sell and market its products in Australia and Europe and begin generating revenue. The Group is still at the early stage of commercialisation of its products. As at the date of this report, the Group has secured partnerships with high profile customers in the telehealth and pharmaceutical industries as well as a sales and marketing agreement with a leading distributor in a low resource setting. These partnerships form a key foundational base from which the Group will begin to grow its business.

Whilst the Group continues to generate operating losses and net cash out flows from operations, the Group's viability is dependent on cash inflows from commercialisation of its products, capital raising or other funding arrangement.

The Directors believe that the Group has been successful in building a long-term business founded on strong technology. If the Group is unable to manage cash inflows and outflows at amounts as necessary to meet future operating plans, there is a material uncertainty whether the Group will be able to continue as a going concern.

The Directors are confident that they will be able to generate cash flows that will provide sufficient funding to enable the group to continue to be able to pay its liabilities as and when it falls due for a period in excess of 12 months from the date the financial report has been signed.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Note 3 Significant Accounting Policies

New, revised or amended standards and interpretations adopted by the Group

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as we as new guidance on measurement that affects several Accounting Standards. Where the Company has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Company may need to review such policies under the revised framework.

The application of the *revised Conceptual Framework* does not have a material impact on the Group's financial statements.

IFRIC agenda decision – Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement. SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement. Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates. Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract.

The application of the *IFRIC agenda decision – Configuration or Customisation Costs in a Cloud Computing Arrangement* does not have a material impact on the Group's financial statements.

Basis of Preparation

These financial statements include the financial statements of the ResApp Health Limited (the "Company"), and its controlled entities (the "Group"). These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Australian Accounting Standards are equivalent to International Financial Reporting Standards ("IFRS"). Compliance with Australian Accounting Standards ensures that these financial statements comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Except for the cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

All amounts presented have been rounded to the nearest whole dollar.

Basis of Consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2021. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Australian Tax Consolidation Legislation

ResApp Health Limited and its wholly owned Australian controlled entity implemented tax consolidation legislation. The parent entity and the controlled entity continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current and deferred taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign Operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

Revenue Recognition

Revenue from contracts with customers is measured and recognised in accordance with the five-step model prescribed by AASB 15, *Revenue from Contracts with Customers*. First, contracts with customers within the scope of AASB 15 are identified. Distinct promises with the contract are identified as performance obligations. The transaction price of the contract is measured based on the amount of consideration the Group expects to be entitled from the customer in exchange for goods or services. Factors such as requirements around variable consideration, significant financing components, non-cash consideration, or amounts payable to customers also determine the transaction price.

Revenue is recognised when, or as, performance obligations are satisfied, which is when control of the promised goods or services is transferred to the customer. The Group's revenue is primarily comprised of revenue from the sale of SleepCheck App and other revenue. Revenue from the sale of SleepCheck App via Apple Store and Google Play is recognised at the date of product delivery given that all of the obligations have been met at that time. Other revenue includes fees earned under software licensing arrangement with customers. The fee is generally based on the number of usages of the software.

All revenue is stated net of the amount of goods and services tax (GST).

The Group also has other income comprised of government grants related to the research and development tax incentives and interest income.

<u>Interest income</u>
Interest income is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

<u>Government grants</u>
Grants from government, including Australian Research and Development Tax Incentive (RDTI), are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

comply with all attached conditions. Other government grants and subsidies such as 'Cash Flow boost' and JobKeeper payment scheme are recognised as other income when all the attached conditions have been satisfied.

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as other income when the grant becomes receivable.

When the grant relates to an asset, the cost of the asset is shown net of the grant or receivable.

Research and Development costs

Research and development costs include payroll, employee benefits and other employee related costs associated with product development. Technological feasibility for software products is reached shortly before products are released for commercial sale to customers. Costs incurred after technological feasibility is established are not material, and accordingly, all research and development costs are expensed when incurred.

Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are held to meet the short-term cash commitments.

Financial Instruments

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entity business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets
Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Impairment of financial assets
AASB 9's impairment requirements use forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within scope include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group has $2,166 and nil trade receivables as at 30 June 2021 and 2020, respectively.

Classification and measurement of financial liabilities
The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Equipment

<u>Computer equipment and office furniture</u>
Computer equipment and office furniture are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Computer equipment and office furniture are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of computer equipment and office furniture, with useful life of 2 to 3 years.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

Right-of-Use Asset

The Group as a lessee
At lease commencement date, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Measurement and recognition of leases as a lessee
At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Intangible Assets

Intangible assets acquired separately are capitalised at cost, and if acquired as a result of a business combination, capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to all classes of intangible assets. The useful lives of the intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on intangible assets with finite lives, this expense is taken to the statement of profit or loss and other comprehensive income through the 'depreciation & amortisation expense' line item. Intangible assets with finite lives are tested for impairment where an indicator of impairment exists. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Licensed Intellectual Property (IP) are recognised at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Group has ascribed an estimated useful life of its Licenced Intellectual Property of 18 years from the date of acquisition, which is based on the expected usage and benefits derived over the patents' useful lives.

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the intangible asset is derecognised.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Impairment of Non-financial Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount.

An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are only recognised for deductible temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or liability if they arose in a transaction other than a business combination that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

Provision

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

Employee Benefits

Short-term employee benefits
Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries and non-monetary benefits. Short-term employee benefits and on-costs are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The Group's liabilities for long service leave are included in non-current employee benefits provisions as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

Share-Based Payments

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

Equity-settled share-based payment transactions with non-employees distinguish between transactions in which the goods or services can be measured reliably and those in which they cannot be measured reliably. If the goods or services acquired from non-employees can be measured reliably, then the goods or services are measured directly at their fair value, otherwise, with reference to the fair value of the equity instruments granted. The goods or services are measured when they are received.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The directors make a number of estimates and assumptions in preparing general purpose financial statements. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods if relevant.

