



APPENDIX 4D

For the Half Year Ended 31 December 2014

Results for Announcement to the Market

Current Reporting Period - Half year ended 31 December 2014

Previous Reporting Period - Half year ended 31 December 2013

				31 Dec 2014		31 Dec 2013
Revenue	Down	87.80%	to	\$21,922	from	\$179,632
Loss after tax attributable to members	Down	57.29%	to	(\$3,044,403)	from	(\$7,127,898)
Net loss for the period attributable to members	Down	57.29%	to	(\$3,044,403)	from	(\$7,127,898)

Net Tangible Asset per Security (cents per security)

As at 31 December 2014	1.98
As at 31 December 2013	3.33

Dividends (distribution)	Amount per Security	Franked Amount per Security
Final dividend	n/a	n/a
Previous corresponding period	n/a	n/a
Record date for determining entitlements to dividend		
		n/a
Details of dividend reinvestment plans in operation		
		None
Details of entities over which control has been gained or lost during the period		
		None
Details of Associates and Joint Ventures		
		None
These accounts have been subject to review and there has been no qualification or dispute.		
<u>Explanation of the above information:</u>		
Refer to the Directors' Report - Review of Operations.		
Approved Date: Friday, 27 th February 2015		



ABN 98 009 234 173



Appendix 4D Interim Financial Report

For the Half Year ended December 2014

To be read in conjunction with the 30 June 2014 Annual Report

In compliance with Listing Rule 4.2A

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This Half Year Financial Report does not include all notes of the type normal included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2014 and any public announcements made by iSonea Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Directors' Report

The Directors' of iSonea Limited ("ISN", "iSonea" or "the Group") provide the following Report on the consolidated entity consisting of iSonea Limited and the entities it controlled for the half year ended 31 December 2014.

DIRECTORS

The following persons were Directors of the Company during the whole of the half-year and up to the date of this report, unless otherwise stated:

Mr Leon L'Huillier	Executive Chairman	
Mr Ross Blair-Holt	Non-Executive Director	<i>(appointed 28th Nov 2014)</i>
Mr David Ashmore	Non-Executive Director	
Mr John Ribot-de-Bresac	Non-Executive Director	
Dr Timothy Oldham	Non-Executive Director	
Mr Bruce L Mathieson	Non-Executive Director	<i>(resigned 28th Nov 2014)</i>
Mr Stephen Tunnell	Managing Director	<i>(resigned 23rd Sep 2014)</i>

PRINCIPAL ACTIVITIES

During the financial half-year the principal continuing activities of the consolidated entity consisted of research, development and commercialisation of medical devices, and the production of Mobile Health applications. There were no significant changes in the nature of the Company's principal activities during the Half Year.

REVIEW OF OPERATIONS

COMMERCIALISING ISONEA TO REMAIN AT THE FOREFRONT OF RESPIRATORY DIGITAL HEALTH

Building shareholder value through the development and sale of our iSonea devices and digital health applications remains our core objective. The Board is confident that we have strong proprietary technology and first-mover advantage in digital respiratory health that underpins our commercialisation pathway.

Chairman Leon L'Huillier said "There are no shortcuts in the development and sale of complex medical devices. Unfortunately, the company's decision in 2013 not to include a second microphone to address ambient noise in AirSonea® had a major effect on product performance. All previous devices produced by the company had a second microphone. The failed launch of AirSonea eventually destroyed shareholder value and the hype presented in 2013 around the growth of smartphones and mobile health applications gave investors unrealistic expectations of iSonea's early financial success."

iSonea's pathway to commercialisation:

1. AirSonea will now offer a robust user experience that meets the expectations of asthma patients, parents and caregivers, the medical profession, health authorities and insurers in different markets.
 - **The AirSonea device will be retrofitted with an ambient microphone to make it less susceptible to background noise and new micro processing software.** A prototype will be delivered mid-April and our devices retrofitted in time for clinical trials.
 - **A totally new software IT infrastructure** is being developed in stages to support the AirSonea device and App in the clinical trial and for subsequent consumer sales.
 - **Our Independent clinical trial** will include iSonea's highly respected scientific advisory team, prominent Australian paediatric respiratory physicians in Melbourne and Sydney and leading General Practitioners. In addition, we are pursuing the possibility of a trial in the UK.

