



**RESONANCE HEALTH LIMITED**

(ABN 96 006 762 492)

**APPENDIX 4E**

**PRELIMINARY FINAL REPORT**

30 JUNE 2010

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
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ABN or equivalent company reference

96 006 762 492
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Preliminary final  
(tick)

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Financial year ended  
(‘current period’)

30 JUNE 2010
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#### Results for announcement to the market

	Change	2010	2009
Revenues from ordinary activities	Down 16%	\$2,006,272	\$2,390,961
Profit / (loss) from ordinary activities after tax attributable to members	Down 117%	(\$102,335)	\$617,051
Net profit / (loss) for the period attributable to members	Down 117%	(\$102,335)	\$617,051

No dividend has been declared.

#### Net tangible assets per security

	2010	2009
Net tangible assets	\$2,565,739	\$3,112,217
Shares Issued	360,431,775	360,065,005
Net tangible assets per share	0.7 cents	0.9 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

Resonance Health Ltd is an Australian healthcare company specializing in the provision of image analysis services and the development of quantitative MRI diagnostic technology, with a sub-specialty in the liver. All services are provided under our ISO:9001 certified quality management system.

Resonance Health's FerriScan<sup>®</sup> technology for accurately measuring liver iron concentration has FDA, CE Mark and TGA approvals and is being used in over 20 countries in patients with iron overload conditions. FerriScan<sup>®</sup> is provided to the market through the Company's central image analysis facility which also offers a range of Imaging CRO services for clinical trials in the pharmaceutical and biotechnology industries.

The Company is also developing imaging tools for the non-invasive assessment of liver fat and liver fibrosis to address a large clinical need for patients with fatty liver disease and viral hepatitis.

### Financial Summary

The Company delivered a financial result reflecting increased marketing activities for the FerriScan product and investment into the development of pipeline products to provide further opportunities for growth.

- FerriScan revenue from routine clinical use of the FerriScan service continued to increase during the year while revenues from clinical trials decreased due to a number of clinical trials involving FerriScan coming to a conclusion. Overall, FerriScan business segment revenue decreased 15% to \$1,914,227 from \$2,259,191 in the previous financial year. Revenue associated with the routine clinical use of FerriScan for the management of patients with iron overload grew 18% in the year. This Company sees this as the primary growth area for the FerriScan business.
- The FerriScan business segment delivered a profitable result in the financial year.
- Research and development expenditure during the year totalled \$564,084, an increase of 64% on the prior year. Included in this is an amount of \$452,724 which has been capitalised as an intangible asset. This comprised clinical trials for the development of the liver fibrosis and liver fat test and improvements to the FerriScan technology to gain greater efficiencies in delivery of the FerriScan service.
- Overall expenditure increased 22% to \$2,222,081 from \$1,822,828 in the previous financial year primarily due to expansion into international markets and activities to secure reimbursement for FerriScan.
- Net loss for the year was \$102,335 compared to a net profit of \$617,051 in the previous financial year due to the above activities.
- Resonance Health continues to have no debt and has cash at bank of \$2,133,884 at the end of the financial year, compared to \$2,644,938 in the previous financial year.

### Major milestones during the year

Activities during the year were focused on marketing of the FerriScan service and research and development activities to provide pipeline products for future revenue growth.

The FerriScan business achieved a number of milestones during the year:

- FerriScan 'Rapide' was launched providing a 60% reduction in the FerriScan MRI scan time, improving the competitiveness of the FerriScan test.
- 136% increase in sales volume in the UK market as a result of strong key opinion leader support and funding from some of the National Health Service Trusts.
- 77% increase in sales volume in Canada compared to the prior year as a result of gaining funding approval from the Canadian Ministry of Health.
- Launch of a cardiac iron assessment test called Cardiac T2\* in the UK and Australia to complement the FerriScan service and provide additional revenue opportunities in established markets.

