



RESONANCE HEALTH LIMITED
(ABN 96 006 762 492)

APPENDIX 4E

PRELIMINARY FINAL REPORT

30 JUNE 2015

This report has been prepared in compliance
with ASX Listing Rule 4.3A

Appendix 4E Preliminary final report

Introduced 1/1/2003. Origin Appendix 4B

Name of entity

Resonance Health Limited

ABN or equivalent company reference

96 006 762 492

Preliminary final (tick)

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Financial year ended ('current period')

30 JUNE 2015

Results for announcement to the market

	Change	2015	2014
Revenues from ordinary activities	Up 16%	\$2,676,760	\$2,309,036
Profit from ordinary activities after tax attributable to members	Up 740%	\$463,234	(\$72,415)
Profit for the period attributable to members	Up 740%	\$463,234	(\$72,415)

No dividend has been declared.

Net tangible assets per security

	2015	2014
Net tangible assets	\$2,803,847	\$1,775,312
Shares Issued	401,566,203	386,541,784
Net tangible assets per share	0.70 cents	0.46 cents

Entities over which control has been gained or lost

Control has not been gained or lost over any entities during the financial year.

COMMENTARY OF RESULTS

Principal Activities

Resonance Health Ltd is an Australian healthcare company specialising in the development of quantitative magnetic resonance imaging (MRI) diagnostic technology, with a sub-speciality in the liver and the provision of image analysis laboratory services.

Review of Operations and Financial Summary

The Company is pleased to report the following for the financial year 2014/15.

Highlights:

- Net profit for the year was \$463,234 (2014: Net loss \$72,415).
- 16% increase in revenue.
- Services business segment profit of \$709,671 (2014: Profit \$661,665).
- 20+ new FerriScan radiology facilities were set up during the year.
- HepaFat-Scan independent validation study agreement commenced.
- Launched new Corporate web-site and completed rebranding.
- Cash on hand at 30 June was \$2,797,202.

Financials:

A net profit was recorded for the year of \$463,234 compared to a net loss of \$72,415 in the previous financial year.

Total revenue was \$2,676,760 from \$2,309,036 an increase of 16% or \$367,724 higher than the prior year. The Company received an Export Market Development Grant \$86,934 compared to \$nil received in the previous year and the WA Innovator of the Year grant of \$75,000. Interest income was \$65,518 compared to the prior year \$24,471 due to the increase of cash on deposit for the full year.

The services business segment reported a profit of \$709,671 compared to a profit of \$661,665 in the previous financial year.

Operating expenses (excluding foreign exchange gain) were 10% or \$240,618 higher than the prior year. Total expenditure, excluding foreign exchange gain/loss for the year was \$2,571,557 compared to the prior year total expenditure of \$2,330,939.

The operating expenses increase is a result of increased marketing activity as company delegates headed to China, USA, Austria, United Kingdom and Italy to participate in carefully selected conferences and meet with key stakeholders. These profiling activities increased awareness of HepaFat-Scan and FerriScan in the global clinical community and generated further opportunities. Year on year increase in marketing and travel expense amounted to \$198,501.

The profit for the year was improved significantly by the Company deciding to form a Tax Consolidated Group resulting in an income tax benefit of \$144,214 being recognised as tax liabilities were no longer payable. A Research and Development Tax Credit of \$70,285 was recognised for research and development work undertaken for the financial year 2013-2014. In total both amounts resulted in a tax benefit of \$214,601 compared to the prior year amount of \$3,367.

Resonance Health has cash at bank of \$2,797,202 at the end of the financial year compared to \$2,097,607 in the previous financial year and has no debt. Receipts from customers were \$2,489,302 up 14% from the previous year's result. Cash flows from operating activities generated positive cash of \$197,163.

The Company raised \$650,000 (less costs) on the 14 September 2014 by issuing 13 million shares at 5 cents per share.

Research and development expenditure focused on the Company's HepaFat-Scan and fibrosis products totalled \$390,829 during the year (2014: \$376,408). This comprised capitalised development costs of \$159,212 (2014: \$190,404) that are recognised as an intangible asset on the Statement of Financial Position and expenditure of \$121,052 (2014: \$89,326) amortisation expense, \$68,665 (2014: \$70,874) recognised in research and development in the Statement of Comprehensive Income and \$41,900 (2014: \$25,804) recognised in employee benefits.

FerriScan:

FerriScan is a patent-protected software medical device used to assess the amount of iron in the liver through the analysis of MRI images. The FerriScan software is used at the Company's ISO 13485 certified central facility to provide an image analysis and reporting service to hospitals and pharmaceutical companies around the world. We are currently providing FerriScan analysis and reporting services to clients in over 25 countries, reflecting the continued interest in FerriScan.

