

**resonance** health limited



**RESONANCE HEALTH LIMITED**  
**ABN 96 006 762 492**

**NOTICE OF GENERAL MEETING  
AND  
PROXY FORM**

*This Notice of Meeting is an important document and requires your immediate attention. Please read it carefully. If you are in doubt as to what you should do, please consult your investment or other professional adviser.*

For a General Meeting to be held on Tuesday, 31 May 2005 at  
11am EST at Melbourne University, Alan Gilbert Building,  
1<sup>st</sup> Floor Executive Lounge  
161 Barry Street, Carlton South, Victoria

## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

### **Venue**

A General Meeting of the shareholders of Resonance Health Limited will be held at:

**Melbourne University, Alan Gilbert Building,  
1<sup>st</sup> Floor Executive Lounge  
161 Barry Street, Carlton South, Victoria**

**Commencing**

**11am EST**

**On Tuesday, 31 May 2005**

### **How to Vote**

The business of the meeting affects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

#### **Voting in Person**

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 11am EST.

#### **Voting by Proxy**

To vote by proxy, please complete and sign the proxy form enclosed with this Memorandum as soon as possible and either:

- send the proxy form by facsimile to the Company on facsimile number (08) 9389 5944 (International: + 61 8 9389 5944); or
- deliver the proxy form to the Company's registered office at Ground Floor, 117 Stirling Highway, Nedlands, Western Australia.

so that it is received not later than 11am EST on 29 May 2005. Proxy forms received later than this time will be invalid.

**Your proxy form is enclosed.**

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**RESONANCE HEALTH LIMITED**  
**ABN 96 006 762 492**

**NOTICE OF GENERAL MEETING**

Notice is given that a General Meeting of shareholders of Resonance Health Limited (**Resonance** or **Company**) will be held at Melbourne University, Alan Gilbert Building, 1<sup>st</sup> Floor Executive Lounge, 161 Barry Street, Carlton South, Victoria at 11am EST on 31 May 2005.

**BUSINESS**

**Resolution 1 – Issue of Securities for Acquisition of minority holdings in Inner Vision Biometrics Pty Ltd**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, shareholders approve the allotment and issue of up to:*

- (a) 68,140,438 Shares; and*
- (b) 5,000,000 Class F Performance Shares,*

*to the parties set out in Schedule 1 and on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** Under the Listing Rules, the Company may seek shareholder approval prior to an issue of securities to allow it the flexibility to make future issues of securities up to the threshold of 15% of its total ordinary securities in any one 12 month period.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 2 – Election of Mr James Williams**

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

*“That Mr James Williams be elected as a director of the Company.”*

**Short Explanation:** Pursuant to the terms of the agreements to acquire the minority shareholdings in Inner Vision Biometrics Pty Ltd, the Company has agreed to seek shareholder approval for the election of Mr James Williams as a director of the Company.

**Resolution 3 – Election of Mr Ian Anderson**

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

*“That Mr Ian Anderson be elected as a director of the Company.”*

**Short Explanation:** Pursuant to the terms of the agreements to acquire the minority shareholdings in Inner Vision Biometrics Pty Ltd, the Company has agreed to seek shareholder approval for the election of Mr Ian Anderson as a director of the Company.

#### **Resolution 4 – Election of Mr Jay Ives**

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

*“That Mr Jay Ives be elected as a director of the Company.”*

**Short Explanation:** Pursuant to the terms of the agreements to acquire the minority shareholdings in Inner Vision Biometrics Pty Ltd, the Company has agreed to seek shareholder approval for the election of Mr Jay Ives as a director of the Company.

#### **Resolution 5 – Issue of Securities to Mr James Williams**

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and Section 208 of the Corporations Act and for all other purposes, the shareholders approve the allotment and issue of:*

- (a) 3,000,000 Class G Performance Shares; and*
- (b) 5,500,000 options to acquire fully paid ordinary shares in the capital of the Company,*

*to Mr James Williams (or his nominee) on the terms set out in the Explanatory Statement.”*

**Short Explanation:** It is proposed that Mr James Williams will be appointed a director of the Company under Resolution 3. Under the ASX Listing Rules, any issue of securities to a director (or entities controlled by a director) requires prior shareholder approval. For the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act, shareholder approval is being sought to allow Mr Williams (or his nominee) to be issued securities in the Company (which are considered a financial benefit under the Corporations Act).

