

# RESONANCE HEALTH LIMITED

ABN 96 006 762 492

## Appendix 4D

### Half year report

### for the half-year ended 31 December 2011

(previous corresponding period to 31 December 2010)

#### Results for announcement to the market

	Change	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Revenues from ordinary activities	Up 11%	898	805
Profit / (loss) from ordinary activities after tax attributable to members	Down 37%	(241)	(385)
Net profit / (loss) for the period attributable to members	Down 37%	(241)	(385)
		31 Dec 2011	31 Dec 2010
Net tangible assets per security		\$0.41	\$0.006

#### Comments

Revenue was up 11% during the period as a result of increased use of FerriScan services in clinical trials and in the management of patients with iron overload around the world. The strong Australian dollar continued to impact negatively on reported revenues. Approximately 80% of the Company's operating revenue was received in US dollars during the period. The average exchange rate for the period was \$1.03 compared to an average of 94 cents in the previous corresponding half year period.

The loss of \$239,469 included \$40,743 on research and development activities. Total research and development expenditure during the period was \$251,166 focused on the development of diagnostic imaging based tools for the assessment of liver fat and liver fibrosis. Fatty liver disease and liver fibrosis are large addressable markets requiring accurate non-invasive diagnostic tools to replace the need for a liver biopsy.

A patent was submitted for the HepaFat™ Scan technology in December 2011 which has demonstrated more accurate results than other published methods for measuring liver fat using non-invasive technologies. The project to develop an MRI test to accurately stage liver fibrosis is nearing completion and the Company looks forward to updating shareholders on this development shortly. Discussions with potential partners in these areas are progressing.

# **Resonance Health Limited**

(ABN 96 006 762 492)

## **Interim Financial Report** **31 December 2011**

## Corporate Directory

### Directors

Dr Martin Blake  
Chairman/Non executive Director

Ms Liza Dunne  
Executive Director

Mr Simon Panton  
Non executive Director

Dr Timothy St. Pierre  
Executive Director

### Company secretary

Mr Colin McDonald

### Website and e-mail address

www.resonancehealth.com  
Email: info@ferriscan.com

### Postal address

PO Box 1135  
Nedlands WA 6909

### Stock exchange listing

Resonance Health Limited  
shares are listed on the  
Australian Securities  
Exchange.

ASX Code: RHT

### Share registry

Advanced Share Registry Ltd  
150 Stirling Highway  
Nedlands WA 6009  
Tel: +61 8 9389 8033  
Fax: +61 8 9389 7871

### Auditors

HLB Mann Judd  
Level 4  
130 Stirling Street  
Perth WA 6000

### Registered office and Principal place of business

278 Stirling Highway  
Claremont WA 6010  
Telephone: 61 8 9286 5300  
Facsimile: 61 8 9286 1179

### Bankers

National Australia Bank Limited

### Solicitors

Cole Legal  
Unit 9  
569 Wellington Street  
Perth WA 6000

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## DIRECTORS' REPORT

The directors submit the financial report of the consolidated entity Resonance Health Limited (the Company or Resonance Health) for the half year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of directors who held office during or since the end of the interim and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Dr Martin Blake	Non executive Director – Chairman
Ms Liza Dunne	Executive Managing Director
Mr Simon Panton	Non executive Director
Dr Tim St Pierre	Executive Director

### Review of Operations

Resonance Health is a medical device company developing innovative imaging technology for the assessment of human disease. The Company's expertise is in providing quantitative measurements using MRI technology replacing the need for invasive procedures such as a biopsy.

Resonance Health's lead product on market and revenue generating is FerriScan<sup>®</sup>, for the measurement of iron overload.

Pipeline products are focused in two primary areas: the imaging assessment of liver fat and liver fibrosis.

The principal activity of Resonance Health during the period was the delivery of FerriScan<sup>®</sup> image analysis services for the clinical management of patients with iron overload conditions. This has been expanded to include cardiac iron overload assessments in some countries. Our central image analysis facility provides a range of services to the clinical trial market requiring central imaging services.

