Rules 4.3A

RESONANCE HEALTH LIMITED

ABN 96 006 762 492

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

This report has been prepared in compliance with ASX listing Rule 4.3A

Appendix 4E

Preliminary final report

Introduced 1/1/2003. Origin Appendix 4B

Name of entity

Resonance Health Limited

ABN or equivalent company reference	Preliminary final *(tick)*	Financial year ended ('current period')
ABN 96 006 762 492	✓	30 JUNE 2005

2. Results for announcement to the market

2.1 Revenues from ordinary activities	Up %	476%	to	$283,179
2.2 Profit (loss) from ordinary activities after tax attributable to members	Down	50.9%	to	($1,906,310)
2.3 Net profit (loss) for the period attributable to members	Down	50.9%	to	($1,906,310)

2.4 Dividends (distributions)	Amount per security	Franked amount per security
Final dividend *The Company is not proposing that any dividends be paid*	-¢	-¢
Previous corresponding period	-¢	-¢

2.5 Record date for determining entitlements to the dividend	N/A

2.6 Brief explanation of any of the figures reported above in 2.1 to 2.4 necessary to enable the figures to be understood:

2005 FINANCIAL YEAR HIGHLIGHTS

- **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.

  The Resonance Health Group now comprises Resonance Health Limited as the ASX listed parent and its 100% owned subsidiary, Resonance Health Analysis Services Pty Ltd (RHAS). RHAS, formerly Inner Vision Biometrics, is the operating company for RHT.

  Resonance Health owns and is commercialising the FerriScan® technology – a novel, non-invasive tool for the measurement of iron levels in the liver.

  The key benefits of this acquisition are that RHT shareholders will receive 100% of the proceeds of commercialisation of FerriScan, coupled with increased operational efficiencies through consolidation of the Board and Management of the two entities.

- **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 clearance for US marketing of FerriScan. This milestone was achieved some 8 months ahead of schedule.

- **March 2005** – The DCA Group, Australia’s largest diagnostic imaging company, enters into an agreement with RHT to launch FerriScan through their MRI operations in Australia.

- **April 2005** – Australian pilot marketing phase commences.

- **November 2004** – The Company 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.

- **October 2004 and April 2005** – Resonance Health’s scientific team, along with collaborators, publish first manuscripts in leading international peer-reviewed journals, demonstrating the clinical application of FerriScan.

- **Initial revenue ($121,000) was generated from sales of FerriScan to both patient customers through Australian pilot marketing activities, and commercial clients (through provision of FerriScan to Novartis Pharmaceuticals).**

Overview of Activities

The 2004/2005 Financial Year has been a year of significant commercial progress for Resonance Health Ltd. The net result of the highlights detailed on the previous page is that the Resonance Health Group has transitioned from a development company to become an integrated Healthcare Service Provider, with its first product, FerriScan, successfully being taken to market.

FerriScan is a diagnostic test that provides an accurate and non-invasive measure 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 strict quality-controlled processes at Resonance Health's service centre in Perth, Western Australia. 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 haemochromotosis (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 200 people of European decent. 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 sites 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.

In summary, the last financial year has been focussed on putting the foundations in place for the full commercial roll-out of FerriScan during the next financial year. 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, and the prospect of others, are prerequisites for the company to accelerate towards profitability.

3. Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 $	2004 $
Revenues from ordinary activities	1	**283,179**	**49,135**
Expenses from ordinary activities			
Consulting and professional services		(414,095)	(266,131)
Depreciation and amortisation expenses		(323,460)	(68,838)
Employee benefits expense		(1,220,453)	(707,258)
Marketing		(75,146)	(98,800)
Research and development		(409,219)	(473,069)
Statutory and compliance		(334,688)	(162,242)
Travel		(280,187)	(110,642)
Other expenses from ordinary activities	2	(241,856)	(182,432)
Loss from ordinary activities before income tax		**(3,015,925)**	**(2,020,277)**
Income tax benefit/(expense) relating to ordinary activities	3	-	-
Loss from ordinary activities after income tax		**(3,015,925)**	**(2,020,277)**
Profit from extraordinary item after income tax		-	-
Net Profit/(Loss)		**(3,015,925)**	**(2,020,277)**
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)**

