

Corporate Directory

Directors

The Hon. Dr. Michael Wooldridge
Non executive Chairman

Dr. James Williams
Managing Director

Mr. Tony Fitzgerald
Non executive Director

Dr. Andrew Walker
Non executive Director

Dr. Christine Bennett
Non executive Director

Dr. Jay Ives
Non executive Director

Mr. Ian Anderson
Non executive Director

Advisory Committee

Dr. Kris Kowdley
Dr. John Olynyk
Dr. Bruce Bacon
Dr. John Porter

Joint Company Secretaries

Mr. Evan Cross
Mr. Stuart Usher

Registered Office

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117 Stirling Highway
NEDLANDS WA 6009

Principal Place of Business

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117 Stirling Highway
NEDLANDS WA 6009
Telephone: 61 8 9389 5933
Facsimile: 61 8 9389 5944

Auditors

HLB Mann Judd
15 Rheola Street
WEST PERTH WA 6005

Share Registry

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

Bankers

National Australia Bank Limited

Stock Exchange Listing

Resonance Health Limited shares are listed on the
Australian Stock Exchange.
ASX Code: RHT

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, Next Building
16 Milligan Street
Perth WA 6000

Postal Address

PO Box 1150
NEDLANDS WA 6909

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OVERVIEW

Resonance Health is an Australian Healthcare company specialising in the development and commercialisation of magnetic resonance imaging (MRI) related technology. The Resonance Health Group includes Resonance Health Limited (RHT) an Australian Stock Exchange (ASX) listed company and its wholly-owned operating subsidiary, Resonance Health Analysis Services Pty Ltd (RHAS).

In 2005, Resonance Health began the commercial launch of FerriScan[®], its world leading non-invasive test for measurement and monitoring of liver iron levels. FerriScan is the first non-invasive test for liver iron concentration (LIC) to have achieved regulatory clearances in the US, Europe and Australia.

The FerriScan service involves an MRI scan followed by the processing of the images collected by the MRI scanner by Resonance Health using its patented methodology to generate the LIC result. MRI data is transmitted electronically via a secure data process to the Resonance Health Analysis Centre from anywhere in the world. The test requires no new equipment purchase at the MRI centre level.

FerriScan provides a significant improvement over current blood markers and invasive surgical procedures. This improvement leads to increased clinical efficiency and accuracy in diagnosis, in addition to allowing optimisation of treatment programs for iron-related disorders.

FerriScan is now positioned to become a routine part of the clinical diagnosis and management of iron loading disorders, as well as playing a major role in the testing and monitoring of drugs used to treat these conditions.



FINANCIAL YEAR HIGHLIGHTS

- October 2004 and April 2005 – RHAS's scientific team, along with collaborators, publish first manuscripts in leading international peer-reviewed clinical journals, demonstrating the clinical application of FerriScan.
- November 2004 – RHAS is awarded a \$212,000 grant from the Australian Commonwealth Government's Biotechnology Innovation Fund (BIF) to fund proof-of-concept studies into the development of a non-invasive test to measure liver fibrosis. The results of this program are expected in the first quarter of 2006.
- December 2004 – The Australian Therapeutic Goods Administration (TGA) completed their conformity assessment of FerriScan. This resulted in FerriScan being included on the Australian Register of Therapeutic Goods (ARTG) in January 2005 and allowed commercial marketing of the product to commence in Australia. The TGA review of the technology also resulted in the granting of a CE Mark for FerriScan, allowing marketing of the product in Europe.
- January 2005 – Following the submission of a pre-market notification [510(k)] in December 2004, the United States Food and Drug Administration (FDA) granted US marketing clearance for FerriScan. This milestone was achieved some 8 months ahead of schedule.
- March 2005 – The DCA Group, Australia's largest diagnostic imaging company, entered into an agreement with RHT to launch FerriScan through their MRI operations in Australia.
- April 2005 – Australian pilot marketing phase commences.
- May 2005 – Shareholders approve at a General Meeting to acquire 100% of Inner Vision Biometrics Pty Ltd (IVB). Prior to this acquisition, Resonance Health Ltd (RHT) had 51% voting rights in IVB and was investing to build 51% ownership.
- RHAS generates initial revenue (\$121,000) from sales of FerriScan to both patient customers through Australian pilot marketing activities, and commercial clients (through provision of FerriScan to Novartis Pharmaceuticals).

Chairman's Report

Dear Shareholder,

It is my pleasure to present the 2004-2005 annual report for Resonance Health. This year has been a period of significant commercial progress for the company, seeing both the successful commercial launch of world leading technology, FerriScan and a consolidation in the company structure.

Following the shareholders General Meeting in Melbourne on 31st May 2005, Resonance Health Limited now owns 100% of Resonance Health Analysis Services Pty Ltd (formerly Inner Vision Biometrics) and the FerriScan technology. The formation of a single corporate entity provides for better alignment of corporate and product branding and greater operational efficiencies.

With this structural change came changes to the Board and Management, with Tony Fitzgerald, stepping down as Managing Director to coincide with Dr. James Williams' appointment. Whilst James will continue to drive the Resonance Health commercialisation operation, Tony Fitzgerald, instrumental in the early structuring and financing of the company, will still continue to provide valuable input in his role as Director.

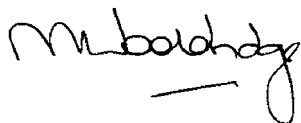
In addition we welcomed Dr. Jay Ives and Mr. Ian Anderson to the Board of Resonance Health this year. Jay and Ian were part of SKG radiology group who provided the first commercial funding to the project as it emerged from The University of Western Australia and have been on the Board of Inner Vision Biometrics since its incorporation.

Reflecting on how far we have come since inception, the FerriScan technology is now recognised as the world's first regulated non-invasive liver iron test. With iron overload diseases amongst the most common genetic disorders, FerriScan meets the strong and growing demand for a non-invasive tool for measuring and monitoring the body's iron burden.

From an operating perspective, achieving regulatory clearance in Australia, USA, UK and Europe was a prerequisite for our meeting the objective of commercially launching FerriScan this financial year. I would like to particularly acknowledge the efforts of the management team in ensuring these milestones were met on, and in the case of the FDA, ahead of, schedule.

We have secured partnerships with leading imaging groups in the USA, Australia and the UK. We have also continued and expanded our relationship with Novartis in provision of our FerriScan test as part of their ongoing clinical trial programme. We have strengthened our Medical Advisory Board and now have four distinguished experts and global leaders in the field of iron overload to assist us in securing broad clinical acceptance of the test and attracting further advocate specialists.

As a result of these developments, Resonance Health looks forward to realising sustainable revenue in the coming year and beyond, with appropriate value being returned to all shareholders.



The Hon. Dr. Michael Wooldridge
Chairman

29th September 2005

Managing Director's Report

Resonance Health has made significant commercial progress during the 2004/2005 Financial Year. During this time, Resonance Health has transitioned from a development company to become an integrated Healthcare Service Provider, with our first product, FerriScan, successfully clearing major regulatory hurdles and being launched commercially.

FerriScan is a diagnostic test that provides an accurate and non-invasive measure of the level of iron present in the liver.

The FerriScan service can be divided into two major components:

- i) acquisition of images from standard Magnetic Resonance Imaging (MRI) instruments at clinical radiology sites; and
- ii) analysis of images by Resonance Health using proprietary and patent-protected software that converts the images to a report detailing the level of iron in the liver.

The analysis of images is conducted under quality-controlled processes at Resonance Health's Service Centre which was established and commissioned during the year. Images are received under secure conditions via the internet from MRI operators anywhere in the world.

Measurement of liver iron concentrations is important as the liver is a major site of iron deposition in diseases of iron overload. If left untreated, iron accumulation is a major cause of liver damage, and also affects other organs such as the heart and pancreas. One cause of iron overload is Hereditary Hemochromatosis (HHC), a genetic disorder that results in the body absorbing too much iron through the intestines. HHC is one of the world's most common genetic disorders, affecting approximately 1 in 227 people of European descent. People receiving multiple blood transfusions to treat disorders such as thalassemia also require a means to accurately monitor levels of iron in their liver to ensure that iron levels do not reach dangerously high, or low, levels during their therapy.

Our initial marketing activities, including through MRI facilities operated by the DCA Group, have resulted in FerriScan now being used in clinical practice for the management of patients with disorders of iron overload. In addition, FerriScan is being used by Novartis, a multinational pharmaceutical company, to monitor iron levels in patients involved in a clinical program to determine the efficacy of a new drug.

The consolidation of corporate and management structures, resourcing key areas such as marketing and sales, achievement of major regulatory clearances, the association with significant partners, including the DCA Group and Novartis, all achieved during this year, are requirements for the company to be able to accelerate towards profitability.

In summary, this year has been one focused on establishing the foundations that will enable the full commercial roll-out of FerriScan during the next financial year.

I would like to thank the Board, former Directors and Chairman of Inner Vision Biometrics, management and all staff for their efforts in what should be viewed as a very successful year for Resonance Health and the commercialisation of FerriScan.



Dr. James Williams
Managing Director

29th September 2005

Director's Report

THE Board of Directors of Resonance Health Limited has pleasure in presenting its report in respect of the financial year ended 30 June 2005.

Directors

The names, qualifications and experience of directors in office during the financial year and until the date of this report are as follows:



The Hon Dr. Michael Wooldridge
BSc, M.B.B.S, MBA

Position

Chairman — Independent and Non-Executive
(appointed 11 November 2003)

Experience

Trained as a medical practitioner, Dr. Wooldridge was Minister for Health and Family Services in 1996 and his portfolio was extended to include Aged Care in 1998, during which period he was Chair of the World Health Organisation's East Asia and Western Pacific Region. Dr. Wooldridge was also Global Chairman of UN AIDS, the peak UN body dealing with HIV. Dr. Wooldridge's understanding of government policy in the health sector is highly valuable.

Other current directorships

Independent Non-Executive Director of Cogstate Limited
(director since 2004)

Independent Non-Executive Director of Dia-BTech Limited (director since 2003)

Former directorships in last 3 years

None.

Special responsibilities

Chairman
Chairman of the remuneration committee



Dr. James Williams
BSc (Hons), PhD, MBA

Position

Managing Director — Executive (appointed 31 May 2005)

Experience

Dr. Williams has a track record of establishing health technology companies arising from academic institutions and taking their products to market rapidly. He has been CEO of RHAS (formerly InnerVision Biometrics) since May 2004. Before becoming involved in the commercialisation of medical technology, Dr. Williams led a research team investigating the molecular and cell biology of blood development and cancer. He has published widely and is a named co-inventor on patent applications in the areas of medical devices, drug discovery and drug delivery, some of which are being commercialised by public and private companies. He is a Non-executive Director of specialist biotechnology consultancy firm Tessitura Pty Ltd, and the immediate past Chair of the WA Branch of AusBiotech.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Managing Director



Mr. Tony Fitzgerald
B.A., B.Juris, LL.B., M.P.A.

Position

Non executive Director — Executive
(appointed 25 August 2003)

Experience

Mr. Fitzgerald has worked in the healthcare sector since 1986. He has expertise in the technology licensing area and has negotiated and concluded significant transactions with both Japanese and US pharmaceutical companies. He is a former Director of Cortecs International Ltd (now ProValis Pty Ltd), listed medical device company RiTract Ltd and the pharmaceutical development company Regenera Limited.

Other current directorships

Executive Chairman of Regenera Limited
(director since 2004)

Independent Non-Executive Director of RiTract Limited
(director since 2003)

Former directorships in last 3 years

None.

