

# RESONANCE HEALTH LIMITED

ABN 96 006 762 492

## Appendix 4D

Half year report  
for the half-year ended 31 December 2006  
(previous corresponding period to 31 December 2005)

### Results for announcement to the market:

Revenues from ordinary activities	Up 555%	to \$789,073
Loss from ordinary activities after tax attributable to members	Down 90%	to (\$186,056)
Net loss for the period attributable to members	Down 90%	to (\$186,056)

The net loss reported for the period has reduced to \$186,056, down from approximately \$1,800,646 in the previous corresponding period. The improvement is due to a 555% increase in revenues derived from the provision of the group's FerriScan® service, its world-leading non invasive tool for measuring liver iron levels. An agreement with the group's major customer, announced on 1 September 2006, guarantees minimum monthly revenues of US\$100,000. When announced this agreement was due to expire on 31 January 2007. It will now be in place until at least 31 March 2007. Significant savings in labour and overhead have also contributed to the improved result.

No dividend has been declared for the period.

	31 December 2006	31 December 2005
Net tangible assets per security	\$0.006	\$0.090



## **Resonance Health Limited**

(ABN 96 006 762 492)

### **Half Year Report**

31 December 2006

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## DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dr Gary W Pace	Non executive Chairman
The Hon. Dr Michael Wooldridge	Non executive Deputy Chairman
Mr Guy Aird	Non executive Director
Mr Ian Anderson	Non executive Director
Mr Michael Dalsin	Non executive Director
Mr Roger Greene	Non executive Director
Dr Tim St Pierre	Executive Director (appointed 21 August 2006)
Dr Andrew Walker	Non executive Director

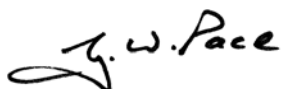
### Review of Operations

The net loss reported for the period has reduced to \$186,056, down from \$1,800,646 in the previous corresponding period. The improvement is due to a 555% increase in revenues derived from the provision of the group's FerriScan<sup>®</sup> service. An agreement with the group's major customer, announced on 1 September 2006, guarantees minimum monthly revenues of US\$100,000. When announced this agreement was due to expire on 31 January 2007. It will now be in place until at least 31 March 2007. Significant savings in labour and overhead have also contributed to the improved result.

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2006.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Dr Gary W Pace  
Chairman

Dated this 28th day of February 2007.



**Auditor's Independence Declaration**

As lead auditor for the review of the financial report of Resonance Health Limited for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Resonance Health Limited.

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

**Perth, Western Australia**  
**28 February 2007**

**L DI GIALONARDO**  
**Partner, HLB Mann Judd**

**CONDENSED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Notes	Consolidated	
		2006 \$	2005 \$
Revenue		<b>789,073</b>	<b>120,553</b>
Other income		<b>123,253</b>	<b>134,438</b>
Employee benefits expense		(552,509)	(847,274)
Consulting and professional services		(360,630)	(487,422)
Research and development		(50,440)	(169,565)
Depreciation and amortisation expense		(24,238)	(36,169)
Statutory and compliance		(67,345)	(139,214)
Travel		(52,271)	(200,893)
Other expenses		(182,251)	(402,483)
<b>Loss before income tax benefit</b>	2	<b>(377,358)</b>	<b>(2,028,029)</b>
Income tax benefit		191,302	227,383
<b>Net loss for the period</b>		<b>(186,056)</b>	<b>(1,800,646)</b>
<b>Net loss attributable to members of parent</b>		<b>(186,056)</b>	<b>(1,800,646)</b>
Basic earnings per share (cents per share)		<b>(0.06)</b>	<b>(0.90)</b>

The accompanying notes form part of these financial statements

**CONDENSED BALANCE SHEET  
AS AT 31 DECEMBER 2006**

		Consolidated	
	Notes	31 Dec 2006 \$	30 June 2006 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,774,161	570,951
Trade and other receivables		500,603	134,106
Other		100,544	110,950
Available-for-sale investments		3,888	3,888
<b>Total Current Assets</b>		<b>3,379,196</b>	<b>819,895</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		86,471	118,608
Deferred tax assets		-	-
<b>Total Non-Current Assets</b>		<b>86,471</b>	<b>118,608</b>
<b>Total Assets</b>		<b>3,465,667</b>	<b>938,503</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		221,451	372,980
Borrowings		-	15,935
Provisions		5,477	39,232
<b>Total Current Liabilities</b>		<b>226,928</b>	<b>428,147</b>
<b>Total Liabilities</b>		<b>226,928</b>	<b>428,147</b>
<b>Net Assets</b>		<b>3,238,739</b>	<b>510,356</b>
<b>Equity</b>			
Issued capital	3	67,504,039	64,589,600
Reserves		66,284	66,284
Accumulated losses		(64,331,584)	(64,145,528)
Parent entity interest		3,238,739	510,356
<b>Total Equity</b>		<b>3,238,739</b>	<b>510,356</b>

