

RESONANCE HEALTH LIMITED

ABN 96 006 762 492

Appendix 4D

Half year report

for the half-year ended 31 December 2010

(previous corresponding period to 31 December 2009)

Results for announcement to the market

	Change	31 Dec 2010 \$,000	31 Dec 2009 \$,000
Revenues from ordinary activities	Down 14%	805	932
Profit / (loss) from ordinary activities after tax attributable to members	Down 326%	(392)	(92)
Net profit / (loss) for the period attributable to members	Down 326%	(392)	(92)

Comments

The decrease in the half year revenue reflects the strengthening of the Australian dollar against the US dollar, having an adverse affect on revenues primarily received in US dollars. For the half year to 31 Dec 2010 the USD exchange rate averaged 94 cents compared to an average of 87 cents in the previous corresponding half year period.

Removing the impact of currency exchange movements saw revenue increase during the six month period compared to the previous corresponding period. Sales volumes increased with a growth of 31% in FerriScan sales in the US and 135% growth in the UK compared to the previous corresponding half year period.

The loss reported on ordinary activities of \$392,000 included expenditure of \$288,816 associated with research and expenditure and a foreign exchange loss of \$86,859. Other expenditure increases were the result of international marketing activities which have had an immediate and positive effect on sales growth.

Research and development spending for the half year totalled \$442,000 and was focused on developing additional diagnostic tools using magnetic resonance imaging technology. These include novel diagnostic tools for the measurement of liver fat and liver fibrosis to target the world wide opportunities associated with fatty liver disease and hepatitis C.

Intangible assets at 31 December 2010 totalled \$787,436.

A foreign exchange loss of \$86,859 was reported for the period compared to a loss of \$37,345 for the previous corresponding period, a movement of \$49,514.

No dividend has been declared for the period.

	31 Dec 2010	31 Dec 2009
Net tangible assets per security	\$0.006	\$0.008

Resonance Health Limited

(ABN 96 006 762 492)

Interim Financial Report

31 December 2010

Corporate Directory

Directors

Dr Martin Blake
Chairman/Non executive Director

Ms Liza Dunne
Executive Director

Mr Simon Panton
Non executive Director

Dr Timothy St. Pierre
Executive Director

Company secretary

Mr Colin McDonald

Website and e-mail address

www.resonancehealth.com
Email: info@ferriscan.com

Postal address

PO Box 1135
NEDLANDS WA 6909

Stock exchange listing

Resonance Health Limited
shares are listed on the
Australian Securities
Exchange.

ASX Code: RHT

Share registry

Advanced Share Registry Ltd
150 Stirling Highway
Nedlands WA 6009
Tel: +61 8 9389 8033
Fax: +61 8 9389 7871

Auditors

HLB Mann Judd
Level 4
130 Stirling Street
PERTH WA 6000

Registered office and Principal place of business

1st Floor
216 Stirling Highway
CLAREMONT WA 6010
Telephone: 61 8 9286 5300
Facsimile: 61 8 9286 1179

Bankers

National Australia Bank Limited

Solicitors

Cole Legal
Unit 9
569 Wellington Street
Perth WA 6000

Contents

	Page
Directors' Report	2
Auditor's Independence Declaration	4
Condensed Statement of Comprehensive Income	5
Condensed Statement of Financial Position	6
Condensed Statement of Changes in Equity	7
Condensed Statement of Cash Flows	8
Notes to the Condensed Financial Statements	9
Directors' Declaration	14
Independent Auditor's Review Report	15

DIRECTORS' REPORT

The directors submit the financial report of the consolidated entity Resonance Health Limited (the Company or Resonance Health) for the half year ended 31 December 2010. 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 interim and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Dr Stewart Washer	Non executive Director – Chairman (resigned 16 December 2010)
Dr Martin Blake	Non executive Director – Chairman (appointed as Chairman 16 December 2010)
Ms Liza Dunne	Executive Managing Director
Mr Simon Panton	Non executive Director
Dr Tim St Pierre	Executive Director