Special responsibilities

Executive Director



Dr. Christine Bennett
MBBS, FRACP, Master Paeds

Position

Director — Independent and Non-Executive
(appointed 11 November 2003)

Experience

Dr. Bennett has been CEO of Research Australia since 2002. She is a specialist paediatrician with more than 20 years' experience in the health care industry as a clinician, strategist and planner, and senior executive manager in both the public and private sectors. Dr. Bennett has held senior positions in the NSW Department of Health and was CEO of Westmead Hospital and Community Health Services, Australia's largest teaching hospital campus. In 2000 Dr. Bennett became a partner at KPMG in Health and Life Sciences and assisted a range of health care, biotech and pharmaceutical companies with business strategy, IT solutions, commercial due diligence, industry intelligence and capital raising processes.

Other current directorships

Independent Non-Executive Director of Heartware Limited (director since 2005)

Former directorships in last 3 years

Independent Non-Executive Director of Advanced Healthcare Limited (director from 2003 – 2004).

Special responsibilities

Chairman of the Audit Committee



Dr. Andrew Walker
B.Med, B.Med.Sci (Hons), FICS, MBA

Position

Director — Independent and Non-Executive
(appointed 11 November 2003)

Experience

Dr. Walker is the Chairman and CEO of Aspen Medical. Over the last 12 years, the team that he leads has developed and commercialised a range of successful medical and health-related businesses, including the Australian Skin Cancer Clinics and Combined Pathology.

Other current directorships

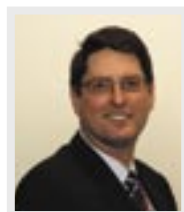
Independent Non-Executive Director of RiTract Limited (director since 2003)

Former directorships in last 3 years

None.

Special responsibilities

Member of the Audit Committee
Member of the Remuneration Committee



Ian Anderson
B.Bus, MBA

Position

Director — Independent and Non-Executive
(appointed 31 May 2005)

Experience

Mr. Anderson is currently on secondment with the North Metropolitan Area Health Service of Western Australia as Area Executive Director, Finance & Corporate Services. He was previously CEO of SKG Radiology where he led the restructuring of the company and its merger with Sonic Healthcare Ltd, and General Manager, Health Fund at the Hospital Benefit Fund, WA. Mr. Anderson is Chairman of the Allergy Research Foundation; Director of Leadership WA, a Member of the Australian Institute of Management (WA) Advisory Council, and Fellow of the Australian Institute of Company Directors.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the Audit Committee



Dr. Jay Ives
MBChB, FRANZCR

Position

Director — Independent and Non-Executive
(appointed 31 May 2005)

Experience

Dr. Ives was a partner and member of the Executive Committee of SKG Radiology before its sale to Sonic Healthcare Ltd and remains the Technical Director for the practice. Dr. Ives has co-authored several clinical and scientific publications and has a diverse range of research activities in MRI. He is a member of the MRI Reference Group of the Royal Australian and New Zealand College of Radiology. Dr. Ives is a former Director of Inner Vision Biometrics, WA Private Health Care Services and a Member of the Australian Institute of Company Directors.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

None.

Joint Company Secretaries



Mr. Evan Cross
B.Bus, C.A

Position

Joint Company Secretary/ Chief Financial Officer
(appointed 11 November 2003)

Experience

Mr. Cross is an Associate of the Institute of Chartered Accountants in Australia. He has held a number of senior positions in commerce and industry with particular focus on corporate finance and has international finance experience having worked in the investment banking industry in Australia and the U.S.

Mr. Cross is a co-founder and executive Director of the private investment firm HealthTec Growth Partners Pty Ltd.



Mr. Stuart Usher
B.Bus, Grad.Dip. CSP, CPA, A.C.I.S.

Position

Joint Company Secretary/ Chief Financial Officer
(appointed 15 April 2004)

Experience

Mr. Usher is a CPA, an Associate member of The Chartered Institute Of Secretaries and Administrators and a member of Chartered Secretaries Australia where he has attained the status of Chartered Company Secretary. He has extensive experience in the management and corporate affairs of public listed companies.

Advisory Committee

Resonance Health is working closely with influential global opinion leaders in the fields of 'iron overload' for ongoing clinical direction. Resonance Health Chief Scientific Officer Associate Professor Tim St Pierre, directs the Medical Advisory Board (MAB) which has been expanded to comprise four distinguished experts in this field.

The unique medical and scientific insights of the MAB will have a significant impact on how Resonance Health and FerriScan are viewed in the clinical community. The members of the MAB will assist with clinical education, review of marketing materials, present to peers, regulatory bodies and reimbursement agencies as required and assist with our ongoing R&D programs. The MAB will be integral in continuing to establish FerriScan as the definitive tool for non-invasive liver iron measurement.

Our Medical Advisory Board Members include:



Dr. Kris Kowdley
A.B.,M.D., FACP

Experience

Dr. Kowdley is a professor of medicine in the division of Gastroenterology/Hepatology at the University of Washington and Director of the Iron overload Clinic at the University of Washington Medical Centre. He is author of over 150 articles, book chapters, and reviews on various topics in liver disease and serves national committees and editorial boards.



Dr. Bruce R Bacon
MD

Experience

Director of Gastroenterology and Hepatology at Saint Louis University Liver Centre. Dr. Bacon was a member of the research team that discovered the gene that is abnormal in patients who have hereditary hemochromatosis and has written more than 240 articles, reviews and book chapters.



Dr. John Olynyk
BMedSc MBBS FRACP MD

Experience

Dr. Olynyk is Professor of Gastroenterology, School of Medicine and Pharmacology University of WA, Fremantle Hospital Campus, WA Australia. Dr. Olynyk is author of over 100 papers, book chapters and publications.



Dr. John B Porter
MA. MD, FRCP, FRCPath

Experience

Dr. Porter is Professor of Haematology and Consultant Haematologist at University College London Hospitals. Dr. Porter was awarded FRCP from the Royal London College of Physicians London in 1995 and FRCPath in Haematology from the Royal College of Pathologists in 1996. Dr. Porter was also awarded the Lionel Whitby medal for MD of 'exceptional merit' at Cambridge University in 1999.

Review of Operations

FERRISCAN - FROM CONCEPTION TO COMMERCIALISATION

1980's

In the 1980's MRI, (Magnetic Resonance Imaging Technology) developed and evolved to be a safe and effective diagnostic imaging tool for many indications. Radiologists identified the potential to detect high iron levels in the liver using MRI although early attempts failed to provide a clinically validated method.

1996

With Iron Overload among the most common genetic disorders and current tests not meeting clinical need for accurate non-invasive measurement of iron levels, a major research initiative was launched into this area at the University of Western Australia. Research was led by Associate Professor Tim St Pierre and a multi-disciplinary team.

1999

First patent application filed detailing the core mathematical algorithms underlying means to determine body iron levels using MRI.

2000

Inner Vision Biometrics Pty Ltd was founded as the commercialisation vehicle for the new test for liver iron measurement. The partners of SKG Radiology provide seed capital for initiation of commercialisation activities.

2000 – 2004

Extensive clinical testing of FerriScan demonstrating the test's comparative benefits over liver needle biopsy - the clinically accepted "Gold Standard".

2003

Resonance Health (formerly GEO2) takes controlling interest in Inner Vision Biometrics, bringing additional funding and commercialisation expertise to the venture.

2004

Partnership established with Novartis Pharmaceuticals.

First regulatory clearance for FerriScan achieved in Australia. European and US approvals followed.

2005

Commercial launch of FerriScan.

What is FerriScan?

FerriScan is a new technology for the non-invasive measurement of liver iron concentration (LIC). Advanced computer software, the result of extensive research and trials, is used to analyse data obtained through magnetic resonance imaging (MRI) of a patient's liver to determine an accurate measurement of liver iron concentration. The FerriScan method for measuring liver iron concentration has three simple steps:

1. A set of images of the liver are produced by an MRI scanner.
2. Image data from the MRI scan is sent to the FerriScan Service Centre via the internet where it is analysed using the FerriScan technology.
3. A LIC report is produced and sent to the MRI Centre within 2 business days of receipt of data by the FerriScan Service Centre.

A STRONG AND GROWING DEMAND



Market Dynamics

Iron disorders

Disorders of iron metabolism are amongst the most common diseases throughout the world and encompass a diverse range of clinical manifestations, from anaemia to iron overload. Iron toxicity is a well-recognised cause of organ damage, particularly in the liver. Accurate monitoring of the body iron burden is therefore crucial to the management of iron overload disorders.

“With up to 13% of the Australian adult population having elevated serum biochemical iron studies, resolving whether a patient has clinically relevant iron overload or not becomes a fairly commonplace issue. A new non-invasive diagnostic and measurement technique such as FerriScan will

be of benefit to clinicians not only in determining the severity or presence of excessive iron stores, but in optimising treatment plans.”

- Professor John K Olynyk, Professor of Gastroenterology, School of Medicine and Pharmacology (University of Western Australia), Fremantle Hospital Campus.

In the United States iron overload is primarily due to a genetic disorder and is known as hereditary hemochromatosis affecting approximately one in every 227 people, while one in 10 is a carrier, making this one of the most common of the known genetic disorders in the United States. Hereditary hemochromatosis increases the amount of iron that the body absorbs from the gut, with iron accumulating in body organs, eventually causing inflammation and damage. Serious and even fatal health effects can result, including cirrhosis of the liver, liver cancer, heart abnormalities (leading to heart failure), diabetes, impotence, and arthritis¹.

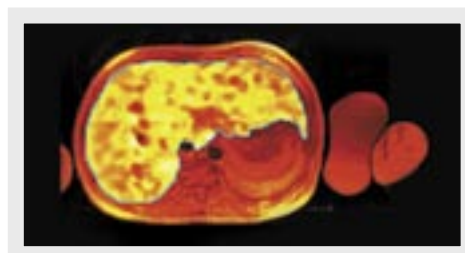
Treatment of hereditary hemochromatosis by phlebotomy (periodic removal of blood) is safe and effective, and can lead to a normal life expectancy if initiated before organ damage has occurred. Therefore, early detection of iron overload represents a major chronic disease prevention opportunity².

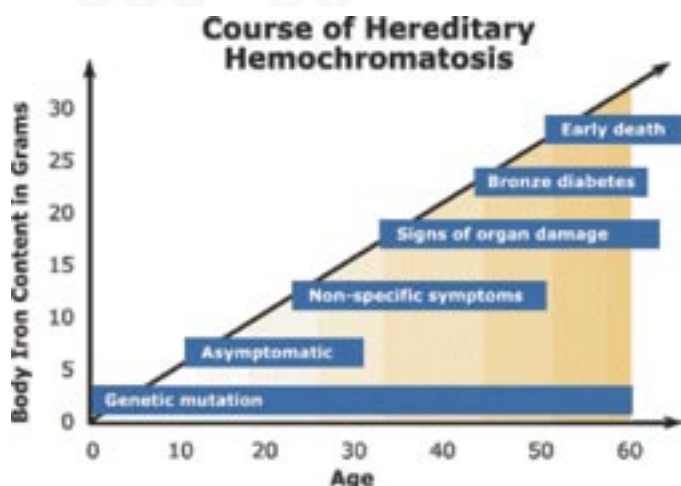
Thalassemia is one of a group of genetic blood disorders and is a very severe and debilitating form of anaemia, resulting in iron overload due to the requirement for frequent blood transfusions. Approximately 270 million people globally are carriers of the disorders³. The excess iron introduced into the body through the transfusions is typically removed through the use of iron chelating (iron removing) drugs. FerriScan is well positioned to assist in the management of iron chelation therapy through its ability to monitor how much iron is accumulating in the liver.