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by Mr Williams and any of his associates, however, the Company need not disregard a vote if, it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**DATED THIS 14<sup>th</sup> DAY OF APRIL 2005  
BY ORDER OF THE BOARD**



**MR STUART USHER  
JOINT COMPANY SECRETARY**

**NOTES:**

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. In accordance with regulation 7.11.37 of the Corporations Regulations, the Directors have determined that a shareholder's voting entitlement at the meeting will be taken to be the entitlement of that person shown in the register of members at 5pm on 29 May 2005.
3. A proxy must be signed by the Appointor or his/her attorney or, if a corporation, under its Common Seal or under the hand of its attorney or in accordance with the provisions of section 127 of the Corporations Act 2001. A copy of any power of attorney should be lodged with the proxy.

## EXPLANATORY STATEMENT

This Explanatory Statement and all attachments are important documents. They should be read carefully.

### 1. GENERAL INFORMATION

This Explanatory Memorandum has been prepared for the shareholders of the Company in connection with the General Meeting of the Company to be held on 31 May 2005.

The purpose of this Explanatory Memorandum is to provide shareholders with information that the Board believes to be material to shareholders in deciding whether or not to approve the above resolutions detailed in the Notice.

This Explanatory Memorandum is an important document and should be read carefully in full by all shareholders. If you have any questions regarding the matters set out in this Explanatory Memorandum or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

### 2. THE RESOLUTIONS

#### 2.1 Resolution 1 - Issue of Shares for Acquisition of minority holdings in Inner Vision Biometrics Pty Ltd

##### 2.1.1 Background

The Company has reached agreement to acquire 100% of the outstanding shares in Inner Vision Biometrics Pty Ltd (**IVB**) (**Acquisition**). Presently, the Company holds 39% of the ordinary Shares in IVB and is entitled to 51% of the voting rights of IVB.

Upon completion of the Acquisition, IVB will become a wholly owned subsidiary of the Company. This will entitle the Company to 100% of any potential revenue streams arising from the commercialisation of the IVB FerriScan™ technologies and intellectual property.

FerriScan™ is a novel, noninvasive diagnostic test of the iron content of a patient's liver to assist clinicians in the detection and treatment of iron overload disorders. The FerriScan™ diagnostic test service uses existing magnetic-resonance imaging (**MRI**) machines at radiology facilities worldwide. Images of the liver are transmitted via the internet and then analysed to quantify iron loading using proprietary software at a central IVB image analysis facility. The FerriScan™ test provides a safe alternative to liver biopsy and will become a valuable adjunct to gene testing for iron overload diseases. Liver biopsy is an unpleasant, invasive procedure requiring liver tissue to be extracted from the patient by needle. FerriScan™ has received regulatory clearances in the USA, EU and Australia.

Completion of the Acquisition will allow the Company to fully capture the value of the FerriScan™ test and related technologies owned by IVB.

The Acquisition is conditional on:

- (a) the Company obtaining all necessary regulatory and Shareholder approvals required to issue both the Shares and Performance Shares the subject of Resolution 1; and
- (b) the Company having received acceptances from 100% of the minority shareholders in IVB.

