



**RESONANCE HEALTH LIMITED**

(ABN 96 006 762 492)

**APPENDIX 4E**

**PRELIMINARY FINAL REPORT**

30 JUNE 2018

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 2018

### Results for announcement to the market

	Change	2018	2017
Revenues from ordinary activities	Up 17%	\$2,896,395	\$2,485,332
Revenues from other activities	Down 68%	\$15,220	\$47,861
Profit from ordinary activities after tax attributable to members	Up 174%	\$224,619	(\$304,217)
Profit for the period attributable to members	Up 174%	\$224,619	(\$304,217)

No dividend has been declared.

### Net tangible assets per security

	2018	2017
Net tangible assets	\$1,711,558	\$1,604,720
Shares Issued	402,497,568	402,497,568
Net tangible assets per share	0.43 cents	0.40 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 Limited (“Resonance Health” or “Company”) (ASX: RHT) was founded in 2004 and is an Australian healthcare company specialising in the development and delivery of non-invasive medical imaging software and analysis services. The Company’s products and services are used by clinicians in the diagnosis and management of human diseases, and by pharmaceutical and therapeutic companies in their clinical trials.

Resonance Health’s flagship product FerriScan is the global gold-standard for liver iron concentration quantification, and is now established in many international ‘Standards of Care’ for the management and treatment of Thalassemia. FerriScan’s proprietary technology has been applied in training neural networks to develop FerriSmart, which is the world’s first and only regulatory-cleared Artificial Intelligence tool for the measurement of liver iron concentration.

### Review of Operations and Financial Summary

The Company is pleased to report the following for the financial year 2017/18.

### Highlights

- ✓ Alison Laws was appointed to the position of Chief Executive Officer as of 23 February 2018.
- ✓ Mitchell Wells was appointed as a Non-Executive Director of the Company as of 28 February 2018.
- ✓ Agha Shahzad Pervez was appointed to the position of Chief Financial Officer and Company Secretary as of 29 November 2017.
- ✓ The R&D team commenced work on the ‘Dragon 2 Study’, a trial looking to significantly shorten the acquisition time of the FerriScan protocol, which currently takes approximately 9 minutes. In preliminary work, Resonance Health has obtained data sets from over 30 trial patients, with each data set containing multiple acquisition protocol profiles of varying scan times. Work has now been escalated on the shorter acquisition due to very promising results to date.
- ✓ A new MRI-based assessment tool for the screening of non-alcoholic steatohepatitis (NASH) patients was launched. Initial uptake of this technology is planned to come from pharmaceutical companies engaged in the development of drugs to treat NASH. Resonance Health highlighted this product for the first time at the NASH Engage Global conference in London held on 26-27 February, 2018.
- ✓ Agency agreement signed with TeleMedC PTE LTD to distribute an Artificial Intelligence Diabetic Retinopathy (DR) grading tool. The technology, named DR Grader, was developed by leading researchers in Australia. The contract has been signed for an initial 2 year period, and is renewable based on performance and written agreement.
- ✓ R&D tax incentive of \$451,006 was secured.
- ✓ During the financial year, the Company received 4 new multi-year work orders from pharmaceutical or therapeutic companies. The total dollar value of work for the four multi-year clinical trials won this financial year amounts to an approximate aggregate sum of \$1,211,000 over the duration of the trials. Refer to the Company’s announcements; 12/01/2018 - FerriScan® contracted for two new clinical trials, 13/02/2018 – Resonance Health contracted for new clinical trial, and 23/07/2017 – Appendix 4C quarterly.
- ✓ Beta-testing was undertaken on the 21 August 2017 for the Company’s new artificial intelligence solution FerriSmart®, for the rapid low-cost analysis of liver-iron-concentration.
- ✓ After a successful first phase of FerriSmart® beta-testing, a multi-centre trial was planned and executed at several large Thalassemia centres in emerging growth markets. The multi-centre trial allowed the

Company to implement several improvements to the FerriSmart web portal and collect valuable market research from key hospital centres across the globe.

- ✓ Collaboration announced with Perth Radiological Clinic (PRC) for the sharing of data and the training of neural networks to assess the viability of the development of several screening tools.

## **Financials**

A net profit of \$224,619 was recorded for the year, compared to a net loss of \$304,217 in the previous financial year.

Excluding Employee Option Expense of \$174,914, profit for FY 2017/18 totalled \$399,533.

Total revenue for the year was \$2,896,395, up from the previous financial year's total of \$2,485,332, resulting in an increase of 17% or \$411,063. Other income comprised interest income of \$15,220.

Overall expenditures (excluding foreign exchange) was 1.6% or \$49,662, higher than the prior year.