The following key judgements and estimates were made in preparing these financial statements:

<u>Impairment of intangibles</u>
The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using calculations which incorporate various key assumptions. All intangible assets are accounted for using the cost model whereby costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite, if indicators the Group considers indicators are present. The Group has ascribed an estimated useful life of the intangibles of 18 years from the date of acquisition, which is based on the expected usage and benefits derived over the patents' useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to annual impairment indicators review.

<u>Share based payment expenses</u>
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but impact profit or loss and equity. Share based payments are disclosed in note 17.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

R&D tax incentive

The R&D Tax Incentive is recognised when a reliable estimate of the amounts receivable can be made and management have assessed that there is reasonable assurance that the grant will be received and have complied with all the attached conditions. For the year ended 30 June 2021, the Group has estimated the rebate which will be received within the next twelve months from reporting date and has accrued that amount as income in the statement of profit or loss and other comprehensive income.

Note 4 Other Income

	Consolidated	
	2021	2020
	$	$
R&D tax incentive	**685,744**	729,122
Other government grants	**496,894**	168,331
Other income	**–**	75,962
	1,182,638	973,415

Note 5 Selling, General and Administrative Costs

	Consolidated	
	2021	2020
	$	$
Employee costs and directors' fees	**1,485,993**	958,876
Professional fees (including legal fees)	**318,162**	339,333
Amortisation and depreciation	**153,500**	112,509
Share based payment expense	**113,548**	373,461
Consulting fees	**105,356**	133,958
Other administration expenses	**1,572,052**	1,024,220
	3,748,611	2,942,357

Note 6 Research and Development Costs

	Consolidated	
	2021	2020
	$	$
Employee costs	**2,075,140**	1,980,086
Expenditure settled through issuance of shares (see Note 16)	**500,000**	2,500,000
Share based payment expense	**93,674**	245,490
Other research and development costs	**1,626,166**	1,825,866
	4,294,980	6,551,442

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Note 7 Incomes Taxes

The prima face income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated	
	2021	2020
	$	$
Loss from continuing operations before tax expense	**(6,774,495)**	(8,469,158)
Prima facie income tax benefit at 26% (2020: at 27.5%)	**(1,761,369)**	(2,329,018)
Adjustment for tax rate difference in foreign jurisdiction	**(2,257)**	930
Tax effect of:		
Non-deductible items		
Share based payments	**53,878**	170,212
Expenditure subject to R&D claim	**423,172**	461,494
Expenditure settled through issuance of shares	**–**	137,500
Entertainment	**1,597**	347
Non-assessable R&D refund	**(178,293)**	(200,509)
Prima facie tax adjusted for permanent differences	**(1,463,272)**	(1,759,044)
Unrecognised deferred tax assets	**1,463,272**	1,759,044
Income tax expense	**–**	–
Unrecognised deferred tax balances		
The following deferred tax assets at 25% (2020: at 27.5%) have not been brought to account:		
Unused tax losses	**6,155,417**	4,984,836
Accrued expenses	**150,488**	180,579
Capital expenses deductible in accordance with S.40-880	**128,260**	138,966
Employee benefits provision	**87,082**	68,367
Intangible asset - amortisation differences	**33,202**	30,024
Customer contract liability	**15,000**	–
Other temporary differences	**4,211**	25,061
Total unrecognised deferred tax assets	**6,573,660**	5,427,833

The Company has, unrecouped tax losses in Australia which have not been brought to account. The ability to be able to recognise a deferred tax asset in respect of these tax losses will be dependent upon the probability that future taxable profit will be available against which the unused tax losses can be utilised and the conditions for deductibility imposed by Australian tax authorities will be complied with, including the Company being able to meet the continuity of ownership and/or continuity of business tests.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Note 8 Cash and Cash Equivalents

	Consolidated 2021 $	2020 $
Cash at bank	**687,434**	675,253
Short-term deposits	**5,900,000**	5,100,000
	6,587,434	5,775,253

Note 9 Trade and Other Receivables

	Consolidated 2021 $	2020 $
R&D tax rebate receivable	**708,000**	730,000
GST receivable	**93,866**	76,955
Trade receivable	**2,166**	–
Interest receivable	**2,195**	2,275
	806,227	809,230

Note 10 Financial Instruments

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

	Consolidated 2021 $	2020 $
Financial assets		
Cash and cash equivalents	**6,587,434**	5,775,253
Trade and other receivables	**806,227**	809,230
Other financial asset	**103,673**	103,673
Total financial assets	**7,497,334**	6,688,156
Financial liabilities		
Trade and other payables	**1,294,936**	1,168,785
Lease liability	**190,998**	328,891
Total financial liabilities	**1,485,934**	1,497,676

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

(a) Financial risk management policies

The Group's principal financial instruments comprise cash and short-term deposits and trade and other payables as disclosed in the financial statements. The main purpose of these financial instruments is to manage the working capital needs of the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken. The board reviews and agrees policies for managing this risk is summarised below.

i. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 3 to the financial statements.

ii. Credit risk management

The Company is not currently exposed to credit risk other than in the normal course of business. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Consolidated	
	2021	2020
	$	$
Cash and cash equivalents		
AA- rated	**6,587,434**	5,775,253
	6,587,434	5,775,253

iii. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

	Consolidated 2021 $	2020 $
Financial liabilities due for payment		
Trade and other payables	**1,294,936**	1,168,785
Lease liability	**190,998**	328,891
Total expected outflows	**1,485,934**	1,497,676
Financial assets – cash flow realisable		
Cash and cash equivalents	**6,587,434**	5,775,253
Trade and other receivables	**806,227**	809,230
Other financial asset	**103,673**	103,673
Total anticipated inflows	**7,497,334**	6,688,156
Net inflow on financial instruments	**6,011,400**	5,190,480

iv. Interest rate risk

The financial instruments which primarily expose the Company to interest rate risk are cash and cash equivalents. The Company's exposure to interest rate risk for classes of financial assets and financial liabilities is set out below:

	Fixed Interest rate %	**Floating interest rate %**	**Fixed interest rate within year $**	**Non-interest bearing $**	**Total $**
Consolidated					
30-Jun-21					
Financial assets					
Cash & cash equivalents	0.19%	–	6,587,434	–	6,587,434
Trade and other receivables	–	–	–	806,227	806,227
Other financial asset	0.20%	–	103,673	–	103,673
Total financial assets			**6,691,107**	**806,227**	**7,497,334**
Financial liabilities					
Trade and other payables	–	–	1,294,936	–	1,294,936
Lease liability	–	–	190,998	–	190,998
Total financial liabilities			**1,485,934**	**–**	**1,485,934**

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

	Fixed Interest rate %	Floating interest rate %	Fixed interest rate within year $	Non-interest bearing $	Total $
Consolidated					
30-Jun-20					
Financial assets					
Cash & cash equivalents	0.42%	–	5,775,253	–	5,775,253
Other receivables	–	–	–	809,230	809,230
Other financial asset	1.40%	–	103,673	–	103,673
Total financial assets			**5,878,926**	**809,230**	**6,688,156**
Financial liabilities					
Trade and other payables	–	–	1,168,785	–	1,168,785
Lease liability	–	–	328,891	–	328,891
Total financial liabilities			**1,497,676**	–	**1,497,676**

Sensitivity analysis on interest rate risk

The Group has performed sensitivity analysis relating to its interest rate risk based on the Group's year end exposure. This sensitivity demonstrates the effect on after tax results and equity which could result from a movement in interest rates of +/- 0.25%.

	Consolidated	
	2021 **$**	2020 $
Change in after tax loss		
Increase in interest rate by 0.25%	**15,009**	13,009
Decrease in interest rate by 0.25%	**(15,009)**	(13,009)

i. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analyses.

The directors consider that the carrying amounts of financial assets and financial liabilities which are all recorded at amortised cost less accumulated impairment charges in these financial statements, approximate their fair values.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Note 11 Interest in Subsidiaries

The consolidated financial statements include financial statements of ResApp Health Limited and the following subsidiaries:

		% Equity Interest	
Name	**Country of Incorporation**	**2021**	**2020**
ResApp Diagnostics Pty Ltd[1]	Australia	100%	100%
ResApp Health (UK) Limited[2]	United Kingdom (UK)	100%	100%

[1] Non-operating company.
[2] Incorporated on 7 February 2020; its primary purpose is to conduct sales and marketing activities for the Group in the European region.

Note 12 Right-of-Use Asset and Equipment

	Office & IT Equipment	Right-of-Use Asset: Office Suite (see Note 24)	Total
	$	$	$
Gross carrying amount			
Balance at 1 July 2019	36,131	–	36,131
Additions	12,375	412,706	425,081
Disposals	(3,030)	–	(3,030)
Balance at 30 June 2020	45,476	412,706	458,182
Less accumulated depreciation			
Balance at 1 July 2019	5,286	–	5,286
Depreciation	9,333	103,176	112,509
Disposals	(405)	–	(405)
Balance at 30 June 2020	14,214	103,176	117,390
Net book values at 30 June 2020	**31,262**	**309,530**	**340,792**

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

	Office & IT Equipment	Right-of-Use Asset: Office Suite (see Note 24)	Total
	$	$	$
Gross carrying amount			
Balance at 1 July 2020	45,476	412,706	458,182
Additions	46,572	–	46,572
Disposals	(1,095)	–	(1,095)
Balance at 30 Jun 2021	90,953	412,706	503,659
Less accumulated depreciation			
Balance at 1 July 2020	14,214	103,176	117,390
Depreciation	15,932	137,568	153,500
Disposals	(653)	–	(653)
Balance at 30 June 2021	29,493	240,744	270,237
Net book values at 30 June 2021	**61,460**	**171,962**	**233,422**

Note 13 Intangibles

	Consolidated	
	2021	2020
	$	$
Licenced IP - Cost		
Balance at beginning of the year	**2,428,459**	2,428,459
Additions	**–**	–
Balance at end of the year	**2,428,459**	2,428,459
Licensed IP- Accumulated amortisation		
Balance at beginning of the year	**674,572**	539,657
Amortisation expense	**134,916**	134,915
Balance at end of the year	**809,488**	674,572
Net carrying value	**1,618,971**	1,753,887

The Group has ascribed an estimated useful life of the intangibles of 18 years from the date of acquisition, which is based on the expected usage and benefits derived over the patents' useful lives.

The Licensed IP developed (and owned) by UQ and licensed to ResApp via UniQuest includes patents and patent applications filed in five countries as well as those countries encompassed by the European Patent Convention. The patents and patent applications all claim a priority date of 29 March 2012. The following table summarises the patents:

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Country	Patent Numbers	Title
Australia	2013239327	A method and apparatus for processing patient sounds
United States	10,098,569	A method and apparatus for processing patient sounds
Japan	6,435,257	A method and apparatus for processing patient sounds
Korea	102081241	A method and apparatus for processing patient sounds
Nigeria	F/PT/C/2019/3579	A method and apparatus for a disease state diagnosis

Country	Application Number	Title
Australia	2017331813	A method and apparatus for automatic disease state diagnosis
Australia	2018386721	A method of analysis of cough sounds using disease signatures to diagnose respiratory diseases
China	201910202125.5	A method and apparatus for processing patient sounds
China	201780059397.3	A method and apparatus for automatic disease state diagnosis
China	201880083344.X	A method of analysis of cough sounds using disease signatures to diagnose respiratory diseases
Europe	13768257.1	A method and apparatus for processing patient sounds
Europe	17852006.0	A method and apparatus for automatic disease state diagnosis
Europe	18891704.1	A method of analysis of cough sounds using disease signatures to diagnose respiratory diseases
India	201947016083	A method and apparatus for automatic disease state diagnosis
India	202047029281	A method of analysis of cough sounds using disease signatures to diagnose respiratory diseases
Indonesia	2019/02738	A method and apparatus for automatic disease state diagnosis
Japan	2020-534383	A method of analysis of cough sounds using disease signatures to diagnose respiratory diseases
Korea	10-2020-7021010	A method of analysis of cough sounds using disease signatures to diagnose respiratory diseases
United States	16/956,104	A method of analysis of cough sounds using disease signatures to diagnose respiratory diseases
United States	16/336,269	A method and apparatus for automatic disease state diagnosis

In addition to these patent applications, ResApp has an exclusive license of the know-how (and trade secrets) in the set of mathematical features and classifier technology used for the diagnosis and severity measurement of pneumonia, asthma and COPD developed by the research team at UQ.

