

31 July 2017

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

Resonance Health Limited today released its Quarterly Report for the period ending 30 June 2017.

As estimated, cash at 30 June 2017 was \$1.68 million, slightly down from the previous quarter as the Company maintains momentum to build sustained future growth. Significant research and development (R&D) advancements were made with the delivery of the following key milestones:

- ✓ Development of an artificial intelligence (AI) prototype for measurement of liver iron concentration (LIC); positioning the Company as a leader in the revolutionary future of AI in healthcare.
- ✓ Partnership expansion and endorsement from a leading NGO for both FerriScan® and the new AI prototype, favourably positioning the Company for commercial growth in existing markets and expediting development and access pathways of the new AI test in emerging growth markets.
- ✓ Launch of a bone marrow iron assessment for clinical application in Europe, Australia, and NZ to ultimately address the substantial bone marrow transplant market.

Research and Development

R&D spend for the quarter was \$284,000; an increase from the previous quarter as a result of the timing of periodical payments and in line with the R&D focus. This includes a large one-off final payment for conclusion of a clinical study. The most noteworthy achievement was the development of an AI prototype for the low-cost measurement of LIC, which offers the following benefits:

- ✓ Addresses the urgent need for an accurate and affordable tool for the management of iron overload in emerging growth markets; where FerriScan is unaffordable and an inferior alternative is potentially endangering patient lives.
- ✓ Positions the Company at the forefront of AI advancements in medical imaging. With a proven track record of product development and skills in obtaining regulatory clearances, these advancements open opportunities for the development of future tests across the expansive field of medical imaging.
- ✓ The advancements in AI automation, when compared to the Company's current central-analysis service delivery model, allows investigation into alternative lower-cost delivery pathways. These include the potential provision of the technology directly to the radiologist desktop. If successful, this will allow the option of tiered service delivery models and costing options for different markets.

The mid-year target to launch the bone marrow test to the European, Australian, and NZ clinical markets was achieved and the Company is on track to obtain FDA clearance in the USA by the end of 2017. Following clinical acceptance of the benefits, this will open the test to an annual global market of 50,000 bone marrow transplant recipients.

Further evidence was built for the clinical superiority of FerriScan, the globally recognised gold standard for assessing iron overload, over alternative methods:

- ✓ Study results demonstrated that FerriScan is not affected by the presence of liver fat, in contrast to alternative methods. This presents a commercial advantage of FerriScan, particularly given the global obesity epidemic.
- ✓ Results of a second study demonstrated that the current screening tool for assessing iron overload in paediatric cancer survivors (serum ferritin) is problematic. FerriScan remains positioned as a reliable, non-invasive alternative in this and other disease indications in which serum ferritin is currently used.

+ See chapter 19 for defined terms.

Research collaborations to collect evidence on the benefits of using HepaFat-Scan® made progress during the quarter. These collaborations include studies in the application of the technology in highly prevalent disease indications worldwide, such as; non-alcoholic fatty liver disease (NAFLD), diabetes and metabolic disease, liver and bariatric surgeries, and in combination with FerriScan®, unexplained hyperferritinaemia.

Strategic Marketing and Stakeholder Relations

Marketing spend for the quarter was \$154,000; slightly down from the previous quarter. Marketing efforts resulted in increased commercial clinical sales in the key target markets of the USA, UK, Canada, and Australia when compared to the same FY16 quarter. The focus was the profiling of the Company's existing, new, and pipeline products at six targeted conferences across the USA, UK, and Europe, where marketing efforts supported the R&D advancements.

The well-established, strong relationship with the leading global patient advocacy group in iron overload, the Thalassaemia International Federation (TIF), was cemented this quarter. TIF's global **Media Release and Clinical Alert** warned against using techniques inferior to Resonance Health's FerriScan for assessing iron overload. This message to the patient and clinical community followed results demonstrating the potential dangers of alternative methods. It is anticipated to result in increased uptake of FerriScan in existing markets and assist with the roll out of the AI test to emerging growth markets.

The European Haematology Association Congress was central to marketing and development efforts for the quarter. The results of two abstracts were presented, demonstrating the dangers and limitations of inferior techniques to FerriScan for assessing iron overload. A successful roundtable meeting was held by TIF to promote both FerriScan and the new AI technique to key stakeholders in the iron overload field. Another achievement was the launch of the new bone marrow iron assessment tool, which raised substantial interest. Meetings were also held with pharmaceutical companies to develop and build on existing and new collaborations.

The achievements made by the Resonance Health team in the June 2017 quarter, in particular entering the transformative field of artificial intelligence in quantitative medical imaging, signifies the beginning of an exciting era for the Company. Development of the AI prototype for low-cost LIC measurement is progressing as planned with beta-testing in the clinical environment expected to commence in this September quarter. Additionally, the Company remains on track to submit the bone marrow test for FDA clearance during this period. As developments continue and further milestones are reached the Company looks forward to providing updates as the quarter progresses.

Investors can subscribe to our ASX market releases via our website:

www.resonancehealth.com/investors/asx-subscribe

For further information please contact:

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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 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	531	2,291
1.2 Payments for		
(a) research and development	(284)	(756)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(154)	(634)
(d) leased assets		
(e) staff costs	(391)	(1,532)
(f) administration and corporate costs	(101)	(459)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	28
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	20	20
1.8 Other R&D tax incentive	315	315
1.9 Net cash from / (used in) operating activities	(54)	(727)

+ See chapter 19 for defined terms.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(13)	(33)
(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 - Term Deposit Cash Security	(27)	(27)
2.6 Net cash from / (used in) investing activities	(40)	(60)
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		

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'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	1,863	2,512
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(54)	(727)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(40)	(60)
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	(84)	(40)
4.6	Cash and cash equivalents at end of quarter	1,685	1,685

+ 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	1,685	1,863
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)	1,685	1,863

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

45

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

\$45K – 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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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	228
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	130
9.4 Leased assets	-
9.5 Staff costs	378
9.6 Administration and corporate costs	206
Estimated cash outflows	(942)
9.7 Estimated receivables	589
9.8 Total estimated cash outflows	(353)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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

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

Sign here: **Adrian Bowers** Date: 31st July 2017
(Company secretary)

Notes

1. 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.
2. 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.