1. www.cdc.gov/hemochromatosis/hereditary.htm (Centre for Disease Control and Prevention)

2. www.cdc.gov/hemochromatosis/hereditary.htm (Centre for Disease Control and Prevention)

3. Higgs, D. R. 2004. Ham-Wasserman Lecture. Gene Regulation in Hematopoiesis: New Lessons from Thalassemia. Hematology.





Equipment

Magnetic Resonance Imaging (MRI) is a safe, non-invasive imaging procedure. MRI is widely available and accessible. In most markets, however, installed MRI equipment is used at levels far below capacity providing a unique opportunity for new imaging tests to capitalise on this underutilisation.

As the sequence required for FerriScan can be run on many existing MRI instruments, Resonance Health is able to establish mutually beneficial relationships with radiology service providers where the MRI operators leverage their existing marketing and collection functions

to deliver this new service, and Resonance Health completes the analysis of images and delivers the end report to the radiologist.

Resonance has already activated this model in Australia through its relationship with the DCA Group.

Competition

Prior to the development of FerriScan, the level of iron in the liver was either not measured at all, approximated using indirect blood iron tests or estimated via analysis of liver biopsy specimens.

Limitations of these tests were widely acknowledged by the medical community as being unsatisfactory as tools to determine liver iron concentration. As an invasive, and potentially fatal, procedure, liver biopsy is unsuitable for repeated measures and has limitations in terms of sampling error. Blood tests, whilst remaining a useful tool for initial screening for iron overload, fail to meet the need for accurate determination of iron overload levels due to their potential to be affected by other conditions.

To date there has been no other non-invasive test developed on any platform that is as effective as FerriScan for determination of liver iron levels.

	FerriScan®	Blood Test (Serum Ferritin)	Liver Biopsy	Multiple Signal SE Sequences (Wood R ²)	Single SE Sequence (Jensen R ²)	Multiple Single GE Sequences (Wood R ^{2*})	Multiple Single GE Sequences (Gandon R ^{2*})	SQUID
Non-Invasive	✓	X	X	✓	✓	✓	✓	✓
Regulated	✓	✓	✓	X	X	X	X	X
Widespread ¹ Availability	✓	✓	✓	X	X	X	X	X
Clinically Validated	✓	✓	✓	X	X	X	X	X
Able to be repeated frequently	✓	✓	X	✓	✓	✓	✓	✓
Affordable ²	✓	✓	X	X	X	X	X	X
Results available within 2 business days	✓	✓	X	X	X	X	X	X

1. Based on the regulatory clearance and availability of FerriScan compared to other methods.

2. In comparison with the current Gold Standard for LIC – Liver Biopsy Measurement.

FERRISCAN THE SERVICE – A LOW COST, HIGH MARGIN BUSINESS MODEL



FerriScan utilises existing MRI scanners for data collection and requires no additional equipment, making it a technique suitable for widespread clinical application.

The Key Features differentiating FerriScan from the competition are:

- Non-invasive.
- Proven clinical utility.
- Can be used repeatedly.
- Fast – 20 minute outpatient procedure.
- Patent protected.
- Regulatory clearances and widespread usage.

Meeting the needs of the market

FerriScan's unique backbone technology is allowing Resonance Health to meet the needs of the market in the following fashion:

- MRI manufacturers require increased equipment sales/ servicing and value added products to increase their margins
- Magnetic Resonance Imaging (MRI) chains want increased return on their investment in equipment and greater market share
- Clinicians require more effective and lower risk medical diagnostic techniques
- Governments want reduced healthcare cost for medical procedures and better health outcomes for patients

- Patients demand higher levels of service/care
- Pharmaceutical companies and regulators want better tools to monitor drug development and performance.

In short, FerriScan is now positioned to become the globally accepted new Gold Standard for determination of Liver Iron Concentration.

THE YEAR AHEAD – EXPANSION OF COMMERCIAL ROLL-OUT OF FERRISCAN

The next year will see Resonance Health continue to expand the commercial roll-out of FerriScan in Australia, in addition to greatly expanding its efforts in major offshore markets such as the USA.

Strategy overview

- Expand channel partner activation and leverage marketing capability
- Engage opinion leaders as ambassadors for FerriScan's benefits and insert into clinical guidelines throughout the world
- Partner disease organisations and inform patient groups
- Foster expanded Pharmaceutical company relationships and participate in global clinical trials
- Engage Original Equipment Manufacturers to further streamline MRI site activation
- Progress third party reimbursement negotiations in major markets
- Profile FerriScan at world events and conferences

Our focus on continuously meeting and exceeding our customers' and stakeholders needs and expectations will ensure widespread acceptance and utilisation of FerriScan in the coming year. This in turn will provide for increasing cash flows and will translate to substantial returns to shareholders.

Operating Results

The net loss of the consolidated entity for the financial year after tax and outside equity interests was \$1,906,310 (2004: Loss \$1,263,193).

Dividends Paid or Recommended

No dividend was paid or declared for the financial year.

Principal Activities

The company's business involves the commercialisation of the FerriScan technology. FerriScan is a novel, non-invasive liver diagnosis technology, designed to replace liver biopsy for the measurement of iron overload in the liver, and with potentially broader applications in other areas of liver disease.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company occurred during the financial year:

- i.* On 9 December 2004 the Company issued 7,970,000 ordinary shares and 7,970,000 options exercisable at \$0.40 (RHTOB) to provide additional working capital and to fund its investment in Resonance Health Analysis Services Pty Ltd (renamed from Inner Vision Biometrics Pty Ltd).
- ii.* On 31 May the Company issued 68,140,438 ordinary shares and 5,000,000 Class F Performance Shares and paid \$100,000 in cash for the purchase of the remaining equity in Resonance Health Analysis Services Pty Ltd
- iii.* On 16 June 2005 the Company issued 6,000,000 ordinary shares and 6,000,000 options exercisable at \$0.15 (RHTOA) to provide additional working capital.
- iv.* Classes A, C, D and E Incentive Shares were converted into 33,000,000 ordinary shares on achievement of set milestones.

Changes in controlled entities and divisions:

- i.* Following agreement by shareholders of the Company at a general meeting on 31 May 2005, the Company acquired 100% of Resonance Health Analysis Services Pty Ltd (renamed from Inner Vision Biometrics Pty Ltd) and 100% of WA Private Health Care Services Pty Ltd who had held a minority shareholding in Resonance Health Analysis Services Pty Ltd. Prior to this acquisition, the Company had 51% voting rights and was investing to build 51% equity ownership.

After Balance Date Events

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

Environmental Regulations

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Likely developments and expected results of operations

Comments on expected results of the operations of the consolidated entity are included in this report under the review of operations.

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.



REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Resonance Health Limited and for the executives receiving the highest remuneration.

Remuneration Policy

The Board of Directors of Resonance Health Limited is responsible for determining and reviewing compensation arrangements for directors and the executive team. Remuneration levels for executives are competitively set to attract the most qualified and experienced directors and senior executive officers, in the context of prevailing market conditions, particular experience of the individual concerned and the overall performance of the company, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The assistance of an external consultant or remuneration surveys are used where necessary.

The board of Resonance Health Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits. The remuneration committee reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executive director and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed, except for the performance shares that have been converted into ordinary shares on achievement of milestones throughout the period, which under International Financial Accounting Standards will not be expensed until 2006 when these standards are introduced. Securities given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive.

Each of the non-executive directors receives a fixed fee for their services as directors. Non-executive directors' fees not exceeding an aggregate of \$250,000 per annum have been approved by the Company in a general meeting. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievements of certain key performance indicators other than the holders of Performance Shares which are not convertible to ordinary fully paid shares until various milestones are achieved.

Details of Remuneration for Year Ended 30 June 2005 (This information has been audited)

The remuneration for each director and for the executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

Remuneration of directors and executives

Directors' remuneration

	Primary Salary & Fees	Post employment Superannuation Contributions	Equity Options [^]	Total
	\$	\$	\$	\$
Dr. M. Wooldridge - Chairman	50,000	-	-	50,000
Dr. J. Williams - Managing Director*	183,187	16,489	15,176	214,852
Mr. T. Fitzgerald - Non-executive Director	113,333	10,200	-	123,533
Dr. C. Bennett - Non-executive Director	30,000	2,700	-	32,700
Dr. A. Walker - Non-executive Director	30,000	2,700	-	32,700
Mr. I. Anderson - Non-executive Director	-	-	-	-
Dr. J. Ives - Non-executive Director	-	-	-	-
Total Remuneration	406,520	32,089	15,176	453,785

* Dr. James Williams was appointed a Director on 31 May 2005. Before this appointment he was the Chief Executive Officer of Inner Vision Biometrics Pty Ltd. Amounts shown above include all Dr. Williams remuneration during the reporting period, whether as a director or as chief executive officer. Amounts received in his position as a director amounted to \$13,333, made up of cash salary of \$12,232, superannuation of \$1,101 and options of \$15,176.

[^]Options were allotted on 16 June 2005 and were issued for no consideration after the issue was approved by shareholders at a 31 May 2005 general meeting. The purpose of issuing director securities is to give Dr. Williams an incentive to provide dedicated and ongoing commitment to the company. These options have been valued based on the 'Black and Scholes' option pricing model, which takes into account the exercise price, the term of the option, the vesting and market related criteria, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option. The board considers the issue of the number of director options to be reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to the company whilst maintaining the company's cash reserves.

The Company does not believe that any employees are classified as executives' who are directly accountable and responsible for the strategic direction and operational management of the consolidated entity.

Unissued ordinary shares of Resonance Health Limited under option at the date of this report and the terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant Date	Expiry date	Exercise price	Value per option at grant date	Number under option
13 May 2004	7 July 2009	\$0.40	\$0.016	800,000
13 May 2004	7 July 2009	\$0.30	\$0.004	1,600,000
31 May 2005	31 May 2007	\$0.25	\$0.0091	500,000
31 May 2005	31 May 2008	\$0.30	\$0.0075	1,000,000
31 May 2005	31 May 2008	\$0.40	\$0.0013	2,000,000
31 May 2005	31 May 2008	\$0.50	\$0.00024	2,000,000
				7,900,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

The model inputs for options granted during the year ended 30 June 2005 included:

- (a) Options are granted for no consideration and vest immediately.
- (b) Exercise price: Various refer above
- (c) Grant date: 31 May 2005
- (d) Expiry date: Various refer above
- (e) Share price at grant date: 19 cents
- (f) Expected price volatility of the Company's shares: 19.62%
- (g) Risk-free interest rate: 5.4% - 5.5%

Options Issued as Part of Remuneration for the Year Ended 30 June 2005

Options are issued to directors and specified executives as part of their remuneration. The options are not issued based on performance criteria.

Details of options over ordinary shares in the company provided as remuneration to each director of Resonance Health Limited are set out below. When exercisable, each option is convertible into one ordinary share. Further information on the options is set out in note 17 (b).

Name	Number of options granted during the year	Number of options vested during the year
Dr. James Williams - Managing Director	5,500,000	5,500,000

	Number Granted	Options Granted as Part of Remuneration	Total Remuneration Represented by Options	Options Exercised	Options Lapsed	Total
		\$	%	Number	Number	Number
Directors						
Dr. James Williams - Managing Director	5,500,000	15,176	7%	-	-	5,500,000

Executive Officer's Employment Agreement with Mr. Tony Fitzgerald

Pursuant to an agreement dated 3 October 2003, Resonance engaged Tony Fitzgerald to perform duties associated with the position of Chief Executive Officer. The position changed to Executive Director effective from the date of Dr. James Williams appointment on 31 May 2005. Effective 29 September 2005, Mr. Fitzgerald became Non-executive Director.

