



Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Interim Report
For the half-year ended 30 September 2016

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Directors' report

The directors present their report together with the financial statements of Volpara Health Technologies Limited (Volpara or the Company) and its subsidiaries (together referred to as the Group), for the half-year ended 30 September 2016 and the auditor's report thereon. The financial statements have been reviewed by the Company auditors and approved by the directors on the recommendation of the Audit and Risk Committee.

Directors

The directors of Volpara in office during the half-year and at the date of this report (unless otherwise stated) were as follows:

Roger Allen AM (Chairman)
Dr Ralph Highnam (CEO)
Professor Sir John Michael Brady
Lyn Swinburne AM
John Diddams
John Pavlidis

Results of operations

This is Volpara's first interim report to be lodged since the initial public offering and listing on the Australian securities Exchange (ASX) in April 2016. We were very pleased with the interest shown in the IPO which helped raised ~A\$10m (20 million shares) and would like to thank all the shareholders for their support.

Our mission remains as it has always been, to reduce the mortality and cost of breast cancer by providing clinically validated software that underpins personalised, high-quality breast cancer screening. The funds raised from the IPO helped us expand our direct North America, Europe and APAC sales team from two to ten people, to speed up the release of *VolparaEnterprise™* 1.0 and to help transition from our traditional capital sales model to a Software as a Service (SaaS) model. All of these objectives have now been achieved.

Achieving these milestones has meant that the business has had to make considerable investments in product development, including patents and trademarks, (all of which have been expensed in the financial statements) staff costs including training, etc., resulting in the operating deficit increasing from NZ\$2.069M in 2015 to NZ\$4.675M in the current period, which is in line with expectations. Besides the overall increases in operations the main drivers included:

- Non-cash share-based remuneration of NZ\$569k as part of the new employee share option plan;
- Increased development costs of over NZ\$200k driven mostly by the development of *VolparaEnterprise™* 1.0 and 2.0;
- ASX listing costs (this financial year) totalling NZ\$158k, excluding costs of continued membership and share register maintenance; and
- One-off realised foreign exchange losses on the transfer of the IPO raised funds from Australia to New Zealand of \$348k.

Despite all the non-sales activity, the transition of the sales team from capital sales of density to SaaS sales of Enterprise, and non-favourable foreign exchange movements, the Group's product revenue still increased to NZ\$1.119 million for the period compared to NZ\$1.076 million for the previous corresponding period, with a closing cash position of NZ\$6.795 million and net assets of NZ\$6.368 million.

Highlights for the Period

Highlights of Volpara's activities for the period:

- *VolparaEnterprise™* 1.0, which focuses on safety, quality, comfort and productivity, was launched in July 2016 and has seen a large amount of interest from existing customers and potential new customers to whom we previously did not have access.
- Volpara secured its first SaaS customers using *VolparaEnterprise™* 1.0, Women's and Breast Imaging in Perth, Western Australia, and Breast Imaging Specialists in Los Gatos, California;
- Volpara brought the total number of countries where its products are being used to 35, with the latest addition being a customer in Nigeria.
- Volpara filed nine new provisional patents together with two more trademarks applications
- A number of important studies were released, including:
 - o The Dr Sprague paper in *Annals of Internal Medicine*, which showed that radiologists varied significantly in their assessments, declaring between 8% and 86% of their populations as "dense", leading to missed cancers and unnecessary imaging; and
 - o The paper in the *American Journal of Roentgenology* by Dr Shermis, a long-term user of *VolparaDensity™*, where 1,696 women identified by *VolparaDensity™* as having "dense breasts" (so at risk of cancers being missed) went on to have molecular breast imaging, and 13 women were found to have cancer.
- Multiple new clinical validation studies were released, with highlights including:
 - o Institut Gustave Roussy's presentation at the European Congress of Radiology in Vienna, where *VolparaDensity™* has been helping with judging change after oophorectomy;
 - o An article in the journal *The Breast*, which showed that the Volpara Density Grade was more consistent over time than visual assessment, ultimately concluding that when using breast density to personalise screening protocols, assessment with software may be preferred over assessment by radiologists; and
 - o The completion of the United Kingdom (UK) Predicting Risk Of Cancer at Screening (PROCAS) trial, which concluded, in one abstract, that the percentage density measured by Volpara provided the strongest relationship among the available automated measures, and provides a practical method for risk stratification.
- The United States (US) Federal Drug Administration (FDA) met in September for the 2016 meeting of the National Mammography Quality Assurance Advisory Committee, where the need for federal law requiring women to be informed of their breast density was discussed, along side a need for increased quality assurance (the EQUIP program). Volpara's Chief Marketing Officer, Julian Marshall, presented to the panel.
- Volpara increased its total global workforce from 29 as at 30 September 2015 to 53 employees and consultants as at the date of this report. The primary additions have been to the sales and marketing, science and engineering teams.
- Ralph Highnam (CEO) delivered the keynote speech at the Australian Breast Density Meeting in Kingscliff, NSW, Australia; and attended a number of "Broker Meets Biotech" events across Australia and the "Bioshares Biotech Summit" in Queenstown, New Zealand.
- Volpara won the Innovation in Health & Science award at the New Zealand Innovation Awards 2016.
- Volpara announced the launch of a new educational website on breast density in Australia (www.breastkeptsecret.com.au) in conjunction with Kylea Tink & Associates.

