



RESONANCE HEALTH LIMITED

(ABN 96 006 762 492)

APPENDIX 4E

PRELIMINARY FINAL REPORT

30 JUNE 2017

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 2017

Results for announcement to the market

	Change	2017	2016
Revenues from ordinary activities	Down 4%	\$2,458,332	\$2,547,685
Revenues from other activities	Down 2%	47,861	48,939
Profit from ordinary activities after tax attributable to members	Down 21%	(\$304,217)	(\$384,366)
Profit for the period attributable to members	Down 21%	(\$304,217)	(\$384,366)

No dividend has been declared.

Net tangible assets per security

	2017	2016
Net tangible assets	\$1,604,720	\$2,288,334
Shares Issued	402,497,568	402,330,902
Net tangible assets per share	0.40 cents	0.57 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 2016/17.

Highlights

- ✓ The year ended with record analysis volumes, including FerriScan[®], Cardiac T2*, and HepaFat-Scan[®].
- ✓ We have achieved an overall 20% commercial growth in key target markets for routine clinical use of our technologies.
- ✓ A 29.5% increase in profit from the core FerriScan service.
- ✓ Over 20 Key publications were accepted and leveraged to showcase and profile our technologies as part of our clinical education campaigns.
- ✓ Bone Marrow Iron Assessment launched in Europe, Australia, and New Zealand.
- ✓ Significant progress was made in the development of an artificial intelligence (AI) solution for the rapid, low-cost analysis of liver-iron-concentration (LIC).
- ✓ Endorsement and new collaboration with leading patient organisation the Thalassaemia International Federation, following significant results of 'The Dragon Study'.
- ✓ Strong pipeline commercial opportunities developed for 2017/18 and new clinical indications for technologies identified, such as the reapplication of FerriScan for the measurement of LIC in transfusional iron overloaded cancer survivors.
- ✓ R&D tax incentive of 314K was secured.
- ✓ High profile studies continue to advance efficiently, with the Paediatric NAFLD study having now completed its recruitment phase. The FY also saw the Hibiscus and Diastolic studies progress past the three quarter mark, while the Dragon study reached its completion.

Financials

Sales revenue of \$2,485,332 was lower than the prior year despite a 20% increase in routine clinical use of FerriScan and Cardiac T2* offset by strength of the Australian Dollar versus the Pound Sterling. Other income comprised interest income of \$27,861 and grant income of \$20,000.

Overall expenditure (excluding foreign exchange) were 2% or \$65,953 higher than the prior year.

Research and Development expenditure totalled \$1,161,027 during the year up from \$672,914 in the previous year. This comprised capitalised development costs of \$551,559 that are recognised as an intangible asset on the Statement of Financial Position and expenditure of \$167,163 amortisation expense, \$164,471 recognised in Research and Development in the Statement of Comprehensive Income and \$277,834 recognised in employee benefits.

The FerriScan business segment generated a profit of \$260,753 for the financial year, a 29.5% increase on the previous year. This generated profit has been reinvested into research and development of the AI solution.

Resonance Health had cash at bank of \$1,685,375 at the end of the financial year compared to \$2,512,441 in the previous year and has no debt.

A net loss was recorded for the year of \$304,217 compared to a net loss of \$384,366 in the previous financial year. The net loss was a direct result of a continued 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 targeted Marketing activities.

Overview

Resonance Health experienced a productive financial year as development was accelerated for its machine learning artificial intelligence (AI) prototype for the measurement of liver iron concentration (LIC). This focus has progressed into the recent commencement of beta-testing for the new cloud-based AI solution, as the Company strives to address the urgent clinical need for an accessible and cost-effective LIC measurement solution in emerging growth markets. Resonance Health seeks to utilize this AI solution to increase market penetration of its services, and position an accessible and lower cost solution for this market.

Resonance Health also continued to build upon its key stakeholder relationships in the medical community over the financial year, a highlight including an endorsement from the Thalassaemia International Federation (TIF) for FerriScan in a global alert and media release issued by TIF on the dangers of using unregulated T2* methods for the measurement of liver iron concentration. This global alert from TIF was a consequence of the results from the Dragon study, which raised significant concerns regarding patients' safety when assessed using a widely available T2* method. The findings of the Dragon Study sparked a powerful response from TIF, who backed the importance of only using validated techniques, such as Resonance Health's FerriScan, the regulatory cleared and globally recognised gold standard for LIC measurement.

The year included another ambitious conference schedule, spanning 16 conferences across 5 countries. Strategic objectives were executed at these meetings including achieving a strong corporate and product profile, driving further commercial uptake of our technologies, stakeholder relationship development, launching of new products, and developing commercial pipeline. The company sought and secured endorsements from leading patient advocacy groups such as TIF, and continues to leverage and develop strong relationships within the medical community to position the company favourably for increased commercial growth of its products.