## 2.1.2 Pro-forma Capital Structure

### CONTIBUTED EQUITY

	Pro-forma Consolidated 31 Dec 2004 \$	Audit reviewed Consolidated 31 Dec 2004 \$	
<b>Issued and paid up</b>			
<i>Ordinary share capital</i>			
Ordinary shares	65,007,900	51,379,812	
Performance shares	816	16	
	65,008,716	51,379,828	
<i>Movements since 31 December 2004 to notice of meeting date</i>			
Option conversions	515,061		
	65,523,777		
<i>Pro-forma adjustments:</i>			
	<b>No. of shares</b>	<b>Issue price</b>	<b>\$</b>
<b>Ordinary shares</b>			
Opening balance	99,919,843		51,379,812
<i>Pro-forma adjustment</i>			
Issue of shares to IVB minority shareholders	68,140,438	\$0.20	13,628,088
<hr/>			
<i>Movements since 31 December 2004 to notice of meeting date</i>			
Option Conversions	3,433,742	\$0.15	515,061
Conversion of Class E Incentive Shares	8,000,000	\$0.0001	8
Closing balance	179,494,023	-	65,522,969
<b>Incentive shares</b>			
Opening balance	16,000,000		16
<i>Pro-forma adjustment</i>			
Issue of Class F shares to IVB minority shareholders	5,000,000	\$0.0001	500
Issue of 3,000,000 Class G shares to Dr James Williams	3,000,000	\$0.0001	300
<i>Movements since 31 December 2004 to notice of meeting date</i>			
Conversion of Class E Incentive Shares	(8,000,000)		(8)
Closing balance	16,000,000		808
<b>TOTAL</b>	<b>195,494,023</b>	<b>-</b>	<b>65,523,777</b>

2.1.3 Pro-forma Statement of Financial Position

**RESONANCE HEALTH LIMITED**  
**PRO-FORMA STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2004**

	Notes	Consolidated	
		Pro-forma 31 Dec 2004 \$	Audit Reviewed 31 Dec 2004 \$
<b><u>Current Assets</u></b>			
Cash assets		1,476,046	1,579,684
Receivables		228,135	220,373
Other		78,876	78,876
		1,783,057	1,878,933
<b><u>Total Current Assets</u></b>			
<b>Non Current Assets</b>			
Property, plant & equipment		171,519	171,519
Intangible assets		16,287,664	1,633,048
		16,459,183	1,804,567
<b>Total Non Current Assets</b>			
		18,242,240	3,683,500
<b>Total Assets</b>			
<b>Current Liabilities</b>			
Payables		342,185	345,185
Tax liabilities		16,572	-
Provisions		48,847	48,847
		407,604	394,032
<b>Total Current Liabilities</b>			
		407,604	394,032
<b>Total Liabilities</b>			
		17,834,636	3,289,468
<b>Net Assets</b>			
<b>Equity</b>			
Contributed equity		65,008,716	51,379,828
Reserves		51,109	51,109
Accumulated losses		(47,225,189)	(47,225,189)
Parent entity interest		17,834,636	4,205,748
Outside equity interest		-	(916,280)
		17,834,636	3,289,468
<b>Total Equity</b>			
		17,834,636	3,289,468



#### 2.1.4 Regulatory Requirements – ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that the prior approval of the shareholders of the Company is required for an issue of equity securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 months.

Shareholder approval under Listing Rule 7.1 is sought to exclude the 68,140,438 Shares and 5,000,000 Class F Performance Shares proposed to be issued by the Company pursuant to Resolution 1 from the calculation set out in ASX Listing Rule 7.1.

Listing Rule 7.3 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.1:

- (a) the maximum number of securities to be issued by the Company is:
  - (i) 68,140,438 Shares; and
  - (ii) 5,000,000 Class F Performance Shares,(together, the **Securities**);
- (b) the Securities will be issued to the parties set out in Schedule 3 of this Explanatory Statement;
- (c) the Securities will be issued within 3 months after the date of the Meeting and it is intended the Securities will all be issued on one (1) date;
- (d) the terms of the Class F Performance Shares are outlined in Schedule 1 of this Explanatory Statement;
- (e) the Shares will be issued on the same terms and conditions as the Company's current ordinary issued Shares; and
- (f) no funds will be raised pursuant to the issue as the Shares or Class F Performance Shares will be issued in consideration for the acquisition of the minority shareholdings in IVB.

Each of the parties set out in Schedule 1 has agreed to their Shares being escrowed, whereby approximately 50% will be restricted from trading for a period of 6 months and the remaining 50% for a period of 12 months from their date of issue.

#### 2.2 Resolutions 2, 3 and 4 – Election of Directors

It is proposed that Mr James Williams be appointed to the position of Managing Director of the Company, and that Mr Jay Ives and Mr Ian Anderson be appointed as non-executive directors of the Company.

