

2018 CORPORATE GOVERNANCE STATEMENT

Resonance Health Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. This Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Securities Exchange ('ASX') Corporate Governance Council published guidelines as well as its corporate governance principles and recommendations unless otherwise stated. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

Principle 1

Lay solid foundations for management and oversight

The Board is the governing body of the Company. The Board and the Company act within a statutory framework – principally the Corporations Act and also the Constitution of the Company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of Resonance Health Limited.

The Board must ensure that Resonance Health Limited acts in accordance with prudent commercial principles, and satisfies shareholders – consistent with maximising the Company's long term value.

The Company has established the functions reserved to the Board. The Board Charter summarises the role, responsibilities, policies and processes of the Board of Resonance Health Limited and comments on the Board's approach to corporate governance.

The primary responsibilities of the Board include:

- Charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available
- Monitoring the implementation of those policies and strategies and the achievement of those financial objectives
- Monitoring compliance with control and accountability systems, regulatory requirements and ethical standards
- Ensuring the preparation of accurate financial reports and statements
- Reporting to shareholders and the investment community on the performance and state of the Company
- Appointing and monitoring the performance of senior executives
- Establishing proper succession plans for management of the Company

The Company has established the functions delegated to senior executives. The Board Charter summarises the role and responsibilities of the Chief Executive Officer and the Company Secretary.

The Board delegates responsibility for the day to day management of the Company to the Chief Executive Officer. However, the Chief Executive Officer must consult the Board on matters that are sensitive, extraordinary or of a strategic nature. The Company Secretary supports the effectiveness of the Board. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Separate functions of the Board and management existed and were practised throughout the year.

The performance of Executives is measured against criteria agreed annually with each person and is based predominantly on the achievement of agreed milestones. The Management review was undertaken during reporting period.

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Principle 1

Lay solid foundations for management and oversight (continued)

Details of matters reserved to the Board and delegated to Management are outlined in the Board Charter. A copy of the Board Charter is publically available on the Company's website.

The Company undertakes appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a Director; and provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company undertakes a periodical review evaluating the Board members. The Chairman prepares a questionnaire and asks the Directors and Company Secretary to complete their written response. The responses are reviewed and discussed at appropriate Board meetings. The Board review was completed during the reporting period.

The Company provides each Director and senior executive a written agreement setting out the terms of their appointment.

Diversity Policy

The Board currently does not have a Diversity Policy. Gender Diversity is demonstrated within the Company as follows: 43% of employees are women and 50% of Management/Executive roles are filled by women. The Board currently has no measurable objectives on achieving greater gender diversity within the Company.

The Board complied with the ASX Corporate Governance Council Principle 1 at all times during the year except as noted above.

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Principle 2

Structure the Board to add value

The composition of the Board has been determined on the basis of providing the Company with the benefit of a broad range of technical, commercial and financial skills, combined with an appropriate level of experience at a senior corporate level. Details of each Director's skills and experience are set out in the Directors' report.

The ASX guidelines recommend that a listed Company should have a majority of Directors who are independent Principle 2 Recommendation 2.4. The Board did have a majority of independent Directors.

A Director is considered independent when the Director does not have any relationship with the Company that would be considered to affect the independent status as outlined in the ASX Corporate Governance Council Principle 2 Recommendation 2.4.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is evidence to the contrary) if it is equal or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point at the actual ability in question to shape the direction of the Company's loyalty.

Directors during the financial year were:

- Dr Martin Blake – Independent – Chairman
- Mr Simon Panton – Not independent – substantial shareholder
- Mr Travis Baroni – Independent – Non-executive Directors
- Mr Mitchell Wells – Independent – Non-executive Director (appointed 28 February 2018)

A description of the skills and experience of each director and their period of office is disclosed in the Directors' Report. The ASX Corporate Governance Council Principle 2 Recommendation 2.5 recommends that the Chairman should be an independent Director. The role of Chairman was performed by an independent Director at all times during the financial year. The ASX Corporate Governance Council Principle 2 Recommendation 2.5 recommends that the roles of Chairman and Managing Director be exercised by different individuals. The Company complied with this recommendation at all times during the financial year.

The roles of Chairman and Managing Director and/or CEO are exercised by different individuals, providing for clear division of responsibility at the head of the Company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communication between them.