Note 14 Trade and Other Payables

	Consolidated	
	2021	2020
	$	$
Trade payables	**334,394**	358,302
PAYG withholding payable	**237,601**	202,829
Superannuation payable	**60,988**	62,516
Customer contract liability	**60,000**	–
Accrued expenses & others	**601,953**	545,138
	1,294,936	1,168,785

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Note 15 Employee Benefits Provision

	Consolidated	
	2021	2020
	$	$
Current:		
Annual leave	**267,077**	277,109
Noncurrent:		
Long-service leave	**81,251**	80,966

The movements in the employee benefits provision accounts are as follows:

	Consolidated	
	Annual leave	**Long-service leave**
	$	$
Balance at 1 July 2019	208,868	39,739
Additional provisions	143,628	41,227
Amount utilised	(75,387)	–
Balance at 30 June 2020	**277,109**	**80,966**
Balance at 1 July 2020	277,109	80,966
Additional provisions	139,864	285
Amount utilised	(149,896)	–
Balance at 30 June 2021	**267,077**	**81,251**

Note 16 Issued Capital

	Number of Shares	**$**
Fully paid ordinary shares and authorised capital		
Balance as at 1 July 2019	**693,130,512**	**28,780,784**
Shares issued on 4 July 2019 pursuant to the terms of the Device Development Agreement	3,125,000	500,000
Shares issued 27 February 2020 under Placement at $0.22 per share	25,000,000	5,000,000
Shares issued on 27 February 2020 pursuant to the terms of the Device Development Agreement	4,773,068	1,000,000
Shares issued on 6 May 2020 pursuant to the terms of the Device Development Agreement	9,090,909	1,000,000
Costs directly attributable to issue of share capital	–	(336,014)
Balance as at 30 June 2020	**735,119,489**	**35,944,770**

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

	Number of Shares	$
Fully paid ordinary shares and authorised capital		
Balance as at 1 July 2020	**735,119,489**	**35,944,770**
Shares issued on 1 July 2020 on the exercise of unlisted options	20,000,000	1,375,000
Shares issued on 22 September 2020 on the exercise of unlisted options	3,000,000	150,000
Shares issued on 12 March 2021 pursuant to the terms of the Device Development Agreement	6,250,000	500,000
Shares issued 19 April 2021 under Placement at $0.058 per share	94,827,588	5,500,000
Costs directly attributable to issue of share capital	–	(533,847)
Balance as at 30 June 2021	**859,197,077**	**42,935,923**

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Performance Shares

On 2 July 2015, ResApp Health Limited acquired 100% of all the rights and title to ResApp Diagnostics Pty Ltd through the issue of 93,750,000 Fully Paid Ordinary Shares and 93,750,000 Performance Shares to the Vendors as consideration for the acquisition. The Performance Shares convert into fully paid ordinary shares on a 1:1 basis on the achievement of the milestone being the Company and any subsidiary (and if the Company or any related entity of the Company is licensed to use licensed IP, the Company and that related entity) achieving aggregated gross revenue of $20 million in the five years commencing on the day the Company is readmitted to quotation on ASX. On 14 July 2020, the performance shares lapsed with the relevant performance milestone having not been achieved.

Device Development Agreement

On 28 May 2019, the Company entered into a device development agreement with Avanti Med Ltd (Avanti), a UK-based medical device manufacturer, to design, test and finalise two CE-marked devices: a low-cost ruggedized, handheld device and a small, wearable breathing monitor.

ResApp negotiated a fixed-price, milestone-based contract for the development of the devices. For each device, ResApp agreed to pay £75,000 in cash and issue $250,000 of ordinary shares on project commencement, with the number of shares calculated on the volume-weighted average price of shares in the 30 days preceding the commencement date. Avanti agreed to deliver the initial design and technical specifications within 3 weeks of signing. The balance of the project is divided into three milestones: delivery of functional prototypes, delivery of final designs and CE Mark approval. For each device, ResApp will make a fixed payment of $500,000 when each milestone is achieved, payable in cash or ordinary shares at the election of ResApp. The number of shares for the milestone payments will be calculated using 80% of (i) the volume-weighted average price of shares in the 30 days preceding the milestone or (ii) 10 cents, whichever is higher. If ResApp elects to pay the milestones payment in shares, it is proposed that the shares will be issued under the Company's 15% placement capacity. ResApp has termination rights during the project, including the right to terminate if target milestones are not met.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

In May 2019, the Company paid £150,000 in cash which was recognised as research and development costs in the statement of profit and loss and other comprehensive income.

