



17<sup>th</sup> May 2004

Australian Stock Exchange Limited  
Level 8, Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

Facsimile: 9221 2020

Attention: Ms Christine Panetta

Dear Christine

**APPENDIX 4C QUERY FOR THE QUARTER ENDED 31<sup>ST</sup> MARCH 2004**

We refer to your letter dated 12<sup>th</sup> May 2004. Set out below is our response to each of the questions set out within your letter:

1. *It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for the next quarter. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?*

No, there are a number of other factors that should be taken into account in assessing the Company's position.

- Since March 31 the Company has successfully raised \$861,496 from the 'Shareholder Share Purchase Plan' (SPP). The purpose of the offer was to provide existing shareholders with small parcels of shares the opportunity to top these up to a marketable parcel at a discount to market price.
- The Company has continued to receive funds from option holders who have exercised their options in the Company and as a result have become entitled to be issued with new bonus options (exercisable at \$0.40 each) that expire in January 2008. The Company has received a further \$56,500 during April and May from option conversions.
- The Company has prepaid costs of \$66,000 that relate to services to be provided to the end of June 2004.

- The Company is due to receive its GST refunds for the quarter ended 31 December 2003 and 31 March 2004 from the Australian Taxation Office totaling \$88,000.
  - The Company purchased additional shares in its subsidiary company 'Inner Vision Biometrics Pty Ltd,' for a consideration of \$67,000.
2. *Does the Company expect that in the future it will have negative operating cashflows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?*
1. While the Company is continuing with its planned commercialisation of the FerriScan technology. During the next two quarters the Company anticipates cash outflows in relation to software development, market development and costs relating to obtaining further regulatory approvals. The Company envisages that upon the granting of Australian and European regulatory approvals in the third quarter, the FerriScan service will be launched into the Australian and UK markets with revenues beginning to flow at that time.
  2. The steps taken by the Company to ensure that sufficient funds are in place to fund its FerriScan commercialisation are included in the response to question one. Primarily these are:
    - Share Purchase Plan: Funds have been raised of \$861,496 during April 2004.
    - Exercise of 15 cent Options: The Company has raised \$353,000 over the March to May period as optionholders continue to exercise their listed options to become entitled to bonus options. The total capital available from the listed options is circa \$7.5 million. With commercial progress of FerriScan continuing in the second half of this year, the Company anticipates that a large number of option holders will exercise their RHTOA (\$0.15) options in order to qualify for the RHTOB (\$0.40) option prior to expiry of the bonus options offer on 8 December 2004.
  3. *To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for the reporting period?*

Revenues and expenses during the quarter as reported in the Appendix 4C have matched the Company's anticipated costs for this period, as it continues to achieve set objectives in its drive to commercialise its FerriScan service.

4. *If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did*

*the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses?  
You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.*

Not applicable, refer to answer to question 3.

5. *What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?*

Refer to answers given to questions 1 and 2. Specifically, the Company anticipates raising sufficient capital via option exercises prior to December 2004. In addition, the Company anticipates deriving revenue in the second half of this year. Importantly, the Company's commercialization and business plan is in accordance with actual and forecast expenditures.

6. *Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?*

The Company confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

7. *Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.*

Listing rule 12.2 states 'an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing'. The note to this rule states that composition of the balance sheet, relative size of liabilities to assets and access to funds are some of the indicators of an entity's financial condition.

It is in the Company's view that the Company is in compliance with Listing Rule 12.2. A summary of the composition of the Company's Balance Sheet as at 31<sup>st</sup> March 2004 is as follows:

	31 <sup>st</sup> March 2004	31 <sup>st</sup> Dec 2003
Net Assets	\$2,970,330	\$3,174,702
Net Tangible Assets	\$1,224,497	\$1,557,243
Current Assets	\$1,249,569	\$1,641,480
Current Liabilities	\$113,736	\$126,826

Further funds have been received by the Company since the end of the March quarter totaling \$917,996, being funds raised through the Shareholder Share Purchase Plan and the exercise of options Details of these receipts have been given in response to question 1 and 2.

Yours sincerely,



**Stuart Usher**  
**Joint Company Secretary**



ASX

AUSTRALIAN STOCK EXCHANGE

FAXED  
12 May 2004

Australian Stock Exchange Limited  
ABN 98 008 624 691  
Level 8  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

GPO Box D187  
Perth WA 6840

Telephone 81 (08) 9224 0014  
Facsimile 61 (08) 9221 2020  
Internet <http://www.asx.com.au>

Mr Stuart Usher  
Company Secretary  
Resonance Health Limited  
PO Box 637  
WEST PERTH WA 6872

By facsimile: 9389 5944

Dear Sir

**Resonance Health Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 March 2004, released to Australian Stock Exchange Limited ("ASX") on 29 April 2004, (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Nil receipts from customers.
2. Net negative operating cash flows for the quarter of \$649,000.
3. Cash at end of quarter of \$1,096,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for the next quarter. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become

aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.

5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
7. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than the close of business (ie 5.00pm W.S.T.) on Friday, 14 May 2004.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please let me know.

Yours faithfully



Christine Panetta  
Senior Companies Advisor

Direct Line: (08) 9224 0014