2. Our portfolio of products will open up substantially more commercial opportunities in both the home/ambulatory market and in hospital and clinical settings.
 - **Home/Ambulatory Monitoring Products:** AirSonea® Asthma Wheeze Monitor, SonoSentry™1 (WheezoMeter™), WHolter™ the WHolter is designed for 8 - 24 hour home ambulatory recording (nocturnal wheeze & cough).
 - **Hospital/Clinical Products: PulmoTrack® Computerised Wheeze Detection** PulmoTrack is iSonea's foundation product, designed for hospital/clinic-based real-time monitoring of wheeze and cough in the management of acute, severe asthma in the ER and IC, and for Paediatric Pulmonary Function Testing and Sleep Labs.

COMMERCIALISING AIRSONEA

1. **Retrofit the AirSonea device with an ambient microphone and new micro processing software** before release to the clinical trial and the market. Our partner, Grey Innovation is delivering new hardware. The omission of a second microphone in AirSonea was a design error resulting in poor performance. In addition, new micro processing upgrades have addressed firmware bugs and other issues. A prototype will be delivered mid-April and devices retrofitted in time for clinical trials.
2. **Develop a totally new software IT infrastructure** to support the AirSonea device and App. The architecture supporting the original app was not stable or robust enough to support large numbers of consumers or regular updates, which would have resulted in the app crashing, and a very disappointing user experience. The new software from Two Bulls is more robust, scalable and secure to support sales forecasts. Further, it provides a substantially faster analysis of breath recordings and an app with a more engaging user interface. This is being completed by stage to tie in with clinical trials and market entry and will be ready well before clinical trials commence.
3. **Complete an Independent Clinical Trial:** AirSonea was never independently clinically tested by the company, despite advice from doctors and the asthma community. The trial will be undertaken in consultation with our highly respected scientific advisory team:
 - **Professor Noam Gavriely M.D. D.Sc.** is the innovator of iSonea's core technology and is an international authority on pulmonary acoustics, having practised basic and applied research in the field for over 25 years. Professor Gavriely served as Executive Director of KarmelSonix Ltd, now iSonea, from 2006 - 2010.
 - **Emeritus Professor Simon Godfrey M.D. PhD, FRCP, FRCPCH** is Emeritus Professor of Paediatrics at the Hadassah-Hebrew University, Jerusalem, Israel. Professor Godfrey has published a number of books and over 190 clinical papers.

Current discussions with prominent Australian paediatric respiratory physicians in Sydney and Melbourne will enable us to advise shareholders as soon as possible on the timeframe for our clinical trial work.

The Board is confident that the clinical trials of AirSonea will be successful. In the last few years, 13 global clinical studies were conducted on the use of iSonea's Automatic Wheeze Detection technology in patients with obstruction airway disease. This technology was applied to children starting from 4 months of age to adults in the following settings: spot-check recordings, bronchial-provocation testing and in overnight monitor of nocturnal asthma.

MORE COMMERCIAL OPPORTUNITIES WITH A BROADER PRODUCT PORTFOLIO

Acoustics and digital signal processing is the heart of iSonea's intellectual property and is built on a solid foundation of clinical expertise.

Our innovative, proprietary Acoustic Respiratory Monitoring (ARM™) algorithm technology records airway sounds to detect continuous adventitious breath sounds and measure the extent of wheezing caused by airway obstruction. iSonea devices work like a stethoscope utilising special contact microphones, or acoustic sensors to pick up breath sounds from the lungs at the windpipe (trachea), and in our clinical devices, the chest. The recorded signals are amplified, filtered and digitally processed through the algorithm to return a WheezeRATE™, the percentage of abnormal breath sound detected during the measurement time.

The monitoring of wheeze, a primary sign and symptom of asthma will help asthma sufferers and their caregivers better understand how asthma affects them as individuals and help them better adhere to their asthma management plan.

HOME/AMBULATORY COMPUTERISED WHEEZE DETECTION PRODUCTS

Health authorities universally agree effective tools to improve patient self-management of chronic diseases are critically important. iSonea has three products in this category.