For the year ended 30 June 2021, the Company issued a total of 6,250,000 Shares (equivalent to $500,000) (2020: total 16,988,977 Shares; equivalent to $2.5 million) to Avanti in consideration for performance milestones achieved for the development of the handheld and wearable devices, pursuant to the terms of the Device Development Agreement. The amounts were recognised as research and development costs in the statement of profit and loss and other comprehensive income.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

Note 17 Equity-Settled Benefits Reserve

	Number of Options	Equity-Settled Benefits Reserve $
Balance as at 1 July 2019	57,550,000	6,778,204
Options issued during the year	4,675,000	618,950
Options forfeited & lapsed during the year	(23,300,000)	(5,624,971)
Balance as at 30 June 2020	**38,925,000**	**1,772,183**

	Number of Options	Equity-Settled Benefits Reserve $
Balance as at 1 July 2020	38,925,000	1,772,183
Options issued during the year	10,000,000	387,295
Options forfeited, exercised & lapsed during the year	(29,200,000)	(735,955)
Balance as at 30 June 2021	**19,725,000**	**1,423,523**

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

During the year ended 30 June 2020, ResApp Health Limited issued the following options which were expensed as share-based payments:

- 975,000 Managing Director Incentive Options were issued to the Tony Keating on 28 November 2019 pursuant to the terms of the Company's Employee Incentive Plan. The Options are exercisable at $0.21 and expire on 20 December 2024. The Options will vest on the satisfaction of the following specific performance milestones: (a) CE Mark approval – 325,000 Options; (b) FDA clearance – 325,000 Options; and (c) Commercial release of hardware product – 325,000 Options. The option holder is required to be employed by the Company in order to exercise the Incentive Options. The options are valued at the date of issue and recognised as share-based payment expense for the vesting period to November 2021.
- 2,000,000 Director Incentive Options were issued to Directors on 28 November 2019 pursuant to the terms of the Company's Employee Incentive Plan. The Options are exercisable at $0.43 and expire on 20 December 2022. The Director Incentive Options vest immediately and recognised as share-based payment expense during the year.
- 700,000 Employee Incentive Options were issued to Employees on 20 December 2019 pursuant to the terms of the Company's Employee Incentive Plan. The Options are exercisable at $0.32 and expire on 20 December 2022. The Employee Incentive Options vest in equal quarterly instalments over 2 years from the date of issue if the employee remains employed by the Company. The options are valued at the date of issue and recognised as share-based payment expense for the vesting period to 22 December 2021.
- 1,000,000 Employee Incentive Options were issued to Employee on 6 April 2020 pursuant to the terms of the Company's Employee Incentive Plan. The Options are exercisable at $0.16 and expire on 6 April 2023. 50% of the Employee Incentive Options vest after six months after the date of issue and the remaining options vest in equal quarterly instalments over 18 months from the date of issue if the employee remains employed by the Company. The options are valued at the date of issue and recognised as share-based payment expense for the vesting period to 6 April 2022.

During the year ended 30 June 2021, ResApp Health Limited issued the following options which were expensed as share-based payments:

- 500,000 Employee Incentive Options were issued to a Director on 3 December 2020 pursuant to the terms of the Company's Employee Incentive Plan. The Options are exercisable at $0.16 and expire on 2 December 2023. The Employee Incentive Options vest immediately and recognised as share-based payment expense during the year.
- 2,500,000 Employee Incentive Options were issued to Employee on 12 January 2021 pursuant to the terms of the Company's Employee Incentive Plan. The Options are exercisable at $0.099 and expire on 12 January 2026. 25% of the Employee Incentive Options vest after 12 months after the date of issue and the remaining options vest in equal quarterly instalments over 36 months from the date of issue if the employee remains employed by the Company. The options are valued at the date of issue and recognised as share-based payment expense for the vesting period to 12 January 2026.
- 1,000,000 Employee Incentive Options were issued to Employee on 1 April 2021 pursuant to the terms of the Company's Employee Incentive Plan. The Options are exercisable at $0.08 and expire on 1 April 2025. 50% of the Employee Incentive Options vest after 12 months after the date of issue and the remaining options vest in equal quarterly instalments over 24 months from the date of issue if the employee remains employed by the Company. The options are valued at the date of issue and recognised as share-based payment expense for the vesting period to 1 April 2025.
- 6,000,000 unlisted options were issued to Consultants on 19 April 2021. The Options are exercisable at $0.07 and expire on 19 April 2024. The Options vest immediately and recognised as part of costs directly attributable to issue of share capital during the year.

The fair value of the options issued was estimated at the date of grant using the Black-Scholes option pricing model. The following table sets out the assumptions made in determining the fair value of the options granted during the years ended 30 June 2020 and 2021.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Grant date	Dividend yield	Expected volatility	Risk-free interest rate	Option exercise price	Expected life (years)	Share price on date of grant	Fair value on grant date	Value attributable to the options in the equity settled benefits reserve
2-Jul-15	0%	110%	1.92%	$0.03	5	$0.02	$0.02	$95,000
2-Jul-15	0%	110%	1.92%	$0.05	5	$0.02	$0.02	$85,000
2-Jul-15	0%	110%	1.92%	$0.10	5	$0.02	$0.02	$150,000
22-Sep-15	0%	110%	1.92%	$0.05	5	$0.02	$0.02	$66,006
22-Sep-15	0%	110%	1.92%	$0.10	5	$0.02	$0.02	$38,512
14-Feb-17	0%	100%	1.48%	$0.45	3.8	$0.37	$0.24	120,038
13-Mar-17	0%	100%	1.48%	$0.45	4	$0.32	$0.20	$99,876
1-May-17	0%	100%	1.48%	$0.45	4	$0.32	$0.20	$50,942
18-Dec-17	0%	100%	2.00%	$0.09	3	$0.09	$0.06	$5,808
18-Dec-17	0%	100%	2.00%	$0.09	3	$0.09	$0.06	$46,958
18-Dec-17	0%	100%	2.00%	$0.09	3	$0.09	$0.05	$18,602
18-Dec-17	0%	100%	2.00%	$0.14	3	$0.09	$0.04	$22,366
11-Feb-19	0%	126%	1.47%	$0.12	3	$0.09	$0.07	$88,345
18-Feb-19	0%	126%	1.47%	$0.11	3	$0.09	$0.06	$8,861
25-Feb-19	0%	126%	1.47%	$0.11	3	$0.09	$0.06	$31,639
25-Feb-19	0%	126%	1.47%	$0.11	3	$0.09	$0.06	$44,294
6-May-19	0%	125%	1.47%	$0.19	3	$0.17	$0.12	$58,204
6-May-19	0%	125%	1.47%	$0.19	3	$0.17	$0.14	$274,133
5-Jun-19	0%	127%	1.00%	$0.19	3	$0.16	$0.11	$45,286
28-Nov-19	0%	89%	0.73%	$0.21	5	$0.28	$0.21	$102,956
28-Nov-19	0%	89%	0.72%	$0.43	3	$0.28	$0.13	$255,169
20-Dec-19	0%	89%	0.72%	$0.32	3	$0.26	$0.13	$24,202
6-Apr-20	0%	148%	0.25%	$0.16	3	$0.20	$0.16	$39,986
Balance at 30 June 2020								**$1,772,183**