Review of Operations

Resonance Health is a medical device company developing innovative imaging technology for the assessment of human disease. The Company's expertise is in providing quantitative measurements using MRI technology replacing the need for invasive procedures such as a biopsy. Its lead product on market is FerriScan®, for the measurement of iron overload. Pipeline products include the imaging assessment of liver fat and liver fibrosis. A recently agreed exclusive worldwide license for a product providing an imaging based measurement of amyloidosis and fibrosis provides an expanding portfolio of products for the Company.

The principal activity of Resonance Health during the period was the delivery of FerriScan image analysis services for the clinical management of patients with iron overload conditions. This has been expanded to include cardiac iron overload assessments in some pilot countries. Our central image analysis facility provides a range of services to the clinical trial market requiring central imaging services.

Financial Summary:

- Net loss reported for the period was \$391,788 compared to a loss of \$92,376 in the previous corresponding period. Revenue decreased 14% to \$805,309 from \$931,684 in the previous corresponding period due primarily to the strengthening of the Australian dollar which has adversely impacted on revenues. During the period, sales volumes grew compared with the previous corresponding period.
- A foreign exchange loss of \$86,859 for the period has been recorded compared to a foreign exchange loss of \$37,345 in the corresponding period.
- An increasing percentage of FerriScan sales were derived from the routine clinical use of FerriScan, outside the clinical trial market, compared to the previous corresponding period. This is an increasing trend as long term growth is anticipated in the use of FerriScan for the clinical management of patients with iron overload disorders.
- An increase in expenditure of 14% compared to the previous corresponding period to \$1,190,697 from \$1,024,060 was largely attributable to additional marketing resources and expenditure.
- Intangible assets, representing capitalised development expenditure, totalled \$787,436 at the end of the period, compared to \$404,850 at the end of the corresponding prior period.
- Our recently announced collaboration with a major pharmaceutical company will reduce the cash required by the Company for the next phase of the fibrosis test development. We will continue to seek other collaborations for our pipeline products to further reduce the Company's research and development costs.
- Resonance Health has no debt and \$1.7m in cash and equivalents at the end of the period, compared to \$2.5m for the corresponding prior period.

Operational Summary:

- FerriScan sales volumes grew strongly with significantly increase sales in the US and UK markets, 31% and 135% respectively.

- Two new contracts were executed for the use of FerriScan in new clinical trials, following the signing of a new Master Service Agreement with Novartis in October 2010.
- An abstract presented at the American Society of Hematology Conference in December 2010 provided significant new data on the accuracy of the FerriScan test as compared to a liver biopsy in measuring iron overload. This new data will assist the Company achieve its reimbursement and marketing objectives for FerriScan.
- A contract has been executed with a major pharmaceutical company for the continued development of the Company's liver fibrosis test. A clinical study has commenced to determine the product's accuracy in measuring liver fibrosis using MRI technology. The study is expected to conclude in Q1 2012, when a decision will be made whether to seek regulatory approval for the diagnostic test or whether further development is required.
- An FDA regulatory submission is being prepared for the Company's Cardiac T2* image analysis test, complementing the FerriScan test by providing an assessment of cardiac iron overload. Currently provided to several pilot markets, the Cardiac T2* test can provide an additional 30% of revenue when ordered with a FerriScan.
- An FDA regulatory submission is being prepared for the Company's Liver Fat test. Non-alcoholic fatty liver disease is now the most common disease of western countries with 10-20% of American adults having fatty liver. This represents a sizeable opportunity for the Company.

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 interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2010.

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 Martin Blake
Chairman

Dated this 24th day of February 2011.



Accountants | Business and Financial Advisers

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 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'Norman Neill'.

