

RESONANCE HEALTH LIMITED

ABN 96 006 762 492

Appendix 4D

Half year report

for the half-year ended 31 December 2012

(previous corresponding period to 31 December 2011)

Results for announcement to the market

	Change	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Revenues from ordinary activities	Down 27%	658	898
Loss from ordinary activities after tax attributable to members	Up 88%	(454)	(241)
Loss for the period attributable to members	Up 80%	(431)	(239)
		31 Dec 2012	31 Dec 2011
Net tangible assets per security (cents)		0.21	0.41

Comments

FerriScan revenue associated with the clinical management of patients grew by 15% July-December year on year. There was a decline in revenue of 34% in the clinical trial market due primarily to delays in the commencement of anticipated new contracts. Overall, revenue was down 27% during the period.

The Company received further positive reimbursement decisions from insurance payers in the US for FerriScan enabling the Company to expand sales in this market where revenue grew 27% July-December year on year.

The strong Australian dollar continued to impact negatively on reported revenues. Approximately 74% of the Company's operating revenue was received in US dollars during the period.

Cash on hand at December 2012 was \$1,031,238 and the Company continues to have no debt. Receipts from customers for the half year were \$795,903, up slightly from the previous year.

The net loss of \$431,281 included \$64,940 on research and development activities.

Total research and development expenditure during the period was \$152,875 focused on the development of diagnostic imaging based tools for the assessment of liver fat and liver fibrosis. An FDA submission was made seeking approval to market the HepaFat-Scan product.

Resonance Health Limited

(ABN 96 006 762 492)

Interim Financial Report

31 December 2012

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

Dr Jason Loveridge
Non-executive Director

Company secretary

Mrs Naomi Haydari

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 Group for the half year ended 31 December 2012. 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
Dr Jason Loveridge	Non-executive Director appointed 7 th February 2013

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 generator is FerriScan[®], 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[®] 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 \$453,850 compared to a loss of \$240,562 in the previous corresponding period, an increase in the loss of 88%. This was due to a decrease in revenue of 27% to \$657,718 from \$898,266 in the previous corresponding period and a decrease in expenditure of 2% to \$1,111,568 from \$1,138,828 in the previous corresponding period.
- The decrease in revenue was due to:
 - A 34% reduction in revenue associated with the use of FerriScan in clinical trials for iron chelation drugs.
 - A 15% increase in revenue associated with the routine clinical use of FerriScan in managing patients with iron overload.
 - No export market development grant (EMDG) funds were received in the July-December 2012 period compared to \$50,000 in the previous year (2011). EMDG funds are expected in the January-July 2013 half year.
 - No income was received in July-December 2012 for the liver fibrosis project undertaken in collaboration with Pfizer and the Austin Liver Transplant Unit in Melbourne compared to \$40,000 received in the 2011 period for this project. This project has now been completed.
 - A reduction of \$47,000 in interest income received due to lower interest rates.
- In July – December 2012 the Company continued to reduce its reliance on revenue from the use of FerriScan in clinical trials. Sales volumes attributed to routine clinical use comprised 85% of total sales volumes in July-December 2012 compared to 66% in the same period in 2011. 20 new FerriScan sites were established in the half year July-December 2012.
- A foreign exchange loss of \$14,724 for the period has been recorded compared to a foreign exchange gain of \$28,125 in the previous corresponding period.