Grant date	Dividend yield	Expected volatility	Risk-free interest rate	Option exercise price	Expected life (years)	Share price on date of grant	Fair value on grant date	Value attributable to the options in the equity settled benefits reserve
13-Mar-17	0%	100%	1.48%	$0.45	4	$0.32	$0.20	$99,876
1-May-17	0%	100%	1.48%	$0.45	4	$0.32	$0.20	$50,942
11-Feb-19	0%	126%	1.47%	$0.12	3	$0.09	$0.07	$48,765
18-Feb-19	0%	126%	1.47%	$0.11	3	$0.09	$0.06	$11,383
25-Feb-19	0%	126%	1.47%	$0.11	3	$0.09	$0.06	$31,639
25-Feb-19	0%	126%	1.47%	$0.11	3	$0.09	$0.06	$44,294
6-May-19	0%	125%	1.47%	$0.19	3	$0.17	$0.12	$58,204
6-May-19	0%	125%	1.47%	$0.19	3	$0.17	$0.14	$274,133
5-Jun-19	0%	127%	1.00%	$0.19	3	$0.16	$0.11	$45,286
28-Nov-19	0%	89%	0.73%	$0.21	5	$0.28	$0.21	$167,980
28-Nov-19	0%	89%	0.72%	$0.43	3	$0.28	$0.13	$255,169
20-Dec-19	0%	89%	0.72%	$0.32	3	$0.26	$0.13	$21,924
6-Apr-20	0%	148%	0.25%	$0.16	3	$0.20	$0.16	$83,339
26-Nov-20	0%	139%	0.17%	$0.16	3	$0.09	$0.16	$31,456
11-Jan-21	0%	138%	0.84%	$0.10	5	$0.08	$0.07	$16,840
1-Apr-21	0%	67%	0.56%	$0.08	4	$0.07	$0.03	$2,220
19-Apr-21	0%	68%	0.31%	$0.07	3	$0.07	$0.03	$180,073
Balance at 30 June 2021								**$1,423,523**

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Note 18 Loss Per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Consolidated 2021 $	2020 $
Loss attributable to ordinary equity holders (used in calculating basic and diluted EPS) – continuing operations.	**(6,774,495)**	(8,469,158)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share adjusted for share consolidation	**778,303,500**	707,789,254
Loss per share (basic and diluted) (cents)	**(0.87)**	(1.20)

Note 19 Notes to the Cash Flow Statements

Reconciliation of loss for the period to net cash flows from operating activities

	Consolidated 2021 $	2020 $
Loss after income tax	**(6,774,495)**	(8,469,158)
Non-cash flows in loss after income tax:		
Research and development expenditures settled through issuance of shares	**500,000**	2,500,000
Share based payments	**207,222**	618,951
Depreciation and amortisation	**288,416**	247,424
Interest expense on lease liability	**10,809**	12,609
Changes in assets and liabilities relating to operating activities:		
Decrease (increase) in trade and other receivables	**3,003**	1,095,445
Decrease/(increase) in prepayments	**(16,716)**	(2,573)
Increase (decrease) in trade and other payables	**127,296**	(307,438)
Increase (decrease) in provisions	**(9,747)**	109,468
Net cash flows used in operating activities	**(5,664,212)**	(4,195,272)

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Note 20 Remuneration of Auditors

	Consolidated	
	2021	2020
	$	$
Audit and other non-audit services		
Ernst & Young:		
Audit and review of financial reports	**50,000**	–
Grant Thornton Audit Pty Ltd:		
Audit and review of financial reports	**–**	48,500
Other services	**–**	16,500
	50,000	65,000

Note 21 Related Party Transactions

(a) Transactions with key management personnel

i. Key management personnel compensation

The aggregate compensation made to key management personnel of the Group is set out below:

	Consolidated	
	2021	2020
	$	$
Short term employee benefits	**463,039**	441,958
Post-employment benefits	**48,261**	26,259
Share-based payments	**96,481**	358,125
	607,781	826,342

ii. Transactions with key management personnel and related parties

Other than those transactions noted in the audited Remuneration Report, there were no related party transactions that occurred in the reporting period.

Note 22 Contingent Liabilities

The Directors of the Group are not aware of any contingent liabilities which require disclosure in the financial year ended 30 June 2021.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Note 23 Commitments

	Consolidated	
	2021	2020
	$	$
Sales and marketing commitments		
Not later than 1 year	–	224,700
Total sales and marketing commitments	–	224,700
Research and development commitments		
Not later than 1 year	**332,684**	54,905
Total research and development commitments	**332,684**	54,905
Other commitments		
Not later than 1 year	**55,000**	–
Total other commitments	**55,000**	–

Note 24 Leases

The Company signed a three-year, lease agreement for office premises in Brisbane, Queensland with a commencement date of 1 October 2019. The lease agreement was accounted for under AASB 16 which resulted in the recognition of 'right of use asset' and 'lease liability' on the statement of financial position. Refer to Note 12 for the net book value of the 'right of use asset'.