Receipts from customers were \$2,489,302, up 14% from the previous year's result. During the year over 20 new radiology facilities were set up for FerriScan imaging and collaborative programs with pharmaceutical companies are ongoing. The Company was awarded a new clinical trial contract which is a significant endorsement of FerriScan's position as the gold standard in non-invasive measurement of liver iron concentration.

Resonance Health has established a marketing and sales team based in Germany, UK and USA focused on strategic long term growth.

Variations in FerriScan revenue growth depend on changes in the mix of services provided, with a shift towards commercial use of FerriScan for clinical patient management. Over the period, a number of pharmaceutical company clinical trials using FerriScan in the assessment of chelation treatments have been completed. Growth in the routine use of FerriScan by hospitals does not include these additional project related services. However, the shift towards the adoption of FerriScan into clinical patient management moves the Company towards achievement of its long-term goal for steady and sustainable global growth of the service.

HepaFat-Scan:

HepaFat-Scan is a software medical device for the measurement of fat in the liver through the analysis of MRI images. Commercialisation activities have focused on the following activities:

- Commencement of a HepaFat-Scan validation study with a leading US hospital, Children's Healthcare of Atlanta.
- Commencement of a liver surgery study in Australia to validate HepaFat-Scan and assess its effectiveness for improving liver surgery outcomes in patients with colorectal liver metastases.
- Engaging with the clinical community to participate in studies that aim to generate important data to enhance the acceptance and uptake of HepaFat-Scan and may support incorporation of HepaFat-Scan in clinical guidelines for patients with fatty liver disease.
- Engaging with pharmaceutical companies developing therapies to address fatty liver disease. The Company's ISO 13485 certified core lab is ideally suited to provide services for pharmaceutical companies conducting clinical trials where a determination of the amount of fat in the liver is required.
- Presentation of latest clinical data at European Association for the Study of the Liver (EASL), Vienna and attendance at other key conferences such as the Liver Meeting for the American Association for the Study of Liver Diseases (AASLD).
- Invitation onto the internationally based Liver Forum. The purpose of the forum is to provide an arena for clinicians, pharmaceutical companies and FDA to hold open discussions on clinical trials and drug development.
- Submitted a paper to a highly respected peer reviewed journal. This paper describes the validation of HepaFat-Scan against biopsy steatosis measurements and when published will significantly contribute to the acceptance of HepaFat-Scan in the clinical community.

Liver Fibrosis:

Resonance Health is continuing its development of tools for the quantification of liver fibrosis using MRI technology. A non-invasive alternative to a liver biopsy to assess the degree of liver fibrosis is a significant unmet need. Activities have focused on the following:

- Development of a prototype non-invasive liver fibrosis measurement that distinguishes between low and high fibrosis scores in a patient cohort with Hepatitis C.

- Submission to and acceptance from the American Association for the Study of Liver Disease (AASLD) of an abstract describing the results of testing of the prototype non-invasive liver fibrosis measurement technology. The abstract will be published in the Journal Hepatology and will be presented at The Liver Meeting® to be held in San Francisco in November 2015.
- Partnering with CSIRO's Biomedical Imaging Group to enhance MR image analysis software for the non-invasive measurement of liver fibrosis.
- Continuing research to explore the potential of recent advancements in the field of image analysis algorithms to accurately interpret MRI image data for the staging of liver fibrosis.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

		Consolidated	
	Notes	2015 \$	2014 \$
Sales revenue	2(a)	2,443,476	2,284,565
Other income	2(b)	233,284	24,471
Revenue		2,676,760	2,309,036
Employee benefits expense		(1,348,506)	(1,307,370)
Consulting and professional services		(94,032)	(79,540)
Research and development		(68,665)	(70,874)
Depreciation expense	7	(13,649)	(19,242)
Amortisation expense	8	(121,052)	(89,326)
Marketing and travel		(371,733)	(173,232)
Statutory and compliance		(159,449)	(139,345)
Foreign exchange gain/(loss)		143,430	(53,879)
Due diligence expense		(15,264)	(119,573)
Other expenses		(379,207)	(332,437)
Profit/(loss) before income tax benefit		248,633	(75,782)
Income tax benefit	3	214,601	3,367
Net Profit/(loss) for the year attributable to owners of the parent		463,234	(72,415)
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences arising on translation of foreign operations		(61,916)	(9,249)
Exchange differences arising on translation of foreign loan		(37,314)	9,827
Other comprehensive income/(loss) for the year, net of tax		(99,230)	578
Total comprehensive income/(loss) for the year attributable to owners of the parent		364,004	(71,837)
Basic earnings/(loss) per share (cents per share)	5	0.12	(0.02)