Perth, Western Australia
24 February 2011

N G NEILL
Partner, HLB Mann Judd

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

		Consolidated	
	Notes	31 December 2010 \$	31 December 2009 \$
Continuing operations			
Revenue	2	805,309	931,684
Foreign exchange loss		(86,859)	(37,345)
Employee benefits expense		(669,409)	(565,619)
Consulting and professional services		(17,848)	(47,157)
Advertising and marketing		(149,504)	(113,727)
Research and development expense		(51,993)	(43,333)
Depreciation and amortisation expense		(10,707)	(13,820)
Statutory and compliance		(50,857)	(70,440)
Travel		(939)	(18,179)
Other expenses		(152,581)	(114,440)
		(385,388)	(92,376)
Loss before income tax benefit			
Income tax benefit		-	-
Net loss for the period		(385,388)	(92,376)
Other comprehensive income			
Exchange differences on translation of foreign operations		(6,400)	-
Other comprehensive loss for the period, net of tax		(6,400)	-
Total comprehensive loss for the period attributable to owners of the parent		(391,788)	(92,376)
Basic loss per share from continuing operations (cents per share)		(0.11)	(0.03)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

		Consolidated	
	Notes	31 December 2010	30 June 2010
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		1,674,334	2,133,884
Trade and other receivables		657,653	789,947
Other financial assets		3,004	3,004
Other		122,329	97,011
Total Current Assets		2,457,320	3,023,846
Non-Current Assets			
Property, plant and equipment		54,750	62,387
Intangible assets	3	787,436	642,766
Total Non-Current Assets		842,186	705,153
Total Assets		3,299,506	3,728,999
Liabilities			
Current Liabilities			
Trade and other payables		398,270	494,269
Other		74,519	26,225
Total Current Liabilities		472,789	520,494
Total Liabilities		472,789	520,494
Net Assets		2,826,717	3,208,505
Equity			
Issued capital	4	67,534,039	67,524,039
Reserves		75,589	81,989
Accumulated losses		(64,782,911)	(64,397,523)
Total Equity		2,826,717	3,208,505

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Consolidated				
	Issued capital	Accumulated losses	Foreign Currency Translation Reserve	Option Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2009	67,514,039	(64,295,188)	17,124	66,284	3,302,259
(Loss) attributable to members of the parent entity	-	(92,376)	-	-	(92,376)
Movement in foreign currency translation reserve	-	-	-	-	-
Total comprehensive loss for the period	-	(92,376)	-	-	(92,376)
Shares issued during the half year	10,000	-	-	-	10,000
Balance at 31 December 2009	67,524,039	(64,387,564)	17,124	66,284	3,219,883
Balance at 1 July 2010	67,524,039	(64,397,523)	15,705	66,284	3,208,505
(Loss) attributable to members of the parent entity	-	(385,388)	-	-	(385,388)
Movement in foreign currency translation reserve	-	-	(6,400)	-	(6,400)
Total comprehensive loss for the period	-	(385,388)	(6,400)	-	(391,788)
Shares issued during the half year	10,000	-	-	-	10,000
Balance at 31 December 2010	67,534,039	(64,782,911)	9,305	66,284	2,826,717

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Consolidated	
	31 December 2010	31 December 2009
	\$	\$
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	817,633	1,096,639
Payments to suppliers and employees	(1,058,554)	(959,455)
Interest received	48,637	43,032
Net cash provided by / (used in) operating activities	(192,284)	180,216
Cash flows from investing activities		
Payments for property, plant and equipment	(5,541)	(33,450)
Payments for research and development	(261,725)	(259,291)
Net cash provided by / (used in) investing activities	(267,266)	(292,741)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Repayment of borrowings	-	-
Net cash provided by/(used in) financing activities	-	-
Net increase/(decrease) in cash held	(459,550)	(112,525)
Cash and cash equivalents at 1 July 2010	2,133,884	2,644,938
Cash and cash equivalents at 31 December 2010	1,674,334	2,532,413

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The interim 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', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed 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.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 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 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Basis of Preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments. 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.