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, United Kingdom, and Canada. Resonance Health's flagship product, FerriScan, experienced an 11% volume growth over the previous year, whilst Cardiac T2* saw a 25% increase. Service provision to pharmaceutical companies in the development of their treatments and collaborative programs continued. Clinical trial work for a new pharmaceutical partner expanded into additional countries. Resonance Health's continued involvement in clinical studies saw HepaFat-Scan usage increase by 175% as our global clinical trials progress further and the Company continues to build the clinical evidence and momentum.

This financial year also saw further diversification of Resonance Health's product offerings, with the launch of Bone Marrow R2-MRI for clinical use in Europe, Australia and New Zealand, and a Pancreatic Fat Assessment Tool.

The Bone Marrow R2-MRI tool can be used for assessing iron levels in bone marrow and is non-invasive, standardised, and correlates significantly with iron in bone marrow; it is positioned as a safe, pain-free alternative to biopsy. With application in bone marrow transplants, where quantitative assessment of bone marrow iron levels prior to transplant is thought to assist with the prediction of complications and the prognosis of patients post-transplant, Bone Marrow R2-MRI is well-suited to further assist clinical decisions in patients being considered for bone marrow transplantation.

The Pancreatic Fat Assessment tool is a solution for quantitative assessment of pancreatic fat in an investigational setting and adds to the suite of offerings RH can offer for investigational use by researchers and clinicians.

Since the end of the financial year, the Company has progressed the AI tool for liver iron estimation from the prototype announced in June to a beta version that is currently being bench tested at a single site for thirty days. This work will then be extended to at least four other sites and the refinements and feedback will give RHT a tool for investigational use in the broader community. The use of AI offers RHT the ability to present its service offerings in a new format that is able to address current limitations of scalability, accessibility, and cost. Alternative distribution pathways are now being investigated.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

		Consolidated	
	Notes	2017 \$	2016 \$
Sales revenue	2(a)	2,485,332	2,547,685
Other income	2(b)	47,861	48,939
Revenue		2,533,193	2,596,624
Employee benefits expense		(1,562,369)	(1,474,535)
Consulting and professional services		(94,920)	(30,947)
Research and development		(164,471)	(111,157)
Depreciation expense	7	(26,066)	(16,309)
Amortisation expense	8	(167,163)	(132,927)
Marketing and travel		(629,529)	(781,540)
Statutory and compliance		(127,013)	(148,116)
Foreign exchange gain/(loss)		(44,587)	(39,175)
Due diligence expense		-	-
Other expenses		(335,797)	(345,844)
Profit/(loss) before income tax benefit		(618,722)	(483,926)
Income tax benefit	3	314,505	99,560
Net Profit/(loss) for the year attributable to owners of the parent		(304,217)	(384,366)
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences arising on translation of foreign operations		-	-
Exchange differences arising on translation of foreign loan		-	-
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive (loss)/income for the year attributable to owners of the parent		(304,217)	(384,366)
Basic (loss)/earnings per share (cents per share)	5	(0.08)	(0.10)

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

		Consolidated	
	Note	2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	6	1,685,375	2,512,441
Trade and other receivables		577,393	485,331
Other assets		62,280	44,457
Total Current Assets		2,325,048	3,042,229
Non-Current Assets			
Plant and equipment	7	72,909	74,691
Intangible assets	8	2,129,985	1,745,589
Other assets	9	90,973	64,310
Total Non-Current Assets		2,293,867	1,884,590
Total Assets		4,618,915	4,926,819
Current Liabilities			
Trade and other payables	10	487,040	415,364
Provisions	11	69,329	52,100
Other liabilities	12	327,841	425,433
Total Current Liabilities		884,210	892,897
Total Liabilities		884,210	892,897
Net Assets		3,734,705	4,033,922
Equity			
Issued capital	13	69,424,199	69,419,199
Reserves		(204,296)	(204,296)
Accumulated losses		(65,485,198)	(65,180,981)
Total Equity		3,734,705	4,033,922

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

Consolidated

	Note	Issued Capital \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 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
Loss for the year		-	-	-	(304,217)	(304,217)
Other comprehensive loss		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(304,217)	(304,217)
Shares issued	13	5,000	-	-	-	5,000
Balance at 30 June 2017		69,424,199	(270,580)	66,284	(65,485,198)	3,734,705

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	Consolidated	
		2017 \$	2016 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		2,291,634	2,513,564
Payments to suppliers and employees		(2,936,514)	(2,787,159)
Due diligence expense		-	-
Grants received		20,000	-
Interest received		28,054	48,744
Income tax received		314,505	285,794
		<hr/>	<hr/>
Net cash provided by operating activities	6(i)	(282,321)	60,943
Cash flows from investing activities			
Payments for plant and equipment	7	(23,392)	(63,784)
Payments for intangible assets	8	(454,529)	(277,074)
Term deposit security		(26,664)	-
		<hr/>	<hr/>
Net cash used in investing activities		(504,585)	(340,858)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(786,906)	(279,915)
Foreign exchange differences on opening cash balances		(40,160)	(4,847)
Cash and cash equivalents at the beginning of year		2,512,441	2,797,203
Cash and cash equivalents at the end of the year	6	<hr/> <u>1,685,375</u>	<hr/> <u>2,512,441</u>

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 2017 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 2016.

Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 30 June 2017

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 2017. 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	2017 \$	2016 \$
(a) Sales revenue		
Sales to external customers	2,485,332	2,547,685
(b) Other income		
Grants received	20,000	-
Interest received	27,861	48,939
	<u>47,861</u>	<u>48,939</u>

NOTE 3: Income tax benefit

The major components of tax benefit are:

Current taxation	-	-
R&D tax offset	314,505	99,560
	<u>314,505</u>	<u>99,560</u>

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 2017.

	Services \$	Research & Development \$	Corporate \$	Total \$
Segment revenue	2,505,332	-	27,861	2,533,193
Segment profit/(loss) before taxation	260,753	(442,305)	(437,172)	(618,724)
Segment assets	577,393	2,129,985	1,911,537	4,618,915
Segment liabilities	814,881	-	69,329	884,210

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 2016.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	2,547,685	-	48,939	2,596,624
Segment profit/(loss)	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

NOTE 5: Earnings/(loss) per share

	<u>2017</u>	<u>2016</u>
Earnings/(loss) per share (cents)	(0.08)	(0.10)
(a) (Loss)/profit used in the calculation of basic (loss)/earnings per share	<u>(304,217)</u>	<u>(384,366)</u>
	2016 Number	2016 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	<u>402,468,880</u>	<u>402,330,902</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

	2017 \$	2016 \$
NOTE 6: Cash and cash equivalents		
Deposits at call	1,089,093	1,538,127
Term Deposits	596,282	974,314
	<u>1,685,375</u>	<u>2,512,441</u>
(i) Reconciliation of loss for the year to net cash flows from operating activities		
(Loss)/Profit for the year	(304,217)	(384,366)
Non-cash flows in loss:		
Depreciation expense	26,066	16,309
Amortisation expense	167,163	132,927
Employee share costs	5,000	17,000
Changes in net assets and liabilities:		
Increase in trade and other receivables	(52,792)	172,846
Increase in other assets (current)	(17,823)	(2,153)
Increase in other assets (non-current)	-	-
Decrease in other financial assets	-	(2,204)
(Increase)/decrease in trade and other payables	(122,947)	95,084
(Decrease)/increase in current tax liabilities	-	-
Decrease/(increase) in other liabilities	17,229	11,500
Net cash provided/(used in) by operating activities	<u>(282,321)</u>	<u>60,943</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2017 \$	2016 \$
NOTE 7 Plant and equipment		
Fixtures and equipment		
At cost	373,304	349,021
Less: Accumulated depreciation	(300,395)	(274,330)
Total property, plant and equipment	<u>72,909</u>	<u>74,691</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	74,691	27,216
Additions	24,284	63,784
Depreciation expense	(26,066)	(16,309)
Carrying amount at the end of the year	<u>72,909</u>	<u>74,691</u>

NOTE 8: Intangible assets

Development expenditure

At cost	2,675,130	2,123,571
Less: Accumulated amortisation	(545,145)	(377,982)
Total development expenditure	<u>2,129,985</u>	<u>1,745,589</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	1,745,589	1,601,442
Additions	551,559	277,074
Amortisation expense	(167,163)	(132,927)
Carrying amount at the end of the year	<u>2,129,985</u>	<u>1,745,589</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2017 \$	2016 \$
NOTE 9: Other Non-current assets		
Deposits paid	90,973	64,310
	<hr/>	<hr/>
NOTE 10: Trade and Other Payables		
Trade payables	203,580	119,783
Sundry creditors and accruals	283,460	295,581
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	487,040	415,364
	<hr/>	<hr/>
NOTE 11: Provisions		
Current: Long service leave	69,329	52,100
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	69,329	52,100
	<hr/>	<hr/>
NOTE 12: Other liabilities		
Unearned income	327,841	425,433
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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: Issued Capital

	Number	Value
Issued and paid up capital	402,497,568	\$69,424,199
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Movements in ordinary shares during the year		
Balance at the beginning of the year	402,330,902	\$69,419,199
Employee shares 31 August 2016 at \$0.03 each	166,666	\$5,000
Balance at the end of the year	402,497,568	\$69,424,199
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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