Outlook

Over the next 12 months, Volpara will continue to focus on increasing its SaaS customer base with the aim to increase annual recurring revenue. We see the following key elements helping to drive this:

- The FDA's recently announced Enhanced Quality Using the Inspection Program (EQUIP) initiative, a quality assurance program taking effect on 1 January 2017 for which *VolparaEnterprise™* 1.0 is perfectly suited to assist our customers in complying with new regulatory requirements in quality assurance, quality control and clinical image quality;

- The beta release and subsequent full launch before the end of the financial year of *VolparaEnterprise™* 2.0—which will include completely new and improved features over version 1.0, the result of ongoing feedback from our customers;
- The increasing acceptance of breast density globally as a factor that women should know about not only for risk of missing cancer, but also development of cancer. We anticipate a major breast cancer risk model including density being launched shortly; and
- Radiology Society of North America is the world's biggest radiology show, hosted in Chicago each year and drawing in 50,000+ attendees. Often described as the world cup of radiology, this is where the key decisions are made for purchasing and this is where most business-to-business interactions take place. The entire sales team is eagerly looking forward to it this year as we launch into *VolparaEnterprise™*.

Dividends

No dividends have been proposed or paid.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.



Roger Allen, AM
Chairman

Dated this 14th day of November 2016



Dr Ralph Highnam
Chief Executive Officer

Dated this 14th day of November 2016

Volpara Health Technologies Limited Group
Consolidated Financial Statements

Consolidated Income Statement

Six months ended 30 September

| | | 2016 | 2015 |
|--|--------------|------------------|------------------|
| | Notes | Unaudited | Unaudited |
| | | NZ\$'000 | NZ\$'000 |
| Revenue | | | |
| Sales | 3 | 1,119 | 1,076 |
| Grants | | 109 | 96 |
| Total revenue | | 1,228 | 1,172 |
| Cost of sales | 5 | (285) | (254) |
| Gross profit | | 943 | 918 |
| Operating expenses | | | |
| Sales and marketing | 5 | (2,682) | (1,122) |
| Product research and development | 5 | (1,175) | (918) |
| General and administration | 5 | (1,510) | (437) |
| | | (5,367) | (2,477) |
| Foreign exchange gains/(losses) | | (347) | 95 |
| Operating deficit | | (4,771) | (1,464) |
| Finance income | 6 | 97 | 55 |
| Finance expense | 6 | (1) | (660) |
| Net loss before tax | | (4,675) | (2,069) |
| Income tax expense | | - | - |
| Net loss for the period | | (4,675) | (2,069) |
| Statement of comprehensive income | | | |
| Net loss for the period | | (4,675) | (2,069) |
| Other comprehensive income/(expense)* | | | |
| Translation of international subsidiaries | | (56) | 2 |
| Total other comprehensive income/(expense) for the period | | (56) | 2 |
| Total comprehensive loss for the period | | (4,731) | (2,067) |
| Earnings per share | | | |
| Basic and diluted loss (cents per share) | 4 | (0.04) | (0.07) |

*Items in Other Comprehensive Income may be subsequently reclassified to the Consolidated Income Statement.

