

27 August 2019

## Resonance Health Strategy Delivers Strong Profit

- Net profit after tax up 466% to \$1.27 million
- EPS increase to 0.31 cents per share from 0.06 cents per share in FY18
- Sales revenue up 25% as a result of distribution expansion focus
- Cashflow from operations up 327% to \$1.62 million
- Cash on hand as at 30 June 2019 up 99% to \$3.1 million

Resonance Health Limited (ASX: RHT) (“Resonance Health” or the “Company”) is pleased to announce a full year NPAT of \$1.27 million, representing a fivefold increase over FY18 NPAT of \$0.22 million.

EBITDA for the year was \$1.15 million, which is a significant reversal from the loss of \$0.62 million in FY18, reflecting improvements made to core business.

The improved performance is a result of both sales revenue increases and cost reductions across the business.

Chief Executive Officer, Alison Laws, said, “This year’s profit represents the successful implementation of concurrent sales revenue growth and cost control programs, with a 25% increase in revenue and a 16% decrease in operating costs.”

### Sales Revenue

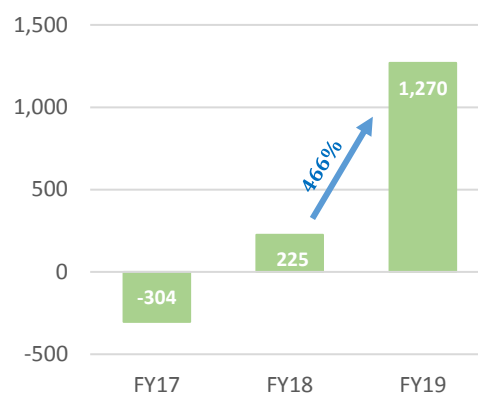
Sales revenue for the year was \$3.62 million, a 25% increase on the previous year of \$2.90 million with a 13% increase to \$1.79 million in 2H19 from \$1.59 million in 2H18. This increase is the result of the Company’s distribution expansion strategy through:

- the addition of a further 60 hospitals and imaging centres using Resonance Health services either commercially or in clinical trials; and
- a continued focus on using FerriScan and other Resonance Health services in existing and new clinical trials and partnering with pharmaceutical and therapeutic companies.

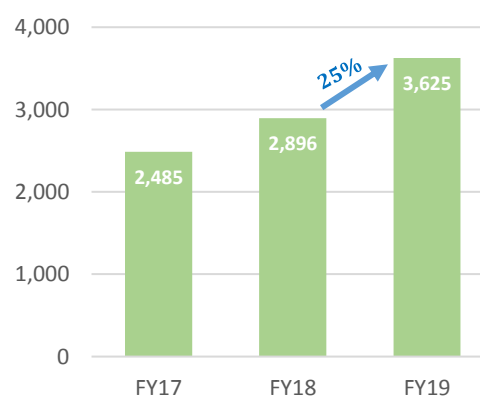
Clinical trial work won this financial year resulted in a combined total dollar value of approximately US\$1,530,200 (see ASX announcements dated 23 August 2018, 29 October 2018, and 31 October 2018).

76% of sales revenue for the year was derived from the United States and Canada with the United Kingdom contributing 20% and the balance spread across Australia, Asia and The Middle East. Commercial revenue

Net Profit After Tax \$000



Sales Revenue \$000



combined with voucher revenue accounted for 60% of total revenue with clinical trials and other studies making up the balance.

Ms Laws commented, “These results are a strong indication of the potential for the business given the proven international demand for our flagship product and the high margin revenue derived from sales.”

### Research and Development

The Company has been successful in obtaining a number of business-critical regulatory clearances, including FDA clearance in the United States, CE Mark in Europe and TGA clearance in Australia. FerriSmart is the first and only regulatory cleared AI tool for use in liver iron quantification in the world.