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Note	Consolidated	
		2015 \$	2014 \$
Current Assets			
Cash and cash equivalents	6	2,797,203	2,097,607
Trade and other receivables		662,177	499,399
Other assets		42,304	24,602
Total Current Assets		3,501,684	2,621,608
Non-Current Assets			
Plant and equipment	7	27,216	29,448
Intangible assets	8	1,601,442	1,563,284
Other financial assets	9	-	3,004
Other assets	10	62,106	59,099
Total Non-Current Assets		1,690,764	1,654,835
Total Assets		5,192,448	4,276,443
Current Liabilities			
Trade and other payables	11	329,158	460,429
Current tax liability	3	-	144,316
Provisions	12	44,070	48,610
Other liabilities	13	413,932	244,480
Total Current Liabilities		787,160	897,835
Non-Current Liabilities			
Provisions	12	-	40,013
Total Non-Current Liabilities		-	40,013
Total Liabilities		787,160	937,848
Net Assets		4,405,288	3,338,595
Equity			
Issued capital	14	69,406,199	68,703,510
Reserves		(204,296)	(105,066)
Accumulated losses		(64,796,615)	(65,259,849)
Total Equity		4,405,288	3,338,595

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

Consolidated

	Note	Issued Capital \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2013		67,534,039	(171,928)	66,284	(65,187,434)	2,240,961
Loss for the year		-	-	-	(72,415)	(72,415)
Other comprehensive profit		-	578	-	-	578
Total comprehensive loss for the year		-	578	-	(72,415)	(71,837)
Shares issued		1,277,521	-	-	-	1,277,521
Share issued costs		(108,050)	-	-	-	(108,050)
Balance at 30 June 2014		68,703,510	(171,350)	66,284	(65,259,849)	3,338,595
Profit for the year		-	-	-	463,234	463,234
Other comprehensive loss		-	(99,230)	-	-	(99,230)
Total comprehensive income for the year		-	(99,230)	-	463,234	364,004
Shares issued	14	745,039	-	-	-	745,039
Share issued costs	14	(42,350)	-	-	-	(42,350)
Balance at 30 June 2015		69,406,199	(270,580)	66,284	(64,796,615)	4,405,288

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	Consolidated	
		2015 \$	2014 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		2,489,302	2,179,241
Payments to suppliers and employees		(2,481,556)	(2,134,816)
Due diligence expense		(42,887)	(94,629)
Grants received		161,934	-
Interest received		70,370	19,814
Income tax received		-	-
Net cash provided by/(used in) by operating activities	6(i)	197,163	(30,390)
Cash flows from investing activities			
Payments for plant and equipment	7	(11,417)	(4,389)
Payments for intangible assets	8	(159,210)	(190,406)
Net cash used in investing activities		(170,627)	(194,795)
Cash flows from financing activities			
Share issues		650,000	1,277,521
Share issue costs		(18,687)	(48,672)
Net cash provided by financing activities		631,313	1,228,849
Net increase in cash and cash equivalents		657,849	1,003,664
Foreign exchange differences on opening cash balances		41,747	1,000
Cash and cash equivalents at the beginning of year		2,097,607	1,092,943
Cash and cash equivalents at the end of the year	6	2,797,203	2,097,607

The accompanying notes form part of these financial statements.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These preliminary consolidated financial statements are prepared in accordance with the accounting principles of a general purpose financial report.

This 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 2015 and any public announcements made by Resonance Health Limited and its subsidiaries during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The financial report has been prepared on a historical cost basis, except for available-for-sale investments which are measured at fair value. 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.

Significant accounting judgements and key estimates

The preparation of financial reports requires management to make judgements, 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 financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that apply to the consolidated financial report for the year ended 30 June 2015.

Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 30 June 2015

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 the current reporting period.

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

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new standards and interpretations that have been issued but are not yet effective for the year ended 30 June 2015. As a result of this review the Directors have determined that there is no material impact, of new and revised standards and interpretations on the company, and therefore, no change is necessary to Group accounting policies.

Changes of classification of items in the Statement of Comprehensive Income

Consulting IT service companies expenses of \$15,663 were classified as employee benefits expenses in the prior year.

The prior year comparative of employee benefits expense has been reduced by \$15,663 and the prior year comparative consulting and professional services has been increased by the same amount.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Revenues	2015 \$	2014 \$
(a) Sales revenue		
Sales to external customers	2,443,476	2,284,565
(b) Other income		
Grants received	161,934	-
Interest received	65,518	24,471
Gain on disposal of available-for-sale investments	5,832	-
	233,284	24,471

NOTE 3: Income tax benefit

The major components of tax benefit are:

Current taxation	-	(112,582)
Benefit of forming a Tax Consolidated Group	144,316	-
R&D tax offset	70,285	115,949
	214,601	3,367

NOTE 4: Segment information

Business Segments

The chief operating decision maker is considered to be the Company's Board of Directors. The Group's operating segments are determined by differences in the type of activities performed. The financial results of the Group's operating segments are reviewed by the Board of Directors on a quarterly basis.