The notes on pages 10 to 17 form part of and should be read in conjunction with these financial statements.

**Volpara Health Technologies Limited Group
Consolidated Financial Statements**

Consolidated Statement of Changes in Equity

| | | Share capital | Share option reserve | Foreign currency translation reserve | Accumulated losses | Total equity |
|--|-------|------------------|----------------------------|---|-----------------------|-----------------|
| | | NZ\$'000 | NZ\$'000 | NZ\$'000 | NZ\$'000 | NZ\$'000 |
| Six months ended 30 September | | | | | | |
| Unaudited | | | | | | |
| | Notes | | | | | |
| Balance at 1 April 2016 | | 744 | 1,534 | (106) | (42,203) | (40,031) |
| Net loss for the period | | - | - | - | (4,675) | (4,675) |
| Other comprehensive expense | | - | - | (56) | - | (56) |
| Total comprehensive loss for the period | | - | - | (56) | (4,675) | (4,731) |
| <i>Transactions with owners:</i> | | | | | | |
| Conversion of convertible preference shares to ordinary shares | 8, 9 | 40,111 | - | - | - | 40,111 |
| Issue of share capital at initial public offering (IPO) | 8, 9 | 11,198 | - | - | - | 11,198 |
| Costs of capital raising | | (774) | - | - | - | (774) |
| Issue of share capital from exercise of share options | 8 | 551 | (519) | - | - | 32 |
| Recognition of share based remuneration | 5 | - | 563 | - | - | 563 |
| Balance at 30 September 2016 | | 51,830 | 1,578 | (162) | (46,878) | 6,368 |
| Unaudited | | | | | | |
| Balance at 1 April 2015 | | 504 | 1,281 | (71) | (11,844) | (10,130) |
| Net loss for the period | | - | - | - | (2,069) | (2,069) |
| Other comprehensive income | | - | - | 2 | - | 2 |
| Total comprehensive loss for the period | | - | - | 2 | (2,069) | (2,067) |
| <i>Transactions with owners:</i> | | | | | | |
| Recognition of share based remuneration | 5 | - | 106 | - | - | 106 |
| Balance at 30 September 2015 | | 504 | 1,387 | (69) | (13,913) | (12,091) |

The notes on pages 10 to 17 form part of and should be read in conjunction with these financial statements.


**Volpara Health Technologies Limited Group
Consolidated Financial Statements**

Consolidated Statement of Financial Position

| | Notes | As at 30 September 2016 Unaudited NZ\$'000 | As at 31 March 2016 Audited NZ\$'000 |
|--------------------------------------|-------|--|--|
| Non-current assets | | | |
| Trade and other receivables | | 89 | - |
| Fixtures and equipment | | 55 | 49 |
| Intangible assets | | 2 | 2 |
| Total non-current assets | | 146 | 51 |
| Current assets | | | |
| Cash and cash equivalents | | 6,795 | 277 |
| Trade and other receivables | | 732 | 1,170 |
| Inventory | | 4 | - |
| Total current assets | | 7,531 | 1,447 |
| Total assets | | 7,677 | 1,498 |
| Equity | | | |
| Share capital | 8 | 51,830 | 744 |
| Share option reserve | 10 | 1,578 | 1,534 |
| Accumulated losses | | (46,878) | (42,203) |
| Foreign currency translation reserve | | (162) | (106) |
| Total equity | | 6,368 | (40,031) |
| Current liabilities | | | |
| Convertible preference shares | 9 | - | 40,111 |
| Trade and other payables | | 899 | 1,164 |
| Employee entitlements | | 191 | 110 |
| Deferred revenue | | 162 | 144 |
| Short term loan | | 57 | - |
| Total current liabilities | | 1,309 | 41,529 |
| Total liabilities | | 1,309 | 41,529 |
| Total equity and liabilities | | 7,677 | 1,498 |

Approved by directors:


Ralph Highnam


John Diddams

The notes on pages 10 to 17 form part of and should be read in conjunction with these financial statements.