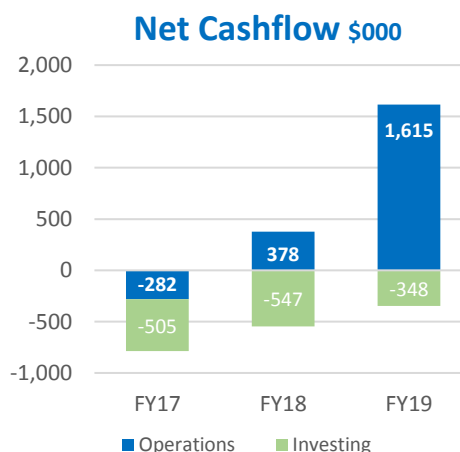
R&D expenditure for the year was reduced from \$1.03 million in FY18 to \$0.82 million in FY19 as a result of the re-organisation and streamlining of existing projects and an increase in focus on expansion of breadth of work into additional areas of unmet clinical need. This reduced level of R&D includes \$0.35 million that was capitalised. Despite the reduction in R&D expenditure it remains central to the future success of the Company, and as such our commitment to it remains unchanged. R&D expenditure will be targeted at imaging analysis product development, other relevant biomarker developments, and AI automation.

### Operating Costs

Operating costs for the year were reduced by \$0.47 million over the previous year, a decrease of more than 15% excluding foreign exchange gains. Major drivers of the reduction in OPEX include reductions of \$0.32 million in marketing and travel costs and a reduction of \$0.11 million in employee benefits.

### Cash

The success of concurrent growth and cost containment strategies has resulted in substantial improvement in the company’s cash position. Cashflow from operations increased by \$1.24 million as a result of an increase in customer receipts of \$0.89 million (33%) over 2018, and a decrease in payments to suppliers and employees of \$0.47 million (17%). Net cash used in investing activities decreased by \$0.2 million over 2018 as a result of a lower level of capitalised R&D expenditure. Cash on hand at 30 June totaled \$3.08 million, almost double the 2018 level of \$1.55 million. The company has no debt.



### Strategy for Growth

Resonance Health is a medical imaging business, focusing on the research and development of new and improved proprietary tools and techniques and their subsequent commercialisation. As such, the strategy to grow commercial sales revenue includes utilisation of third party distribution and servicing platforms with extensive existing customer bases across five continents. The agreements entered into in FY19 with EnvoyAI and Blackford Analysis (see ASX announcements dated 15 January 2019 and 5 July 2018) provide platforms for distribution of Resonance Health’s software and services to well over 5000 hospitals and MRI Centres worldwide, including 85 of the largest 100 hospitals in the United States. This strategy enables the Company to minimise customer acquisition and service distribution costs, retain a product development focus, and pursue new revenue opportunities for the existing product suite.

The strategy to grow revenue from clinical trials includes increasing incremental sales to existing customers, as well as a continued focus on relationship and brand awareness building with potential pharmaceutical and therapeutic customers. The strategy will continue to be implemented in FY20, leveraging off the Company's success in FY19.

~ENDS~

#### **Further Information**

Chad Tondut

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#### **About Resonance Healthcare**

Resonance Health Ltd is an Australian healthcare company specialising in the development and delivery of non-invasive medical imaging software and services. Resonance Health has gained endorsement by leading physicians worldwide for consistently providing highest quality quantitative measurements essential in the management of particular diseases. Our products are used globally by clinicians in the diagnosis and management of human diseases and by pharmaceutical companies in their clinical trials. Resonance Health's dedication to scientific rigour in the development and implementation of its analysis services has enabled it to achieve regulatory clearances on a number of products (SaMD) in the US, Europe, and Australia. This rigour extends to a philosophy of quality management in all aspects of our operations. Resonance Health carries ISO 13485:2016 certification.