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Consolidated			
	Issued capital	Accumulated losses	Reserves	Total Equity
	\$	\$	\$	\$
<b>Balance at 1 July 2005</b>	62,391,865	(48,084,683)	66,284	14,373,466
Shares issued during the half year	2,239,106	-	-	2,239,106
Costs of share issues	(62,705)	-	-	(62,705)
Loss attributable to members of the parent entity	-	(1,800,646)	-	(1,800,646)
<b>Balance at 31 December 2005</b>	64,568,266	(49,885,329)	66,284	14,749,221
<b>Balance at 1 July 2006</b>	64,589,600	(64,145,528)	66,284	510,356
Shares issued during the half year	3,087,989	-	-	3,087,989
Costs of share issues	(173,550)	-	-	(173,550)
Loss attributable to members of the parent entity	-	(186,056)	-	(186,056)
<b>Balance at 31 December 2006</b>	67,504,039	(64,331,584)	66,284	3,238,739

The accompanying notes form part of these financial statements



**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Consolidated	
	2006	2005
	\$	\$
	Inflows/(Outflows)	
<b>Cash flows from operating activities</b>		
Receipts from customers	622,036	134,622
Receipts from grants	70,000	90,333
Payments to suppliers and employees	(1,363,239)	(2,007,313)
Interest received	53,253	37,769
Income tax (paid)/received	(16,572)	227,383
Net cash (used in) operating activities	<u>(634,522)</u>	<u>(1,517,206)</u>
<b>Cash flows from investing activities</b>		
Payments for non-current assets	-	(7,741)
Proceeds from disposal of non-current assets	2,028	-
Payments for research and development	(50,440)	(183,805)
Net cash provided by/(used in) investing activities	<u>(48,412)</u>	<u>(191,546)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	3,087,989	2,257,355
Payment for share issue costs	(185,550)	(62,705)
Proceeds from borrowings	-	42,437
Repayment of borrowings	(15,935)	(12,781)
Net cash provided by/(used in) financing activities	<u>2,886,504</u>	<u>2,224,306</u>
Net increase/(decrease) in cash held	2,203,570	515,554
Cash and cash equivalents at 1 July 2006	570,591	1,509,192
<b>Cash at 31 December 2006</b>	<u><u>2,774,161</u></u>	<u><u>2,024,746</u></u>

The accompanying notes form part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The half-year report has been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Resonance Health Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year 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.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006.

In the half-year ended 31 December 2006, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

### NOTE 2: LOSS BEFORE INCOME TAX

	Consolidated	
	31 December	31 December
	2006	2005
	\$	\$
The following revenue items are relevant in explaining the financial performance for the half-year:		
Liver scan income	789,073	120,553
Grants received	70,000	90,333
Interest received	53,253	37,769

### NOTE 3: ISSUED CAPITAL

	Consolidated	
	31 December	30 June
	2006	2006
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	67,504,039	64,589,600
	No.	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2006	204,607,759	64,589,600
Share placements	154,399,468	3,087,989
Share issue expenses	-	(173,550)
At 31 December 2006	359,007,227	67,504,039
	31 December	30 June
	2006	2006
	\$	\$
<i>Incentive shares</i>		
Issued and fully paid	-	-
	No.	\$
<i>Movements in incentive shares on issue</i>		
At 1 July 2006	16,000,000	-
At 31 December 2006	16,000,000	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

**NOTE 4: SEGMENT REPORTING**

The primary activity of the consolidated entity is that of the commercialisation of the FerriScan® technology, a novel, non-invasive technology for the diagnosis and monitoring of iron overload diseases, and as such represents only one reportable business and geographic segment.

**NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs in future financial years other than the following:

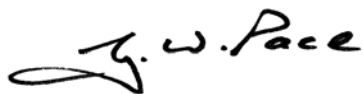
An agreement with the group's major customer, announced on 1 September 2006, which guarantees minimum monthly revenues of US\$100,000, has been extended from the previously announced expiry of 31 January 2007 until at least 31 March 2007.

### DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes thereto, as set out on pages 4 to 10:
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

A handwritten signature in black ink that reads "G. W. Pace". The signature is written in a cursive style with a large, stylized initial 'G'.

Dr Gary W Pace  
Chairman

Dated this 28<sup>th</sup> day of February 2007



## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of  
RESONANCE HEALTH LIMITED**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2006, the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of Resonance Health Limited and the entities it controlled during the half-year ended 31 December 2006 ("consolidated entity").

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Resonance Health Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Resonance Health Limited on 28 February 2007.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Resonance Health Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*HLB Mann Judd*

**HLB MANN JUDD**  
**Chartered Accountants**

*DiGiallonardo*

**Perth, Western Australia**  
**28 February 2007**

**L DI GIALONARDO**  
**Partner**