The main terms of the agreement are:

(a) Term of 3 years

(b) Resonance agrees to pay Mr. Fitzgerald a base salary of \$100,000 per annum, with the parties to agree to option based performance incentives.

Both Mr. Fitzgerald or the Company are entitled to terminate the Executive Services Agreement with 6 months written notice and can be terminated by the Company immediately without notice and without payment in lieu of notice in a number of circumstances, including:

- in the event Mr. Fitzgerald is guilty of any criminal or indictable offence or of any dishonesty in relation to the affairs of the Company;
- is guilty of any serious breach of faith, or serious neglect or default or wilful disregard of directions or serious professional misconduct or gross misconduct;
- is in serious and fundamental breach of this agreement and, after being previously directed in writing by the Company to remedy the breach, fails to do so within 14 days after the giving of the direction;
- being a member of the board of directors of a body

corporate, has his office vacated under Part 2D.6 of the Corporations Law;

- becomes of unsound mind or a person or estate is liable to be dealt with in any way under any law relating to mental health;
- is unable to perform the full range of duties due to illness, injury or incapacity and at least 3 months has elapsed since he first became unable to perform the full range of duties, or
- Mr. Fitzgerald may terminate the agreement on 7 days written notice if the Company commits a material breach of the agreement which it fails to remedy within 14 days of being given written notice by the Company to do so.

Executive Officer's Employment Agreement with Dr. James Williams

The Company and Dr. James Williams entered into an executive services agreement on 18 May 2005 pursuant to which Dr. Williams was appointed as Managing Director of the Company, commencing on 31 May 2005. Dr. Williams is paid a gross base salary of \$240,000, including statutory superannuation.

Both Dr. Williams or the Company are entitled to terminate employment by giving three months notice to the other or by the Company, on payment of three months salary in lieu of notice, except in the case of misconduct, where the Company has the right to immediate dismissal.



Meetings of Directors

The number of meetings of the company's board of directors and each board committee held during the year ended 30 June 2005, and the numbers of meetings attended by each director were:

	Director Meetings		Audit Committee Meetings		Remuneration Meetings	
	Number eligible To attend	Number attended	Number eligible To attend	Number attended	Number eligible To attend	Number attended
Dr. M Wooldridge	7	7	-	-	1	1
Dr. J Williams	1	1	-	-	-	-
Mr. T Fitzgerald	7	7	-	-	-	-
Dr. C Bennett	7	7	2	2	-	-
Dr. A Walker	7	7	2	2	1	1
Mr. I Anderson	1	1	-	-	-	-
Dr. J Ives	1	1	-	-	-	-

Directors' and Executives' Shareholdings and Optionholdings

Disclosures relating to directors' and executives' shareholdings and optionholdings have been included in Note 5 to the financial statements. No movements in these shareholdings have occurred between 30 June 2005 and the date of this report.

Indemnifying Directors and Officers

During the year the Resonance Health Limited paid a premium of \$20,813 (2004: 20,790) to insure the directors and secretaries of the company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Options

Details of Options that were granted over unissued shares during the financial year by the company and which remain outstanding at balance date are disclosed at Note 17(b) to the financial statements.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Resonance Health Limited support and adhere to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors' independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

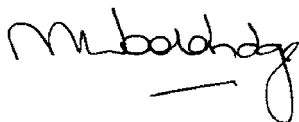
The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2005:

	\$
Taxation compliance services	<u>7,842</u>

Auditors' Independence Declaration

A copy of the auditors' independence declaration for the year ended 30 June 2005, as required under section 307C of the Corporations Act 2001, has been received and can be found below.

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



The Hon. Dr. Michael Wooldridge
Chairman

Dated this 29th day of September 2005.

Auditors' Independence Declaration

As lead auditor for the audit of the financial report of Resonance Health Limited for the year ended 30 June 2005, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Resonance Health Limited.



Perth, Western Australia
30 September 2005

L DI GIALLONARDO
Partner, HLB Mann Judd



Corporate Governance Statement

Resonance Health Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. This Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Stock Exchange ('ASX') Corporate Governance Council recommendations. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

Principle 1

Lay solid foundations for management and oversight

The Board is the governing body of the Company. The Board and the Company act within a statutory framework – principally the Corporations Act and also the Constitution of the Company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of Resonance Health Limited.

The Board must ensure that Resonance Health Limited acts in accordance with prudent commercial principles, and satisfies shareholders – consistent with maximising the Company's long term value.

The primary responsibilities of the Board include:

- Charting the direction, strategies and financial objectives of the company and ensuring appropriate resources are available
- Monitoring the implementation of those policies and strategies and the achievement of those financial objectives
- Monitoring compliance with control and accountability systems, regulatory requirements and ethical standards
- Ensuring the preparation of accurate financial reports and statements
- Reporting to shareholders and the investment community on the performance and state of the company
- Appoint the Chief Executive Officer and monitor performance of the Chief Executive Officer and senior executives

- Establish proper succession plans for management of the company

Separate functions of the Board and management existed and were practised throughout the year.

Principle 2

Structure the Board to add value

The composition of the Board has been determined on the basis of providing the Company with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. Details of each Director's skills and experience are set out in the Directors' report.

The ASX guidelines recommend that a listed company should have a majority of directors who are independent. The Board complies with the ASX Corporate Governance Council Principles 2.1 having five out of the seven directors including the Chairman who are independent.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is evidence to the contrary) if it is equal or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point at the actual ability in question to shape the direction of the company's loyalty.

The roles of Chairman and Managing Director are exercised by different individuals, providing for clear division of responsibility at the head of the company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communication between them.

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning

any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Directors are subject to re-election by rotation at annual general meetings as stipulated in the Corporations Act and the company's constitution. There are no maximum terms for non-executive director appointments. Newly elected directors must seek re-election at the first general meeting of shareholders following their appointment.

The remuneration of the directors is determined by the remuneration committee. Further information and the components of remuneration for directors are set out in the Directors' Report.

The members of the remuneration and nomination committee are as follows:

- Dr. M Wooldridge (Chairman)
- Dr. A Walker

Principle 3

Promote ethical and responsible decision-making

The Board places great emphasis on ethics and integrity in all its business dealings.

In regards to Principle 3.1 the board considers the business practices and ethics exercised by individual Board members and key executives to be of the highest standards.

Trading in the company's shares

The company's policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices. Statutory provisions of the Corporations Act dealing with insider trading have been strictly complied with.

Principle 4

Safeguard integrity in financial reporting

The board has established an audit committee. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper

accounting records, and the reliability of financial information. The Board has delegated responsibility for the establishment and framework of internal controls and ethical standards for the management of the consolidated entity to the audit committee.

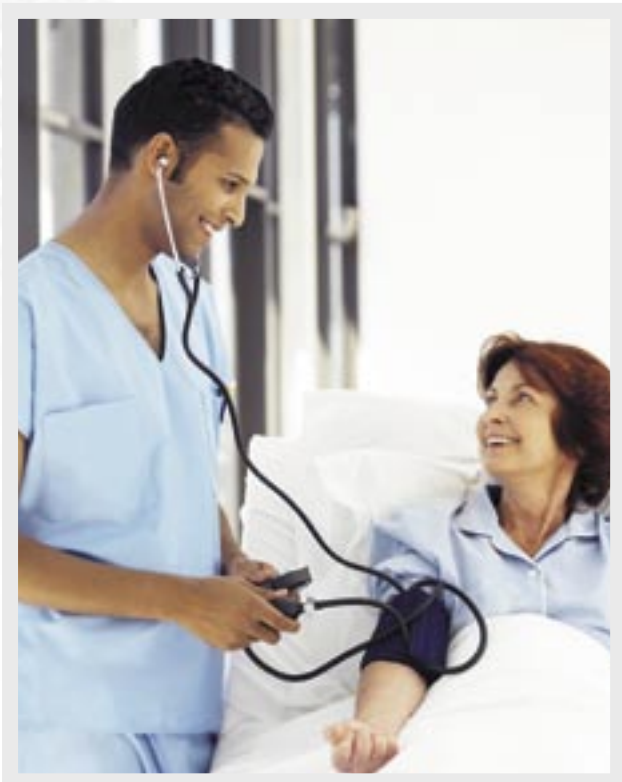
The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are independent non-executive directors.

The members of the audit committee during the year were:

- Dr. C Bennett (Chairman)
- Dr. A Walker

The audit committee generally invites the Joint Chief Financial Officer and Company Secretary and external auditors to attend meetings.





Principle 5

Make timely and balanced disclosure

Although there were no written policies for most of the year, the Company complied with all disclosure requirements to ensure that Resonance Health manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. All market disclosures are approved by the Board.

The Managing Director, Executive Director and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures.

All announcements made to the ASX are placed on the Company's web site immediately after public release.

Principle 6

Respect the rights of shareholders

The Company has a positive strategy to communicate with shareholders and actively promote shareholder involvement in the Company. It aims to continue to increase and improve the information available to shareholders on its website. All company announcements, presentations to analysts and other significant briefings are posted on the company's website after release to the Australian Stock Exchange.

Principle 7

Recognise and manage risk

The Board oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. Recommendation 7.1 requires the establishment of a risk committee. During the year Resonance Health Limited did not have a separately established risk committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the role of the Audit Committee and the main Board. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee.

Recommendation 7.1 also requires that the company has a formal risk management policy and internal compliance and control system. During the year, Resonance Health Limited, through its operating subsidiary Resonance Health Analysis Services Pty Ltd, established a Quality Management System (QMS) to international standards ISO9001:2000 and ISO13485:2003 which encompass formal risk analysis processes. In addition, the QMS requires the appointment of a Management representative that reports directly to the Board of Directors. The company also has in place classes of insurance at levels which, in the reasonable opinion of the directors, are appropriate for its size and operations.

Principle 8

Encourage enhanced performance

During the year the company conducted a performance evaluation of its board and members in accordance with recommendation 8.1.

To enable the performance of their duties, all directors:

- have access to management
- are provided with appropriate management information in a timely manner
- are able to seek independent professional advice at the company's expense
- are entitled to request additional management information at any time

Principle 9

Remunerate fairly and responsibly

The Board has established a remuneration committee, comprising two non-executive directors. Members of the remuneration committee throughout the year were:

- Dr. M Wooldridge (Chairman)
- Dr. A Walker

The remuneration policy, which sets the terms and conditions for the managing director and other senior executives, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the board. All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The remuneration committee will review executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed half-yearly

which is based on the forecast growth of the company's profits and shareholders value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Director disclosure requirements are dealt with in the notes to the financial statements.

Principle 10

Recognise the legitimate interests of stakeholders

The Board recognises that the interests of all stakeholders will be best served when the company, its directors and staff adhere to high standards of business ethics and comply with the law.

The Board expects a high standard of ethical corporate behaviour from all directors and staff. A code of Business Ethics has been developed outlining the policies and procedures which operate within the company to ensure its exemplary reputation is maintained.