Directors are subject to re-election by rotation at annual general meetings as stipulated in the Corporations Act and the Company's Constitution. There is no maximum term for Non-executive Director appointments. Newly elected Directors must seek re-election at the first general meeting of shareholders following their appointment.

The remuneration of the Directors is determined by the Nomination and Remuneration Committee. Further information and the components of remuneration for Directors are set out in the Directors' Report.

ASX Corporate Governance Council Principle 2.1 recommends that the Nomination Committee should consist of a majority of Independent Directors, be chaired by an independent Director and have at least three members.

The members of the Nomination and Remuneration Committee during the financial year were:

- Dr Martin Blake – (Chairman) – Independent
- Mr Simon Panton – Not Independent
- Mr Travis Baroni – Independent
- Mr Mitchell Wells – Independent (appointed 28 February 2018)

Nomination and Remuneration Committee consists of four Non-executive Directors

The number of meetings attended by each member of the Nomination and Remuneration Committee are detailed in the Directors' Report. The Company discloses its Nomination and Remuneration Committee Charter on the Company's website.

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Principle 2 (continued)

The Company has a procedure in place for Directors to take independent professional advice at the expense of the Company.

Prior to the appointment of a new Director, the Nomination and Remuneration Committee assesses the skills represented on the Board by the Non-executive Directors and determines whether those skills meet the skills identified as required. The Committee will then implement a process to identify suitable candidates for appointment. Induction procedures are in place to ensure new Directors are able to participate fully and actively in Board decision-making at the earliest opportunity. Directors are encouraged to engage in continuing education and are encouraged to update and enhance their skills and knowledge. Directors meet regularly to discuss the performance of the Company and to attend to regulatory requirements. The Company Secretary distributes information before each Board meeting to enable Directors to discharge their duties effectively.

The Company's Constitution requires a Director of the Company to not hold office without re-election past the third annual general meeting following the director's appointment or three years, whichever is longer.

The Board complied with the ASX Corporate Governance Council Principle 2 at all times during the year.

Principle 3

Promote ethical and responsible decision-making

The Board places great emphasis on ethics and integrity in all its business dealings.

In regards to Principle 3.1 the Board considers the business practices and ethics exercised by individual Board members and key executives to be of the highest standards.

The Company has a code of conduct as to the:

- practices necessary to maintain confidence in the Company's integrity;
- practices necessary to take into account their legal obligations and the expectations of shareholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

These practices are outlined in the Company's Board Charter, Communication Policy, Continuous Disclosure Charter, Share Trading Policy, Audit and Risk Charter and Nomination and Remuneration Charter. These documents are disclosed on the Company's website.

Trading in the Company's shares

The Company's Trading Policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices. Statutory provisions of the Corporations Act dealing with insider trading have been strictly complied with.

The Company's Share Trading Policy is disclosed on the Company's website.

The Board complied with the ASX Corporate Governance Council Principle 3 Recommendations at all times during the year.

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Principle 4

Safeguard integrity in financial reporting

The Board has established an Audit and Risk Committee that operates in accordance with the Company's Audit and Risk Charter. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board has delegated responsibility for the establishment and framework of internal controls and ethical standards for the management of the consolidated entity to the Audit and Risk Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Committee are non-executive Directors.

ASX Corporate Governance Council Principle 4.1 recommends that the Audit Committee should consist only of Non-executive Directors with a majority of independent Directors, be Chaired by an independent Director who is not Chair of the Board and have at least three members.

The members of the Audit and Risk Committee during the financial year were:

- Mr Travis Baroni (Chairman) – Independent
- Dr Martin Blake - Independent
- Mr Simon Panton – Not independent
- Mr Mitchell Wells – Independent (appointed 28 February 2018)

The qualifications of each member of the Audit and Risk Committee and the number of meetings attended are detailed in the Directors' Report.

The Audit and Risk Committee generally invites the Chief Executive Officer, Company Secretary, and external auditors to attend meetings.

The Company discloses its Audit and Risk Committee Charter on the Company's website.

The Company's external auditors have a policy for the rotation of audit engagement partners. A new Audit Partner was assigned to the Company with effect for the 2014 financial year in line with this policy.