These proposed appointments are proposed as part of the terms for the Acquisition the subject of Resolution 1.

## 2.3 Resolution 5 – Issue of Securities to Mr James Williams

### 2.3.1 Background

Resolution 5 seeks shareholder approval for the issue of up to 3,000,000 Class G Performance Shares and 5,500,000 Options (**Director Securities**) to Mr James Williams (or his nominee).

As noted above, it is proposed that Mr Williams will be appointed Managing Director of the Company.

Shareholder approval for the issue of the Director Securities to Mr Williams is required by ASX Listing Rule 10.11 and Section 208 of the Corporations Act because Mr Williams is a related party of the Company by virtue of being a proposed director of the Company.

The ASX Listing Rules and the Corporations Act set out a number of regulatory requirements, which must be satisfied. These are summarised below.

### 2.3.2 Regulatory Requirements - ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires the Company to obtain Shareholder approval by ordinary resolution prior to the issue of securities (including a Performance Share or option) to a related party of the Company.

Mr Williams is a related party of the Company because he is a proposed director of the Company.

Accordingly, Shareholder approval for the issue of the Director Securities to Mr Williams pursuant to Resolution 5 is required by ASX Listing Rule 10.11.

The issue of the Director Securities to Mr Williams will not be included in the calculation of whether the Company has used its 15% placement capacity for the purposes of ASX Listing Rule 7.1 because Shareholder approval is being obtained pursuant to ASX Listing Rule 10.11.

### 2.3.3 Regulatory Requirements - ASX Listing Rule 10.13

For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to the issue of Options pursuant to Resolution 5:

- (a) the maximum number of Options to be issued by the Company is 5,500,000 to Mr Williams (or his nominee) consisting of the following:
  - (i) 500,000 Options exercisable at 25 cents each (**First Tranche**);
  - (ii) 1,000,000 Options exercisable at 30 cents each (**Second Tranche**);
  - (iii) 2,000,000 Options exercisable at 40 cents each (**Third Tranche**);  
and
  - (iv) 2,000,000 Options exercisable at 50 cents each (**Fourth Tranche**);
- (b) the maximum number of Class G Performance Shares to be issued is 3,000,000 to Mr Williams (or his nominee);

- (c) the Director Securities will be issued for no consideration. The purpose of issuing Director Securities is to give Mr Williams an incentive to provide dedicated and ongoing commitment to the Company. The total value of the Director Securities (**Consideration Amount**) is based on the valuation outlined in part 2.3.6 of this Notice below. The Board considers the issue of the number of Director Securities 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;
- (d) the Director Securities will be issued not later than one month after the date of this General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on that date;
- (e) the Options will be issued on the terms and conditions set out in section 2.3.7 of this Explanatory Memorandum; and
- (f) the Class G Performance Shares will be issued on the terms set out in Schedule 2 to this Explanatory Statement.

#### **2.3.4 Chapter 2E of the Corporations Act**

The Company is seeking shareholder approval for the purposes of Chapter 2E of the Corporations Act in respect of the Director Securities to be issued to Mr Williams.

In accordance with the requirements of Chapter 2E of the Corporations Act and in particular, Section 219 of the Corporations Act, the information set out in part 2.3.5 of this Notice below is provided to allow shareholders to assess the proposed issue of Director Securities.

#### **2.3.5 Regulatory Requirements - Sections 217 to 227 of the Corporations Act**

The following information is provided pursuant to sections 217 to 227 of the Corporations Act in relation to Resolution 5:

- (a) the related party to whom the Director Securities will be issued is Mr James Williams;
- (b) the maximum number of Director Securities (being the nature of the financial benefit to be provided) to be given is:
  - (i) 5,500,000 Options; and
  - (ii) 3,000,000 Class G Performance Shares,to Mr Williams (or his nominee);
- (c) Mr Williams declines to make a recommendation to shareholders in relation to the issue of Director Securities to himself, as he has a material personal interest in the outcome of the resolution. Each of the other Directors considers that the proposed issue of Director Securities is a cost effective and efficient incentive for Mr Williams when compared to other forms of incentive (eg cash, bonuses or increased remuneration). In determining the number of Director Securities to be issued and their terms, consideration was given to the relevant experience of Mr Williams, the current market price of Shares and the terms of

remuneration packages of other executive directors of other similar companies. The Directors are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolution;