**RESONANCE HEALTH LIMITED**  
(ABN 96 006 762 492)

**APPENDIX 4E**

**PRELIMINARY FINAL REPORT**

**30 JUNE 2019**

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 2019

### Results for announcement to the market

	Change	2019	2018
Revenues from ordinary activities	Up 25%	\$3,624,545	\$2,896,395
Revenues from other activities	Up 145%	\$37,228	\$15,220
Profit from ordinary activities after tax attributable to members	Up 466%	\$1,270,233	\$224,619
Profit for the period attributable to members	Up 466%	\$1,270,233	\$224,619

No dividend has been declared.

### Net tangible assets per security

	2019	2018
Net tangible assets	\$3,342,762	\$1,711,558
Shares Issued	422,497,568	402,497,568
Net tangible assets per share	0.79 cents	0.43 cents

### Entities over which control has been gained or lost

Control has not been gained or lost over any entities during the financial year.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

		Consolidated	
	Notes	2019 \$	2018 \$
Sales revenue	1(a)	3,624,545	2,896,395
Other income	1(b)	37,228	15,220
Revenue		<b>3,661,773</b>	<b>2,911,615</b>
Employee benefits expense		(1,671,213)	(1,782,770)
Consulting and professional services		(92,801)	(58,501)
Research and development		(63,177)	(123,016)
Depreciation expense		(23,815)	(26,835)
Amortisation expense		(221,239)	(153,119)
Marketing and travel		(266,307)	(583,613)
Statutory and compliance		(154,247)	(122,610)
Foreign exchange gain/(loss)		37,361	18,988
Other expenses		(264,657)	(307,424)
<b>Profit/(loss) before income tax benefit</b>		<b>941,678</b>	<b>(227,285)</b>
Income tax benefit	2	328,555	451,904
<b>Net Profit for the year attributable to owners of the parent</b>		<b>1,270,233</b>	<b>224,619</b>
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>1,270,233</b>	<b>224,619</b>
Basic earnings per share (cents per share)	4	0.31	0.06

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

		Consolidated	
	Note	2019 \$	2018 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	3,081,192	1,549,088
Trade and other receivables		661,902	573,623
Other assets		36,320	33,632
<b>Total Current Assets</b>		<b>3,779,414</b>	<b>2,156,343</b>
<b>Non-Current Assets</b>			
Plant and equipment		40,511	60,986
Intangible assets	6	2,550,818	2,422,680
Other assets		45,900	45,900
<b>Total Non-Current Assets</b>		<b>2,637,229</b>	<b>2,529,566</b>
<b>Total Assets</b>		<b>6,416,643</b>	<b>4,685,909</b>
<b>Current Liabilities</b>			
Trade and other payables	7	392,809	401,631
Provisions	8	75,855	58,600
Other liabilities	9	54,399	91,440
<b>Total Current Liabilities</b>		<b>523,063</b>	<b>551,671</b>
<b>Total Liabilities</b>		<b>523,063</b>	<b>551,671</b>
<b>Net Assets</b>		<b>5,893,580</b>	<b>4,134,238</b>
<b>Equity</b>			
Share capital	10	69,674,199	69,424,199
Reserves		209,727	(29,382)
Accumulated losses		(63,990,346)	(65,260,579)
<b>Total Equity</b>		<b>5,893,580</b>	<b>4,134,238</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

Consolidated

	Note	Share Capital \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 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>
Equity settled share-based payments		-	-	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>
Profit for the year		-	-	-	1,270,233	1,270,233
Other comprehensive loss		-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,270,233</b>	<b>1,270,233</b>
Shares issued		250,000	-	-	-	250,000
Equity settled share-based payments	11	-	-	239,109	-	239,109
<b>Balance at 30 June 2019</b>		<b>69,674,199</b>	<b>(270,580)</b>	<b>480,307</b>	<b>(63,990,346)</b>	<b>5,893,580</b>

The accompanying notes form part of these financial statements.