With effect from 2 February 2017 the Chair of the Audit and Risk Committee is not the Chair of the Board. The Company has complied with the ASX Corporate Governance Council Principle 4.1 Recommendation.

In accordance with Recommendation 4.2 the Chief Financial Officer and Chief Executive Officer provide written statements at each reporting period regarding the integrity of the financial statements and the Company's risk management and internal compliance and control systems.

Pursuant to Recommendation 4.3, the Company's external auditor is invited to attend the annual general meeting and questions from shareholders regarding the conduct of the audit and the preparation and content of the auditor's report are welcomed.

Principle 5

Make timely and balanced disclosure

The Company complies with all disclosure requirements to ensure that Resonance Health Ltd manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. The Chief Executive Officer and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures.

The Company has a written policy designed to ensure compliance with ASX Listing Rule disclosures and accountability at a senior executive level for that compliance. The details of this policy are outlined in the Company's Continuous Disclosure Charter which is displayed on the Company's website.

All announcements made to the ASX are placed on the Company's website immediately after public release.

The Board complied with the ASX Corporate Governance Council Principle 5 Recommendations at all times during the year.

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Principle 6

Respect the rights of shareholders

The Company has a Communications Policy that details the Company's strategy to communicate with shareholders and actively promote shareholder involvement in the Company. It aims to continue to increase and improve the information available to shareholders on its website. All Company announcements, presentations to analysts and other significant briefings are posted on the Company's website after release to the Australian Securities Exchange.

The Board complied with the ASX Corporate Governance Council Principle 6 Recommendations at all times during the year.

Principle 7

Recognise and manage risk

The Board oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. Recommendation 7.1 requires that the Company has a formal risk management policy and internal compliance and control system. Resonance Health Limited, through its operating subsidiary Resonance Health Analysis Services Pty Ltd, maintained a Quality Management System (QMS) to international standards ISO13485:2003 for the whole financial year which encompass formal risk analysis processes.

Recommendation 7.2 requires implementation and review of the Company's risk management and internal control system. The Company did not have a separately established risk committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the role of the Audit and Risk Committee and the main Board. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee.

In addition, the QMS requires the appointment of a Management Representative that reports directly to the Board of Directors. The Company also has in place classes of insurance at levels which, in the reasonable opinion of the Directors, are appropriate for its size and operations. Management has reported the effectiveness of the Company's management of its material business risks to the Board during the reporting period.

The Company's Audit and Risk Charter is displayed on the Company's website.

Recommendation 7.3: The Company does not have an Internal Audit Function given its size and the Company has maintained a Quality Management System (QMS) to international standards ISO13485:2003 for the whole financial year which encompass formal risk analysis processes.

Recommendation 7.4: The Company does not have material exposure to economic, environmental and social sustainability risks other than normal trading business risks.

Except for Recommendation 7.3 the Board complied with the ASX Corporate Governance Council Principle 7 Recommendations at all times during the year.

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Principle 8

Remunerate fairly and responsibly

The Board has a Nomination and Remuneration Committee. Members of the Committee are outlined under Principle 2 above.

ASX Corporate Governance Council Principles recommend that the Remuneration Committee should consist of a majority of independent Directors, be chaired by an Independent Director and have at least three members.

The Nomination and Remuneration Committee regularly review the level and composition of remuneration of non-executive Directors, executive Directors and senior management with regards to industry best practice, Company and individual performance.

The Company pays fees to The University of Western Australia for services provided by Dr St Pierre who is the Chief Scientific Officer the Company.

All employees receive a base salary and superannuation. The Company has a share plan. Directors do not receive any equity based remuneration unless specifically approved on a case by case basis at a general meeting.

The members of the Nomination and Remuneration Committee are outlined in Principle 2. Their attendance at Nomination and Remuneration Committee meetings is detailed in the Directors' Report. Director disclosure requirements are detailed in the Remuneration Report.

The Nomination and Remuneration Committee Charter is displayed on the Company's website.

Recommendation 8.3 – The Company does not have a written policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Share Plan. However the Directors discourage employees from doing so especially if it is a short term trading activity.

The Board complied with the ASX Corporate Governance Council Principle 8 Recommendations at all times during the year excepted for Recommendation 8.3 as noted above.