AirSonea® Asthma Wheeze Monitor

The AirSonea device and app is an innovative monitoring tool for the detection and measurement of wheeze. The device is held against the trachea and the recording and WheezeRATE algorithm analysis takes place within the app. The results and sound files are automatically uploaded to a secure cloud server for review and sharing via email with doctors and other healthcare providers.



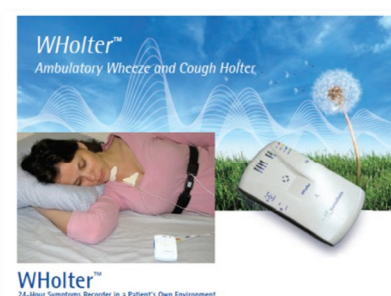
SonoSentry™1 (WheezoMeter™)

iSonea has achieved the first clearance of an Over-the-Counter (OTC) wheeze detection device in the United States. With FDA clearance, the company can market the device in the USA as an OTC product without the need for the purchaser to obtain a prescription from a medical practitioner.



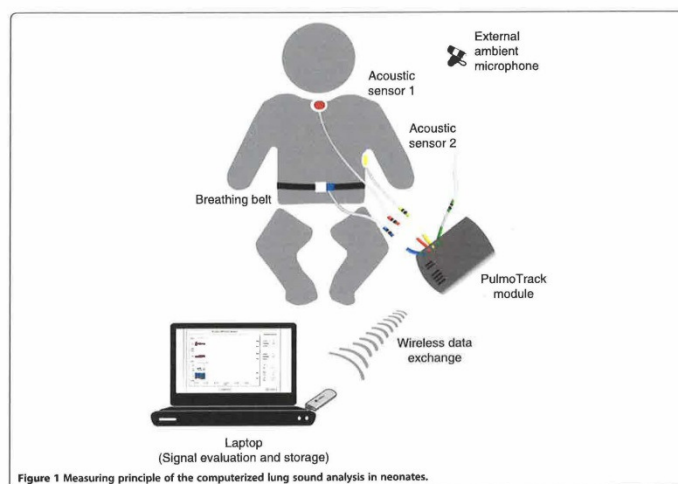
WHolter™

The WHolter is designed for 8 - 24 hour home ambulatory recording (nocturnal wheeze & cough). This option of monitoring asthma patients and collecting data for a period of time in their own home is important and has excellent potential to develop service and consumables revenues around it. WHolter uses PulmoTrack software and connects to a PC via USB.



HOSPITAL/CLINICAL PRODUCTS COMPUTERISED WHEEZE DETECTION

PulmoTrack is iSonea's foundation product, designed for hospital/clinic-based real-time monitoring of wheeze and cough in the management of acute, severe asthma in the ER and IC, and for Paediatric Pulmonary Function Testing and Sleep Labs. The PulmoTrack module connects to a PC wirelessly.



In a recent study conducted at the Department of Neonatology, Charité University Medical Centre, Berlin, Germany, wheezes were detected using the PulmoTrack® Model 2020. “....an instrument developed for continuous tracking and recording of breathing sounds and the detection of wheezing... Computerised wheeze detection is feasible during the first year of life. This method is more objective and can be more readily standardised than subjective auscultation, providing quantitative and non-invasive information about the extent of wheezing”.

Puder et al BMC Paediatrics 2014

This product suite opens up substantially more commercial opportunities in both the home/ambulatory market and in hospital and clinical settings.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position shows cash reserves of \$5.4 million. Our AirSonea product inventory of \$800,000 is being enhanced in advance of our clinical trial and commercialisation. iSonea has no debt and a stable and well-managed creditor position.

Our conservative accounting approach is demonstrated by resuming the 10 year amortisation of our core intellectual property assets and fully expensing the costs associated with the closure of our Oceanside operation. Further, all the R&D expenditure is being expensed rather than capitalised.

Our new focus on Australian based research and development supported by our skilled and experienced staff in Israel ensures we are getting optimum value for money while we are completing our improvements to our AirSonea product. This development expenditure will be eligible for assessment under the Federal Government R&D cash rebate programme that will further strengthen our financial position.

SIGNIFICANT EVENTS AFTER REPORTING DATE

There have not been any matters or circumstances in the financial statements or notes thereto, that have arisen since the end of the financial half year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on the page 9.

This report is made in accordance with a resolution of Directors.



Mr Leon L'Huillier
Chairman

Melbourne

Dated this the 27th Day of February 2015.