Statements Of Financial Performance

For The Year Ended 30 June 2005

The following statements of financial position should be read in conjunction with the accompanying notes

	Note	Consolidated		Parent	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenues from ordinary activities	2	283,179	49,135	30,024	24,567
Expenses from ordinary activities					
Employee benefits expense		(1,220,453)	(707,258)	(327,084)	(344,297)
Consulting and professional services		(414,095)	(266,131)	(239,305)	(140,289)
Research and development		(409,219)	(473,069)	(30,111)	-
Depreciation and amortisation		(323,460)	(68,838)	(5,160)	(2,489)
Marketing		(75,146)	(98,800)	(18,625)	(33,865)
Statutory and compliance		(334,688)	(162,242)	(191,918)	(139,128)
Travel		(280,187)	(110,642)	(44,403)	(95,497)
Provision for non-recoverability of loan to controlled entity		-	-	(849,632)	(525,347)
Other expenses from ordinary activities	3	(241,856)	(182,432)	(30,608)	(206,332)
Loss from ordinary activities before income tax		(3,015,925)	(2,020,277)	(1,706,822)	(1,462,677)
Income tax benefit/(expense) relating to ordinary activities	4	-	-	-	-
Net Loss		(3,015,925)	(2,020,277)	(1,706,822)	(1,462,677)
Net loss attributable to outside equity interest		1,109,615	757,084	-	-
Net loss attributable to members of the parent entity		(1,906,310)	(1,263,193)	(1,706,822)	(1,462,677)
Total changes in equity other than those resulting in transactions with owners as owners		(1,906,310)	(1,263,193)	(1,706,822)	(1,462,677)
Basic earnings / (loss) per share (cents per share)	7	(2.0)	(2.8)		

Statements Of Financial Position

As at 30 June 2005

		Consolidated		Parent	
	Note	2005 \$	2004 \$	2005 \$	2004 \$
Current Assets					
Cash assets	8	1,509,192	1,272,680	786,374	319,526
Receivables	9	227,802	100,362	82,167	163,838
Financial assets	10	14,337	-	-	-
Other	11	84,221	12,128	11,092	12,128
Total Current Assets		1,835,552	1,385,170	879,633	495,492
Non-Current Assets					
Property, plant and equipment	12	156,780	79,115	16,360	17,942
Receivables	9	-	-	2,410,617	1,174,653
Other financial assets	13	-	-	10,939,666	1,300,000
Intangible assets	14	12,520,221	1,667,708	-	-
Total Non-Current Assets		12,677,001	1,746,823	13,366,643	2,492,595
Total Assets		14,512,553	3,131,993	14,246,276	2,988,087
Current Liabilities					
Payables	15	321,303	224,325	108,956	106,688
Provisions	16	84,451	38,543	30,521	12,274
Total Current Liabilities		405,754	262,868	139,477	118,962
Total Liabilities		405,754	262,868	139,477	118,962
Net Assets		14,106,799	2,869,125	14,106,799	2,869,125
Equity					
Parent entity interest					
Contributed equity	17	62,391,865	49,447,853	62,391,865	49,447,853
Option reserve		51,109	50,622	51,109	50,622
Accumulated losses	18	(48,336,175)	(46,429,865)	(48,336,175)	(46,629,350)
Total Parent entity interest		14,106,799	3,068,610	14,106,799	2,869,125
Outside equity interest		-	(199,485)	-	-
Total Equity		14,106,799	2,869,125	14,106,799	2,869,125

Statements Of Cash Flows

For The Year Ended 30 June 2005

	Note	Consolidated		Parent	
		2005	2004	2005	2004
		\$	\$	\$	\$
		Inflows/(Outflows)		Inflows/(Outflows)	
Cash flows from operating activities					
Receipts from customers		166,488	3,300	-	-
Payments to suppliers and employees		(2,558,016)	(1,423,913)	(716,832)	(1,042,421)
Interest received		49,847	45,835	30,024	24,567
Net cash used in operating activities	20(a)	(2,341,681)	(1,374,778)	(686,808)	(1,017,854)
Cash flows from investing activities					
Payments for investments		(425,000)	(250,000)	(100,000)	-
Loans to controlled entities		-	-	(2,085,596)	(1,700,000)
Payments for plant and equipment		(149,852)	(62,771)	(3,578)	(20,431)
Payments for research and development		(335,843)	(381,812)	-	-
Cash introduced on acquisition of controlled entity		146,058	284,230	-	-
Net cash used in investing activities		(764,637)	(410,353)	(2,189,174)	(1,720,431)
Cash flows from financing activities					
Proceeds from issue of shares		3,379,644	2,564,986	3,379,644	2,564,986
Payments for share issue costs		(36,814)	(224,152)	(36,814)	(224,152)
Net cash provided by financing activities		3,342,830	2,340,834	3,342,830	2,340,834
Net increase in cash held		236,512	555,703	466,848	(397,451)
Cash at the beginning of the financial year		1,272,680	716,977	319,526	716,977
Cash at the end of the financial year	8	1,509,192	1,272,680	786,374	319,526

Notes To The Financial Statements

For The Year Ended 30 June 2005

Note 1: Statement Of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial report covers Resonance Health Limited as an individual company (parent entity) and the consolidated entity of Resonance Health Limited and its controlled entities. Resonance Health Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Resonance Health Limited ("company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Resonance Health Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statements of financial performance and statements of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

(b) Intangibles

Acquisition Goodwill:

Acquisition goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of businesses, is amortised on a straight line basis over the period of time during which benefits are expected to arise, which is currently 10 years.

The unamortised balance of acquisition goodwill is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the goodwill is written down and the difference is charged to the Statement of Financial Performance.

(c) Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit/loss and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Plant and Equipment

Items of plant and equipment are carried at the lower of cost less accumulated depreciation, and recoverable amount.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

Items of property, plant and equipment are depreciated over their estimated useful lives. The straight line method of depreciation is used and assets are depreciated from the date of acquisition. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment 3 – 10 years

(e) Investments

Investments are stated at cost. Where there has been a permanent diminution in the value of an investment a provision for diminution is made.

Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount.

(f) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the operating profit/loss in equal instalments over the lease term.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(h) Earnings per share

Basic EPS is calculated as net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit/loss attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

and divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(i) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(j) Research and Development Expenditure

Research and Development costs are charged to profit/loss from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs. To date no research and development costs, including costs associated with patent applications, have been deferred.

(k) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

(l) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred. During the year the company contributed 9% of salaries and wages under the Superannuation Guarantee Act requirements.

(m) Cash

For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(n) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised as it accrues taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the ATO are classified as operating cash flows.

(p) Trade debtors

Trade debtors are recognised on an accrual basis as the services to which they relate are performed. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

(q) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

	Consolidated		Parent	
	2005	2004	2005	2004
NOTE 2: Revenue from ordinary activities	\$	\$	\$	\$
Revenues from operating activities				
– Liver Scan income	121,568	3,300	-	-
Total Revenue from operating activities	121,568	3,300	-	-
Revenues from non-operating activities				
– Interest received	49,845	45,835	30,024	24,567
– BIF grant income	111,766		-	
	161,611	45,835	30,024	24,567
Total revenues from ordinary activities	283,179	49,135	30,024	24,567

NOTE 3: Expenses from ordinary activities

Loss from ordinary activities before income tax has been determined after charging as expenses:

Depreciation/amortisation of non-current assets:

– Fixtures and equipment	56,793	17,883	5,160	2,489
– Amortisation of goodwill	266,667	50,955	-	-
Total depreciation and amortisation expenses	323,460	68,838	5,160	2,489
Rental expense on operating leases	33,287	93,272	23,230	79,042

	Consolidated		Parent	
	2005 \$	2004 \$	2005 \$	2004 \$
NOTE 4: Income tax benefit				
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:				
Loss from ordinary activities before income tax expense	(3,015,925)	(2,020,277)	(1,706,822)	(1,462,677)
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2004: 30%)	(904,777)	(606,083)	(512,047)	(438,803)
Tax effect of permanent differences:				
- Amortisation not deductible	80,000	15,287	-	-
Income tax adjusted for permanent differences	(824,777)	(590,796)	(512,047)	(438,803)
Benefit of income tax losses not brought to account	824,777	590,796	512,047	438,803
Income tax benefit attributable to loss from ordinary activities	-	-	-	-

Future income tax benefit from tax losses amounting to \$1,530,991 (\$1,066,268: Parent) (calculated at 30%) is not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.

The future income tax benefit will only be obtained if:

- (a)** future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b)** the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c)** no changes in tax legislation adversely affect the company in realising the benefit.

NOTE 5: Director and executive disclosures

(a) The Company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed companies from providing remuneration disclosures in relation to Directors and Executives in the Financial Report by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report under Details of Remuneration and are designated as audited.

(b) Shareholdings

Number of Shares held by Specified Directors

The numbers of shares in the company held during the financial year by each director of Resonance Health Limited including their personally related entities are set out below.

Number of Shares held by Specified Directors

	Opening Balance	Received as Remuneration	Net Change Other*	Received during the year on exercise of options	Balance 30.6.05
Specified Directors					
Dr. M. Wooldridge - Chairman	200,000	-	24,742 [#]	-	224,742
Dr. J. Williams - Managing Director	-	-	25,000 [^]	-	25,000
Mr. T. Fitzgerald - Non-executive Director	390,333	-	41,238 [#]	-	431,571
Dr. C. Bennett - Non-executive Director	-	-	-	-	-
Dr. A. Walker - Non-executive Director	-	-	-	-	-
Mr. I. Anderson - Non-executive Director	-	-	1,307,934 [^]	-	1,307,934
Dr. J. Ives - Non-executive Director	-	-	5,410,934 [^]	-	5,410,934
Total	590,333	-	6,809,848	-	7,400,181

* "Net Change Other" includes those shares that were issued during the year through on market purchase/sale.

[#] Issued on conversion of Class D and E Incentive Shares.

[^] Shares held as disclosed in the initial directors notice on being appointed directors on 31 May 2005.

(c) Option Holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Resonance Health Limited including their personally related entities are set out below.

Number of options held by Specified Directors

	Opening Balance	Options Exercised	Granted as Remuneration	Net Change Other*	Balance 30.6.05
Specified Directors					
Dr. M. Wooldridge - Chairman	1,110,000	-	-	20,618 [^]	1,130,618
Dr. J. Williams - Managing Director	-	-	5,500,000	-	5,500,000
Mr. T. Fitzgerald - Non-executive Director	855,000	-	-	34,364 [^]	889,364
Dr. C. Bennett - Non-executive Director	650,000	-	-	-	650,000
Dr. A. Walker - Non-executive Director	590,000	-	-	-	590,000
Mr. I. Anderson - Non-executive Director	-	-	-	-	-
Dr. J. Ives - Non-executive Director	-	-	-	40,334 [#]	40,334
Total	3,205,000	-	5,500,000	95,316	8,800,316

* "Net Change Other" includes those options that were issued during the year other than as remuneration through on market purchase/sale.

[^] Issued on conversion of Incentive Options

[#] Options held as disclosed in the initial directors notice on being appointed directors on 31 May 2005.

Specified Executives

"Specified Executives" are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity. Accordingly there are two employees in this category who is the Managing Director Dr. James Williams and an Executive Director Mr. Tony Fitzgerald, both classified above as a specified director. Being a working Board, strategic direction and decision is exercised through the Board.

Number of Shares held by Specified Directors

	Balance 01.07.04	Received as Remuneration	Converted to Ordinary Shares	Net Change Other	Balance 30.6.05
Specified Directors					
Dr. M. Wooldridge - Chairman (1)	37,113	-	(24,742)	-	12,371
Dr. J. Williams - Managing Director (2)	-	3,000,000	-	-	3,000,000
Mr. T. Fitzgerald - Non-executive Director (3)	61,857	-	(41,238)	-	20,619
Dr. C. Bennett - Non-executive Director	-	-	-	-	-
Dr. A. Walker - Non-executive Director	-	-	-	-	-
Mr. I. Anderson - Non-executive Director (4)	-	-	-	83,334	83,334
Dr. J. Ives - Non-executive Director (5)	-	-	-	383,334	383,334
Total	98,970	3,000,000	(65,980)	466,668	3,499,658

* Incentive Shares held as disclosed in the initial directors notice on being appointed directors on 31 May 2005.