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

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, 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 interim report the significant judgments 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 2010.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2010, 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 2010.

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.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

NOTE 2: PROFIT / (LOSS) BEFORE INCOME TAX

Consolidated	
31 December 2010	31 December 2009
\$	\$

The following revenue items are relevant in explaining the financial performance for the half-year:

Liver scan income	760,623	891,497
Interest received	44,686	40,187
	805,309	931,684

The following expense items are relevant in explaining the financial performance for the half-year

Foreign exchange loss	86,859	37,345
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NOTE 3: INTANGIBLE ASSETS

Consolidated	
31 December 2010	30 June 2010
\$	\$

Development expenditure	787,436	642,766
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Development expenditure relates to costs incurred in developing MRI tools for the diagnosis and clinical management of human disease.

During the period this development continued to relate primarily to improvements to the FerriScan software technology and the development of liver fibrosis assessment tools.

The recoupment of development expenditure is dependent on the successful development and commercialisation or sale of the technology developed. The directors are required to assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists an estimate is made of the asset's recoverable amount. Where the asset's carrying value exceeds the estimated recoverable amount a provision for impairment is recognised.

The FerriScan technology owned by the Company has a nil carrying value on the Condensed Statement of Financial Position as a result of an impairment loss of \$12,786,888 recorded in the 2006 financial year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

NOTE 4: ISSUED CAPITAL

	Consolidated	
	31 December 2010 \$	30 June 2010 \$
<i>Ordinary shares</i>		
Issued and fully paid	67,534,039	67,524,039
	31 December 2010 No.	31 December 2010 \$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2010	360,431,775	67,524,039
Issue of shares at \$0.0179 to Managing Director	559,590	10,000
At 31 December 2010	360,991,365	67,534,039
	31 December 2010 \$	30 June 2010 \$
<i>Incentive shares</i>		
Issued and fully paid	16	16

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

NOTE 5: SEGMENT REPORTING

The table below represents the revenue and profit/loss information regarding the segment information provided to the chief operating decision maker, which is the Board of Directors, for the half year periods ended 31 December 2010 and 31 December 2009.

The Group's reporting segments are determined by the products and services provided.

Internal reporting to the Board focuses on the following reporting segments:

- FerriScan commercialisation of the FerriScan technology
- Research and development – relating to FerriScan and other technologies
- Corporate

	FerriScan	Research and Development	Corporate	Total
	\$	\$	\$	\$
31 December 2010				
Segment revenue	760,623	-	44,686	805,309
Segment profit / (loss)	(141,407)	(51,994)	(191,987)	(385,388)
Segment assets	782,807	787,436	1,729,263	3,299,506
Segment liabilities	272,557	107,765	92,467	472,789
Included within segment result:				
Depreciation	10,707	-	-	10,707
Interest revenue	-	-	44,686	44,686
31 December 2009				
Segment revenue	891,497	-	40,187	931,684
Segment profit / (loss)	160,691	(43,333)	(209,734)	(92,376)
Segment assets	782,605	404,850	2,443,521	3,630,976
Segment liabilities	264,896	98,380	47,817	411,093
Included within segment result:				
Depreciation	13,820	-	-	13,820
Interest revenue	-	-	40,187	40,187

There are no changes in regards to the basis of reporting on segmentation or in the basis of segment profit/loss from 30 June 2010.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

NOTE 6: 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.

DIRECTORS' DECLARATION

In the opinion of the directors of Resonance Health Limited ("the company"):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year then ended.
2. 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.



Dr Martin Blake
Chairman

Dated this 24th day of February 2011



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Resonance Health Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Resonance Health Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 consolidated entity's financial position as at 31 December 2010 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*.

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 as at 31 December 2010 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
Chartered Accountants



N G NEILL
Partner

Perth, Western Australia
24 February 2011