

resonance health limited



RESONANCE HEALTH LIMITED

ABN 96 006 762 492

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2004

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CORPORATE DIRECTORY

DIRECTORS

The Hon. Dr Michael Wooldridge -
Non executive Chairman
Mr Anthony Fitzgerald – Managing Director
Dr Christine Bennett – Non executive director
Dr Andrew Walker – Non executive director

AUDITORS

HLB Mann Judd
Chartered Accountants
15 Rheola Street
West Perth WA 6005

JOINT COMPANY SECRETARIES

Mr Evan Cross
Mr Stuart Usher

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Consultants
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WEBSITE AND EMAIL ADDRESS

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DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Resonance Health Limited, being the Company and its controlled entities, for the half year ended 31 December 2004.

DIRECTORS

The names of the Directors who held office during the half-year and up to the date of this report:

The Hon. Dr Michael Wooldridge	- Non executive Chairman
Mr Anthony Fitzgerald	- Managing Director
Dr Christine Bennett	- Non executive Director
Dr Andrew Walker	- Non executive Director

REVIEW OF OPERATIONS

The Company and its operating subsidiary Inner Vision Biometrics Pty Ltd ("IVB") made significant progress in the half year ended 31 December 2004, towards the commercialisation of the FerriScan™ technology.

FerriScan is a novel non-invasive test owned and developed by IVB which utilises MRI scanning technology and proprietary software to accurately and painlessly measure iron loading in the liver. The accurate assessment of liver iron levels is crucial for the diagnosis and successful treatment of iron overload disorders such as haemochromatosis and thalassemia.

Following an application to the Australian Therapeutic Goods Administration ("TGA") in April 2004, FerriScan was cleared for listing on the Australian Therapeutic Goods Register in November 2004, thus enabling commercial marketing of the test in Australia. Simultaneously, through the mutual recognition program, FerriScan also achieved European CE Mark Registration, permitting the marketing of FerriScan in the U.K. and Europe. In December 2004, a 510K application was made to the U.S. FDA to permit the marketing of FerriScan in its single largest potential market, the United States. Regulatory clearance in the U.S. was achieved in January 2005. Resonance's subsidiary, IVB, is now poised to commence first commercial sales of FerriScan in Australia and the U.K. and thereafter in the United States and various European territories.

The commercial strategy for the domestic and international rollout of the FerriScan test is to partner with major imaging groups who can market the FerriScan test via their networks of MRI centres and referring physicians. During the past six months the Resonance Group has been successful in securing one such radiology partner in Australia and has entered into discussions with major US radiology groups in advance of a commercial launch in North America.

DIRECTORS' REPORT (Cont'd)

IVB has an ongoing relationship with the international pharmaceutical group Novartis to provide FerriScan testing services in support of clinical trials for pharmaceutical compounds.

In 2004, Resonance undertook a placement of shares to raise \$1.1 million and received a further \$1.4 million from the exercise of options of which \$0.5m was received in January 2005 and therefore not included in the cash balance at 31 December 2004. The proceeds will predominantly be utilised to fund the commercial rollout of the FerriScan test.

Operating Results

At 31 December 2004, the consolidated net loss of the company, after goodwill amortisation expense of \$85,934 and outside equity interests, was \$795,324. This amount consists of R&D and commercialisation costs expensed in IVB and normal administrative costs for the company.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of this directors' report.

Signed in accordance with a resolution of the Board of Directors:

Tony Fitzgerald
Director

Perth, 28 February 2005

Auditors' Independence Declaration

As lead auditor for the review of the financial report of Resonance Health Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Resonance Health Limited.