Notes

- (1) Dr. Wooldridge holds 12,371 Class F Incentive Shares.
- (2) Dr. Williams holds 3,000,000 Class G Incentive Shares.
- (3) Mr. Fitzgerald holds 20,619 Class F Incentive Shares.
- (4) Mr. Anderson holds 83,334 Class F Incentive Shares
- (5) Dr. Ives holds 383,334 Class F Incentive Shares

(e) Incentive Options

Number of Shares held by Specified Directors

	Balance 30.06.04	Received as Remuneration	Converted to Unlisted Options	Net Change Other	Balance 30.6.05
Specified Directors					
Dr. M. Wooldridge - Chairman (1)	30,927	-	(20,618)	-	10,309
Dr. J. Williams - Managing Director	-	-	-	-	-
Mr. T. Fitzgerald - Non-executive Director (2)	51,546	-	(34,364)	-	17,182
Dr. C. Bennett - Non-executive Director	-	-	-	-	-
Dr. A. Walker - Non-executive Director	-	-	-	-	-
Mr. I. Anderson - Non-executive Director	-	-	-	-	-
Dr. J. Ives - Non-executive Director	-	-	-	-	-
Total	82,473	-	(54,982)	-	27,491

* "Net Change Other" includes those shares that were issued during the year through the Prospectus dated 6 October 2003.

Notes

(1) Dr. Wooldridge holds 10,309 Class F Incentive Options.

(2) Mr. Fitzgerald holds 17,182 Class F Incentive Options.

	Consolidated		Parent	
	2005	2004	2005	2004
NOTE 6: Auditors' remuneration	\$	\$	\$	\$
(During the year the following fees were paid or payable to the auditor:				
Remuneration of the auditor of the company for:				
– auditing or reviewing the financial report	19,370	15,030	19,370	15,030
– Taxation compliance services	7,842	-	4,480	-
– other services	-	9,000	-	9,000
	27,212	24,030	23,850	24,030

	2005	2004
	\$	\$
NOTE 7: Earnings/(loss) per share		
(a) Reconciliation of earnings used in calculating earnings/(Loss) per share		
Net loss	(3,015,925)	(2,020,277)
Net loss attributable to outside equity interest	1,109,615	757,084
Earnings used in the calculation of basic and dilutive earnings per share	(1,906,310)	(1,263,193)

(b) Weighted average number of shares used as the denominator	Number	
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	94,686,030	45,577,851

(c) Classification of securities

Options outstanding have been classified as potential ordinary shares, however they are not considered to be dilutive in nature as their conversion will not result in an increase in the basic loss per share.

	Consolidated		Parent	
	2005	2004	2005	2004
NOTE 8: Cash assets	\$	\$	\$	\$
Deposits at call	1,509,192	1,272,680	786,374	319,526
	1,509,192	1,272,680	786,374	319,526

	Consolidated		Parent	
	2005 \$	2004 \$	2005 \$	2004 \$
NOTE 9: Receivables				
Current				
Other debtors	227,802	100,362	82,167	163,838
Non Current				
Loans to Controlled Entities	-	-	3,785,596	1,700,000
Provision for non-recoverability	-	-	(1,374,979)	(525,347)
	-	-	2,410,617	1,174,653
Movement in provision for non-recoverability				
- balance at the beginning of year	-	-	(525,347)	-
- increase in provision during the year	-	-	(849,632)	(525,347)
- balance at end of year	-	-	(1,374,979)	(525,347)

Note 10: Financial assets

Current

Shares in listed corporations, at market value	14,337	-	-	-
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NOTE 11: Other assets

Current

Prepayments	84,221	12,128	11,092	12,128
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	Consolidated		Parent	
	2005	2004	2005	2004
NOTE 12: Property, plant and equipment	\$	\$	\$	\$
Fixtures and equipment				
At cost	236,259	101,801	21,520	20,431
Less: Accumulated depreciation	(79,479)	(22,686)	(5,160)	(2,489)
Total property, plant and equipment	156,780	79,115	16,360	17,942

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	79,115	-	17,942	
Additions	134,458	62,771	3,578	20,431
Additions through acquisition	-	39,030	-	-
Depreciation expense	(56,793)	(17,883)	(5,160)	(2,489)
Depreciation through acquisition	-	(4,803)	-	-
Carrying amount at the end of the year	156,780	79,115	16,360	17,942

Note 13: Other financial assets

Non-Current

Investment in controlled entities	-	-	10,939,666	1,300,000
- at cost (Note 23)				

The carrying value of the investment in controlled entities is dependent on the successful development and commercialisation of the FerriScan technology or realisation by sale, by the company's controlled entities.

NOTE 14: Intangible assets

Goodwill on consolidation	12,837,843	1,718,663	-	-
Accumulated amortisation	(317,622)	(50,955)	-	-
Total	12,520,221	1,667,708	-	-

The carrying value of goodwill on consolidation is dependent on the successful development and commercialisation of the FerriScan technology embodied in this asset or realisation by sale, by the company's controlled entities.

	Consolidated		Parent	
	2005	2004	2005	2004
NOTE 15: Payables	\$	\$	\$	\$
Current				
Trade creditors	87,967	95,926	2,830	21,997
Sundry creditors and accruals	233,336	128,399	106,126	84,691
	<u>321,303</u>	<u>224,325</u>	<u>108,956</u>	<u>106,688</u>

NOTE 16: Provisions

Current				
Employee entitlements	67,879	38,543	30,521	12,274
Income tax	16,572	-	-	-
	<u>84,451</u>	<u>38,543</u>	<u>30,521</u>	<u>12,274</u>

Note 17: Contributed equity

	2005		2004	
	Number	\$	Number	\$
(a) Issued and paid up capital				
185,494,023 ordinary shares		\$62,391,849		
16,000,000 incentive shares		\$16		
	<u>201,494,023</u>	<u>62,391,865</u>	<u>101,603,543</u>	<u>49,447,853</u>
2004:				
60,603,543 ordinary shares		\$49,447,812		
41,000,000 incentive shares		\$41		

Movements during the period**Ordinary shares**

	Number of shares	Issue price	\$
Balance at the beginning of the financial year	<u>60,603,543</u>		<u>49,447,812</u>
Shares issued:			
- Exercise of options	8,539,042	\$0.15	1,280,856
- Exercise of advisor options	1,241,000	\$0.10	124,100
- Shares issued pursuant to share placement in Nov 2004	7,970,000	\$0.135	1,075,950
- Shares issued pursuant to share placement in June 2005	6,000,000	\$0.16	960,000
- Shares issued on acquisition of Resonance Health Analysis Services Pty Ltd	68,140,438	\$0.14	9,539,661
- Conversion of Class A incentive shares	9,000,000	\$0.000001	9
- Conversion of Class C incentive shares	8,000,000	\$0.000001	8
- Conversion of Class D incentive shares	8,000,000	\$0.000001	8
- Conversion of Class E incentive shares	8,000,000	\$0.000001	8
Share issue expenses	-	-	<u>(36,563)</u>
Balance at end of financial year	<u>185,494,023</u>		<u>62,391,849</u>

Incentive shares

Balance at the beginning of the financial year	41,000,000	\$0.000001	41
- Issue of F Class incentive shares	5,000,000	\$0.000001	5
- Issue of G Class incentive shares	3,000,000	\$0.000001	3
- Conversion of incentive shares	<u>(33,000,000)</u>	<u>\$0.000001</u>	<u>(33)</u>
	16,000,000		16
Total	<u>201,494,023</u>		<u>62,391,865</u>

(b) Share Options

Options over ordinary shares issued during the year and outstanding at balance date:

50,461,309 Listed Options Expiring 15 January 2007 (ASX Code: RHTOA)

Options are listed on the ASX and have an exercise price of \$0.15 to the expiry date of 15 January 2007.

During the year ended 30 June 2005 Optionholders exercising their options on or before 8 December 2004 received (for free) one new RHTOB Option for each option exercised.

8,539,042 fully paid shares of Resonance Health Limited were issued on the exercise of options with these holders all receiving for free a new option for each option exercised.

On 12 November 2004, 4,000,000 options were issued on the conversion of the Class A incentive shares.

On 16 June 2005 6,000,000 options were issued free to participants in a share placement where they received one free attached option per share subscribed, where funds of \$960,000 were raised. Under the terms of the placement, each allottee is required to exercise 50% of their options before 30 September 2005. Conversion of 50% of the Options will raise an additional \$450,000 for the Company. As at the date of this report applications for conversion of 1,897,031 options have been received with \$284,555 being received by the Company.

20,605,194 Listed Options Expiring 15 January 2008 (ASX Code: RHTOB)

Over the reporting period 8,539,042 options have been issued on exercise of the listed options expiring 15 January 2007 (ASX Code: RHTOA) as detailed above which are referred to as the free issued options and 1,241,000 options have been issued on exercise of the Unlisted advisor options expiring 15 January 2007 as detailed below.

On 9 December 2004, 7,970,000 options were issued to participants in a share placement where they received one free attached option per share subscribed.

Over the reporting period 1,241,000 options have been issued on the exercise of the unlisted advisor options whereby if they exercised prior to 7 November 2004 they received for free one new RHTOB option for each option exercised

The options are listed on the ASX and have an exercise price of \$0.40, exercisable any time prior to their expiry date of 15 January 2008.

1,600,000 Unlisted Options Expiring 7 July 2009

Issued to directors and have an exercise price of \$0.30 to the expiry date of 7 July 2009.

800,000 Unlisted Options Expiring 7 July 2009

Issued to directors and have an exercise price of \$0.40 to the expiry date of 7 July 2009.

4,000,000 Unlisted Options Expiring 12 November 2007

Issued on the conversion of the Class A incentive share options on 12 November 2004 and have an exercise price of 20 cents to the expiry date of 12 November 2007.

3,333,333 Unlisted Options Expiring 6 December 2007

Issued on the conversion of the Class D incentive share options on 3 December 2004 and have an exercise price of 20 cents to the expiry date of 6 December 2007.

(b) Share Options (Cont'd)

3,333,333 Unlisted Options Expiring 6 December 2007

Issued on the conversion of the Class D incentive share options on 3 December 2004 and have an exercise price of 30 cents to the expiry date of 6 December 2007.

3,333,333 Unlisted Options Expiring 1 February 2008

Issued on the conversion of the Class E incentive share options on 1 February 2005 and have an exercise price of 20 cents to the expiry date of 1 February 2005.

3,333,333 Unlisted Options Expiring 1 February 2008

Issued on the conversion of the Class E incentive share options on 1 February 2005 and have an exercise price of 30 cents to the expiry date of 1 February 2005.

500,000 Unlisted Options Expiring 31 May 2007

Issued to the Managing Director and have an exercise price of \$0.25 to the expiry date of 31 May 2007.

1,000,000 Unlisted Options Expiring 31 May 2008

Issued to the Managing Director and have an exercise price of \$0.30 to the expiry date of 31 May 2008.

2,000,000 Unlisted Options Expiring 31 May 2008

Issued to the Managing Director and have an exercise price of \$0.40 to the expiry date of 31 May 2008. These options will vest upon the earlier to occur of Medicare reimbursement being granted for the FerriScan test on a stand alone basis or in combination with MRI scan of the liver or the Company achieving \$10,000,000 in annualised FerriScan sales (excluding one off or upfront licence income) based on the trailing half year.