## COMMENTARY OF RESULTS (continued)

- Appointment of the first FerriScan distributor in Turkey, providing cost effective access to a large number of patients with iron overload in Turkey and a model for FerriScan sales growth throughout the Middle East and Asia.
- Over 9,000 FerriScans have been performed to date.
- Senior US based VP, Business Development appointed in January 2010 to drive growth in the large US market and gain reimbursement for FerriScan in the US.
- Submission for reimbursement in Germany lodged to drive growth in a market with large numbers of patients with iron overload conditions.
- 27 peer reviewed publications have used FerriScan to diagnose, monitor or measure iron overload. 7 treatment guidelines support the use of FerriScan including:
  - Guidelines for the Clinical Management of Thalassaemia (updated 2<sup>nd</sup> edition)
  - The Italian Society of Haematology Practice Guidelines (Thal)
  - Standards for the clinical care of children and adults with Thalassaemia in the UK
  - Standards for the clinical care of adults with sickle cell disease in the UK
- Increased presence at international conferences in the Company's target markets including:
  - 37<sup>th</sup> Annual Sickle Cell Disease Conference, USA
  - American Association for the Study of Liver Disease (AASLD), USA
  - 2<sup>nd</sup> Pan-European Conference on Thalassaemia and other Haemoglobinopathies, Germany
  - Monitoring and Management of Iron Conditions Conference, UK
- The Australian Medical Services Advisory Committee (MSAC) met to review Resonance Health's submission for funding for FerriScan. The outcome of this review is expected to be known following the conclusion of the Australian federal election.

### Research and Development Activities:

- The Company completed a 59 subject clinical study to develop an MRI test for the assessment of liver fat and liver fibrosis, two areas of significant unmet clinical need. Non-alcoholic fatty liver disease (NAFLD) is considered the most common liver disease in the western world affecting 20-30% of the population. Liver fibrosis, primarily caused by fatty liver and viral hepatitis, is a significant predictor of liver cancer. Results from this study are positive and discussions have commenced to scope the next phase of development with interested parties. The gold standard for assessing liver fibrosis and liver fat is a liver biopsy. An accurate non-invasive imaging procedure would provide an attractive alternative to patients and pharmaceutical companies developing therapies to address these conditions.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$	2009 \$
Revenue	2(a)	<b>2,006,272</b>	<b>2,384,451</b>
Other income	2(b)	-	6,510
Employee benefits expense		(1,265,675)	(979,928)
Consulting and professional services		(72,857)	(132,855)
Research and development		(111,360)	(152,894)
Depreciation expense	2(c)	(24,582)	(26,033)
Marketing and travel		(334,073)	(159,764)
Statutory and compliance		(130,572)	(129,340)
Foreign exchange loss		(16,380)	-
Other expenses		(282,962)	(242,014)
<b>Profit / (Loss) before income tax benefit</b>		<b>(232,189)</b>	<b>568,133</b>
Income tax benefit	3	129,854	48,918
<b>Net profit / (loss) for the year attributable to owners of the parent</b>		<b>(102,335)</b>	<b>617,051</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		(1,419)	79
<b>Other comprehensive income for the year, net of tax</b>		<b>(1,419)</b>	<b>79</b>
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>(103,754)</b>	<b>617,130</b>
Basic earnings / (loss) per share (cents per share)	5	(0.0)	0.2

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

	Note	2010 \$	2009 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	2,133,884	2,644,938
Trade and other receivables	7	789,947	712,317
Available for sale investments	8	3,004	2,651
Other	9	97,011	77,901
<b>Total Current Assets</b>		<b>3,023,846</b>	<b>3,437,807</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	10	62,387	61,103
Intangible assets	11	642,766	190,042
<b>Total Non-Current Assets</b>		<b>705,153</b>	<b>251,145</b>
<b>Total Assets</b>		<b>3,728,999</b>	<b>3,688,952</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	494,269	361,181
Other	13	26,225	25,512
<b>Total Current Liabilities</b>		<b>520,494</b>	<b>386,693</b>
<b>Total Liabilities</b>		<b>520,494</b>	<b>386,693</b>
<b>Net Assets</b>		<b>3,208,505</b>	<b>3,302,259</b>
<b>Equity</b>			
Issued capital	14	67,524,039	67,514,039
Reserves		81,989	83,408
Retained losses	15	(64,397,523)	(64,295,188)
<b>Total Equity</b>		<b>3,208,505</b>	<b>3,302,259</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$	2009 \$
		Inflows/(Outflows)	
<b>Cash flows from operating activities</b>			
Receipts from customers		1,887,772	2,027,127
Payments to suppliers and employees		(1,951,285)	(1,623,103)
Grants received		76,432	-
Interest received		66,888	130,710
		<hr/>	<hr/>
Net cash provided by operating activities	6(i)	79,807	534,734
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Payments for non-current assets		(46,478)	(32,290)
Payments for research and development		(544,383)	(239,376)
		<hr/>	<hr/>
Net cash (used in) investing activities		(590,861)	(271,666)
		<hr/>	<hr/>
Net increase / (decrease) in cash held		(511,054)	263,068
Cash and cash equivalents at 1 July		2,644,938	2,381,870
		<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June</b>	<b>6</b>	<b>2,133,884</b>	<b>2,644,938</b>
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2010**