- (d) if Shareholders approve the issue of Options to Mr Williams and all of the Options are exercised, the effect will be to dilute the shareholding of existing Shareholders by approximately 2.97% on an undiluted basis and based on the number of Shares on issue on completion of the issue of Shares pursuant to Resolution 1;
- (e) if Shareholders approve the issue of Class G Performance Shares to Mr Williams and all of the Class G Performance Shares are converted, the effect will be to dilute the shareholding of existing Shareholders by approximately 1.64% on an undiluted basis and based on the number of Shares on issue on completion of the issue of Shares pursuant to Resolution 1;
- (f) the market price for Shares during the term of the Options would normally determine whether or not Mr Williams exercise the Options. If, at the time any of the Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company. Further, if upon the conversion of the Class G Performance Shares, the Shares are trading on ASX at a price that is higher than the deemed issue price, there may be a perceived cost to the Company;
- (g) currently, Mr Williams holds the following securities in the company;  
  
25,000 Shares held in the name of 'Williams Family Trust', of which Mr Williams has a beneficial interest.
- (h) when Mr Williams is appointed Managing Director of the Company it is proposed that he will be paid an annual salary of \$240,000 (inclusive of superannuation); and
- (i) in the 12 months before the date of this Notice, the highest, lowest, volume weighted average and last trading price of Shares on ASX are as set out below:

	Date	Price
<b>Highest</b>	01/02/2005	24.5 cents
<b>Lowest</b>	02/08/2004	12.5 cents
<b>Volume Weighted Average</b>	12/04/2005	17.6 cents
<b>Last Trading Price</b>	12/04//2005	19.0 cents

### 2.3.6 Valuation of Options and Class G Performance Shares

#### *Options*

The Options have been valued using the Black & Scholes pricing model, based on the following assumptions:

- (b) First Tranche Options expire on 31 May 2007 with second, third and

fourth tranche options expiring 31 May 2008;

- (c) a price per Share of 19 cents (being the last closing price of the Shares on ASX on the date of performing the calculation);
- (d) a common volatility factor of 19.62% (which has been determined with reference to the historical trading of the Company's shares on ASX over the previous twelve months);
- (e) an interest rate of 5.50% per annum on the two year option term and an interest rate of 5.54% on the three year option term;
- (f) a discount rate of 15% has been applied because the Options are not transferable. In addition, various discounts have been applied to take into account the prospect of milestones not being achieved:
  - (i) Third Tranche—15%, 25%, 50%; and
  - (ii) Fourth Tranche—15%, 25%, 50%;
- (g) the valuations ascribed to the various Options may not necessarily represent the market price of the Options at the date of the valuation; and
- (h) the issue date of the Options is 31 May 2005.

Based on the above, the Options have been valued as follows:

		Discount rate applied		
	<b>Option Valuation</b>	15%	25%	50%
(a)	First Tranche	0.91 cents	N/A	N/A
(b)	Second Tranche	0.75 cents	N/A	N/A
(c)	Third Tranche	0.13 cents	0.11 cents	0.075 cents
(d)	Fourth Tranche	0.024 cents	0.021 cents	0.014 cents

### ***Class G Performance Shares***

The Class G Performance Shares have been valued using the Black & Scholes pricing model, based on the following assumptions:

- (i) the Class G Performance Shares expire on 31 May 2010;
- (j) a price per Share of \$0.19 (being the last closing price of the Shares on ASX on the date of performing the calculation);
- (k) a common volatility factor of 19.62% (which has been determined with reference to the historical trading of the Company's shares on ASX over the previous twelve months);
- (l) an interest rate of 5.54%;

- (m) various discount rates have been applied because the Performance Shares are not transferable and to take into account the prospect of milestones not being achieved;
- (n) the valuations ascribed to the Class G Performance Shares may not necessarily represent the market price of the Class G Performance Shares at the date of the valuation; and
- (o) the issue date of the Class G Performance Shares is 31 May 2005.