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2015.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	2,605,410	-	71,350	2,676,760
Segment profit/(loss) before taxation	709,671	(110,565)	(350,473)	248,633
Segment assets	662,177	1,601,441	2,928,830	5,192,448
Segment liabilities	743,090	-	44,070	787,160

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: Segment information (continued)

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2014.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	2,284,565	-	24,471	2,309,036
Segment profit/(loss)	661,665	(96,678)	(640,769)	(75,782)
Segment assets	499,399	1,563,282	2,213,761	4,276,443
Segment liabilities	849,225	-	88,623	937,848

NOTE 5: Earnings/(loss) per share

	<u>2015</u>	<u>2014</u>
Earnings/(loss) per share (cents)	0.12	(0.02)
(a) Profit/(loss) used in the calculation of basic earnings/(loss) per share	<u>463,234</u>	<u>(72,415)</u>
	2015 Number	2014 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	<u>398,239,002</u>	<u>363,572,613</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2015 \$	2014 \$
NOTE 6: Cash and cash equivalents		
Deposits at call	557,580	497,607
Term Deposits	2,239,623	1,600,000
	<u>2,797,203</u>	<u>2,097,607</u>
(i) Reconciliation of loss for the year to net cash flows from operating activities		
Profit/(loss) for the year	463,234	(72,415)
Non-cash flows in loss:		
Depreciation expense	13,649	19,242
Amortisation expense	121,052	89,326
Employee share costs	12,000	-
Changes in net assets and liabilities:		
Increase in trade and other receivables	(162,778)	(111,191)
Increase in other assets (current)	(17,702)	(78)
Increase in other assets (non-current)	(3,007)	-
Decrease in other financial assets	3,004	-
(Increase)/decrease in trade and other payables	(257,425)	1,469
(Decrease)/increase in current tax liabilities	(144,316)	112,582
Decrease/(increase) in other liabilities	169,452	(69,325)
Net cash provided/(used in) by operating activities	<u>197,163</u>	<u>(30,390)</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2015 \$	2014 \$
NOTE 7 Plant and equipment		
Fixtures and equipment		
At cost	285,237	273,820
Less: Accumulated depreciation	(258,021)	(244,372)
Total property, plant and equipment	<u>27,216</u>	<u>29,448</u>

Reconciliation

Reconciliation of the carrying amount of each class of property, plant and equipment is set out below:

Fixtures and equipment		
Carrying amount at the beginning of the year	29,448	44,302
Additions	11,417	4,388
Depreciation expense	(13,649)	(19,242)
Carrying amount at the end of the year	<u>27,216</u>	<u>29,448</u>

NOTE 8: Intangible assets

Development expenditure

At cost	1,846,497	1,687,287
Less: Accumulated amortisation	(245,055)	(124,003)
Total development expenditure	<u>1,601,442</u>	<u>1,563,284</u>

Reconciliation

Reconciliation of the carrying amount of each class of Intangible assets is set out below:

Intangible assets		
Carrying amount at the beginning of the year	1,563,284	1,462,204
Additions	159,210	190,406
Amortisation expense	(121,052)	(89,326)
Carrying amount at the end of the year	<u>1,601,442</u>	<u>1,563,284</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2014 \$	2014 \$
NOTE 9: Other financial asset		
Available-for-sale investments - carried at fair value		
Shares in listed corporations	-	14,337
Less: Impairment	-	(11,333)
	-	<u>3,004</u>
NOTE 10: Other Non-current assets		
Deposits paid	<u>62,106</u>	<u>59,099</u>
NOTE 11: Trade and Other Payables		
Trade payables	85,228	136,618
Sundry creditors and accruals	243,930	323,811
	<u>329,158</u>	<u>460,429</u>
NOTE 12: Provisions		
Current: Long service leave	44,070	48,610
Non-current: Long service leave	-	40,013
	<u>44,070</u>	<u>88,623</u>
NOTE 13: Other liabilities		
Unearned income	<u>413,932</u>	<u>244,480</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: Issued Capital

	Number	Value
Issued and paid up capital	401,566,203	\$69,394,196
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Movements in ordinary shares during the year		
Balance at the beginning of the year	386,541,784	\$68,703,510
Placement 15 September 2014 at \$0.05 each	13,000,000	\$650,000
Placement 30 September 2014 at \$0.05 each	1,660,783	\$83,039
Employee shares 31 March 2015 at \$0.33 each	363,636	\$12,000
Shares capital issue costs	-	(\$42,350)
Balance at the end of the year	401,566,203	\$69,406,199
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|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

Adrian Bowers
CFO & Company Secretary