**Volpara Health Technologies Limited Group
Consolidated Financial Statements**

Consolidated Statement of Cash Flows

Six months ended 30 September

| | Notes | 2016 Unaudited NZ\$'000 | 2015 Unaudited NZ\$'000 |
|--|-------|-------------------------------|-------------------------------|
| Cash flow from operating activities | | | |
| Receipts from customers | | 1,498 | 1,068 |
| Payments to suppliers and employees | | (5,454) | (2,586) |
| Other income received | | 109 | 95 |
| Net interest received | | 39 | 53 |
| Net taxes received | | 45 | 47 |
| Net cash used in operating activities | 7 | (3,763) | (1,323) |
| Cash flows from investing activities | | | |
| Purchases of fixtures and equipment | | (18) | (8) |
| Net cash used in investing activities | | (18) | (8) |
| Cash flows from financing activities | | | |
| Issue of share capital at initial public offering (IPO) | | 11,198 | - |
| Costs of capital raising | | (570) | - |
| Exercising of share options | | 30 | - |
| Short term loan advances | | 81 | 56 |
| Short term loan repayments | | (29) | (22) |
| Net cash provided from financing activities | | 10,710 | 34 |
| Net increase/(decrease) in cash and cash equivalents | | 6,929 | (1,297) |
| Effects of currency translation on cash and cash equivalents | | (411) | 1 |
| Cash and cash equivalents as at 1 April | | 277 | 3,719 |
| Cash and cash equivalents at the end of the period | | 6,795 | 2,423 |

The notes on pages 10 to 17 form part of and should be read in conjunction with these financial statements

Volpara Health Technologies Limited Group

Notes to the condensed consolidated financial statements (unaudited)

1. Basis of preparation

Volpara Health Technologies Limited ('the Company') is an Australian Securities Exchange ('ASX') listed company, which develops, manufactures and supplies breast imaging software and analysis products that improve clinical decision-making and the early detection of breast cancer. The Company is a limited liability company incorporated and domiciled in New Zealand.

These unaudited interim consolidated financial statements of Volpara Health Technologies Limited and its subsidiaries (together 'the Group' or 'Volpara') have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with the requirements of the New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) 'Interim Financial Reporting', and International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. The Group is a profit-oriented entity.

These interim consolidated financial statements have been prepared in accordance with Chapter 4, Periodic Disclosure, of the ASX Listing Rules.

These interim consolidated financial statements have been approved for issue by the Board of Directors on 14 November 2016.

2. Accounting policies

a) Changes in accounting policies and disclosures

Apart from the changes noted below, the unaudited interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the audited consolidated financial statements and related notes included in the Group's annual report for the year ended 31 March 2016.

During the half year the Group modified the classification of the operating expenses in the Income Statement to more appropriately reflect the function of the expenses. There has also been an allocation of the trade and other receivables between current and non-current in the Consolidated Statement of Financial Position that was not correctly allocated as at 31 March 2016.

The consolidated financial statements are presented in New Zealand dollars.

b) Going concern assumption

The Group recorded a net loss of \$4.675M for the half-year ended 30 September 2016 (30 September 2015: \$2.069M). At 30 September 2016 the Group had equity of \$6.368M (31 March 2016: -\$40.031M). The consolidated financial statements have been prepared using the going concern assumption.