Based on the above, the Class G Performance Shares have been valued as follows:

	Discount rate applied		
	15%	25%	50%
Valuation	16.15 cents	14.25 cents	9.5 cents

### 2.3.7 Terms of Options

The material terms and conditions of the Options to be issued pursuant to Resolution 5 are as follows:

- (a) each Option entitles the holder, when exercised, to one Share;
- (b) subject to (c) below the Options are exercisable at any time prior to 3 years from the date of issue (**Expiry Date**) except for the (**First Tranche**) which has an expiry date of 2 years from the date of issue;
- (c) the exercise prices of the Options are as follows:
  - (i) 500,000 Options are exercisable at 25 cents each and shall vest immediately upon issue (**First Tranche**);
  - (ii) 1,000,000 Options are exercisable at 30 cents each (**Second Tranche**) and shall vest immediately upon issue;
  - (iii) 2,000,000 Options are exercisable at 40 cents each (**Third Tranche**) and shall 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; and
  - (iv) 2,000,000 Options are exercisable at 50 cents each (**Fourth Tranche**) and shall 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 in tranche 3 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 in Tranche 3 above). In the event the Third Tranche performance milestone referred to in paragraph (iii) above has

been achieved, the milestone for the Fourth Tranche Options 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;

- (d) in the event a bona fide takeover offer is made for the Shares and:
  - (i) the bidder acquires a relevant interest in at least 20% of the Shares; and
  - (ii) the takeover offer is declared unconditional,the Third Tranche and Fourth Tranche Options will immediately vest and become exercisable;
- (e) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised;
- (f) it is not currently intended that the Company will apply for quotation of the Options on ASX;
- (g) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options;
- (h) there are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to optionholders in accordance with the ASX Listing Rules; and
- (i) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of the optionholders will be varied in accordance with the Listing Rules.

## GLOSSARY

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means Australian Stock Exchange Limited.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Class F Performance Share** means a share in the capital of the Company issued on the terms and conditions set out in Schedule 1.

**Class G Performance Share** means a share in the capital of the Company issued on the terms and conditions set out in Schedule 2.

**Company** and **Resonance** means Resonance Health Limited (ABN 96 006 762 492).

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement which forms part of this Memorandum.

**General Meeting** means the meeting convened by the Notice.

**Memorandum** means the Notice, Explanatory Statement and Proxy Form.

**Notice** means the notice of meeting which forms part of this Memorandum.

**Option** means an option to purchase a Share on the terms and conditions set out in Section 2.3.7 of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.



## SCHEDULE 1

### TERMS AND CONDITIONS OF CLASS F PERFORMANCE SHARES

#### 1. DEFINITIONS

**Acquisition** means the acquisition of all of the outstanding shares in IVB.

**ASX** means Australian Stock Exchange Limited.

**Class F Performance Share** means a fully paid converting share in the capital of the Company issued on the Issue Date as part consideration for the Acquisition and expiring on the Redemption Date or converting into Shares in accordance with Term 4.3 and otherwise on the terms and conditions set out in these Terms.

**Company** means Resonance Health Limited ABN 96 006 762 492.

**Conversion Dates** means the dates on which a Performance Share converts to a Share upon satisfaction of the Milestone in accordance with Term 4.2.

**Entitlement Notice** means a notice in writing issued by the Company confirming that a Holder may convert all their Performance Shares to Shares in accordance with the terms contained in the notice.

**Financial Year** means a year beginning on 1 July and ending on 30 June.

**Holder** means a holder of a Performance Share.

**IVB** means Inner Vision Biometrics Pty Ltd (ABN 11 092 813 244).

**IVB Minority Shareholders** means the shareholders attached as Schedule 3.

**Issue Date** means the date on which the Company first issued Class F Performance Shares, being 7 November 2003.

**Issue Price** means 0.0001 cents, being the amount taken to have been paid on the Issue Date.

**Listing Rules** means the official listing rules of ASX.

**Milestone** means the milestone set out in Term 4.2.

**Performance Share** means a Class F Performance Share.

**Shareholder** means a holder of Shares.

**Shares** means fully paid ordinary shares in the capital of the Company.

**Term** means a term of the Performance Share set out in this document.

**\$** means the currency of Australia.

#### 2. RIGHTS ATTACHING TO THE PERFORMANCE SHARES

##### 2.1 Fixed Share

Each Performance Share is a fixed share in the capital of the Company.