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Consolidated	
		2019 \$	2018 \$
		Inflows/(Outflows)	
<b>Cash flows from operating activities</b>			
Receipts from customers		3,538,602	2,652,132
Payments to suppliers and employees		(2,273,443)	(2,741,114)
Interest received		21,343	15,051
Income tax received		328,555	451,904
Net cash provided by operating activities	6(i)	1,615,057	377,973
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(3,340)	(14,912)
Payments for intangible assets		(344,653)	(531,729)
Net cash used in investing activities		(347,993)	(546,641)
Net (decrease)/increase in cash and cash equivalents		1,267,064	(168,668)
Shares on Issue		250,000	-
Foreign exchange differences on opening cash balances		15,040	32,381
Cash and cash equivalents at the beginning of year		1,549,088	1,685,375
Cash and cash equivalents at the end of the year	6	3,081,192	1,549,088

The accompanying notes form part of these financial statements.

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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1: Revenues**

**(a): Disaggregated Revenue**

Consolidated  
Twelve months to  
30 June  
2019  
\$

The group derives its revenue from the services at a point in time and over time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment:

Commercial Revenue	2,084,562
Voucher Program	90,441
Clinical Trials	1,414,363
Other Studies	35,179
Total Revenue from contracts with customers	<u>3,624,545</u>

Reconciliation of revenue from contracts with customers with the amounts disclosed in segment information

Consolidated  
Twelve months to  
30 June  
2019  
\$

Segment revenue	3,624,545
Adjustments and eliminations	-
Total revenue from contracts with customers	<u>3,624,545</u>

2019	2018
\$	\$

**(b) Other income**

Grants received	-	-
Interest received	37,228	15,220
	<u>37,228</u>	<u>15,220</u>

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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2: Income tax benefit**

The major components of tax benefit are:

Current taxation	-	-
R&D tax offset	328,555	451,904
	<u>328,555</u>	<u>451,904</u>

**NOTE 3: 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 2019.

	Services	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	3,624,545	-	37,228	3,661,773
Segment profit/(loss) before taxation	1,885,252	(232,942)	(710,632)	941,678
Segment assets	661,902	2,550,818	3,203,923	6,416,643
Segment liabilities	447,208	-	75,855	523,063

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)	835,916	(426,895)	(636,306)	(227,285)
Segment assets	573,624	2,422,680	1,689,605	4,685,909
Segment liabilities	493,071	-	58,600	551,671

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

<b>NOTE 4: Earnings per share</b>	<u>2019</u>	<u>2018</u>
Earnings per share (cents)	0.31	0.06
(a) Profit used in the calculation of basic (loss)/earnings per share	<u>1,270,233</u>	<u>224,619</u>
	2019 Number	2018 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	<u>422,497,568</u>	<u>402,497,568</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

	2019 \$	2018 \$
<b>NOTE 5: Cash and cash equivalents</b>		
Deposits at call	1,081,192	941,405
Term Deposits	2,000,000	607,683
	<u>3,081,192</u>	<u>1,549,088</u>

**(i) Reconciliation of profit/loss for the year to net cash flows from operating activities**

Profit for the year	1,270,233	224,619
Non-cash flows in loss:		
Depreciation expense	23,815	26,835
Amortisation expense	221,239	153,119
Share based payment expense	239,109	174,914
Employee share costs	-	-
Changes in net assets and liabilities:		
(Increase)/decrease in trade and other receivables	(103,319)	(28,609)
(Increase)/decrease in other assets (current)	(2,688)	28,648
(Increase)/decrease in other assets (non-current)	-	45,073
Increase/(decrease) in trade and other payables	(50,587)	(235,897)
Increase/(decrease) in other provisions	17,255	(10,729)
Net cash provided/(used in) by operating activities	<u>1,615,057</u>	<u>377,973</u>

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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 6: Intangible assets**

Development expenditure

At cost	3,470,321	3,120,944
Less: Accumulated amortisation	(919,503)	(698,264)
Total development expenditure	<u>2,550,818</u>	<u>2,422,680</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	2,422,680	2,129,985
Additions	349,377	445,814
Amortisation expense	(221,239)	(153,119)
Carrying amount at the end of the year	<u>2,550,818</u>	<u>2,422,680</u>