### Financial and Operational Summary:

- Net loss reported for the period was \$239,469 compared to a loss of \$391,788 in the previous corresponding period, a reduction of 39%. This was due to an increase in revenue of 11% to \$898,266 from \$805,309 in the previous corresponding period and a decrease in expenditure of 4% to \$1,138,828 from \$1,190,697 in the previous corresponding period.
- Sales volumes (FerriScan<sup>®</sup> image analyses performed) grew 20% for the period as compared to the prior corresponding period. This was primarily from growth in the UK, Canadian and US markets, together with growth in the use of FerriScan services in clinical trials by pharmaceutical companies.
- A foreign exchange gain of \$28,125 for the period has been recorded compared to a foreign exchange loss of \$86,859 in the previous corresponding period.
- Research and Development expenditure for the period was \$251,166, of which \$210,423 was capitalised. Research and development expenditure was primarily associated with the development of a liver fibrosis imaging test, a liver fat imaging test and an upgrade to the FerriScan<sup>®</sup> software platform.
- Intangible assets, representing capitalised development expenditure, totalled \$1,167,823 at the end of the period, compared to \$957,400 at the end of the financial year 30 June 2011.
- Resonance Health has no debt and \$1,299,435 in cash and equivalents at the end of the period, compared to \$1,503,479 at 30 June 2011, a decrease of \$204,044 over the six month period.
- The Company completed a significant project to upgrade the FerriScan<sup>®</sup> software to a more current IT platform and embrace some efficiency gains. This ensures the FerriScan product can be used well into the future and opens the opportunity to discuss potentially licensing arrangements with third parties.
- The Company completed patient recruitment for its liver fibrosis study during the period. It is currently analysing the data to ascertain the accuracy of its MRI method to measure liver fibrosis as compared to a liver biopsy.
- The Company submitted a Patent application for HepaFat<sup>™</sup> Scan, a technology with a novel approach to

accurately measure liver fat. A software platform is being developed that incorporates the HepaFat™ Scan IP and the Company aims to make an FDA application for the new product in April 2012.

- The Company attended the American Association for the Study of Liver Disease (AASLD) meeting in November 2011 with the aim of introducing potential partners to the Company's products to measure fatty liver disease and liver fibrosis. The Company is in discussions with the US based National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK) on evaluating our technology for potential use in the US market. Discussions are also in progress with pharmaceutical companies developing therapies to address both fatty liver disease and liver fibrosis.

#### **Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Dr Martin Blake  
Chairman

Dated this 29th day of February 2012.

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Resonance Health Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia  
29 February 2012

**N G NEILL**  
Partner, HLB Mann Judd

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

		Consolidated	
	Notes	31 December 2011 \$	31 December 2010 \$
Revenue	2	898,266	805,309
Foreign exchange gain/( loss)		28,125	(86,859)
Employee benefits expense		(704,789)	(669,409)
Consulting and professional services		(34,052)	(17,848)
Advertising and marketing expense		(87,187)	(149,504)
Research and development expense		(40,743)	(51,993)
Depreciation and amortisation expense		(10,251)	(10,707)
Statutory and compliance expense		(85,430)	(50,857)
Travel expense		(34,149)	(939)
Other expenses		(170,352)	(152,581)
<b>Loss before income tax</b>		<b>(240,562)</b>	<b>(385,388)</b>
Income tax benefit		-	-
<b>Net loss for the period</b>		<b>(240,562)</b>	<b>(385,388)</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		1,093	(6,400)
Income tax relating to components of other comprehensive loss		-	-
<b>Other comprehensive loss for the period, net of tax</b>		<b>1,093</b>	<b>(6,400)</b>
<b>Total comprehensive loss for the period attributable to owners of the parent</b>		<b>(239,469)</b>	<b>(391,788)</b>
Basic loss per share from continuing operations (cents per share)		(0.07)	(0.11)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

		Consolidated	
	Notes	31 December 2011	30 June 2011
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,299,435	1,503,479
Trade and other receivables		501,768	877,619
Other		130,610	87,618
<b>Total Current Assets</b>		<b>1,931,813</b>	<b>2,468,716</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		42,677	46,023
Intangible assets	3	1,167,823	957,400
Available for sale investments		3,004	3,004
<b>Total Non-Current Assets</b>		<b>1,213,504</b>	<b>1,006,427</b>
<b>Total Assets</b>		<b>3,145,317</b>	<b>3,745,143</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		361,479	427,695
Other		127,745	151,886
<b>Total Current Liabilities</b>		<b>489,224</b>	<b>579,581</b>
<b>Total Liabilities</b>		<b>489,224</b>	<b>579,581</b>
<b>Net Assets</b>		<b>2,656,093</b>	<b>2,895,562</b>
<b>Equity</b>			
Issued capital	4	67,534,039	67,534,039
Reserves		76,968	75,875
Accumulated losses		(64,954,914)	(64,714,352)
<b>Total Equity</b>		<b>2,656,093</b>	<b>2,895,562</b>