The lease imposes a restriction that, the right-of-use asset can only be used by the Company. The Company can sublet the asset to another party, only if prior consent is obtained from the landlord. The Company is prohibited from selling or pledging the underlying leased asset as security. The Company must keep the property in a good state of repair and return the property in their original condition at the end of the lease. Further, the Company must insure items of fixed assets and incur maintenance fees on such items in accordance with the lease agreement.

Lease liability is presented in the statement of financial position as follows:

	Consolidated	
	2021	2020
	$	$
Lease liability - current	**152,077**	137,891
Lease liability - noncurrent	**38,921**	191,000
	190,998	328,891

Set out below are the carrying amounts of lease liability and the movements during the year:

	Consolidated	
	2021	2020
	$	**$**
Balance at the beginning of year	**328,891**	–
Additions	**–**	412,706
Accretion	**10,809**	12,608
Payments	**(148,702)**	(96,423)
Balance at the end of year	**190,998**	328,891

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

The term-deposit of $103,673 is held as security for the bank guarantee as required for the lease agreement. The term-deposit is presented as "other financial asset" in the statement of financial position.

Note 25 Subsequent Events

On 5 July 2021, the Company announced that it had entered into a commercial agreement with Doctors on Demand for the integration of ResAppDx in their telehealth services in Q1 FY2022. The deal also includes promotion of ResApp's SleepCheck within Doctors on Demand's virtual sleep clinic. The Company also announced the publication of acute exacerbation of chronic obstructive pulmonary disease (COPD) data from its Breathe Easy adult clinical study in the peer-reviewed Nature Partner Journal, *npj Digital Medicine*.

On 4 August 2021, the Company announced that it has signed a commercial licence agreement with Medgate AG ("Medgate") to use ResApp's smartphone-based acute respiratory diagnostic test, ResAppDx on Medgate's telehealth platform in Europe and the Philippines. The Company also announced that has signed a software licence agreement with Indonesian-based telehealth company Alodokter, under which Alodokter will integrate ResApp's smartphone-based acute respiratory diagnostic test ResAppDx in their chat and telehealth services. Alodokter expects to launch ResAppDx on its platform prior to 1 December 2021.

On 9 August 2021, the Company announced that it has expanded its SARS-CoV2 ("COVID-19") clinical program by including the collection of longitudinal data for subjects who are COVID-19 positive. ResApp has also engaged Triomics, a clinical trial company based in India, to start recruitment of COVID-19 positive and negative patients in India.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

The financial statements were approved by the Board on 27th August 2021.

Note 26 Segment Reporting

The Group has identified its operating segment as medical technology. The reportable segment is represented by the primary consolidated statements forming the financial report for the year ended 30 June 2021. These are the figures that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

Notes to the Consolidated Financial Statements (continued)
For the Year Ended 30 June 2021

Note 27 Parent Entity Information

The following detailed information is related to the parent entity, ResApp Health Limited, as at 30 June 2021 and 2020:

	2021	2020
	$	$
Current assets	**7,473,027**	6,649,453
Non-current assets	**2,814,197**	2,908,107
Total assets	**10,287,224**	9,557,560
Current liabilities	**1,692,061**	1,577,648
Non-current liabilities	**120,172**	271,966
Total liabilities	**1,812,233**	1,849,614
Contributed equity	**42,935,923**	35,944,770
Reserves	**1,423,523**	1,772,183
Accumulated losses	**(35,884,455)**	(30,009,007)
Total equity	**8,474,991**	7,707,946
Loss for the year	**(6,611,399)**	(8,324,455)
Other comprehensive income for the year	**–**	–
Total comprehensive loss for the year	**(6,611,399)**	(8,324,455)

Directors' Declaration

The Directors' of the Group declare that:

1. in the Directors' opinion, the financial statements and accompanying notes set out on pages 19 to 52 are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date;

2. note 3 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

4. the remuneration disclosures included in pages 13 to 16 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2021, comply with section 300A of the *Corporations Act 2001*; and

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Tony Keating
Director

Brisbane
27th day of August 2021

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Independent auditor's report to the members of ResApp Health Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of ResApp Health Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 2021 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss during the period ended 30 June 2021 and its ability to continue as a going concern is dependent on cash inflows from commercialisation of its products, capital raises or other funding arrangements. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be the key audit matters to be communicated in our report. Our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Research and development incentive receivable

Why significant	How our audit addressed the key audit matter
As outlined in Note 4 Other Income, the Group recognised a research & development (R&D) tax incentive totalling $685,744 for the year ended 30 June 2021. The matter was considered a key audit matter for the following reasons: • The R&D tax incentive makes a significant contribution to the cash inflows of the Group. • As outlined in Note 3 *Critical Accounting Judgements and Key Sources of Estimation Uncertainty*, there is judgement involved in assessing whether expenditure incurred meets the R&D Tax Incentive eligibility criteria and in determining the apportionment of expenditure between eligible and non-eligible categories based on R&D activities undertaken by the Group.	Our audit procedures included the following: • Assessed the mathematical accuracy of the calculation of the Group's R&D claim. • On a sample basis, agreed expenses claimed to source documentation, such as payroll information and supplier invoices. • Involved our R&D taxation specialists to review the Group's R&D claim and to consider whether the Group's R&D claim meets the recognition criteria. • Obtained representations from the Group that the activities are eligible under the self-assessed R&D Tax Incentive criteria, and for a sample of the transactions tested the support for the technical and expenditure components of the R&D tax claim. • Considered the adequacy of the disclosures in the financial report.