	Issued Capital \$	Retained Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total Equity \$
Balance at 1 July 2008	67,504,039	(64,912,239)	17,045	66,284	2,675,129
Profit for the year	-	617,051	-	-	617,051
Exchange differences arising on translation of foreign operations	-	-	79	-	79
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>617,051</b>	<b>79</b>	<b>-</b>	<b>617,130</b>
Share Issue	10,000	-	-	-	10,000
<b>Balance at 30 June 2009</b>	<b>67,514,039</b>	<b>(64,295,188)</b>	<b>17,124</b>	<b>66,284</b>	<b>3,302,259</b>
(Loss) for the year	-	(102,335)	-	-	(102,335)
Exchange differences arising on translation of foreign operations	-	-	(1,419)	-	(1,419)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(102,335)</b>	<b>(1,419)</b>	<b>-</b>	<b>(103,754)</b>
Share Issue	10,000	-	-	-	10,000
<b>Balance at 30 June 2010</b>	<b>67,524,039</b>	<b>(64,397,523)</b>	<b>15,705</b>	<b>66,284</b>	<b>3,208,505</b>

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 a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

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 2009 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 applied to the consolidated financial report for the year ended 30 June 2009.

#### Adoption of new and revised Accounting Standards

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 2009.

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 the Group's accounting policies.

#### Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

<b>NOTE 2: Revenues and expenses</b>	2010 \$	2009 \$
<b>(a) Revenue</b>		
Liver Scan income	1,837,795	2,259,191
Grants received	76,432	-
Interest received	92,045	125,260
	<u>2,006,272</u>	<u>2,384,451</u>
<b>(b) Other income</b>		
Foreign exchange gain	-	6,510
	<u>-</u>	<u>6,510</u>
<b>(c) Expenses</b>		
Depreciation of non-current assets	24,582	26,033
Impairment of trade receivables	33,556	-
Impairment of property, plant and equipment	328	351
Impairment of available-for-sale investments	(353)	(884)
Rental expense on operating leases	59,534	56,699
	<u>59,534</u>	<u>56,699</u>
<b>NOTE 3: Income tax benefit</b>		
<b>Income tax recognised in profit or loss</b>		
The major components of tax benefit are:		
Adjustments recognised in the current year in relation to the current tax of prior years – R&D tax offset	129,854	48,918
	<u>129,854</u>	<u>48,918</u>

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4: Segment information

#### Business Segments

The Group's business segments are determined by differences in the products and services provided.

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2010.

	FerriScan <sup>®</sup>	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	1,914,227	-	92,045	2,006,272
Segment profit/(loss)	266,800	18,494	(387,629)	(102,335)
Segment assets	896,697	642,766	2,189,536	3,728,999
Segment liabilities	277,617	172,827	70,050	520,494
Other segment information				
Net cash inflow / (outflow) from operating activities	495,849	-	(416,042)	79,807
Net cash (outflow) from investing activities	(46,478)	(544,383)	-	(590,861)

The following table presents revenue and profit/(loss) information and certain asset and liability information regarding business segments for the year ended 30 June 2009.

	FerriScan <sup>®</sup>	Research & Development	Corporate	Total
	\$	\$	\$	\$
Segment revenue	2,259,191	-	125,260	2,384,451
Segment profit/(loss)	1,348,588	(103,976)	(627,561)	617,051
Segment assets	852,482	190,042	2,646,428	3,688,952
Segment liabilities	164,443	153,126	69,124	386,693
Other segment information				
Net cash inflow / (outflow) from operating activities	1,045,894	-	(511,160)	534,734
Net cash (outflow) from investing activities	(32,290)	(239,376)	-	(271,666)

**NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS**

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

	2010	2009
Basic and diluted earnings / (loss) per share (cents)	(0.0)	0.2
	2010 \$	2009 \$
(a) Earnings / (loss) used in the calculation of basic and dilutive earnings per share	(102,335)	617,051
	2010 Number	2009 Number
(b) Weighted average number of ordinary shares for the purposes of basic earnings per share	360,246,883	359,575,239
	2010 \$	2009 \$