Research and Development expenditure totalled \$1,025,828 during the year, down from the \$1,161,027 spent in the previous year. This comprised capitalised development cost of \$445,814 which is recognised as an intangible asset on the Statement of Financial Position. Amortisation expenses of \$153,119 and Additional Research and Development cost of \$426,895 is recognised in the Statement of Comprehensive Income.

Resonance Health had a cash at bank figure of \$1,549,088 at the end of the financial year, compared to \$1,685,375 in the previous year. The Company has no debt.

Receipts from customers were \$2,652,132, up 16% from the previous year's result.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	Consolidated	
		2018 \$	2017 \$
Sales revenue	2(a)	2,896,395	2,485,332
Other income	2(b)	15,220	47,861
Revenue		<b>2,911,615</b>	<b>2,533,193</b>
Employee benefits expense		(1,782,770)	(1,562,369)
Consulting and professional services		(58,501)	(94,920)
Research and development		(123,016)	(164,471)
Depreciation expense	7	(26,835)	(26,066)
Amortisation expense	8	(153,119)	(167,163)
Marketing and travel		(583,613)	(629,529)
Statutory and compliance		(122,610)	(127,013)
Foreign exchange gain/(loss)		18,988	(44,587)
Due diligence expense		-	-
Other expenses		(306,526)	(335,797)
<b>Profit/(loss) before income tax benefit</b>		<b>(226,387)</b>	<b>(618,722)</b>
Income tax benefit	3	451,006	314,505
<b>Net Profit/(loss) for the year attributable to owners of the parent</b>		<b>224,619</b>	<b>(304,217)</b>
<b>Other comprehensive income</b>			
<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		-	-
<b>Other comprehensive loss for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive (loss)/income for the year attributable to owners of the parent</b>		<b>224,619</b>	<b>(304,217)</b>
Basic (loss)/earnings per share (cents per share)	5	0.06	(0.08)

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

		Consolidated	
	Note	2018 \$	2017 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	1,549,088	1,685,375
Trade and other receivables		573,623	577,393
Other assets		33,632	62,280
<b>Total Current Assets</b>		<b>2,156,343</b>	<b>2,325,048</b>
<b>Non-Current Assets</b>			
Plant and equipment	7	60,986	72,909
Intangible assets	8	2,422,680	2,129,985
Other assets	9	45,900	90,973
<b>Total Non-Current Assets</b>		<b>2,529,566</b>	<b>2,293,867</b>
<b>Total Assets</b>		<b>4,685,909</b>	<b>4,618,915</b>
<b>Current Liabilities</b>			
Trade and other payables	10	401,631	487,040
Provisions	11	58,600	69,329
Other liabilities	12	91,440	327,841
<b>Total Current Liabilities</b>		<b>551,671</b>	<b>884,210</b>
<b>Total Liabilities</b>		<b>551,671</b>	<b>884,210</b>
<b>Net Assets</b>		<b>4,134,238</b>	<b>3,734,705</b>
<b>Equity</b>			
Issued capital	13	69,424,199	69,424,199
Reserves		(29,382)	(204,296)
Accumulated losses		(65,260,579)	(65,485,198)
<b>Total Equity</b>		<b>4,134,238</b>	<b>3,734,705</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

Consolidated

	Note	Issued Capital \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2016</b>		<b>69,419,199</b>	<b>(270,580)</b>	<b>66,284</b>	<b>(65,180,981)</b>	<b>4,033,922</b>
Loss for the year		-	-	-	(304,217)	(304,217)
Other comprehensive loss		-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(304,217)</b>	<b>(304,217)</b>
Shares issued	13	5,000	-	-	-	5,000
<b>Balance at 30 June 2017</b>		<b>69,424,199</b>	<b>(270,580)</b>	<b>66,284</b>	<b>(65,485,198)</b>	<b>3,734,705</b>
Profit for the year		-	-	-	224,619	224,619
Other comprehensive loss		-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>224,619</b>	<b>224,619</b>
Shares issued	13	-	-	174,914	-	174,914
<b>Balance at 30 June 2018</b>		<b>69,424,199</b>	<b>(270,580)</b>	<b>241,198</b>	<b>(65,260,579)</b>	<b>4,134,238</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

		Consolidated	
	Notes	2018 \$	2017 \$
		Inflows/(Outflows)	
<b>Cash flows from operating activities</b>			
Receipts from customers		2,652,132	2,291,634
Payments to suppliers and employees		(2,740,216)	(2,936,514)
Grants received		-	20,000
Interest received		15,051	28,054
Income tax received		451,006	314,505
		<hr/>	<hr/>
Net cash provided by operating activities	6(i)	377,973	(282,321)
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	7	(14,912)	(23,392)
Payments for intangible assets	8	(531,729)	(454,529)
Term deposit security		-	(26,664)
		<hr/>	<hr/>
Net cash used in investing activities		(546,641)	(504,585)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(168,668)	(786,906)
Foreign exchange differences on opening cash balances		32,381	(40,160)
Cash and cash equivalents at the beginning of year		1,685,375	2,512,441
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	6	1,549,088	1,685,375
		<hr/>	<hr/>

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 2018 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 2017.