Intangible assets

Why significant	How our audit addressed the key audit matter

As detailed in Note 13 Intangible Assets, the Group has an intangible asset with a carrying value of $1,618,971.
The Group's intellectual property intangible assets are for licenses held over patents. The patents are used in researching and developing the Group's respiratory application technology.
In accordance with Australian Accounting Standards, the Group is required to assess, at each reporting date, the amortisation period and amortisation method for its intangible assets and also whether if there are any indicators of impairment which may suggest the carrying value of an intangible asset exceeds its recoverable amount.
At 30 June 2021, the Group determined no impairment indicators were present.
The matter was considered a key audit matter because:
• The process to determining the useful life of the Group's intangible asset and resulting amortisation period is inherently subjective; and
• The Group's assessment of the existence or otherwise of impairment indicators involves significant judgement.
	Our audit procedures included the following:
	• Assessed the reasonableness of Group's assessment of the useful life of its intangible assets.
	• Evaluated the appropriateness of the amortisation period and amortisation method of intangible assets for consistency with the requirements of Australian Accounting Standards.
	• Assessed the appropriateness and completeness of the Group's consideration of impairment indicators including:
	    • The relationship between asset carrying values and the Group's market capitalisation;
	    • Analysis of Board approved budgets and operating plans for evidence of adverse changes that may indicate the Group does not intend to proceed with future development of its Group's respiratory application technology; and
	    • Discussions with operational management as to the status on R&D activities and whether there exists any indication of underperformance or obsolescence of respiratory application technology.
	• Considered the adequacy of the disclosures in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of ResApp Health Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Building a better working world

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Madhu Nair
Partner
Brisbane
27 August 2021

ASX Additional Information

Pursuant to the Listing Rules of the Australian Securities Exchange, the shareholder information set out below was applicable as at 29 July 2021.

a) Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shares	%	Number of Shareholders	%
1 to 1,000	248,043	0.03	590	8.13
1,001 to 5,000	4,157,855	0.48	1,365	18.80
5,001 to 10,000	8,732,583	1.02	1,096	15.10
10,001 to 100,000	119,847,766	13.95	3,078	42.40
100,001 and Over	726,210,830	84.52	1,130	15.57
	859,197,077	**100.00**	**7,259**	**100.00**

There were 3,277 shareholders holding less than a marketable parcel of ordinary shares.

b) Substantial Shareholders

ResApp Health Limited has received the following substantial shareholder notifications. As at 29 July 2021, no other substantial shareholder notices have been received.

Shareholder Name	Shares held at date of Notice	Percentage held at date of Notice (%)	Date of Notice
FIL Limited	85,833,787	9.99	21/04/2021
Ian Francis Reynolds	36,930,633	5.60	21/09/2017

c) Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

	Shareholder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	92,778,638	10.80
2	Freeman Road Pty Ltd <The Avenue A/C>	35,850,000	4.17
3	Sunreef Pty Ltd <Great Wall A/C>	19,749,751	2.30
4	Mr Frank Weng Thong Chew	16,278,000	1.89
5	BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	14,303,550	1.66
6	Mr Anthony James Keating	10,225,000	1.19
7	Hunter Capital Advisors P/L	9,000,000	1.05
8	Equimetrixs Pty Ltd <The Newtonmore Superannuation Fund>	8,437,500	0.98
9	Narhex Life Sciences Developments Pty Ltd	7,997,005	0.93
10	CEM International (Asia) Pty Ltd	7,849,888	0.91
11	Mr Yongsheng Peng & Mrs Yuezhen Xie	7,069,771	0.82
12	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	6,254,951	0.73
13	Queensland Forest Industries Pty Ltd	5,750,000	0.67

ASX Additional Information

	Shareholder	Number of Shares	%
14	Paranji Super Fund Pty Ltd <Paranji Superfund A/C>	5,285,000	0.62
15	Citicorp Nominees Pty Limited	5,193,549	0.60
16	Mr Victor John Wilk	4,400,000	0.51
17	Mr Trent Antony Goodrick	4,250,000	0.49
18	Wilk Holdings Pty Ltd <Wilk Superannuation Fund A/C>	4,000,000	0.47
19	Mr Xiaoyi Lin	4,000,000	0.47
20	Dr Geoffrey Waring	3,750,764	0.44
	TOTAL	**272,423,367**	**31.71**

d) Listed Options

As at the date of this report there were nil listed options on issue in the Company.

e) Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

f) Unquoted Securities

Incentive Options- $0.11; 25 February 2022

Number of Incentive Options	700,000
Number of Holders	2
Holders with more than 20%	Dr Scott Claxton – 28.6%
	Dr Paul Porter – 71.4%

Incentive Options- $0.19; 6 May 2022

Number of Incentive Options	500,000
Number of Holders	1
Holders with more than 20%	Dr Philip Currie – 100%

Incentive Options- $0.19; 6 May 2024

Number of Incentive Options	2,000,000
Number of Holders	1
Holders with more than 20%	Dr Philip Currie – 100%

Incentive Options- $0.19; 5 June 2022

Number of Incentive Options	400,000
Number of Holders	2
Holders with more than 20%	Dr Naomi Fried – 50%
	Dr Joseph Kvedar – 50%

Unlisted Options- $0.07; 19 April 2024

ASX Additional Information

Number of Incentive Options	6,000,000
Number of Holders	2
Holders with more than 20%	LTL Capital Pty Ltd – 83.3%

Employee Incentive Options

ESOP Options - $0.12; 11 February 2022	850,000 Options – 4 holders
ESOP Options - $0.11; 18 February 2022	200,000 Options – 1 holder
ESOP Options - $0.11; 25 February 2022	500,000 Options – 1 holder
ESOP Options - $0.32; 20 December 2022	300,000 Options – 1 holder
ESOP Options - $0.43; 20 December 2022	2,000,000 Options – 4 holders
ESOP Options - $0.21; 20 December 2024	975,000 Options – 1 holder
ESOP Options - $0.16; 6 April 2023	1,000,000 Options – 1 holder
ESOP Options - $0.16; 2 December 2023	500,000 Options – 1 holder
ESOP Options - $0.099; 12 January 2026	2,500,000 Options – 1 holder
ESOP Options - $0.08; 1 April 2025	1,000,000 Options – 1 holder

g) On Market Buy-Back

There is no current on market buy-back for any of the Company's securities.

h) Restricted Securities

There are currently no restricted securities on issue.