The considered view of the Directors of the Group is that the going concern assumption is valid. This view has been reached after making due enquiry and having regard to the circumstances which the Directors consider will occur and are reasonably likely to affect the Group during the period of one year from the date these consolidated financial statements are approved.

Volpara Health Technologies Limited Group

Notes to the condensed consolidated financial statements (unaudited) (continued)

b) Going concern assumption (continued)

The Group has prepared forecasts which indicate that cash on hand at the period end, combined with cash flow as a result of operations and the potential for additional capital to be raised, will enable the Group to continue operating and satisfy its going concern requirements.

While the Directors believe in the Group's ability to continue as a going concern, as is common with early stage businesses there is material uncertainty as to the extent of future profits, if any, and the time required to achieve a sustained profitability. If the Group fails to penetrate, or further penetrate, the international markets for its products, the Group may take longer than anticipated to, or may never, become profitable. This would also affect the Group's ability to achieve commercial sales levels within the timeframe set out in the Group's forecasts and therefore the cash flow required to operate as a going concern, prior to utilisation of current and any future available cash resources.

Notwithstanding the above, the Directors are confident that the Group remains a going concern and are confident of being able to raise further share capital, or raise further debt funding which would enable the Group to continue operating and satisfy its going concern requirements.

If the Group was unable to continue as a going concern, and pay debts as and when they become due, adjustments would have to be made to reflect the situation. In such circumstances, assets may need to be realised, and liabilities extinguished, other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the Consolidated Statement of Financial Position.

c) Critical accounting estimates

The same significant judgements, estimates and assumptions included in the notes to the consolidated financial statements in the Group's annual report for the year ended 31 March 2016 have been applied to these interim consolidated financial statements.

Volpara Health Technologies Limited Group

Notes to the condensed consolidated financial statements (unaudited) (continued)

3. Segment information

The chief operating decision maker ('CODM') is the Board of Directors, who reviews information for the Group as a whole. The Group operates across three geographical locations (APAC - Asia Pacific; EMEA - Europe, Middle East & Africa; North America - US & Canada) and two revenue streams, namely capital (once-off) sales and support/service revenue (renewed annually), which encompasses the newly entered market of Software as a Service ('SaaS'). The geographic locations have been modified to more appropriately reflect the regions operated in. Currently, the information reviewed by the CODM is prepared in the same format as included in the consolidated financial statements. The Group has therefore determined that one reportable segment exists for the medical device software products, but a breakdown of revenue by region has been shown for informational purposes.

At 30 September 2016 one customer accounted for more than 10% of revenue, totaling \$292,624 (September 2015, one customer accounted for more than 10% of revenue, totaling \$488,668). All non-current assets are based in New Zealand.

| <i>Six months ended 30 September</i> | 2016 | 2015 |
|---------------------------------------|------------------|------------------|
| | Unaudited | Unaudited |
| | NZ\$'000 | NZ\$'000 |
| Revenue by geographical region | | |
| APAC | 56 | 93 |
| EMEA | 22 | 8 |
| North America | 1,041 | 975 |
| | 1,119 | 1,076 |

4. Earnings per share

Basic loss per share is based on the weighted average number of outstanding ordinary shares. For the purpose of calculating diluted loss per share the Group's potentially dilutive ordinary share equivalents have an anti-dilutive effect. Therefore, these have not been included in the diluted loss per share calculation.

| <i>Six months ended 30 September</i> | 2016 | 2015 |
|---|------------------|------------------|
| | Unaudited | Unaudited |
| | NZ\$'000 | NZ\$'000 |
| Net loss for the period | (4,675) | (2,069) |
| Weighted average shares outstanding (basic) * | 120,415,037 | 27,756,156 |
| Weighted average shares outstanding (diluted) * | 120,415,037 | 27,756,156 |
| Basic and diluted loss per share | (0.04) | (0.07) |

* The 2015 weighted average number of ordinary shares does not correspond to the ordinary shares per note 8 due to the number being adjusted for the 3:1 share split subsequent to 30 September 2015 in order to compare on a like-for-like basis.