Perth, Western Australia
28 February 2005

L DI GIALONARDO
Partner, HLB Mann Judd

RESONANCE HEALTH LIMITED
ABN 96 006 762 492

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Consolidated	Consolidated
Note	31 Dec 2004	31 Dec 2003
	\$	\$
Revenue from ordinary activities	2 62,442	18,126
Expenses from ordinary activities		
Employee benefits expense	(560,744)	(116,880)
Consulting and professional services	(183,621)	(147,602)
Research and development	(202,190)	-
Depreciation and amortisation	(92,698)	-
Statutory and compliance	(131,454)	(64,055)
Travel	(113,998)	(30,080)
Other expenses from ordinary activities	(166,130)	(205,060)
Loss from ordinary activities before income tax	(1,388,393)	(545,551)
Income tax benefit/(expense) relating to ordinary activities	-	-
Net loss from ordinary activities after income tax	(1,388,393)	(545,551)
Net loss attributable to outside equity interest	593,069	76,130
Net Profit / (loss) attributable to members of the parent entity	(795,324)	(469,421)
Total changes in equity other than those resulting in transactions with owners as owners	(795,324)	(469,421)
Basic earnings / (loss) per share (cents per share)	(1.2)	(1.4)

The statement of financial performance is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 13.

RESONANCE HEALTH LIMITED
ABN 96 006 762 492

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

		Consolidated	
	Notes	31 Dec 2004	30 June 2004
		\$	\$
Current Assets			
Cash assets		1,579,684	1,272,680
Receivables		220,373	100,362
Other		78,876	12,128
Total Current Assets		<u>1,878,933</u>	<u>1,385,170</u>
Non Current Assets			
Property, plant & equipment		171,519	79,115
Intangible assets	3	1,633,048	1,667,708
Total Non Current Assets		<u>1,804,567</u>	<u>1,746,823</u>
Total Assets		<u>3,683,500</u>	<u>3,131,993</u>
Current Liabilities			
Payables		345,185	224,325
Provisions		48,847	38,543
Total Current Liabilities		<u>394,032</u>	<u>262,868</u>
Total Liabilities		<u>394,032</u>	<u>262,868</u>
Net Assets		<u>3,289,468</u>	<u>2,869,125</u>
Equity			
Contributed equity	4	51,379,828	49,447,853
Reserves		51,109	50,622
Accumulated losses	5	(47,225,189)	(46,429,865)
Parent entity interest		4,205,748	3,068,610
Outside equity interest		(916,280)	(199,485)
Total Equity		<u>3,289,468</u>	<u>2,869,125</u>

This statement of financial position is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 13.

RESONANCE HEALTH LIMITED
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STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Consolidated 31 Dec 2004 \$	Consolidated 31 Dec 2003 \$
Cash flows from operating activities		
Receipts from customers	7,725	900
Payments to suppliers and employees	(1,174,094)	(542,650)
Interest received	18,439	17,226
	(1,147,930)	(524,524)
Net cash provided/(used in) operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	(100,738)	(8,362)
Payments for investments	(175,000)	-
Payments for research and development	(202,190)	-
Cash introduced on acquisition of controlled entity	-	250,980
Patent costs	-	(5,596)
	(477,928)	237,022
Net cash provided/(used in) investing activities		
Cash flows from financing activities		
Proceeds from share and option issues	1,966,732	1,372,189
Share issue expenses	(33,870)	(212,526)
	1,932,862	1,159,663
Net cash provided/(used in) financing activities		
Net increase /(decrease) in cash held	307,004	872,161
Cash at the beginning of the financial period	1,272,680	716,977
	1,579,684	1,589,138
Cash at the end of the financial period		

The statement of cash flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 13.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

1. Basis of Preparation of Half-Year Financial Report

(a) **General**

The general purpose half-year consolidated financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard 1029 "Interim Financial Reporting", Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with any public announcements by the Company during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year report does not include full disclosure of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Resonance Health Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated entity throughout the half-year. The consolidated entity's accounting policies are consistent with those of the previous financial year (30 June 2004).