Auditors' Independence Declaration



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF ISONEA LIMITED

As lead auditor for the review of iSonea Limited for the half-year ended, 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of iSonea Limited and the entities it controlled during the period.

A handwritten signature in dark ink, appearing to read 'J Mooney', is written over a light grey, stylized outline of the signature.

James Mooney
Partner

BDO East Coast Partnership

Melbourne, 27 February 2015

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of Independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of Independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2014

	Note	Consolidated 31 December 2014 \$ AUD	Consolidated 31 December 2013 \$ AUD
Revenue			
Operating Revenue		495	12,328
Non-operating Revenue		21,427	167,304
Total Revenue		21,922	179,632
Cost of goods sold		-	(6,289)
Gross profit		21,922	173,343
Other Income		-	25,846
Expenses			
Amortisation expenses		(65,380)	(217,160)
Consulting, employee and director expenses		(791,200)	(1,143,537)
Equity-based payment expenses		(121,400)	(930,610)
Corporate administration expenses		(763,548)	(885,196)
Depreciation expenses		(15,309)	(12,345)
Marketing and promotion expenses		-	(1,725,549)
Research and development expenses		(1,138,039)	(2,068,758)
Net loss on foreign currency derivatives not qualifying as Hedges		-	(9,048)
Travel and entertainment expenses		(171,449)	(334,885)
Loss before income tax expense		(3,044,403)	(7,127,898)
Income tax expense		-	-
Loss after income tax for the year		(3,044,403)	(7,127,898)
Other comprehensive income:			
<i>Items that may not be reclassified subsequently to Profit or Loss</i>			
Exchange differences on translation of foreign operations		27,294	29,289
Total comprehensive loss for the year		(3,017,109)	(7,098,609)
Loss attributable to members of the parent entity		(3,044,403)	(7,127,898)
Total comprehensive loss attributable to members of the parent entity		(3,017,109)	(7,098,609)
Loss per share for the half-year attributable to the members of the parent entity			
Basic loss per share (cents per share)	8	(1.08)	(2.74)
Diluted loss per share (cents per share)	8	(1.08)	(2.74)

The above consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2014

		Consolidated 31 December 2014	Consolidated 30 June 2014
	Note	\$ AUD	\$ AUD
ASSETS			
Current Assets			
Cash and cash equivalents		5,403,121	8,212,003
Trade and other receivables		86,331	84,211
Inventories		789,878	1,064,477
Other		630,661	494,170
Total Current Assets		6,909,991	9,854,861
Non-Current Assets			
Property, plant and equipment		104,102	96,771
Other intangible assets	4	601,997	649,958
Other		2,650	2,619
Total Non-Current Assets		708,749	749,348
TOTAL ASSETS		7,618,740	10,604,209
LIABILITIES			
Current Liabilities			
Trade and other payables		1,419,984	1,508,305
Other financial liabilities		18,060	19,499
Total Current Liabilities		1,438,044	1,527,804
TOTAL LIABILITIES		1,438,044	1,527,804
NET ASSETS		6,180,696	9,076,405
EQUITY			
Issued capital	6	95,149,981	95,149,981
Reserves		202,756	426,737
Accumulated Losses		(89,172,041)	(86,500,313)
TOTAL EQUITY		6,180,696	9,076,405

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2014

	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Balance as at 30 June 2013	77,310,846	1,706,441	(477,129)	(76,917,741)	1,622,417
Loss after income tax expense for the year	-	-	-	(7,127,898)	(7,127,898)
Other comprehensive income for the year, net of tax	-	-	29,289	-	29,289
Total Comprehensive loss for the half-year	-	-	29,289	(7,127,898)	(7,098,609)
Transactions with Equity holders in their capacity as equity holders:					
Shares Issued	14,823,652	-	-	-	14,823,652
Capital Raising Costs	(887,743)	-	-	-	(887,743)
Options Issued	-	930,610	-	-	930,610
Options Lapsed*	-	(185,739)	-	185,739	-
Balance at 31 December 2013	91,246,755	2,451,312	(447,840)	(83,859,900)	9,390,327
Balance at 30 June 2014	95,149,981	861,257	(434,520)	(86,500,313)	9,076,405
Loss after income tax expense for the year	-	-	-	(3,044,403)	(3,044,403)
Other comprehensive income for the year, net of tax	-	-	27,294	-	27,294
Total comprehensive loss for the half-year	-	-	27,294	(3,044,403)	(3,017,109)
Transactions with Equity holders in their capacity as equity holders:					
Options Issued	-	121,400	-	-	121,400
Options Lapsed*	-	(372,675)	-	372,675	-
Balance at 31 December 2014	95,149,981	609,982	(407,226)	(89,172,041)	6,180,696

* To transfer the value of lapsed/expired options from the reserve to accumulated losses.