**NOTE 6: Cash and cash equivalents**

Deposits at call	633,884	494,938
Term Deposits	1,500,000	2,150,000
	2,133,884	2,644,938

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2010 \$	2009 \$
<b>(i) Reconciliation of profit / (loss) for the year to net cash flows from operating activities</b>		
Profit / (loss) for the year	(102,335)	617,051
Non-cash flows in profit / (loss):		
Depreciation	24,582	26,033
Share issue	10,000	10,000
Impairment of trade receivables	33,556	-
Impairment of property, plant and equipment	328	351
Impairment of investments	(353)	(884)
Reclassification to investing activities:		
Research and development	544,383	239,376
Changes in net assets and liabilities:		
(Increase)/decrease in receivables	(106,960)	(301,403)
(Increase)/decrease in other assets	(19,110)	18,820
(Increase)/decrease in capitalised development costs	(452,724)	(190,042)
Increase/(decrease) in trade creditors and borrowings	114,264	65,479
Increase/(decrease) in provisions	34,882	24,362
Increase/(decrease) in other liabilities	713	25,512
Increase/(decrease) in translation reserve	(1,419)	79
Net cash provided by / (used in) operating activities	<u>79,807</u>	<u>534,734</u>

### NOTE 7: Trade and other receivables

Current		
Trade receivables	526,315	593,379
Allowance for impairment	(33,556)	-
	<u>492,759</u>	<u>593,379</u>
Other receivables	297,188	118,938
	<u>789,947</u>	<u>712,317</u>

### NOTE 8: Available for sale investments

Current – Carried at fair value		
Shares in listed corporations	14,337	14,337
Less: Impairment	(11,333)	(11,686)
	<u>3,004</u>	<u>2,651</u>

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2010 \$	2009 \$
<b>NOTE 9: Other assets</b>		
Current		
Prepayments	38,891	19,781
Security deposits	58,120	58,120
	<u>97,011</u>	<u>77,901</u>

### NOTE 10: Property, plant and equipment

Fixtures and equipment		
At cost	227,575	242,355
Less: Accumulated depreciation	(165,188)	(181,252)
Total property, plant and equipment	<u>62,387</u>	<u>61,103</u>

### Reconciliation

Reconciliation of the carrying amount of each class of property, plant and equipment is set out below:

Fixtures and Equipment		
Balance at the beginning of the year	61,103	40,108
Additions	26,194	47,379
Disposals	(328)	(351)
Depreciation expense	(24,582)	(26,033)
Carrying amount at the end of the year	<u>62,387</u>	<u>61,103</u>

### NOTE 11: Intangible assets

Development expenditure	<u>642,766</u>	<u>190,042</u>
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### NOTE 12: Trade and other payables

Current		
Trade payables	126,966	70,167
Related party payables	132,183	153,476
Sundry creditors and accruals	235,120	137,538
	<u>494,269</u>	<u>361,181</u>

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

	2010 \$	2009 \$
<b>NOTE 13: Other liabilities</b>		
Current		
Unearned income	26,225	25,512

	2010		2009	
	Number	\$	Number	\$
(a) Issued and paid up capital	360,431,775	67,524,039	363,065,005	67,514,039

### Movements during the period

<b>Ordinary shares</b>	Number of shares	Issue price	\$
Balance at the beginning of the financial year	360,065,005		67,514,023
Share issue to Managing Director	366,770		10,000
	<u>360,431,775</u>		<u>67,524,023</u>
<b>Incentive shares</b>			
Balance at the beginning of the financial year	3,000,000	\$0.000001	16
Expiration of Class G incentive shares	(3,000,000)		-
	<u>-</u>		<u>16</u>
<b>Total</b>	<u><b>360,431,775</b></u>		<u><b>67,524,039</b></u>

### NOTE 15: Retained losses

	2010 \$	2009 \$
Balance 1 July	(64,295,188)	(64,912,239)
Net profit/(loss) for year	(102,335)	617,051
Balance 30 June	<u>(64,397,523)</u>	<u>(64,295,188)</u>

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 16: This report is based on accounts to which one of the following applies.**

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

Eva O'Malley  
Company Secretary