- Research and Development expenditure for the period was \$152,875, of which \$87,935 was capitalised, \$32,092 was R&D expenses and \$32,848 was R&D Employee expenses. 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[®] software platform.
- Intangible assets, representing capitalised development expenditure, totalled \$1,379,478 at the end of the period, compared to \$1,291,544 at the end of the financial year 30 June 2012.
- Resonance Health has no debt and \$1,031,238 in cash and equivalents at the end of the period, compared to \$1,180,174 at 30 June 2012, a decrease of \$148,936 over the six month period.
- In the half year, the Company completed its development of the HepaFat-Scan product and an FDA submission was lodged seeking approval to market the product. The FDA has requested some additional information which the Company is gathering. An international Patent application was submitted in December 2012 for the HepaFat-Scan technology, following the provisional Patent application submitted in Australia in December 2011.
- In the half year to December 2012, the Company submitted a new application to the FDA for FerriScan to expand its Indication for Use. This has been approved by the FDA placing FerriScan in a unique position as a companion diagnostic device for patients with non-transfusion dependent thalassemia being treated with the iron chelation drug EXJADE. Patients will require a FerriScan or a liver biopsy to measure their liver iron concentration before they can commence treatment and every six months to monitor their progress.
- The Company continues to invest in the development of an MRI based technology to measure liver fibrosis. The project undertaken in collaboration with the Austin Liver Transplant Unit and Pfizer was completed in December 2012. The outcome of the study showed some positive results but further research work is required before this product can be brought to market.

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 2012.

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 28th day of February 2013.



Accountants | Business and Financial Advisers

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 2012, 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.

A handwritten signature in blue ink that reads 'Norman Neill'.

Perth, Western Australia

28 February 2013

N G NEILL


Partner, HLB Mann Judd

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HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

		Consolidated	
	Notes	31 December 2012 \$	31 December 2011 \$
Sales revenue	2	635,954	779,416
Other income	2	21,764	118,850
Revenue		657,718	898,266
Employee benefits expense		(699,525)	(704,789)
Consulting and professional services		(37,206)	(34,052)
Research and development		(32,092)	(40,743)
Depreciation and amortisation		(8,547)	(10,251)
Marketing and travel		(89,784)	(121,336)
Statutory and compliance		(81,580)	(85,430)
Foreign exchange (loss)/gain		(14,724)	28,125
Other expenses		(148,110)	(170,352)
Loss before income tax		(453,850)	(240,562)
Income tax benefit		-	-
Net loss for the period		(453,850)	(240,562)
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences arising on translation of foreign operations		11,053	1,093
Exchange differences arising on translation of foreign loan		11,516	-
Other comprehensive gain for the period, net of tax		22,569	1,093
Total comprehensive (loss) for the period		(431,281)	(239,469)
Basic loss per share from continuing operations (cents per share)		(0.13)	(0.07)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

		Consolidated	
	Notes	31 December 2012 \$	30 June 2012 \$
Assets			
Current Assets			
Cash and cash equivalents		1,031,238	1,180,174
Trade and other receivables		395,152	756,834
Other assets		64,127	26,970
Total Current Assets		1,490,517	1,963,978
Non-Current Assets			
Plant and equipment		41,765	37,152
Intangible assets	3	1,379,478	1,291,544
Other financial assets		3,004	3,004
Other assets		58,391	58,391
Total Non-Current Assets		1,482,638	1,390,091
Total Assets		2,973,155	3,354,069
Liabilities			
Current Liabilities			
Trade and other payables		368,502	390,051
Other liabilities		396,494	329,514
Total Current Liabilities		764,996	719,565
Non-Current Liabilities			
Provisions		73,424	68,488
Total Non-Current Liabilities		73,424	68,488
Total Liabilities		838,420	788,053
Net Assets		2,134,735	2,566,016
Equity			
Issued capital	4	67,534,039	67,534,039
Reserves		37,499	14,930
Accumulated losses		(65,436,803)	(64,982,953)
Total Equity		2,134,735	2,566,016

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Consolidated				
	Issued Capital	Foreign Currency Translation Reserve	Option Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2011	67,534,039	9,591	66,284	(64,714,352)	2,895,562
Net loss for the period	-	-	-	(240,562)	(240,562)
Other comprehensive gain for the period, net of tax	-	1,093	-	-	1,093
Total comprehensive loss for the period	-	1,093	-	(240,562)	(239,469)
Balance at 31 December 2011	67,534,039	10,684	66,284	(64,954,914)	2,656,093
Balance at 1 July 2012	67,534,039	(51,354)	66,284	(64,982,953)	2,566,016
Net loss for the period	-	-	-	(453,850)	(453,850)
Other comprehensive gain for the period, net of tax	-	22,569	-	-	22,569
Total comprehensive loss for the period	-	22,569	-	(453,850)	(431,281)
Balance at 31 December 2012	67,534,039	(28,785)	66,284	(65,436,803)	2,134,735