Volpara Health Technologies Limited Group

Notes to the condensed consolidated financial statements (unaudited) (continued)

5.

| <i>Six months ended 30 September</i> | | 2016 | 2015 |
|---|----|------------------|------------------|
| | | Unaudited | Unaudited |
| | | NZ\$'000 | NZ\$'000 |
| Cost of sales and operating expenses | | | |
| Salaries and benefits | | 1,716 | 1,091 |
| Superannuation contributions | | 147 | 88 |
| Consulting and subcontracting | | 497 | 328 |
| Share based remuneration | 10 | 563 | 106 |
| Listing expenses | | 158 | - |
| Advertising and marketing | | 554 | 139 |
| Operating lease expense | 11 | 48 | 48 |
| Travel | | 402 | 185 |
| Directors fees | | 184 | 29 |
| Depreciation | | 12 | 9 |
| Review of financial statements - Deloitte | | 20 | - |
| Research grant review - Deloitte | | 4 | - |
| Research and development | | 528 | 152 |
| Other operating expenses | | 819 | 556 |
| Total cost of sales and operating expenses * | | 5,652 | 2,731 |

* This total excludes foreign exchange gains/(losses).

6. **Net finance income/(expense)**

| <i>Six months ended 30 September</i> | | 2016 | 2015 |
|---|--|------------------|------------------|
| | | Unaudited | Unaudited |
| | | NZ\$'000 | NZ\$'000 |
| Interest income | | 97 | 55 |
| Interest expense | | (1) | (1) |
| Quasi-dividend entitlements (QDEs) on convertible preference shares | | - | (659) |
| Total net finance income/(expense) | | 96 | (605) |

Subsequent to 30 September 2015 the QDEs have been settled through the issue of additional ordinary shares.

Volpara Health Technologies Limited Group

Notes to the condensed consolidated financial statements (unaudited) (continued)

7. Reconciliation of operating cash flows

| <i>For the Six months ended 30 September</i> | 2016 | 2015 |
|--|------------------|------------------|
| | Unaudited | Unaudited |
| | NZ\$'000 | NZ\$'000 |
| Net loss for the period | (4,675) | (2,069) |
| Non-cash and non-operating items: | | |
| Depreciation | 12 | 9 |
| (Gain)/loss on foreign exchange | 369 | (36) |
| QDEs on convertible preference shares | - | 659 |
| Share based remuneration | 563 | 106 |
| Capital raising costs | (202) | - |
| Other | - | 5 |
| Changes in working capital: | | |
| (Increase)/decrease in trade and other receivables | 380 | (158) |
| (Increase) in inventory | (4) | - |
| Increase/(decrease) in trade and other payables | (300) | 38 |
| Increase in employee entitlements | 81 | 75 |
| Increase in deferred revenue | 13 | 48 |
| Net cash used in operating activities | (3,763) | (1,323) |

8. Share capital

On 27 April 2016 the Group listed on the Australian Securities Exchange following an Initial Public Offering ('IPO') of 20 million shares at A\$0.50 per share. Equity increased by NZ\$11.2M (before capital raising costs of NZ\$774K). At the same time the convertible preference shares ('CPS's') converted from debt to ordinary shares at a ratio of 1:1 based on the number of convertible preferences shares recorded as at 31 March 2016.

| | 2016 | | 2015 | |
|---|------------------|----------------|------------------|---------------|
| | Unaudited | No. of | Unaudited | No. of |
| Fully Paid Ordinary Shares | NZ\$'000 | Shares | NZ\$'000 | Shares |
| | 000's | 000's | 000's | 000's |
| In issue as at 1 April | 744 | 30,056 | 504 | 9,252 |
| Conversion of CPS's to ordinary shares | 40,111 | 72,411 | - | - |
| Issue of share capital at initial public offering (IPO) | 10,424 | 20,000 | - | - |
| Exercise of share options | 551 | 1,812 | - | - |
| In issue at 30 September * | 51,830 | 124,279 | 504 | 9,252 |

* The 124.279M shares outstanding as at 30 September 2016, which includes 60.198M shares under ASX escrow and 33.692M under voluntary escrow. These shares are escrowed for between 12 and 24 months from the date of the IPO, therefore they cannot be traded or transferred during this time.