The consolidated entity has also adopted the following accounting policies:

(i) ***Acquisition of assets***

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(ii) ***Principles of consolidation***

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Resonance Health Limited ("company" or "parent entity") as at 31 December 2004 and the results of all controlled entities for the year then ended. Resonance Health Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

RESONANCE HEALTH LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont')
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Consolidated 31 Dec 2004 \$	Consolidated 31 Dec 2003 \$
2. Revenue from operating activities		
Interest received	18,437	17,226
Liver scan income	44,005	900
	62,442	18,126
	62,442	18,126
3. Intangible assets		
	Consolidated 31 Dec 2004 \$	Consolidated 30 June 2004 \$
Goodwill on consolidation	1,769,937	1,718,663
Accumulated amortisation	(136,889)	(50,955)
	1,633,048	1,667,708
	1,633,048	1,667,708
Total intangible assets	1,633,048	1,667,708

The carrying value of goodwill on consolidation is dependant on the successful development and commercialisation of the FerriScan technology embodied in this asset or realisation by sale by the company's controlled entity.

RESONANCE HEALTH LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont')
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Consolidated	
	31 December 2004 \$	30 June 2004 \$
4. Contributed equity		
<i>Issued and paid –up capital</i>		
Ordinary shares	51,379,812	49,447,812
Incentive shares	16	41
	51,379,828	49,447,853
	51,379,828	49,447,853

Movements during the period:

	No. of shares	Issue price	\$
Ordinary shares			
Balance at beginning of half-year	60,603,543		49,447,812
Option conversions	5,105,300	\$0.15	765,795
Option conversions	1,241,000	\$0.10	124,100
Share Placement	7,970,000	\$0.135	1,075,950
Conversion of Class A incentive shares	9,000,000	\$0.000001	9
Conversion of Class C incentive shares	8,000,000	\$0.000001	8
Conversion of Class D incentive shares	8,000,000	\$0.000001	8
Share issue expenses	-	-	(33,870)
	99,919,843	-	51,379,812
Incentive shares			
Balance at beginning of half year	41,000,000		41
Conversion of Class A shares	(9,000,000)		(9)
Conversion of Class C shares	(8,000,000)		(8)
Conversion of Class D shares	(8,000,000)		(8)
	16,000,000		16
TOTAL	115,919,843	-	51,379,828

RESONANCE HEALTH LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont')
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Consolidated 2004 \$
5. Accumulated losses	
Balance at the beginning of the half-year	(46,429,865)
Net loss from ordinary activities after income tax attributable to members	(795,324)
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Balance at the end of the half-year	(47,225,189)
	<hr/> <hr/>

6. Events subsequent to balance date

There were no items, transactions or events of a material nature that have arisen since the end of the half-year that, in the directors' opinion, would affect the financial position or results of the consolidated entity in future periods.

7. Controlled entities

Controlled entities of Resonance Health Limited at 31 December 2004:

<i>Name</i>	<i>Country of Registration</i>	<i>% Owned</i>
IVB Holdings Pty Ltd	Australia	100%
Inner Vision Biometrics Pty Ltd	Australia	37.9%

IVB Holdings Pty Ltd has a 51% controlling interest in Inner Vision Biometrics Pty Ltd via voting rights and is increasing its ownership in that company via the staged injection of development capital.

8. Segment reporting

The consolidated entity's business involves the development and commercialisation in Australia of the IVB Technology, a novel, non-invasive liver diagnosis technology, and as such, represents only one reportable business and geographic segment.

9. Capital commitments

At the date of this report, the consolidated entity does not have any capital commitments not otherwise disclosed in the financial report.

10. Funding requirements

As noted in note 20 of the 30 June 2004 Annual Report, the company was required to raise additional capital in the 2005 financial year to continue funding its investment in Inner Vision Biometrics Pty Ltd. During the half year ended 31 December 2004 and to the date of this report, additional funds of \$1.1m have been raised from a share placement and the company has received a further \$1.4m from the exercise of options.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont')
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

11. Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for reporting periods commencing on or after 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year. Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period.