2,000,000 Unlisted Options Expiring 31 May 2008

Issued to the Managing Director and have an exercise price of \$0.50 to the expiry date of 31 May 2008. These options will vest upon the achievement of Medicare reimbursement being granted for FerriScan test on a stand alone basis or in combination with MRI scan of the liver (if not achieved above) or the Company achieving \$10,000,000 in annualised FerriScan sales (excluding one off or upfront licence income) based on the trailing half year (if not achieved above). In the event the performance milestone referred to above has been achieved, the milestone shall be substituted and the Options shall vest upon the achievement of annualised EBIT results of \$10,000,000, based on the trailing 4 months EBIT results exceeding \$833,000 per month.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

(c) Terms and conditions of ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(d) Terms and conditions of incentive shares and options

13,000,000 unquoted class F incentive shares and 6,666,667 unquoted incentive options

Each Incentive Share entitles the Holder to convert the Incentive Share into an ordinary Share and an Incentive Share Option into a share option in accordance with the following Milestones.

Class F Incentive Shares and Class F Incentive Share Options 8,000,000 Resonance Shares, 3,333,334 free unlisted Resonance options with an exercise price of 20 cents per Resonance option and an expiry date 3 years from the date of issue and 3,333,333 unlisted Resonance options with an exercise price of 30 cents per Resonance option and an expiry date 3 years from the date of issue upon achievement of Medicare Services Advisory Committee (MSAC) assessment completed and reimbursement number received for at least one clinical application of the RHAS Technology and the expiration of 12 months from Settlement.

3,000,000 unquoted class G incentive shares

Each Incentive Share entitles the Holder to convert the Incentive Share into an ordinary Share and an Incentive Share Option into a share option in accordance with the following Milestones.

Class G Incentive Shares: Convert to 3,000,000 Resonance Shares upon the Company achieving a minimum volume weighted average share price for a period of 60 trading days of not less than \$0.60 per share; or in the event that the Company's shares are listed on a recognised international stock exchange other than the ASX and where or when Resonance shareholders have received a minimum value of \$0.60 per share for their Resonance shareholding; or on receipt of an offer by a third party to acquire not less than 20% of the Company's issued shares at a placement or offer price of not less than \$0.60 per share.

	Consolidated		Parent	
	2005 \$	2004 \$	2005 \$	2004 \$
NOTE 18: Accumulated losses				
Accumulated losses at the beginning of the financial year	(46,429,865)	(45,166,672)	(46,629,353)	(45,166,676)
Net loss attributable to the members of Resonance Health Limited	(1,906,310)	(1,263,193)	(1,706,822)	(1,462,677)
Accumulated losses at the end of the financial year	<u>(48,336,175)</u>	<u>(46,429,865)</u>	<u>(48,336,175)</u>	<u>(46,629,353)</u>

NOTE 19: Segment reporting

Business and Geographical Segments

The sole activity of the consolidated entity is that of 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 geographical segment.

	Consolidated		Parent	
	2005 \$	2004 \$	2005 \$	2004 \$
NOTE 20: Cash flow information				
(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax				
Loss from ordinary activities after income tax	(3,015,925)	(2,020,277)	(1,706,822)	(1,462,677)
Non-cash flows in loss from ordinary activities:				
Depreciation and amortisation	323,460	68,838	5,160	2,489
Write down of investments to recoverable amount	-	-	849,632	525,347
Reclassification to investing activities:				
Research and development	332,066	381,812	-	-
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	(53,312)	(109,153)	143,671	(171,137)
(Increase)/decrease in other assets	(84,225)	-	1,036	-
Increase/(decrease) in trade creditors and borrowings	126,919	265,459	2,268	75,850
Increase/(decrease) in provisions	29,336	38,543	18,247	12,274
Net cash used in operating activities	<u>(2,341,681)</u>	<u>(1,374,778)</u>	<u>(686,808)</u>	<u>(1,017,854)</u>

(b Acquisition of controlled entity – WA Private Health Care Services Pty Ltd

The company acquired 100% of the issued capital of WA Private Health Care Services Pty Ltd through the acquisition of minority shareholders in Resonance Health Analysis Services Pty Ltd on 31 May 2005.

Consideration

- Issue of shares	124,861
- Cash	100,000
	<hr/>
	224,861

Net assets of WA Private Health Care Services Pty Ltd at acquisition date:

Cash	146,058
Receivables	12,762
Financial assets	14,337
Provisions	(16,572)
Other creditors	(2,000)
	<hr/>
	154,585

Goodwill on consolidation	70,276
	<hr/>
	224,861

(c Acquisition of controlled entity – Resonance Health Analysis Services Pty Ltd

The company acquired 100% of the issued capital of Resonance Health Analysis Services Pty Ltd after increasing its ownership via the staged injection of development capital from a 30.9% equity interest as at 30 June 2004 to 100% on 31 May 2005, on which date Resonance Health Limited acquired the remaining equity from minority shareholders in IVB Pty Ltd, which was approved by shareholders in a general meeting on 31 May 2005. Throughout the acquisition process Resonance Health retained a 51% voting entitlement in Inner Vision Biometrics Pty Ltd to the date when it became a wholly owned subsidiary of the Company and has been consolidated with the Parent entity since November 2003 when it was entitled to 51% voting entitlement.

(d Non-Cash Financing and Investing Activities

The consideration for the acquisition mentioned in Note 20(b) comprised of the issue of 890,438, fully paid ordinary shares in the company at an issue price of 14 cents per share (being the market price of the Company's shares at that time) and 2,000,000 Class F Incentive Shares at an issue price of \$0.0001.

The consideration for the acquisition mentioned in Note 20(c) comprised of the issue of 67,250,000, fully paid ordinary shares in the company at an issue price of 14 cents per share (being the market price of the Company's shares at that time) and 3,000,000 Class F Incentive Shares at an issue price of \$0.0001.

NOTE 21: Funding Requirements

Shareholders should be aware that the Company is required to raise additional capital in the 2006 financial year to satisfy its own working capital requirements and to continue funding the commercialisation of the FerriScan technologies and intellectual property. The Directors anticipate this funding to come from two primary sources, firstly a placement of new shares and a share purchase plan.

At the date of this report the Directors can confirm that a number of investors, via the stock broking firm, have confirmed their interest in participating in a new issue of capital to support the Company's working capital requirements. On the basis of this interest, the Directors have a reasonable expectation that continuing funding will be available to the Company for the 2006 year.

NOTE 22: Related party transactions

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Specified Directors' and Specified Executives' Remuneration

Details of specified directors' and specified executives' remuneration are disclosed in Note 5 to the financial statements.

Prior to Dr. Williams appointment as Managing Director on 31 May 2005, fees totalling \$20,000 were paid to Tessitura Pty Ltd for corporate services of which he is both a non-executive director and a shareholder.

Transactions with Related Parties in the Wholly Owned Group

During the year the company has provided interest free loans to Resonance Health Analysis Services Pty Ltd totalling \$1,010,596 and IVB Holdings Pty Ltd of \$2,775,000 with no fixed repayment date. A provision for non-recoverability of these loans amounting to \$1,374,979 has been recorded at balance date.

NOTE 23: Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding	Parent Carrying Value \$
Resonance Health Analysis Services Pty Ltd (formerly Inner Vision Biometrics Pty Ltd)	Australia	Ordinary	100%	9,415,300
WA Private Health Care Services Pty Ltd	Australia	Ordinary	100%	224,366
IVB Holdings Pty Ltd	Australia	Ordinary	100%	1,300,000
				<hr/> <hr/> 10,939,666

Acquisition of controlled entities:

The Company acquired 100% of the issued capital of Resonance Health Analysis Services Pty Ltd on 31 May 2005 in addition to 100% of the issued share capital of WA Private Health Care Services Pty Ltd pursuant to a share sale agreement. Further details of these acquisitions are set out in Note 20(b)(c).

NOTE 24: Financial instruments

(a) Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
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(i) Financial assets

Cash	8	Cash is carried at the lower of cost and net realisable value.	Cash balances in bank accounts receive the bank benchmark interest rates. Cash is at call.
Receivables – other	9	Other receivables are carried at nominal amounts due.	
Receivables - related parties/entities	9	Amounts (other than trade debts) receivable from related parties/entities are carried at nominal amounts due.	Details are set out in Note 9.

(ii) Financial liabilities

Trade creditors and accruals	15	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally settled on 30 day terms.
------------------------------	----	--	---

	Floating Interest Rate		Non-interest Bearing		Total		Weighted Average Effective Interest Rate	
	2005	2004	2005	2004	2005	2004	2005	2004
Financial Assets:								
Cash	1,509,192	1,272,680	-	-	1,509,192	1,272,680	5.23%	5.25%
Receivables	-	-	227,802	100,362	227,802	100,362		
Financial assets	-	-	14,337	-	14,337	-		
Other	-	-	84,221	12,128	84,221	12,128		
Total Financial Assets	1,509,192	1,272,680	326,360	112,490	1,835,552	1,385,170		
Financial Liabilities:								
Payables	-	-	321,303	224,325	321,303	224,325		
Total Financial Liabilities	-	-	321,303	224,325	321,303	224,325		

(b) Interest Rate Risk

All financial assets and financial liabilities are non-interest bearing except for cash balances which are deposited at variable interest rates.

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date in relation to each class of recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(d) Net Fair Values

The net fair values of all monetary financial assets and liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the Statement of Financial Position and Notes to the Financial Statements.

	Consolidated		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$
Note 25: Employee Benefits				
Remuneration commitments				
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within 1 year	114,500	54,500	114,500	54,500
Amounts disclosed as remuneration commitments include commitments arising from the service contract of the managing director and executive director that is not recognised as a liability and not included in the directors' remuneration disclosure in the directors' report.				
Aggregate employee benefits liability	67,879	38,543	30,521	12,274
Number of employees at balance date	18	16	2	4

Employee Option Scheme

The Company has an Incentive Option Scheme which is designed to provide a long term incentive for employees of the Company (or its subsidiaries) by providing them with an opportunity to participate in the future growth of the Company.

Subject to the Corporations Act and the Listing Rules, the Directors may issue invitations to eligible participants inviting them to apply for the issue of options under the Scheme on such terms as the Directors think fit. Invitations must not be issued under the Scheme if the number of Shares that would be issued pursuant to the exercise of all options the subject of the proposed invitation (when aggregated with the number of Shares that have been issued pursuant to all employee share schemes established by the Company during the previous 5 years) exceeds 5% of the total number of issued Shares as at the date its proposed invitation is considered. Options issued to directors through the scheme are exempt from this requirement as separate shareholder approval has been received.

The Directors also have the power to determine appropriate procedures for the administration of the Scheme, including the right to resolve questions of fact or interpretation arising in connection with the Scheme and the right to amend the Scheme from time to time.

Options are granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share at the following times in any given year:

- (1) between 17 June and 30 June;
- (2) between 17 September and 30 September;
- (3) between 18 September and 31 December; and
- (4) between 18 March and 31 March.

The exercise price of options shall be as the directors in their absolute discretion determine, provided the exercise price shall not be less than the greater of 20 cents or the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five business days immediately before the options are granted. Amounts receivable on the exercise of options are recognised as share capital.

Options granted are conditional on future employment.

Set out below are summaries of options granted under the scheme.