**NOTE 7: Trade and Other Payables**

Trade payables	91,289	52,263
Sundry creditors and accruals	301,520	349,368
	<u>392,809</u>	<u>401,631</u>

**NOTE 8: Provisions**

Long service leave	75,855	58,600
	<u>75,855</u>	<u>58,600</u>

**NOTE 9: Other liabilities**

Unearned income	54,399	91,440
	<u>54,399</u>	<u>91,440</u>

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10: Share Capital**

	Number	Value
Share capital	422,497,568	\$69,674,199
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
<b>Movements in ordinary shares during the year</b>		
Balance as at 1 July 2018	402,497,568	\$69,424,199
Share Issue on conversion of Options	-	\$250,000
Share Issue to Acuity Capital (i)	20,000,000	-
Balance as at 30 June 2019	422,497,568	\$69,674,199

(i) As collateral for the Controlled Placement Agreement, the Company agreed to place 20,000,000 shares from its Listing Rule 7.1 capacity, at nil consideration to Acuity Capital (collateral shares) but may, at any time, cancel the Controlled Placement Agreement and buy back the collateral shares for no consideration

**NOTE 11: Share-based payments**

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is \$239,109. The following share-based payment arrangements were in place during the current period:

	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Series 1	7,000,000	08/11/2018	09/03/2021	0.0300	\$97,424
Series 2	4,750,000	08/11/2018	09/03/2021	0.0500	\$47,872
Series 3	4,500,000	08/11/2018	09/03/2021	0.0750	\$32,818
Series 4	4,750,000	08/11/2018	09/03/2021	0.1000	\$26,468
Series 5	250,000	08/11/2018	13/09/2021	0.0500	\$2,908
Series 6	250,000	08/11/2018	13/09/2021	0.0750	\$2,227
Series 7	3,000,000	14/02/2019	01/01/2022	0.0750	\$134,144
Series 8	3,000,000	14/02/2019	01/01/2022	0.1000	\$120,594
Series 9	3,000,000	14/02/2019	01/01/2022	0.1250	\$109,837
Series 10	3,000,000	13/06/2019	13/06/2022	0.1000	\$210,483

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 11: Share-based payments (Continued)**

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year.

	2019		2018	
	Number	Weighted Average exercise price \$	Number	Weighted average exercise price \$
Outstanding at the beginning of year	21,000,000	\$0.0600	-	-
Granted during the year	12,500,000	\$0.0985	21,000,000	\$0.0600
Forfeited during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of year	33,500,000	\$0.0744	21,000,000	\$0.0600
Exercisable at the end of year	33,500,000	\$0.0744	21,000,000	\$0.0600

No share options were exercised during 2019.

The fair value of the equity-settled share options granted under the option plans is estimated as at the date of grant using the Black-scholes model taking into account the terms and conditions upon which the options were granted.

	Dividend (%)	Volatility (%)	Risk-free interest rate (%)	Expected life of option (years)	Exercise price \$	Grant date share price \$
Series 1	0	83	2.27	3.00	0.0300	0.0290
Series 2	0	83	2.27	3.00	0.0500	0.0290
Series 3	0	83	2.27	3.00	0.0750	0.0290
Series 4	0	83	2.27	3.00	0.1000	0.0290
Series 5	0	83	2.27	3.00	0.0500	0.0290
Series 6	0	83	2.27	3.00	0.0750	0.0290
Series 7	0	100	1.73	3.00	0.0750	0.0750
Series 8	0	100	1.73	3.00	0.1000	0.0750
Series 9	0	100	1.73	3.00	0.1250	0.0750
Series 10	0	100	1.03	3.00	0.1000	0.1100

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

- |                                     |  |                          |  |
|-------------------------------------|--|--------------------------|--|
| <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 Shahzad Pervez  
CFO & Company Secretary