The company's management and Board are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the company's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The company's management and Board are of the opinion that the key potential implications in the company's accounting policies which will arise from the adoption of IFRS are:

Taxation

Under IFRS, tax assets and liabilities are recognised using the balance sheet approach rather than an income statement approach. In addition, tax assets are recognised when recovery is probable rather than assured beyond reasonable doubt and/or virtually certain. This will result in a change to the current accounting policy, under which deferred tax balances are determined using an income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

Impairment of assets

The company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. In terms of AASB 136 "Impairment of Assets", the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Equity-based compensation benefits

Under AASB 2 "Share Based Payment", equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

RESONANCE HEALTH LIMITED
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DIRECTORS' DECLARATION

In the opinion of the Directors of Resonance Health Limited :

1. the financial statements and notes set out on pages 6 to 13:
 - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and its performance for the half year ended on that date.
2. 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.

Signed in accordance with a resolution of the Board of Directors:

Tony Fitzgerald
Director

Perth, 28 February 2005

INDEPENDENT REVIEW REPORT

To the members of RESONANCE HEALTH LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration of Resonance Health Limited for the half-year ended 31 December 2004. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

(cont'd)

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Resonance Health Limited, is not in accordance with:

- (a) the Corporations Act, including:
 - (i) giving a true and fair view of the consolidated entity's financial position at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
28 February 2005

L DI GIALONARDO
Partner

Appendix 4D

Half year report Half-Year ended 31 December 2004

Introduced 1/1/2003

Name of entity

RESONANCE HEALTH LIMITED

ABN or equivalent company
reference

96 006 762 492

1. Half year ended (current period) Half year ended ('previous
corresponding period')

31 DECEMBER 2004	31 DECEMBER 2003
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2. Results for announcement to the market

\$A'000

2.1	Revenues from ordinary activities	Up	344%	to 62
2.2	Profit (loss) from ordinary activities after tax attributable to members	down	69%	to (795)
2.3	Net profit (loss) for the period attributable to members	down	69%	to (795)
Dividends (distributions)				
			Amount per security	Franked amount per security
2.4	Final dividend (<i>Preliminary final report only</i>)		N/A¢	N/A¢
2.4	Interim dividend (<i>Half yearly report only</i>)		N/A¢	N/A¢
2.5	Record date for determining entitlements to the dividend	N/A		
2.6	Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.			

3. NTA backing		Current period	Previous corresponding Period
	Net tangible assets per security	\$0.017	\$0.029

4. Control gained over entities having material effect

4.1	Name of entity (or group of entities)	N/A	
4.2	Date of gain of control		
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired		
4.3	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period		

Loss of control of entities having material effect

4.1	Name of entity (or group of entities)	N/A	
4.2	Date of loss of control	N/A	
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	\$ N/A	
4.3	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$ N/A	

5. Dividends / Distributions

Date the dividend (distribution) is payable	N/A
Amount per security of foreign source dividend	N/A¢

Total Dividends /Distributions

Ordinary securities

\$ N/A

Preference securities

\$ N/A

6. Dividend or distribution investment plans in operation:

N/A

The last date(s) for receipt of election notices for the dividend or distribution reinvestment plans

N/A

7. Details of aggregate share of profits (losses) of associates and joint venture entities

Name of associate/joint venture:	N/A		
Holding in entity	N/A %		
Group's share of associates' and joint venture entities':		Current period \$A'000	Previous corresponding period - \$A'000
Profit (loss) from ordinary activities before tax		N/A	N/A
Income tax on ordinary activities		N/A	N/A
Profit (loss) from ordinary activities after tax		N/A	N/A
Extraordinary items net of tax		N/A	N/A
Net profit (loss)		N/A	N/A
Adjustments		N/A	N/A
Share of net profit (loss) of associates and joint venture entities		N/A	N/A

8. Foreign Entities

Which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)

N/A

9. All Entities

A description of Accounts subject to audit dispute or qualification:

N/A