Notes to the Statement of Financial Performance

	2005 $	2004 $
Note 1.		
Revenue from operating activities		
Liver scan income	121,568	3,300
	121,568	3,300
Revenue from non-operating activities		
BIF grant income	111,766	-
Interest	49,845	45,835
Total revenues from operating activities	**283,179**	**49,135**
Note 2.		
Expenses		
Depreciation of fixtures and equipment	56,793	17,883
Amortisation of goodwill	266,667	50,955
Lease rental expense – operating leases	33,287	93,272
Note 3.		
Operating Profit/(loss)	(3,015,925)	(2,020,277)
Prima facie tax thereon at 30% (2004: 30%)	(904,777)	(606,083)
Tax effect on permanent differences:		
Amortisation not deductible	80,000	15,287
Income tax adjusted for permanent differences	(824,777)	(590,796)
Tax benefit of losses not brought to account	824,777	590,796
Total income tax expense/(credit) attributable to operating loss	-	-

4. Statement of Financial Position as at 30 June 2005

	Note	2005 $	2004 $
Current Assets			
Cash assets	1	1,509,192	1,272,680
Receivables	2	227,802	100,362
Financial assets	3	14,337	-
Other	4	84,221	12,128
Total Current Assets		1,835,552	1,385,170
Non-Current Assets			
Property, plant and equipment	5	156,780	79,115
Intangible assets	6	12,520,221	1,667,708
Total Non-Current Assets		12,677,001	1,746,823
Total Assets		14,512,553	3,131,993
Current Liabilities			
Payables	7	321,303	224,325
Provisions	8	84,451	38,543
Total Current Liabilities		405,754	262,868
Total Liabilities		405,754	262,868
Net Assets		14,106,799	2,869,125
Equity			
Parent entity interest			
Contributed equity	9	62,391,865	49,447,853
Reserves		51,109	50,622
Accumulated losses	10	(48,336,175)	(46,429,865)
Total parent entity interest		14,106,799	3,068,610
Outside equity interest		-	(199,485)
Total Equity		14,106,799	2,869,125

4. Statement of Financial Position (continued)
Notes to the Statement of Financial Position

Note 1 Cash

	2005 $	2004 $
Cash – interest bearing	1,509,192	1,272,680
Cash	1,509,192	1,272,680

Note 2 Receivables - Current

	2005 $	2004 $
Other debtors	227,802	100,362
Total receivables	227,802	100,362

Note 3 Other Financial Assets

	2005 $	2004 $
Market value of Listed investments		
- Shares	14,337	-
Total other financial assets	14,337	-

Note 4 Other Current Assets

	2005 $	2004 $
Prepayments	84,221	12,128
Total other current assets	84,221	12,128

4. Statement of Financial Position (continued)
Notes to the Statement of Financial Position

Note 5 Property, plant and equipment

	2005 $	2004 $
Fixtures and Equipment		
At cost		
Opening balance	101,801	-
Additions	134,458	62,771
Additions through acquisition	-	39,030
Closing balance	236,259	101,801
Accumulated depreciation		
Opening balance	22,686	-
Depreciation	56,793	17,883
Depreciation through acquisition	-	4,803
Closing balance	79,479	22,686
Net book value	156,780	79,115
Total property, plant and equipment	156,780	79,115

Note 6 Intangible Assets

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

Note 7 Payables

Trade creditors	87,967	95,926
Sundry creditors and accruals	233,336	128,399
Total payables	321,303	224,325

Trade creditors and sundry creditors and accruals are non-interest bearing and are normally on 30 day terms.

4. Statement of Financial Position (continued)
Notes to the Statement of Financial Position

Note 8 Provisions (Current)

Employee entitlements	84,451	38,543
Total current other provisions	84,451	38,543

4. Statement of Financial Position (continued)
Notes to the Statement of Financial Position

Note 9 Contributed Equity

	2005		2004	
	Number	**$**	**Number**	**$**
Issued and paid up capital				
185,494,023 ordinary shares $62,391,849 16,000,000 Incentive shares $16				
	201,494,023	62,391,865	101,603,543	49,447,853
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	60,603,543		49,447,812
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 IVB 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	-	-	(36,563)
Balance at end of financial year	185,494,023		62,391,849
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	(33,000,000)	$0.000001	(33)
	16,000,000		16
Total	**201,494,023**		**62,391,865**