The shares have no par value and each share has equal rank in voting power. All ordinary shares rank equally with regards to the Company's residual assets.

Volpara Health Technologies Limited Group

Notes to the condensed consolidated financial statements (unaudited) (continued)

9. Convertible preference shares

For the Six months ended 30 September

| | 2016 | | 2015 | |
|---------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Unaudited NZ\$'000 | No. of CPS's 000's | Unaudited NZ\$'000 | No. of CPS's 000's |
| Outstanding as at 1 April | 40,111 | 72,411 | 14,105 | 17,491 |
| QDEs | - | - | 659 | - |
| Conversion to ordinary shares | (40,111) | (72,411) | - | - |
| Outstanding as at 30 September | - | - | 14,764 | 17,491 |

The CPS's that were on issue as at 31 March 2016 have, subsequent to the listing on the Australian Stock Exchange, been converted to ordinary shares at a ratio of 1:1. That is, no further quasi-dividend entitlements were awarded, nor were there any further tranches sold. The value assigned to them as at 31 March 2016 was based on a fair value per share of A\$0.50 (or NZ\$0.56) per the prospectus underwritten on 24 March 2016. This was ultimately the price that the shares subscribed for were sold at and therefore no fair value adjustment was required on conversion. Refer to note 4 regarding the 3:1 share split subsequent to 30 September 2015, which equally impacted the CPS's.

10. Share based remuneration

The Group has equity-settled, share based compensation plans for employees, directors and consultants of the Company and its subsidiaries. The value of the services rendered for the grant of the share options is recognised as an expense over the vesting period (which ranges from 1-5 years or upon meeting stipulated milestones). The amount is determined by reference to the fair value of the share options granted which is calculated using the Black-Scholes options model.

Legacy share option plan

Movements in the number of share options outstanding are as follows:

| | Number of options Unaudited 2016 000's | Weighted- average exercise price Unaudited 2016 NZ\$ | Number of options Unaudited 2015 000's | Weighted- average exercise price Unaudited 2015 NZ\$ |
|---------------------------------------|--|--|--|--|
| | Outstanding as at 1 April | 10,627 | 0.19 | 10,587 |
| Granted during the period | - | - | - | - |
| Exercised during the period | (1,812) | 0.02 | - | - |
| Forfeited during the period | - | - | - | - |
| Outstanding as at 30 September | 8,815 | 0.19 | 10,587 | 0.11 |
| Vested as at 30 September | 6,202 | | 9,260 | |

Volpara Health Technologies Limited Group

Notes to the condensed consolidated financial statements (unaudited) (continued)

10. Share based remuneration (continued)

New employee share option plan (ESOP)

Movements in the number of share options outstanding are as follows:

| | Number of options Unaudited | Weighted- average exercise price Unaudited | Number of options Unaudited | Weighted- average exercise price Unaudited |
|---------------------------------------|-----------------------------------|--|-----------------------------------|--|
| | 2016 000's | 2016 A\$ | 2015 000's | 2015 A\$ |
| Outstanding as at 1 April | 5,236 | 0.50 | N/A | N/A |
| Granted during the period | 605 | 0.50 | N/A | N/A |
| Exercised during the period | - | - | N/A | N/A |
| Forfeited during the period | (120) | 0.50 | N/A | N/A |
| Outstanding as at 30 September | 5,721 | 0.50 | N/A | N/A |
| Vested as at 30 September | - | | N/A | |

11. Commitments and contingencies

Contingent liabilities and capital commitments

The Group had no contingencies or commitments to purchase fixtures or equipment as at 30 September 2016 (2015: Nil).