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2014

	Note	Consolidated 31 December 2014 \$ AUD	Consolidated 31 December 2013 \$ AUD
<u>Cash flows from operating activities</u>			
Receipts from customers		155	11,351
Payments to suppliers and employees (inclusive of GST)		(2,908,741)	(5,550,385)
Interest received		21,427	146,134
Receipt of R&D tax refund		-	390,787
Net cash flows used in operating activities		(2,887,159)	(5,002,113)
<u>Cash flows related to investing activities</u>			
Payments for purchases of plant and equipment		(7,597)	(61,379)
Loans to unrelated entities		-	(32,688)
Net cash flows used in investing activities		(7,597)	(94,067)
<u>Cash flows related to financing activities</u>			
Proceeds from issues of securities	6	29,703	14,437,843
Capital raising costs		-	(846,451)
Payments to Chief Scientist and BIRD		(550)	(4)
Net cash flows from financing activities		29,153	13,591,388
Net increase/(decrease) in cash and cash equivalents		(2,865,603)	8,495,208
Cash and cash equivalents at the beginning of the year		8,212,003	1,346,736
Effects of exchange rate changes on cash and cash equivalents		56,721	199,658
Cash and cash equivalents at the end of the year		5,403,121	10,041,602

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1 - Basis of Preparation

The general purpose financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This half year financial report does not include all notes of the type normally included in an Annual Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the Annual Report.

Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2014 and any public announcements made by iSonea Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Accounting Policies

All accounting policies adopted are consistent with the most recent Annual Financial Report for the year ended 30 June 2014.

Going Concern

For the half year ended 31 December 2014, the consolidated entity incurred an operating loss of \$3,044,403 (Dec 2013: \$7,127,898), and had net consolidated cash outflows from operations of \$2,887,159 (Dec 2013: \$5,002,113).

The cash outflows from operations for the six month period ended 31 Dec 2014 is almost half that incurred for the corresponding six month period of the prior financial year.

As at 30 June 2014, the consolidated entity's cash balance was \$8.2 million. As at 31 December 2014, the cash balance has reduced to \$5.4 million. The reduction in the cash balance of less than \$2.8M is in line with the Board's commitment to cut the underlying cash burn rate to less than \$500K per month.

A detailed cash forecast has been prepared and on that basis the Board is satisfied, based on the actions taken and proposed, that the Company will be able to continue as a going concern and the accounts are prepared on that basis.

Note 2 - Dividends

No dividends have been declared for the period ended 31 December 2014.

Note 3 - Segment Information

Primary Reporting Format – Business Segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and determining the allocation of resources.

The executive management team considers the business from both a product and a geographic perspective and has identified three reportable Geographic segments. Medical devices consists of research and development, commercialisation and sale of a suite of medical devices being developed by the Company in the subsidiaries in Israel, United States of America and Australia.

Notes to the Consolidated Financial Statements (Continued...)

Management monitors the performance in these three regions separately. Corporate, administration and support services are provided in Australia and performance is monitored separately to the medical device business.

The board assesses the performance of the operating segments at a number of operating levels including adjusted EBITDA. This measurement excludes the effects of certain expenditure from the operating segments such as depreciation, amortisation and finance costs.

The reportable segments are based on aggregated operating segments determined by similarity of expenses, where expenses in the reportable segments exceed 10% of the total expenses for either the current and/or previous reporting period.

