

28 October 2016

## **Resonance Health Ltd (ASX:RHT) Appendix 4C – 1st Quarter FY17 Quarterly Report**

Resonance Health Limited today released its 1st Quarterly Report for the period ending 30 September 2016. Cash at 30 September 2016 was \$2.042 million.

The Company continued its strategic investment in both marketing and research and development (R&D) projects to ensure future sustainable growth. A decrease in receipts from customers in the quarter was the combined result of fluctuations in the timing of payments and the continued provision of clinical image analysis and services for programs paid in previous quarters. Outstanding receivables are currently approximately \$600,000; the majority of which are expected to be collected in the coming quarter. In the third quarter of this financial year the Company anticipates a significant R&D tax incentive rebate as a result of the increase in R&D activities.

Operationally, the quarter has been industrious with ambitious targets met across the Company, particularly in R&D and marketing. As a result of these efforts, overall clinical image analysis volumes were up 37% on the same quarter in the previous year, with commercial growth in key target markets of the US, UK, Canada, and Australia.

### **Research and Development**

Research and development spend for the quarter was \$59,000, with a strong focus continuing on expanding the Company's product portfolio and service offerings. New products and the application of products to new target organs and disease indications were investigated and rolled out.

HepaFat-Scan<sup>®</sup> service delivery for measurement of volumetric liver fat fraction (VLFF) continues in research studies through collaboration with key opinion leaders in the fields of non-alcoholic fatty liver disease (NAFLD), liver surgery, hyperferritinaemia, bariatric surgery, and diabetes and is being applied to marathon participants. Collection of data supporting the use of HepaFat-Scan via these studies is vital to the uptake of the technique in the clinical community. Seven new sites were set up for HepaFat-Scan during the quarter with further contracts in progress. Further support for HepaFat-Scan was achieved with the results of a study published in an international scientific journal demonstrating its high degree of accuracy and repeatability. HepaFat-Scan has a significant competitive advantage over alternative techniques as it is currently the only MR technique for measuring volumetric liver fat fraction that can be directly compared to biopsy, the current gold standard in liver fat measurement.

During FY16 Resonance Health developed a technique for the assessment of bone marrow iron which has been used in research studies in collaboration with international clinicians. With strong interest from key opinion leaders, work commenced during the quarter for regulatory submissions to the FDA (US), CE Mark (Europe), and TGA (Australia). Once gained, regulatory approval will expand the market from the research setting to the clinical community. Bone marrow iron is relevant in disease conditions requiring multiple blood transfusions and is believed to be important in potential bone marrow transplant recipients, where it is thought to increase the risk of post-transplant complications. An estimated 50,000 patients receive bone marrow transplants annually for cancers affecting bone marrow production.

A new tool developed by Resonance Health for the assessment of pancreatic fat assessment has been incorporated into two separate diabetes studies. Service provision for these studies commenced during the quarter. In collaboration with the two highly respected clinical teams, the Company looks forward to reviewing the clinical significance of pancreatic fat in this setting. With the rapid rise in obesity-related type II diabetes, and an estimated 380 million people affected globally, the potential market is significant. Diabetes is just one disease state in which fat accumulates in the pancreas and as such the tool has the potential to be applied in a variety of settings.

A further technique that has been recently developed by the Company is the measurement of spleen volume. Spleen volume measurement can assist in the detection of hypersplenism, which results in an enlarged and

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+ See chapter 19 for defined terms.

overactive spleen. During the quarter this service was added to the commercial contract of a pharmaceutical company clinical trial.

Two clinical studies within the R&D program are expected to be completed in the coming quarter with preliminary data available for investigation. The results of these studies are anticipated to be published in the first half of 2017. Work also continued on addressing the measurement of liver fibrosis and inflammation as well as the application of advances in computer science to streamlining existing products.

### **Strategic Marketing**

Marketing spend for the quarter was \$150,000, with efforts focused on sales growth in existing markets, developing campaigns to drive service offerings in new unmet disease indications and developing stakeholder relations to promote the Company's service offerings.

A campaign was successfully launched during the quarter to target iron overload in cancer survivors. Iron overload is a potential complication in cancer survivors as a result of cancer therapies involving multiple blood transfusions. Resonance Health's FerriScan<sup>®</sup>, the globally recognised gold standard for liver iron concentration measurement, is ideally positioned in this setting as it can be used to reliably and accurately screen for iron overload and aid in treatment decisions. Clinical engagement has commenced with targeted clinicians to educate on the potential benefits of FerriScan in the management of cancer survivors.

Two conferences were attended in the quarter by the UK and US field teams. The Childhood Cancer conference in the UK and the Sickle Cell Disease Association of America conference, during which Resonance Health's Hospital Specialist, Pat Corley, received the SCDAA's Pioneer Award for Excellence. Pre-conference planning and preparation for the upcoming conference season has also been a focus this quarter to ensure the highest return on investment is achieved at these vital events.

Clinical endorsement of FerriScan continues to develop with a new video launched featuring highly respected Dr Josu de la Fuente, a Consultant Paediatric Haematologist and Senior Lecturer at Imperial College London and Director of the Paediatric Blood and Marrow Transplant Programme. Dr de la Fuente is a key opinion leader and an expert in the fields of haematology and bone marrow transplantation. The video clearly explains the advantages of FerriScan from a clinician's perspective and is an honourable accolade. Further promotion of the video will continue in the coming quarters.

Productive joint R&D and marketing efforts during the quarter have successfully built on Resonance Health's product portfolio expansion and the transition of these developments into service delivery to key opinion leaders, pharmaceutical companies, and the clinical community, alike. The Company will continue this strategic focus on new products, target organs, and disease indications, together with promotion in existing markets, to drive future revenue streams.

Investors can subscribe to our ASX market releases via our web site:

[www.resonancehealth.com/investors/asx-subscribe](http://www.resonancehealth.com/investors/asx-subscribe)

For further information please contact:

#### **Resonance Health**

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Company Secretary

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+Rule 4.7B

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Resonance Health Limited

**ABN**

96 006 762 492

**Quarter ended (“current quarter”)**

30 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	324	324
1.2 Payments for		
(a) research and development	(59)	(59)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(150)	(150)
(d) leased assets		
(e) staff costs	(406)	(406)
(f) administration and corporate costs	(194)	(194)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		

+ See chapter 19 for defined terms.

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3months) \$A'000</b>
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(485)</b>	<b>(485)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(20)	(20)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(20)</b>	<b>(20)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		

+ See chapter 19 for defined terms.

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b> <b>SA'000</b>	<b>Year to date</b> <b>(3months)</b> <b>SA'000</b>
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(0)</b>	<b>(0)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,512	2,512
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(485)	(485)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(20)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(0)	(0)
4.5	Effect of movement in exchange rates on cash held	35	35
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,042</b>	<b>2,042</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter</b> <b>\$A'000</b>	<b>Previous quarter</b> <b>\$A'000</b>
5.1 Bank balances	2,042	2,512
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,042</b>	<b>2,512</b>

**6. Payments to directors of the entity and their associates**

**Current quarter**  
**\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

35

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

\$35K – Directors fees

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8.</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

+ See chapter 19 for defined terms.

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	(181)
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	(185)
9.4	Leased assets	
9.5	Staff costs	(409)
9.6	Administration and corporate costs	(223)
	<b>Estimated cash outflows</b>	<b>(998)</b>
9.7	Estimated receivables	540
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>(458)</b>

<b>10.</b>	<b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

## Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here:            **Adrian Bowers**            Date: 28<sup>th</sup> October 2016  
(Company secretary)

### Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows*



apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.