4. Statement of Financial Position (continued)
Notes to the Statement of Financial Position

Note 10 Accumulated Losses

	2005 $	2004 $
Accumulated losses at the beginning of the financial year	(46,429,865)	(45,166,672)
Net profit/(loss) attributed to members of Resonance Health Limited	(1,906,310)	(1,263,193)
Accumulated losses at the end of the financial year	(48,336,175)	(46,429,865)

5. Statement of Cashflows

	Note	2005 $	2004 $
		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)
Interest received		49,847	45,835
Net cash (used in)/provided by operating activities		(2,341,681)	(1,374,778)
Cash flows from investing activities			
Payments for plant and equipment		(149,852)	(62,771)
Payments for investments		(425,000)	(250,000)
Payments for research and development		(335,843)	(381,812)
Cash introduced on acquisition of controlled entity		146,058	284,230
Net cash provided by/(used in) investing activities		(764,637)	(410,353)
Cash flows from financing activities			
Proceeds from share issue		3,379,644	2,564,986
Payment of share issue costs		(36,814)	(224,152)
Net cash provided by/(used in) financing activities		3,342,830	2,340,834
Net increase/(decrease) in cash held		236,512	555,703
Cash at the beginning of the financial year		1,272,680	716,977
Cash at the end of the financial year	1	1,509,192	1,272,680

6. Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable	N/A
+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	N/A
If it is a final dividend, has it been declared? *(Preliminary final report only)*	N/A

Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
Final dividend:	Current year	-¢	-¢	-¢
	Previous year	-¢	-¢	-¢
Interim dividend:	Current year	-¢	-¢	-¢
	Previous year	-¢	-¢	-¢

7. Details of dividend or distribution reinvestment plans in operation

N/A

8. NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	0.9 cents	2 cents

9. Control gained over entities having material effect

Name of entity (or group of entities)	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	
Date from which such loss has been calculated	
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	

Loss of control of entities having material effect

Name of entity (or group of entities)	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	
Date to which the profit (loss) has been calculated	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	

10. Details of aggregate share of profits (losses) of associates and joint venture entities

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period $A’000	Previous corresponding period - $A’000
Total	N/A		N/A	N/A
Other material interests	-	-	-	-
Total	N/A		N/A	N/A

11. Any other significant information needed by an investor to make an informed assessment of the entity’s financial performance and financial position.

Refer to 2.6

12. Foreign entities set of accounting standards used in compiling the report (IAS)

N/A

13. Commentary on the results for the period.

13.1 Earnings per security (EPS)	Current period	Previous corresponding period
Basic EPS (cents per share)	(2.0)	(2.8)
Diluted EPS (cents per share)	(2.0)	(2.8)

The following reflects the profit or loss and share data used in the calculations of basic and diluted earnings per share:	**2005 $**	**2004 $**
Earnings used in calculation of basic and diluted earnings per share	(1,906,310)	(1,263,193)
Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	94,686,030	45,577,851

13.2 Returns to shareholders (Including distributions and buy backs)

	Current period $A'000	Previous corresponding period - $A'000
Ordinary securities *(each class separately)*	-	-
Preference securities *(each class separately)*	-	-
Other equity instruments *(each class separately)*	-	-
Total	-	-

The were no dividend or distribution plans in operation during the period.

13.3 Significant features of operating performance

Refer to 2.6

13.4 Report on trends in performance

Refer to 2.6

13.5 Report any factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified.

N/A

14. Impact of Adopting 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 economic 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 economic 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 Group 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 economic 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 company 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 group 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.

15 This report is based on accounts to which one of the following applies.

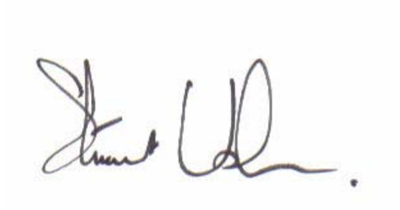
☐	The accounts have been audited.	☐	The accounts have been subject to review.
☒	The accounts are in the process of being audited or subject to review.	☐	The accounts have *not* yet been audited or reviewed.

16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

N/A

17 If the accounts have not been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

N/A



Stuart Usher
Joint CFO & Company Secretary