## **2.2 General Meeting**

The Performance Shares shall confer on the Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders have the right to attend general meetings of Shareholders but are not entitled to vote at general meetings of Shareholders.

## **2.3 Voting Rights**

The Holder is not entitled to vote on any resolutions proposed at a Shareholders' meeting of the Company.

## **2.4 Dividend Rights**

The Performance Shares do not entitle the Holder to any dividends.

## **2.5 Rights on Winding Up**

Upon a winding up of the Company, each Performance Share shall confer on the Holder the right to participate in the surplus profits or assets of the Company on an equal basis as holders of Shares to the maximum extent of the Issue Price. For the avoidance of doubt, this Term only relates to the Holder in its capacity as the holder of the Performance Share and does not in any way affect any right or entitlement accruing to the Holder in its capacity as a holder of Shares.

## **2.6 Transfer of Performance Shares**

The Performance Shares are not transferable.

## **2.7 Reorganisation of Capital**

If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.

## **2.8 Application to ASX**

Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares to Shares, the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares and options arising from the conversion on ASX.

## **3. ISSUE OF THE PERFORMANCE SHARES**

The Company shall allot and issue 5,000,000 Performance Shares.

## **4. CONVERSION OF THE PERFORMANCE SHARES**

### **4.1 Conversion Basis**

Each Performance Share entitles the Holder to convert the Performance Share in accordance with the Milestone.

### **4.2 Milestone for Class F Performance Shares**

Upon achievement of Medicare Services Advisory Committee (MSAC) assessment completed and reimbursement number received for at least one clinical application of the IVB Technology and the expiration of 12 months from

the Issue Date, holders of Class F Performance Shares may convert each Class F Performance Share held into a Share.

#### **4.3 Conversion Procedure**

Upon the Milestone being achieved and certified by the Company's auditors, the Company shall promptly issue an Entitlement Notice to each Holder confirming satisfaction of the Milestone and the right to conversion of the relevant Performance Shares to Shares in accordance with Term 4.2. As soon as practicable following written acceptance by a Holder to convert the Performance Shares to Shares, the Company shall allot and issue to the Holder the respective number of Shares and cancel the respective Performance Shares. On conversion of a Performance Share the rights powers and privileges of that Performance Share shall immediately cease to apply.

#### **4.4 Ranking of Shares**

The Shares issued on conversion of the Performance Shares will rank pari passu in all respects with existing Shares.

### **5. FORFEITURE OF THE PERFORMANCE SHARES**

The Performance Shares shall automatically be forfeited if the Milestone is not achieved within 5 years of the Issue Date and the Holder shall do all acts required by the Company to give effect to the cancellation of the Performance Shares subject to forfeiture (including the exercise or non-exercise of voting rights attaching to Shares controlled by the Holder). No consideration shall be payable to the Holder in relation to the forfeiture and cancellation of the Performance Shares pursuant to this Term.

### **6. NO OTHER RIGHTS**

The Performance Shares give the Holders no rights other than those expressly provided by these Terms and those provided at law where such rights at law cannot be excluded by these Terms.

## SCHEDULE 2

### TERMS AND CONDITIONS OF CLASS G PERFORMANCE SHARES

#### 1. DEFINITIONS

**Acquisition** means the acquisition of all of the outstanding shares in IVB.

**ASX** means Australian Stock Exchange Limited.

**Class G Performance Share** means a fully paid converting share in the capital of the Company issued on the Issue Date as part consideration for work to be done by the Director for the Company and expiring on the Redemption Date or converting into Shares in accordance with Term 4.3 and otherwise on the terms and conditions set out in these Terms.