#### Adoption of new and revised Accounting Standards

##### *Standards and Interpretations applicable to 30 June 2018*

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 2018. 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

<b>NOTE 2: Revenues</b>	2018 \$	2017 \$
<b>(a) Sales revenue</b>		
Sales to external customers	2,896,395	2,485,332
<b>(b) Other income</b>		
Grants received	-	20,000
Interest received	15,220	27,861
	<u>15,220</u>	<u>47,861</u>

**NOTE 3: Income tax benefit**

**The major components of tax benefit are:**

Current taxation	-	-
R&D tax offset	451,006	314,505
	<u>451,006</u>	<u>314,505</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 2018.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	2,896,395	-	15,220	2,911,615
Segment profit/(loss) before taxation	835,916	(426,895)	(635,408)	(226,387)
Segment assets	573,624	2,422,680	1,689,605	4,685,909
Segment liabilities	493,071	-	58,600	551,671

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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 2017.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	2,505,332	-	27,861	2,533,193
Segment profit/(loss)	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

**NOTE 5: Earnings/(loss) per share**

	<u>2018</u>	<u>2017</u>
Earnings/(loss) per share (cents)	0.06	(0.08)
(a) (Loss)/profit used in the calculation of basic (loss)/earnings per share	<u>224,619</u>	<u>(304,217)</u>
	2018 Number	2017 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	<u>402,497,568</u>	<u>402,468,880</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

	2018 \$	2017 \$
<b>NOTE 6: Cash and cash equivalents</b>		
Deposits at call	941,405	1,089,093
Term Deposits	607,683	596,282
	1,549,088	1,685,375
<b>(i) Reconciliation of profit/loss for the year to net cash flows from operating activities</b>		
(Loss)/Profit for the year	224,619	(304,217)
Non-cash flows in loss:		
Depreciation expense	26,835	26,066
Amortisation expense	153,119	167,163
Share based payment expense	174,914	-
Employee share costs	-	5,000
Changes in net assets and liabilities:		
Increase in trade and other receivables	(28,609)	(52,792)
Increase in other assets (current)	28,648	(17,823)
Increase in other assets (non-current)	45,073	-
(Increase)/decrease in trade and other payables	(235,897)	(122,947)
Decrease/(increase) in other provisions	(10,729)	17,229
Net cash provided/(used in) by operating activities	377,973	(282,321)

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2018 \$	2017 \$
<b>NOTE 7 Plant and equipment</b>		
Fixtures and equipment		
At cost	388,217	373,304
Less: Accumulated depreciation	(327,231)	(300,395)
Total property, plant and equipment	60,986	72,909

**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	72,909	74,691
Additions	14,912	24,284
Depreciation expense	(26,835)	(26,066)
Carrying amount at the end of the year	60,986	72,909

**NOTE 8: Intangible assets**

Development expenditure

At cost	3,120,944	2,675,130
Less: Accumulated amortisation	(698,264)	(545,145)
Total development expenditure	2,422,680	2,129,985

**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	2,129,985	1,745,589
Additions	445,814	551,559
Amortisation expense	(153,119)	(167,163)
Carrying amount at the end of the year	2,422,680	2,129,985

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2018 \$	2017 \$
<b>NOTE 9: Other Non-current assets</b>		
Deposits paid	45,900	90,973
	<hr/>	<hr/>
<b>NOTE 10: Trade and Other Payables</b>		
Trade payables	52,263	203,580
Sundry creditors and accruals	349,368	283,460
	<hr/>	<hr/>
	401,631	487,040
	<hr/>	<hr/>
<b>NOTE 11: Provisions</b>		
Long service leave	58,600	69,329
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	58,600	69,329
	<hr/>	<hr/>
<b>NOTE 12: Other liabilities</b>		
Unearned income	91,440	327,841
	<hr/>	<hr/>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 13: Issued Capital**

	Number	Value
Issued and paid up capital	402,497,568	\$69,424,199
Balance as at 1 July 2016	402,330,902	\$69,419,199
Employee shares 31 August 2016 at \$0.03 each	166,666	\$5000
Balance as at 30 June 2017	402,497,568	\$69,424,199
<b>Movements in ordinary shares during the year</b>		
Balance as at 1 July 2017	402,497,568	\$69,424,199
Employee shares	-	-
Balance as at 30 June 2018	402,497,568	\$69,424,199

- |                                     |  |                          |  |
|-------------------------------------|--|--------------------------|--|
| <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. |

Agha Shahad Pervez  
CFO & Company Secretary