



RESONANCE HEALTH LIMITED
(ABN 96 006 762 492)

APPENDIX 4E

PRELIMINARY FINAL REPORT

30 JUNE 2016

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)

✓

Financial year ended ('current period')

30 JUNE 2016

Results for announcement to the market

	Change	2016	2015
Revenues from ordinary activities	Up 4%	\$2,547,685	\$2,443,476
Revenues from other activities	Down 79%	48,939	233,284
Profit from ordinary activities after tax attributable to members	Down 183%	(\$384,366)	\$463,234
Profit for the period attributable to members	Down 183%	(\$384,366)	\$463,234

No dividend has been declared.

Net tangible assets per security

	2016	2015
Net tangible assets	\$2,288,334	\$2,803,847
Shares Issued	402,330,902	401,566,203
Net tangible assets per share	0.57 cents	0.70 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 delivery of quantitative magnetic resonance imaging (MRI) techniques for the diagnosis and clinical management of human diseases.

Review of Operations and Financial Summary

The Company is pleased to report the following for the financial year 2015/16.

Highlights

- ✓ The year ended with record analysis volumes for the month, quarter, and year.
- ✓ Revenue and receipts from customers were both higher than the previous year.
- ✓ 25 new Radiology Centres were established for Resonance Health services – up 25% from previous year.
- ✓ Chief Scientific Officer, Professor Tim St Pierre, received two prestigious awards for the Company:
 - Western Australian Entrepreneur of the Year
 - Thalassaemia International Federation's Panos Englezos Award
- ✓ The Resonance Health team was further strengthened with core new roles filled by talented recruits - Scientific Research Officer, Clinical Research Manager, Account Manager, a US Consultant, a German Consultant and a new Technical Analyst.
- ✓ A record number of targeted conferences were attended to showcase and promote our technologies and build stakeholder and Key Opinion Leader relations – a total of 17 conferences spanning eight countries.
- ✓ Engagement in numerous collaborative research studies and a new pharmaceutical company clinical trial.
- ✓ Identified and commenced work towards potential new markets and products to expand the Company's portfolio.
- ✓ The position of FerriScan[®] as the global gold standard for liver iron concentration measurement was reinforced with endorsements in a variety of scientific publications and clinical guidelines, such as the UK Standards of Care for Thalassaemia.

Financials

Sales revenue of \$2,547,685 was higher than the prior year. Other income was significantly lower than the prior year as a result of interest income decreasing by \$16,579 and the absence of grants during 2015/2016 financial year. The prior year the Company received an Export Market Development Grant of \$86,934 and the Western Australian Innovator of the Year grant of \$75,000. Grants are actively being sourced for the 2016/2017 financial year.

Operating expenses (excluding foreign exchange) were 18% or \$469,818 higher than the prior year. Total expenditure, excluding foreign exchange gain/loss for the year was \$3,041,375 compared to the prior year total expenditure of \$2,571,557. The operating expense increase was a result of increased marketing activity (with a year on year increase in marketing and travel expense of \$409,807) and increased staff as the

company undertakes more Research and Development and clinical studies (a year on year increase in employee benefits expense of \$126,029).

Research and Development expenditure totalled \$672,914 during the year up from \$390,829 in the previous year. This comprised capitalised development costs of \$277,074 that are recognised as an intangible asset on the Statement of Financial Position and expenditure of \$132,927 amortisation expense, \$111,157 recognised in Research and Development in the Statement of Comprehensive Income and \$151,756 recognised in employee benefits.

Resonance Health had cash at bank of \$2,512,441 at the end of the financial year compared to \$2,797,202 in the previous year and has no debt. Receipts from customers were \$2,513,564; up from the previous year's result. Cash flows from operating activities generated positive cash and the services business segment reported a profit.

A net loss was recorded for the year of \$384,366 compared to a net profit of \$463,234 in the previous financial year. The net loss was a direct result of strategic future investment in the Company; with a strong focus on Research and Development to extend the Company's services and improve efficiencies, as well as an increase in targeted Marketing activities. A key component of these increased activities included the expansion of the Company's increasingly strong team. This phase of growth and development of the Company has resulted in positive outcomes to date and is expected to place the Company in an ideal position for the future.