The accompanying notes form part of these financial statements



**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Consolidated				
	Issued capital	Accumulated losses	Foreign Currency Translation Reserve	Option Reserve	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2010</b>	67,524,039	(64,397,523)	15,705	66,284	3,208,505
(Loss) attributable to members of the parent entity	-	(385,388)	-	-	(385,388)
Movement in foreign currency translation reserve	-	-	(6,400)	-	(6,400)
<b>Total comprehensive loss for the period</b>	-	(385,388)	(6,400)	-	(391,788)
Shares issued during the half year	10,000	-	-	-	10,000
<b>Balance at 31 December 2010</b>	67,534,039	(64,782,911)	9,305	66,284	2,826,717
<b>Balance at 1 July 2011</b>	67,534,039	(64,714,352)	9,591	66,284	2,895,562
(Loss) attributable to members of the parent entity	-	(240,562)	-	-	(240,562)
Movement in foreign currency translation reserve	-	-	1,093	-	1,093
<b>Total comprehensive loss for the period</b>	-	(240,562)	1,093	-	(239,469)
<b>Balance at 31 December 2011</b>	67,534,039	(64,954,914)	10,684	66,284	2,656,093

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
	Inflows/(Outflows)	
<b>Cash flows from operating activities</b>		
Receipts from customers	789,109	817,633
Payments to suppliers and employees	(1,158,218)	(1,058,554)
Interest received	38,768	48,637
Grants received	50,000	-
Income tax rebates received	411,634	-
Net cash provided by / (used in) operating activities	131,293	(192,284)
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(7,594)	(5,541)
Payments for research and development	(327,473)	(261,725)
Net cash provided by / (used in) investing activities	(335,067)	(267,266)
<b>Cash flows from financing activities</b>		
Net payment of rental bond	(272)	-
Net cash provided by/(used in) financing activities	(272)	-
Net increase/(decrease) in cash held	(204,046)	(459,550)
Cash and cash equivalents at 1 July 2011	1,503,480	2,133,884
<b>Cash and cash equivalents at 31 December 2011</b>	<b>1,299,434</b>	<b>1,674,334</b>

The accompanying notes form part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of Compliance**

The interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Resonance Health Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

#### **Basis of Preparation**

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

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

#### **Significant accounting judgments and key estimates**

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2011.

#### **Adoption of new and revised Accounting Standards**

In the half-year ended 31 December 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

### NOTE 2: PROFIT / (LOSS) BEFORE INCOME TAX

	Consolidated	
	31 December 2011 \$	31 December 2010 \$
The following revenue items are relevant in explaining the financial performance for the half-year:		
Liver scan income	779,416	760,623
Interest received	68,850	44,686
Grants received	50,000	-
	<u>898,266</u>	<u>805,309</u>

### NOTE 3: INTANGIBLE ASSETS

	Consolidated	
	31 December 2011 \$	30 June 2011 \$
Development expenditure	<u>1,167,823</u>	<u>957,400</u>

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

During the period this development continued to relate primarily to improvements to the FerriScan software technology and the development of liver fibrosis and liver fat assessment tools.

The recoupment of development expenditure is dependent on the successful development and commercialisation or sale of the technology developed. The directors are required to assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists an estimate is made of the asset's recoverable amount. Where the asset's carrying value exceeds the estimated recoverable amount a provision for impairment is recognised.

### NOTE 4: ISSUED CAPITAL

	Consolidated	
	31 December 2011 \$	30 June 2011 \$
<i>Ordinary shares</i>		
Issued and fully paid	<u>67,534,039</u>	<u>67,534,039</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

### NOTE 5: SEGMENT REPORTING

The table below represents the revenue and profit/loss information regarding the segment information provided to the chief operating decision maker, which is the Board of Directors, for the half year periods ended 31 December 2011 and 31 December 2010.

The Group's reporting segments are determined by the products and services provided.

Internal reporting to the Board focuses on the following reporting segments:

- FerriScan commercialisation of the FerriScan technology
- Research and development – relating to FerriScan and other technologies
- Corporate

	FerriScan and other Services	Research and Development	Corporate	Total
	\$	\$	\$	\$
<b>31 December 2011</b>				
Segment revenue	829,416	-	68,850	898,266
Segment profit / (loss)	45,339	(40,743)	(245,158)	(240,562)
Segment assets	590,387	1,167,823	1,387,107	3,145,317
Segment liabilities	407,552	-	81,672	489,224

Included within segment result:

Depreciation	10,251	-	-	10,251
Interest revenue	-	-	68,850	68,850

#### 31 December 2010

Segment revenue	760,623	-	44,686	805,309
Segment profit / (loss)	(141,407)	(51,994)	(191,987)	(385,388)
Segment assets	782,807	787,436	1,729,263	3,299,506
Segment liabilities	272,557	107,765	92,467	472,789

Included within segment result:

Depreciation	10,707	-	-	10,707
Interest revenue	-	-	44,686	44,686

There are no changes in regards to the basis of reporting on segmentation or in the basis of segment profit/loss from 30 June 2011.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs in future financial years.

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Resonance Health Limited

**Report on the Condensed Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Resonance Health Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Matters relating to the electronic presentation of the reviewed half-year financial report*

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Resonance Health Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**HLB MANN JUDD**  
Chartered Accountants



**Perth, Western Australia**  
**29 February 2012**

**N G NEILL**  
Partner