

31 January 2017

Resonance Health Ltd (ASX:RHT) Appendix 4C – 2nd Quarter FY17 Quarterly Report

Resonance Health Limited today released its 2nd Quarterly Report for the period ending 31 December 2016. Cash at 31 December 2016 was \$1.92 million. The timing of outstanding receivables was a contributor to the more than doubling of receipts compared to previous quarter.

Clinical imaging analysis volumes for the quarter were up 20% on the same quarter in FY2016, with marketing efforts resulting in increased commercial sales growth for FerriScan® in the key target markets of the USA, Canada, the UK, and the rest of Europe. Commercial Cardiac T2* analysis volumes were also higher than the same quarter in FY2016 overall and in the majority of markets. Ongoing targeted marketing and research and development (R&D) projects continued successfully during the quarter with a focus on driving the Company's future diversification and commercial goals.

Research and Development

R&D spend for the quarter was \$277,000; an increase from the previous quarter as a result of the timing of several periodical and project-related payments. Favourable interim results were obtained for multiple R&D projects across the Company which will continue to be pursued throughout the year:

- HepaFat-Scan – Recruitment for the eight global clinical research studies using HepaFat-Scan® for volumetric liver fat fraction (VLFF) are progressing well; which are targeted at collecting further evidence for the clinical roll out of the tool. The studies are run in collaboration with leading clinicians in the fields of non-alcoholic fatty liver disease (NAFLD), liver surgery, hyperferritinaemia, and diabetes, as well as in population studies.
- Bone Marrow Iron Assessment – Data collection and development of the Company's new test for the assessment of bone marrow iron is tracking to targets. Regulatory approvals by the FDA (US), CE Mark (Europe), and TGA (Australia), which will allow the test to be marketed in the clinical community, are still anticipated for the mid to second half of 2017. The Bone Marrow R2 test will have a significant addressable market in potential bone marrow recipients.
- Pancreatic Fat Assessment – Resonance Health's investigational tool for the assessment of pancreatic fat is currently being applied in two global diabetes studies led by world experts in this prevalent global disease market. Recruitment is progressing in accordance with scheduled timelines and recruitment for both studies is expected to be completed by early 2018.
- Spleen Volume Measurement – Service delivery using the Company's new spleen volume measurement tool commenced this quarter for commercial clinical trial contracts.
- Machine Learning Technology – Research progression into the automation of existing and potential new products using machine learning science has delivered encouraging interim results. The Company looks forward to providing a more detailed update as this investigational work continues to develop.

Strategic Marketing

Marketing spend for the quarter was \$168,000. A prominent emphasis of the quarter was the profiling of FerriScan and HepaFat-Scan at seven key conferences/meetings across the UK and USA. The Marketing and R&D teams again joined forces to deliver a robust profiling impact at significant conferences. These included the American Association of Liver Disease (AASLD) Liver Meeting with a primary focus on HepaFat-

+ See chapter 19 for defined terms.

Scan and the American Society of Haematology's (ASH) Annual Meeting with a FerriScan focus. The remaining conferences and meetings attended were targeted around the Company's current marketing campaigns in the unmet addressable disease indications of cancer survivors, sickle cell disease, and other haemoglobinopathies.

The benefits of conference attendance are multifaceted. In addition to the profiling and clinical education efforts resulting in the development of commercial opportunities and sales growth in the clinical community, the opportunity for high-value meetings with key stakeholders is paramount. Relationship building and knowledge sharing with key opinion leaders is vital to the uptake of the Company's services in the clinical community and is a strong marketing focus. An impressive calibre of meetings were held with multiple pharmaceutical companies who currently engage, or will potentially engage, Resonance Health's services in the clinical efficacy testing and roll out of their compounds. The further development of these commercial opportunities are not only lucrative but emphasise the importance of Resonance Health's accurate, high-quality, and reproducible service offerings.

Further key stakeholder engagement has continued with radiology chains, pharmaceutical companies, key opinion leaders, and patient groups. A particularly important collaborative focus in the quarter being with the Thalassaemia International Federation (TIF). As a result of these relationships, new clinical endorsements from key opinion leaders were obtained to support the Company's communications in the addressable markets of cancer survivors, sickle cell disease, and bone marrow transplant patients. FerriScan also featured in a number of independent studies presented at the ASH conference and was endorsed for use in sickle cell disease in an independent publication.

The momentum continued this quarter in the cancer survivor campaign launched earlier in FY2017; aimed at profiling FerriScan as the ideal tool for screening and managing treatment in iron overloaded patients in this setting. Targeted clinicians were identified and contacted with preliminary survey results indicating strong interest by experts in improving screening for iron overload in their cancer survivor cohorts. Other undertakings this quarter supporting the roll out of FerriScan in this significant addressable market included high profile meetings being held, conference attendance, and pre-conference planning and preparation for the cancer survivor conferences to be attended next quarter.

Resonance Health has had another successful quarter with an increase in image analysis volumes, improvements in cash flow status, product profiling and expansion into new target indications, ongoing stakeholder relationship building, and progress in meeting R&D targets with favourable interim results.

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

www.resonancehealth.com/investors/asx-subscribe

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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	Quarter ended (“current quarter”)
96 006 762 492	31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	775	1,099
1.2 Payments for		
(a) research and development	(277)	(336)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(168)	(318)
(d) leased assets		
(e) staff costs	(395)	(801)
(f) administration and corporate costs	(15)	(209)
1.3 Dividends received (see note 3)		
1.4 Interest received	13	13
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(67)	(552)

+ See chapter 19 for defined terms.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(0)	(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)		
2.6 Net cash from / (used in) investing activities	(0)	(20)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		

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Consolidated statement of cash flows		Current quarter SA'000	Year to date (6months) SA'000
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(0)	(0)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,042	2,512
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(67)	(552)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(0)	(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	(55)	(20)
4.6	Cash and cash equivalents at end of quarter	1,920	1,920

+ See chapter 19 for defined terms.

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,920	2,042
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,920	2,042

6. Payments to directors of the entity and their associates

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

Current quarter \$A'000
39

\$39K – Directors fees

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

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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.