Operations

Resonance Health's lead product, FerriScan, is globally recognised as the gold standard for liver iron concentration (LIC) measurement. FerriScan is a non-invasive, accurate, and regulatory approved method of measuring LIC from MRI scans of a patient's liver, that eliminates the need for an expensive and painful needle biopsy with associated potential complications. Over 200 Radiology Centres from over 30 countries across the globe are established for FerriScan. Image data is securely transferred to Resonance Health for analysis at the Company's ISO-certified, central facility. FerriScan is strongly endorsed by leading global clinicians who can rely on accurate, quality-assured results for their patient management. In addition to routine clinical management of patients, FerriScan is also the method of choice for pharmaceutical companies conducting clinical trials on their compounds. FerriScan has been utilised in over 20 international multicentre trials over the past 10 years and partnerships with existing and new pharmaceutical companies have continued to develop over the year. Clinician referrals for FerriScan continued to grow over this year with the highest volumes on record; including in the primary target markets of the United States and United Kingdom. Receipts from customers were \$2,513,564, up from the previous year's result. FerriScan is also offered as a dual service together with a Cardiac T2* measurement. Cardiac T2* volumes grew 58% compared to the previous year.

Resonance Health's latest product to market, HepaFat-Scan[®], is a non-invasive method for measuring volumetric liver fat fraction (VLFF) from MRI scans. With the global epidemic of fatty liver disease the technology is anticipated to make a significant beneficial impact in the field. A targeted focus on promoting HepaFat-Scan has gained traction during the year and has resulted in securing collaborations with Key Opinion Leaders in studies in the fields of fatty liver disease in adults and paediatric patients, pre-surgical assessments in liver cancer, bariatric surgery, diabetes, and hyperferritinaemia. Participation in seven such studies have been secured, with the aim of collecting supporting data on the effectiveness of HepaFat-Scan to promote uptake in the clinical community. The Company is also engaging in active discussion with pharmaceutical companies who are developing therapeutic compounds for fatty liver disease. Another key achievement during the year was the submission of the results of a HepaFat-Scan study to an international scientific journal, which has subsequently been published. The results demonstrate HepaFat-Scan's very high degree of accuracy and repeatability and that it is directly comparable to liver biopsy, the current gold standard for liver fat measurement. This positions HepaFat-Scan with an attractive competitive advantage over alternative techniques and positive feedback has been received from various users of the technology.

Research and Development

The Company continued its strong commitment to Research and Development during the year with a focus on future sustainability. A key component of this included the expansion of the Research and Development team with recruitment of two valuable new members; a Scientific Research Officer and a Clinical Research Manager, and an increased time commitment from the Company's Chief Scientific Officer. Efforts were multi-pronged; focussing on the continued development of new technologies and improving efficiencies of current technologies using new advances in computer science, identification and investigation into potential new markets, and development of current technologies for additional applications. Resonance Health continued with development of a technology for the quantification of liver fibrosis using MRI. Collaborations in this space with the Australian Commonwealth Scientific Research Organisation continued, with promising results to date.

Newly identified markets included previously untargeted disease indications in which patients are expected to significantly benefit from FerriScan and/or HepaFat-Scan, as well as additional organs in which fat and iron assessments can be made. The Research and Development team work very closely with the Marketing team to ensure an efficient and effective multidisciplinary approach.

Marketing

The Company's strategically targeted marketing focus during the year saw great success. A core focus was the development of both new and existing key stakeholder relations with whom future collaborations are pivotal. The ambitious conference schedule not only provided opportunity to promote the Company's technologies, but also for clinical education, collection of valuable intelligence, and stakeholder relationship development.

The Marketing team continually improve the marketing materials that are used on the website, during conferences, and in lead conversion. During the year a powerful educational tool was created in the form of a corporate FerriScan video. The video succinctly educates on the benefits of FerriScan over competitors and has generated positive feedback from a wide target audience.

The Marketing presence is global with team members located in Australia, the United Kingdom, United States, and Germany. Marketing efforts have seen 25 new Radiology Centres established across the globe during the year, increased analysis volumes in targeted jurisdictions for all products, and engagement with both new existing pharmaceutical companies.