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	795,903	789,109
Payments to suppliers and employees	(866,140)	(1,158,218)
Grants received	-	50,000
Interest received	23,434	38,768
Income tax received	-	411,634
Net cash provided by / (used in) operating activities	<u>(46,803)</u>	<u>131,293</u>
Cash flows from investing activities		
Payments for plant and equipment	(13,160)	(7,594)
Payments for intangible assets	(87,935)	(327,473)
Net cash provided by / (used in) investing activities	<u>(101,095)</u>	<u>(335,067)</u>
Cash flows from financing activities		
Net payment of rental bond	-	(272)
Net cash provided by/(used in) financing activities	<u>-</u>	<u>(272)</u>
Net increase/(decrease) in cash and cash equivalents	(147,898)	(204,046)
Foreign exchange differences on cash balances	(1,038)	-
Cash and cash equivalents at 1 July 2012	1,180,174	1,503,480
Cash and cash equivalents at 31 December 2012	<u><u>1,031,238</u></u>	<u><u>1,299,434</u></u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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 2012 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.

Basis of Preparation

The interim report has been prepared on a historical cost basis. 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.

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

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 2012.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, the directors have 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 2012.

It has been determined by the directors 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 the Group accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2012. 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 2012

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	31 December	31 December
	2012	2011
	\$	\$
The following revenue items are relevant in explaining the financial performance for the half-year:		
(a) Sales revenue		
Sales to external customers	635,954	779,416
(b) Other income		
Interest received	21,764	68,850
Grants received	-	50,000
	21,764	118,850

NOTE 3: INTANGIBLE ASSETS

	Consolidated	
	31 December	30 June
	2012	2012
	\$	\$
Development expenditure	1,379,478	1,291,544

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	30 June
	2012	2012
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	67,534,039	67,534,039

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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 2012 and 31 December 2011.

Business segments

The following table presents revenue and profit/loss information and certain asset and liability information regarding business segments for the half year ended 31 December 2012.

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

	Services	Research and Development	Corporate	Total
	\$	\$	\$	\$
31 December 2012				
Segment revenue				
Sales to external customers	635,594	-	-	635,594
Interest revenue	-	-	21,764	21,764
Total Segment revenue	635,594	-	21,764	657,358
Segment loss	(179,229)	(64,940)	(209,681)	(453,850)
Segment assets	395,152	1,379,478	1,198,525	2,973,155
Segment liabilities	653,518	-	184,902	838,420
31 December 2011				
Sales to external customers	779,416	-	-	779,416
Grant revenue	50,000	-	-	50,000
Interest revenue	-	-	68,850	68,850
Total Segment revenue	829,416	-	68,850	898,266
Segment profit loss	(31,724)	(80,190)	(128,648)	(240,562)
Segment assets	501,768	1,167,823	1,475,726	3,145,317
Segment liabilities	402,904	-	86,320	489,224

There are no change in regards to the basis of reporting on segmentation or in the basis of segment profit/loss from 30 June 2012.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

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 Group, the results of those operations, or the state of affairs in future financial years other than the appointment of Dr Jason Loveridge as a Non-executive Director.

DIRECTORS' DECLARATION

In the opinion of the directors of Resonance Health Limited ("the company"):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Groups' financial position as at 31 December 2012 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Dr Martin Blake
Chairman

Dated this 28th day of February 2013



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 condensed half-year financial report of Resonance Health Limited (“the company”), which comprises the condensed statement of financial position as at 31 December 2012, 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*.



Accountants | Business and Financial Advisers

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 2012 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 2012 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*.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB MANN JUDD
Chartered Accountants

A handwritten signature in blue ink that reads 'Norman Glue'.

Partner

Perth, Western Australia
28 February 2013