31 December 2014	----- Medical Devices -----			Segment	Corporate	Total
	Australia	Israel	USA	Total		
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Segment Revenue						
External sales	340	155	-	495	-	495
Interest revenue	36	-	-	36	21,391	21,427
Total Segment Revenue	376	155	-	531	21,391	21,922
Segment Expenses						
Segment Depreciation Expenses	(1,345)	(4,488)	(9,357)	(15,190)	(119)	(15,309)
Segment Expenses	(610,216)	603,104	(1,291,698)	(1,298,810)	(1,752,206)	(3,051,016)
Total Segment Expense	(611,561)	598,616	(1,301,055)	(1,314,000)	(1,752,325)	(3,066,325)
Income Tax Expense	-	-	-	-	-	-
Net Result	(611,185)	598,771	(1,301,055)	(1,313,469)	(1,730,934)	(3,044,403)
Assets						
Segment assets	1,847,299	678,812	260,659	2,786,770	4,831,970	7,618,740
Total Assets	1,847,299	678,812	260,659	2,786,770	4,831,970	7,618,740
Liabilities						
Segment liabilities	410,131	79,038	202,426	691,595	746,449	1,438,044
Total Liabilities	410,131	79,038	202,426	691,595	746,449	1,438,044

Notes to the Consolidated Financial Statements (Continued...)

31 December 2013	----- Medical Devices -----			Segment	Corporate	Total
	Australia \$ AUD	Israel \$ AUD	USA \$ AUD	Total \$ AUD	\$ AUD	\$ AUD
Segment Revenue						
External sales	9,585	2,743	-	12,328	-	12,328
Interest Revenue	-	-	-	-	167,304	167,304
Other Income	-	-	-	-	25,846	25,846
Total Segment Revenue	9,585	2,743	-	12,328	193,150	205,478
Cost of Goods Sold	(6,289)	-	-	(6,289)	-	(6,289)
Segment Expenses						
Segment Depreciation Expenses	(411)	(3,157)	(1,826)	(5,394)	(6,951)	(12,345)
Segment Expenses	(1,156,237)	(1,088,432)	(2,307,839)	(4,552,508)	(2,762,234)	(7,314,742)
Total Segment Expense	(1,156,648)	(1,091,589)	(2,309,665)	(4,557,902)	(2,769,185)	(7,327,087)
Income Tax Expense	-	-	-	-	-	-
Net Loss	(1,153,352)	(1,088,846)	(2,309,665)	(4,545,574)	(2,576,035)	(7,127,898)
Assets						
Segment assets	1,365,714	817,181	282,533	2,465,428	10,010,864	12,476,292
Total Assets	1,365,714	817,181	282,533	2,465,428	10,010,864	12,476,292
Liabilities						
Segment liabilities	902,381	782,160	313,050	1,997,591	1,088,374	3,085,965
Total Liabilities	902,381	782,160	313,050	1,997,591	1,088,374	3,085,965

Note 4 – Intangible Assets

	31 December 2014 \$ AUD	30 June 2014 \$ AUD
Intellectual Property		
At cost	1,921,274	1,903,855
Accumulated Amortisation	(1,319,277)	(1,253,897)
	601,997	649,958

Amortisation is charged on a straight line basis over the expected life of the asset and begins when the asset is available for use. The Directors have determined that the asset was available for use on 1 January 2008 and the life of the intangible is 10 years. Intellectual property relates to acquired assets. Remaining useful life of intangible asset is 3 years.

Note 5 - Contingent Liabilities and Assets

There has been no change in contingent liabilities and assets since the last annual reporting date.

Notes to the Consolidated Financial Statements (Continued...)

Note 6 - Contributed Equity

	31 December 2014		30 June 2014	
	No.	\$ AUD	No.	\$ AUD
Fully Paid Ordinary Shares				
Balance at beginning of year	275,913,955	95,149,981	219,675,323	77,310,846
Shares issued during the year	-	-	39,954,437	14,036,089
Shares to be issued	-	-	-	794,481
Share issued from the exercise of options	5,674,861*	-	16,284,195	3,362,287
Transactions costs relating to share issues	-	-	-	(353,722)
Total Issued Capital	281,588,816	95,149,981	275,913,955	95,149,981

During the Half year ended 31 December 2014, the Company issued no Fully Paid Ordinary Shares.

* During June 2014, the Company received requests from optionholders for the exercise of 5,674,861 Listed ISNOB Options. These options were converted into shares on 4 July 2014. Monies totalling AUD \$29,703 pertaining to the exercise of these options were not banked until after 30 June 2014.