Resonance Health has experienced a very productive financial year in terms of growth and development. An increasing return on investment for these efforts is expected into future years. The strong focus on Research and Development and Marketing will continue in the 2016/2017 financial year to continue to build the Company's future sustainability.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	Consolidated	
		2016 \$	2015 \$
Sales revenue	2(a)	2,547,685	2,443,476
Other income	2(b)	48,939	233,284
Revenue		2,596,624	2,676,760
Employee benefits expense		(1,474,535)	(1,348,506)
Consulting and professional services		(30,947)	(94,032)
Research and development		(111,157)	(68,665)
Depreciation expense	7	(16,309)	(13,649)
Amortisation expense	8	(132,927)	(121,052)
Marketing and travel		(781,540)	(371,733)
Statutory and compliance		(148,116)	(159,449)
Foreign exchange gain/(loss)		(39,175)	143,430
Due diligence expense		-	(15,264)
Other expenses		(345,844)	(379,207)
Profit/(loss) before income tax benefit		(483,926)	248,633
Income tax benefit	3	99,560	214,601
Net Profit/(loss) for the year attributable to owners of the parent		(384,366)	463,234
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences arising on translation of foreign operations		-	(61,916)
Exchange differences arising on translation of foreign loan		-	(37,314)
Other comprehensive loss for the year, net of tax		-	(99,230)
Total comprehensive (loss)/income for the year attributable to owners of the parent		(384,366)	364,004
Basic (loss)/earnings per share (cents per share)	5	(0.10)	0.12

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

		Consolidated	
	Note	2016 \$	2015 \$
Current Assets			
Cash and cash equivalents	6	2,512,441	2,797,203
Trade and other receivables		485,331	662,177
Other assets		44,457	42,304
Total Current Assets		3,042,229	3,501,684
Non-Current Assets			
Plant and equipment	7	74,691	27,216
Intangible assets	8	1,745,589	1,601,442
Other assets	9	64,310	62,106
Total Non-Current Assets		1,884,590	1,690,764
Total Assets		4,926,819	5,192,448
Current Liabilities			
Trade and other payables	10	415,364	329,158
Provisions	11	52,100	44,070
Other liabilities	12	425,433	413,932
Total Current Liabilities		892,897	787,160
Total Liabilities		892,897	787,160
Net Assets		4,033,922	4,405,288
Equity			
Issued capital	13	69,419,199	69,406,199
Reserves		(204,296)	(204,296)
Accumulated losses		(65,180,981)	(64,796,615)
Total Equity		4,033,922	4,405,288

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

Consolidated

	Note	Issued Capital \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 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		745,039	-	-	-	745,039
Share issued costs		(42,350)	-	-	-	(42,350)
Balance at 30 June 2015		69,406,199	(270,580)	66,284	(64,796,615)	4,405,288
Loss for the year		-	-	-	(384,366)	(384,366)
Other comprehensive loss		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(384,366)	(384,366)
Shares issued	13	13,000	-	-	-	13,000
Balance at 30 June 2016		69,419,199	(270,580)	66,284	(65,180,981)	4,033,922

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	Consolidated	
		2016 \$	2015 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		2,513,564	2,489,302
Payments to suppliers and employees		(2,787,159)	(2,481,556)
Due diligence expense		-	(42,887)
Grants received		-	161,934
Interest received		48,744	70,370
Income tax received		285,794	-
Net cash provided by operating activities	6(i)	60,943	197,163
Cash flows from investing activities			
Payments for plant and equipment	7	(63,784)	(11,417)
Payments for intangible assets	8	(277,074)	(159,210)
Net cash used in investing activities		(340,858)	(170,627)
Cash flows from financing activities			
Share issues		-	650,000
Share issue costs		-	(18,687)
Net cash provided by financing activities		-	631,313
Net (decrease)/increase in cash and cash equivalents		(279,915)	657,849
Foreign exchange differences on opening cash balances		(4,847)	41,747
Cash and cash equivalents at the beginning of year		2,797,203	2,097,607
Cash and cash equivalents at the end of the year	6	2,512,441	2,797,203

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 2016 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 2016

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 2016. As a result of this review the Directors have determined that the following Standards and Interpretations will have a material effect on the Company in future reporting periods.

- AASB 15 Revenue from contracts with Customers
- AASB 16 Leases
- AASB 9 Financial Instruments

The Company have elected to not early adopt these Standards and Interpretations and have not quantified the material effect of application on future periods.