Specified Directors	Grant Date	Expiry Date	Value per option at grant date \$	Exercise Price \$	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Balance at end of the year Number
Dr. M. Wooldridge Chairman	13 May 2004	7 July 2009	\$0.016	\$0.30	650,000	-	-	650,000
Mr. T. Fitzgerald Managing Director	13 May 2004	7 July 2009	\$0.004	\$0.40	800,000	-	-	800,000
Dr. C. Bennett Director	13 May 2004	7 July 2009	\$0.016	\$0.30	650,000	-	-	650,000
Dr. A. Walker Director	13 May 2004	7 July 2009	\$0.016	\$0.30	300,000	-	-	300,000
Dr. J. Williams Executive Director	31 May 2004	31 May 2007	\$0.0091	\$0.25	-	500,000	-	500,000
	31 May 2004	31 May 2008	\$0.0075	\$0.30	-	1,000,000	-	1,000,000
	31 May 2004	31 May 2008	\$0.0013	\$0.40	-	2,000,000	-	2,000,000
	31 May 2004	31 May 2008	\$0.00024	\$0.50	-	2,000,000	-	2,000,000
	Total			-	2,400,000	5,500,000	-	7,900,000

Options have been valued using the Black and Scholes method of valuation. No options have been exercised during the financial year and to the date of this report.

NOTE 26 Commitments for expenditure

Commitments for minimum lease payments in relation to non-cancellable operating leases for office premises are payable as follows:

	Consolidated		Parent	
	2005 \$	2004 \$	2005 \$	2004 \$
Operating leases				
Within one year	50,193	40,059	50,193	40,059
Later than 1 year but no later than 5 years	87,838	10,015	87,838	10,015
Total commitments not recognised in the financial statements	<u>138,031</u>	<u>50,074</u>	<u>138,031</u>	<u>50,074</u>

NOTE 27 Adoption of Australian Equivalents to International Financial Reporting Standards

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the consolidated entity's and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004. The opening balance sheet will form the basis of accounting for AIFRS in the future, and is required when Resonance prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transaction and 30 June 2005 and on net profit / (loss) for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the consolidated entity's AIFRS committee.

Goodwill on Consolidation

Under AASB 3: Business Combinations, goodwill is capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is prohibited. Current accounting policy of the entity is to amortise goodwill on a straight-line basis over a period of 10 years. The consolidated entity has not elected to apply AASB 3 retrospectively and hence, prior year and current year amortisation would not be written-back as at the date of transition.

Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent

disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The consolidated entity has reassessed its impairment testing policy and tested all assets for impairment as at 1 July 2005. Based upon the results of this testing, the consolidated entity has determined that there will be no material impact on its financial reports.

No material impacts are expected to equity, net loss and to cash flows presented under AGAAP on adoption of AIFRS.

Equity-based compensation benefits

Under AASB 2 Share-based Payment, from 1 July 2004 the consolidated entity is required to recognise an expense for those options that were issued to employees under the Resonance Health Employee Option Plan.

The directors have considered the impact of the application of AASB 2 under AIFRS and do not consider the financial effect to be material.

NOTE 28 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 company and the consolidated entity, the results of those operations, or the state of affairs in future financial years.



Directors' Declaration

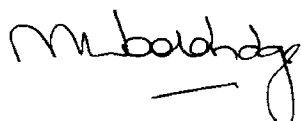
In the opinion of the directors of the company :

1. the financial statements and notes, as set out on pages to 55 are in accordance with the Corporations Act 2001; and
 - a. comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of the financial performance for the year ended on that date of the company and consolidated entity; 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 has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2005.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board



The Hon. Dr. Michael Wooldridge
Chairman

Place: Melbourne, WA

Dated: 29th day of September 2005

Independent Audit Report

To the members of
Resonance Health Limited

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Resonance Health Limited ("the company") and the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The Directors' Report attached to the financial statements includes a copy of the Independence Declaration dated 30 September 2005 given to the Directors by the lead auditor for the audit. That Declaration would be in the same terms if it had been given to the Directors at the time this audit report was made.

Audit Opinion

In our opinion, the financial report of Resonance Health Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year then ended; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Perth, Western Australia
30 September 2005

HLB Mann Judd
HLB MANN JUDD
Chartered Accountants



L Di Giallonardo
L DI GIALLONARDO
Partner

Additional Information For Listed Public Companies

The following additional information is disclosed in accordance with Section 4.10 of the Australian Stock Exchange Ltd Listing rules in respect of listed public companies only.

The following information is supplied as at 21 September 2005

1. Analysis of Shareholdings

a. Distribution of Shareholders (ASX Code: RHT)

Number of Ordinary Shares Held	Ordinary Shares	
	Number of holders	Number of shares
1 – 1,000	649	146,113
1,001 – 5,000	303	1,012,069
5,001 – 10,000	399	3,117,875
10,001 – 100,000	1,178	42,867,027
100,001 – and over	182	139,570,303
	<u>2,711</u>	<u>186,713,387</u>

The number of shareholdings holding less than a marketable parcel of shares are 824

b. Distribution of Optionholders (ASX Code: RHTOA)

	Options	
	Number of holders	Number of options
1 – 1,000	253	47,670
1,001 – 5,000	159	449,155
5,001 – 10,000	80	588,594
10,001 – 100,000	189	7,571,174
100,001 – and over	84	40,585,952
	<u>765</u>	<u>49,242,545</u>

c. Distribution of Optionholders (ASX Code: RHTOB)

	Options	
	Number of holders	Number of options
1 – 1,000	97	23,104
1,001 – 5,000	106	330,113
5,001 – 10,000	49	353,721
10,001 – 100,000	61	2,562,974
100,001 – and over	37	17,334,682
	<u>350</u>	<u>20,604,594</u>

2. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

- No voting rights.

3. Twenty Largest Shareholders of quoted Ordinary Shares

Name	Number of Ordinary Shares	Percentage of Total
1. ANZ Nominees Limited <Cash income A/C>	11,479,197	6.15
2. Paul Roderick Clark <The Pankima A/C>	10,050,000	5.38
3. Timothy Guy St Pierre <The St Pierre A/C>	9,078,750	4.86
4. The University Of Western Australia	9,078,750	4.86
5. Wanida Chau-Anusorn <The Medta A/C>	8,070,000	4.32
6. Dr Franklyn Jay Ives	5,222,934	2.80
7. FiveTigers Investment Corporation Ltd	4,494,844	2.41
8. Pacific Healthcare Investments Limited	3,908,659	2.09
9. Direct Capital Pty Ltd	2,956,500	1.58
10. National Nominees Limited	2,199,653	1.18
11. Nora Goodridge Investments Pty Ltd	1,467,479	0.79
12. Dr Ian Stirling Morrison	1,407,935	0.75
13. Dr Jonathan Cartoon	1,157,935	0.62
14. Dr Rhidian Blake Dalrymple	1,157,935	0.62
15. Dr John Richard Fraser	1,157,935	0.62
16. Dr John Joseph Glancy	1,157,935	0.62
17. Dr Alar Olev Kaard	1,157,935	0.62
18. Dr Henio Peter Kaard	1,157,935	0.62
19. Dr Andrew Kok Foo Kam	1,157,935	0.62
20. Dr Johanna Maria Lagerberg	1,157,935	0.62
	78,678,181	42.14

4. Twenty Largest Optionholders (ASX Code: RHTOA)

Name	Number of Options	Percentage of Total
1. ANZ Nominees Limited <Cash income A/C>	8,926,761	18.13
2. FiveTigers Investment Corporation Ltd	4,000,000	8.12
3. Anahein Pty Ltd	1,440,294	2.92
4. Finian MacCana <Lambert Superannuation A/C>	1,020,550	2.07
5. Minton Pty Ltd	998,333	2.02
6. National Nominees Limited	868,750	1.76
7. Dr Donald Sanders <Individual Retirement A/C>	812,500	1.64
8. Mr Ronald John Haack	720,000	1.46
9. Timothy Francis Clive McDonnell	720,000	1.46
10. Murray Ken Payne	712,773	1.44
11. Randal Gavin Payne	667,217	1.35
12. A Di Bella Pty Ltd	666,667	1.35
13. Matthew Storey	666,667	1.35
14. RJ Trading Pty Ltd	600,000	1.22
15. Sheenagh Joy Tsugawa	597,000	1.21
16. Ross Vernon De Little	500,000	1.01
17. Blake Nominees Pty Ltd <M and T Super Fund A/C>	500,000	1.01
18. Bunkers Pty Ltd	500,000	1.01
19. Dominion Investments Pty Ltd	500,000	1.01
20. Tracy Ann Blake	500,000	1.01
	25,917,512	52.55

5 Twenty Largest Optionholders (ASX Code: RHTOB)	Number of Options	Percentage of Total
1. ANZ Nominees Limited <Cash income A/C>	2,989,834	14.51
2. Robert Francis Panton	1,375,500	6.68
3. Marmar Super Pty Ltd <Marmar S/F A/C>	1,000,000	4.85
4. Francis George Heppingstone & Danielle Georgette Heppingstone <FG Heppingstone P/L S/F A/C>	877,000	4.26
5. Paul Robert Hearne	875,000	4.25
6. Minton Pty Ltd	785,000	3.81
7. Davies Nominees Pty Ltd <Snape A/C>	750,000	3.64
8. Nora Goodridge Investments Pty Ltd	740,741	3.60
9. Morgan & Banks Investments Pty Ltd	665,741	3.23
10. TV Games Pty Ltd	591,667	2.87
11. Tracy Ann Blake	525,000	2.55
12. David Alan & Angela Mary Dyer	400,000	1.94
13. National Nominees Limited	371,180	1.80
14. Stephen Newman	370,370	1.80
15. Cogent Nominees Pty Limited	370,000	1.80
16. Stephen & Robert Pearson <S W Pearson Super Account>	349,256	1.70
17. Goffacan Pty Ltd	313,630	1.52
18. Laslo & Linda Christine Sabo <Sabo Super Fund A/C>	300,000	1.46
19. Mondo Electronics Pty Ltd <Mondo Electronics S/F A/C>	300,000	1.46
20. Tasman (VIC) Pty Ltd <Hooper Super A/C>	266,667	1.29
	14,216,586	69.00

6 Escrowed and Unquoted Securities

The number and class of securities subject to a voluntary escrow and date of escrow are:

	Number of holders	Number	Date escrow period ends
Incentive Shares:			
Class F	64	13,000,000	Subject to milestones
Total Class F	64	13,000,000	

Pacific Healthcare Ltd holds 3,908,659 of the unquoted Class F Incentive shares representing 30% of the total escrowed unquoted Class D Incentive shares on issue.

Class G	1	3,000,000	Subject to milestones
Total Class F	1	3,000,000	

Dr. James Williams holds all of the unquoted Class G Incentive shares on issue.

Options

Exercise price	Expiry	Number	Date escrow period ends
\$0.40	31 May 2008	2,000,000	Subject to milestones
\$0.50	31 May 2008	2,000,000	Subject to milestones
Total		4,000,000	

Dr. James Williams holds all of the unquoted options on issue which are exercisable on achievement of milestones.

Incentive Options:

Class F	36	6,666,668	Subject to milestones
Total Class F	36	6,666,668	

Pacific Healthcare Investments Ltd holds 3,216,667 of the unquoted Class F Incentive Options representing 48% of the total unquoted Class F Incentive options on issue.

Direct Capital Pty Ltd holds 1,400,000 of the unquoted Class F Incentive Options representing 25% of the total unquoted Class F Incentive options on issue.

7. Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with sections 709 and 710 of the Corporations Act 2001 are:

The University Of Western Australia	9,018,750 ordinary shares
Timothy Guy St Pierre <The St Pierre A/C>	9,018,750 ordinary shares
Paul Roderick Clark <The Pankima A/C>	10,087,500 ordinary shares

8. Statement in accordance with ASX Listing Rule 4.10.19

The Company believes that for the year ended 30 June 2005, it used its cash and assets in a form readily convertible to cash, that it held at the time of admission in a way consistent with its business objectives.



Resonance Health Limited
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