Note 7 – Option Reserves

	31 December 2014		30 June 2014	
	No.	\$ AUD	No.	\$ AUD
Options				
Balance at beginning of year	8,725,964	861,257	25,557,724	1,706,441
Listed Options issued during the year	-	-	1,000,000	390,000
Unlisted Options issued during the year	10,000,000	121,400	1,143,060	73,759
Share issued from the exercise of options	(5,674,861)	-	(16,284,195)	(682,500)
Expense recorded options over vesting period	-	-	-	840,942
Lapse of options due to nil exercise	(1,213,043)	(372,675)	(2,690,625)	(1,467,385)
Total Reserves	11,838,060	609,982	8,725,964	861,257

During the Half Year ended 31 December 2014 the Company issued the following securities:

Date	Details	No.	Issue Price \$ AUD	Total Value \$ AUD
28 Nov 2014	Issue pursuant to approval by shareholders at Company's Annual General Meeting on 28 th November 2014.	10,000,000	0.01214	121,400
		10,000,000		121,400

Notes to the Consolidated Financial Statements *(Continued...)*

Note 8 - Loss per Share

	31 December 2014	31 December 2013
Basic loss per share (cents)	(1.08)	(2.74)
Diluted loss per share (cents)	(1.08)	(2.74)
a) Net loss used in the calculation of basic and diluted loss per share	(3,044,403)	(7,127,898)
b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	281,511,078	259,933,502
c) Potential ordinary shares, including options, are excluded from the weighted average number of shares used in the calculations of basics loss per share.		

Note 9 - Net Tangible Assets

	31 December 2014	31 December 2013
Net Tangible Assets	\$5,578,699	\$8,740,533
Shares (No.)	281,588,816	262,830,598
Net Tangible Assets (Cents)	1.98	3.33

Note 10 - Events Subsequent to Reporting Date

There have not been any matters or circumstances in the financial statements or notes thereto, that have arisen since the end of the financial half year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Note 11 – Fair value measurements

The carrying value of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Directors' Declaration

The Directors' of the Company declare that;

1. The financial statements and notes, as set out on pages 10 to 18, are in accordance with the Corporations Act 2001:
 - a. complying with Accounting Standard AASB134 and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
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 made in accordance with a resolution of the Board of Directors.



Mr Leon L'Huillier
Executive Chairman

Melbourne

Dated this the 27th Day of February 2015.



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of iSonea Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of iSonea Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's 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 internal 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 half-year 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 2014 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 iSonea 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*, which has been given to the directors of iSonea Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



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 iSonea 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 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDO East Coast Partnership


James Mooney
Partner

Melbourne, 27 February 2015

Corporate Directory

AUSTRALIAN COMPANY NUMBER (ACN)

009 234 173

iSonea Limited is a Public Company Limited by shares and is domiciled in Australia.

DIRECTORS

Mr Leon L'Huillier
Mr Ross Blair-Holt
Mr David Ashmore
Mr John Ribot-de-Bresac
Dr Timothy Oldham

Executive Chairman
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

COMPANY SECRETARIES

Mr Phillip Hains
Mr Peter Vaughan

PRINCIPAL PLACE OF BUSINESS

Suite 1, 1233 High Street
Armadale, Victoria, 3143
Australia
Telephone: + 61 (0)3 9824 5254
Facsimile: + 61 (0)3 9822 7735

REGISTERED OFFICE

Suite 1, 1233 High Street
Armadale, Victoria, 3143
Australia
Telephone: + 61 (0)3 9824 5254
Facsimile: + 61 (0)3 9822 7735

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia, 6153
Australia
Telephone: +61 (0)8 9315 2333

SOLICITORS

Francis Abourizk Lightowlers
Level 16, 356 Collins Street
Melbourne, Victoria, 3000
Australia

AUDITORS

BDO East Coast Partnership
Level 14, 140 William Street
Melbourne, Victoria, 3000
Australia.

BANKERS

National Australia Bank (NAB)
330 Collins Street,
Melbourne, Victoria, 3000
Australia

WEBSITES

www.isoneamed.com
www.airsonnea.com.au

SECURITIES QUOTED

Australian Securities Exchange

- Ordinary Fully Paid Shares (ASX Code: ISN)