Other than the above, there are no other material impact of the new and revised Standards and Interpretations on the Group and therefore no change is necessary to Group accounting policies.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Revenues	2016 \$	2015 \$
(a) Sales revenue		
Sales to external customers	2,547,685	2,443,476
(b) Other income		
Grants received	-	161,934
Interest received	48,939	65,518
Gain on disposal of available-for-sale investments	-	5,832
	48,939	233,284

NOTE 3: Income tax benefit

The major components of tax benefit are:

Current taxation	-	-
Benefit of forming a Tax Consolidated Group	-	144,316
R&D tax offset	99,560	70,285
	99,560	214,601

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 2016.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	2,547,685	-	48,939	2,596,624
Segment profit/(loss) before taxation	201,265	(163,353)	(422,278)	(384,366)
Segment assets	485,331	1,745,589	2,695,899	4,926,819
Segment liabilities	840,797	-	52,100	892,897

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 2015.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	2,605,410	-	71,350	2,676,760
Segment profit/(loss)	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

NOTE 5: Earnings/(loss) per share

	<u>2016</u>	<u>2015</u>
Earnings/(loss) per share (cents)	(0.10)	0.12
(a) (Loss)/profit used in the calculation of basic (loss)/earnings per share	<u>(384,366)</u>	<u>463,234</u>
	2016 Number	2015 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	<u>402,330,902</u>	<u>398,239,002</u>

The above calculation does not include shares under option that could potentially dilute basic earnings per share in the future as no options are on issue.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2016 \$	2015 \$
NOTE 6: Cash and cash equivalents		
Deposits at call	1,538,127	557,580
Term Deposits	974,314	2,239,623
	2,512,441	2,797,203
(i) Reconciliation of loss for the year to net cash flows from operating activities		
(Loss)/Profit for the year	(384,366)	463,234
Non-cash flows in loss:		
Depreciation expense	16,309	13,649
Amortisation expense	132,927	121,052
Employee share costs	17,000	12,000
Changes in net assets and liabilities:		
Increase in trade and other receivables	172,846	(162,778)
Increase in other assets (current)	(2,153)	(17,702)
Increase in other assets (non-current)	-	(3,007)
Decrease in other financial assets	(2,204)	3,004
(Increase)/decrease in trade and other payables	95,084	(257,425)
(Decrease)/increase in current tax liabilities	-	(144,316)
Decrease/(increase) in other liabilities	11,500	169,452
Net cash provided/(used in) by operating activities	60,943	197,163

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2016 \$	2015 \$
NOTE 7 Plant and equipment		
Fixtures and equipment		
At cost	349,021	285,237
Less: Accumulated depreciation	(274,330)	(258,021)
Total property, plant and equipment	<u>74,691</u>	<u>27,216</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	27,216	29,448
Additions	63,784	11,417
Depreciation expense	(16,309)	(13,649)
Carrying amount at the end of the year	<u>74,691</u>	<u>27,216</u>

NOTE 8: Intangible assets

Development expenditure

At cost	2,123,571	1,846,497
Less: Accumulated amortisation	(377,982)	(245,055)
Total development expenditure	<u>1,745,589</u>	<u>1,601,442</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	1,601,442	1,563,284
Additions	277,074	159,210
Amortisation expense	(132,927)	(121,052)
Carrying amount at the end of the year	<u>1,745,589</u>	<u>1,601,442</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2016 \$	2015 \$
NOTE 9: Other Non-current assets		
Deposits paid	64,310	62,106
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NOTE 10: Trade and Other Payables		
Trade payables	119,783	85,228
Sundry creditors and accruals	295,581	243,930
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	415,364	329,158
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NOTE 11: Provisions		
Current: Long service leave	52,100	44,070
Non-current: Long service leave	-	-
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	52,100	44,070
	<hr/>	<hr/>
NOTE 12: Other liabilities		
Unearned income	425,433	413,932
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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: Issued Capital

	Number	Value
Issued and paid up capital	402,330,902	\$69,419,199
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Movements in ordinary shares during the year		
Balance at the beginning of the year	401,566,203	\$69,406,199
Employee shares 29 June 2016 at \$0.17 each	764,699	\$13,000
Balance at the end of the year	402,330,902	\$69,419,199
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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