Obligations under operating leases

There are the following obligations remaining on a commercial property lease:

| | 2016 Unaudited NZ\$'000 | 2015 Unaudited NZ\$'000 |
|----------------------------|-------------------------------|-------------------------------|
| Less than one year | 92 | 92 |
| Between one and five years | - | 92 |
| More than five years | - | - |

The obligation consists of a property lease agreement for the office space at Level 12, 86 Victoria Street, in Wellington, New Zealand. The lease agreement is for a term of 3 years and 2 months starting from 1 August 2014 with a right to renew once this term is complete.

12. Financial instruments and financial risk management objectives

Details of the Group's main financial risks, and the managing of these risks, have been disclosed in the annual report for the year ended 31 March 2016. For the current interim period, no new financial risks were identified.

The Group's financial instruments are carried at amortised cost. The carrying amounts of these assets and liabilities do not materially differ from their fair values.

There were no transfers between classes of financial instruments during the period.

Volpara Health Technologies Limited Group

Notes to the condensed consolidated financial statements (unaudited) (continued)

13. Related Parties

Details of all related party transactions have been disclosed in the annual report for the year ended 31 March 2016. For the current interim period, no new transactions with directors occurred that would be considered a related party transaction. The value of outstanding balances payable to key management and directors at balance date total \$44,823 (30 September 2015: \$nil) for Directors fees payable to John Pavlidis, Mike Brady and Roger Allen.

14. Events after the balance sheet date

There were no significant events between balance date and the date these consolidated financial statements were authorised for issue.



INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF VOLPARA HEALTH TECHNOLOGIES LIMITED

We have reviewed the condensed consolidated interim financial statements of Volpara Health Technologies Limited and its subsidiaries ('the Group') which comprise the statement of financial position as at 30 September 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information on pages 6 to 17.

This report is made solely to the Group's shareholders, as a body. Our review has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Volpara Health Technologies Limited and its subsidiaries, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor and the provision of review services for a Research and Development Intensity and Research and Development Expenditure Schedule, we have no relationship with or interests in the Group. These services have not impaired our independence as auditor of the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2016 and its financial performance and cash flows for the period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Emphasis of Matter – Going Concern

Without qualifying our opinion, we draw attention to Note 2(b) in the condensed consolidated interim financial statements which indicates that the Group incurred a net loss of \$4,675,000 during the six months ended 30 September 2016. This condition, along with other matters as set forth in Note 2(b),



indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

DELOITTE LIMITED

Deloitte Limited

14 November 2016
Chartered Accountants
WELLINGTON, NEW ZEALAND

Corporate Directory

Volpara Health Technologies Limited Group

Registered Office

Matthew Underwood Limited
Level 6, 22 Panama Street
Wellington Central
Wellington, 6011
New Zealand

Board of Directors

Roger Allen, AM - Chairman, Non-Executive Independent
Dr Ralph Highnam - Chief Executive Officer
Prof. Sir John Michael Brady - Non-Executive Independent
Lyn Swinburne, AM - Non-Executive Independent
John Diddams - Non-Executive Independent
John Pavlidis - Non-Executive Independent

Company Secretary

Brian Leighs
John Diddams

New Zealand Incorporation

The Company is registered under the laws of New Zealand, company number 2206998

Australian Registered Body Number (ARBN)

609 946 867
The Company's registered office address in Australia is
Suite 9, Level 1, 357 Military Road
Mosman
Sydney,
NSW, 2088
Australia

Share Register

Boardroom Pty Limited
Grosvenor Place
Level 12, 225 George Street
Sydney,
NSW, 2000
Australia

Australian Stock Exchange

The Company's ordinary shares are listed on the ASX under ASX code – ASX:VHT

Auditor

Deloitte
Deloitte House
Levels 11-16
10 Brandon Street
Wellington, 6011
New Zealand

Legal Advisers

Simmonds Stewart (New Zealand)
Norton Rose Fulbright (Australia)
Enterprise Law Group, Inc. (USA)

Bankers

Kiwibank (New Zealand)
Lloyds Bank (United Kingdom)
Bank of America (USA)