**Company** means Resonance Health Limited ABN 96 006 762 492.

**Conversion Dates** means the dates on which a Performance Share converts to a Share upon satisfaction of the Milestone in accordance with Term 4.2.

**Director** means Mr James Williams.

**Entitlement Notice** means a notice in writing issued by the Company confirming that a Holder may convert all their Performance Shares to Shares in accordance with the terms contained in the notice.

**Financial Year** means a year beginning on 1 July and ending on 30 June.

**Holder** means a holder of a Performance Share.

**Issue Date** means the date on which the Company first issues Class G Performance Shares.

**Issue Price** means 0.0001 cents, being the amount taken to have been paid on the Issue Date.

**Listing Rules** means the official listing rules of ASX.

**Milestone** means the milestone set out in Term 4.2.

**Performance Share** means a Class G Performance Share.

**Shareholder** means a holder of Shares.

**Shares** means fully paid ordinary shares in the capital of the Company.

**Term** means a term of the Performance Share set out in this document.

**\$** means the currency of Australia.

#### 2. RIGHTS ATTACHING TO THE PERFORMANCE SHARES

##### 2.1 Fixed Share

Each Performance Share is a fixed share in the capital of the Company.

## **2.2 General Meeting**

The Performance Shares shall confer on the Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders have the right to attend general meetings of Shareholders but are not entitled to vote at general meetings of Shareholders.

## **2.3 Voting Rights**

The Holder is not entitled to vote on any resolutions proposed at a Shareholders' meeting of the Company.

## **2.4 Dividend Rights**

The Performance Shares do not entitle the Holder to any dividends.

## **2.5 Rights on Winding Up**

Upon a winding up of the Company, each Performance Share shall confer on the Holder the right to participate in the surplus profits or assets of the Company on an equal basis as holders of Shares to the maximum extent of the Issue Price. For the avoidance of doubt, this Term only relates to the Holder in its capacity as the holder of the Performance Share and does not in any way affect any right or entitlement accruing to the Holder in its capacity as a holder of Shares.

## **2.6 Transfer of Performance Shares**

The Performance Shares are not transferable.

## **2.7 Reorganisation of Capital**

If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.

## **2.8 Application to ASX**

Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares to Shares, the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares and options arising from the conversion on ASX.

## **3. ISSUE OF THE PERFORMANCE SHARES**

The Company shall allot and issue 3,000,000 Performance Shares.

## **4. CONVERSION OF THE PERFORMANCE SHARES**

### **4.1 Conversion Basis**

Each Performance Share entitles the Holder to convert the Performance Share in accordance with the Milestone.

### **4.2 Milestone for Class G Performance Shares**

Each Class G Performance Share is convertible into 1 Share upon any of the following events occurring:

- (a) the Company achieving a minimum volume weighted average share price on ASX for a period of 60 consecutive trading days of not less than AUD\$0.60 per Share; or
- (b) the Company's shares being listed on a recognised international stock exchange (other than ASX) and where or when the Company's shareholders have received a minimum value of AUD\$0.60 per Share for their shareholding in the Company; or
- (c) the Company receiving a bona fide 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 AUD\$0.60 per Share.

For each of the above events, the \$0.60 value will be adjusted for any share split, consolidation or reconstruction following the issue date.

#### **4.3 Conversion Procedure**

Upon the Milestone being achieved and certified by the Company's auditors, the Company shall promptly issue an Entitlement Notice to each Holder confirming satisfaction of the Milestone and the right to conversion of the relevant Performance Shares to Shares in accordance with Term 4.2. Performance Shares (or any part thereof) will be converted to ordinary shares on written request by the Holder at any time within 24 months from the date of first entitlement to convert the Performance Shares to Shares, the Company shall allot and issue to the Holder the respective number of Shares and cancel the respective Performance Shares. On conversion of a Performance Share the rights powers and privileges of that Performance Share shall immediately cease to apply.

#### **4.4 Ranking of Shares**

The Shares issued on conversion of the Performance Shares will rank *pari passu* in all respects with existing Shares.

### **5. FORFEITURE OF THE PERFORMANCE SHARES**

The Performance Shares shall automatically be forfeited if:

- (a) the Milestone is not achieved within 5 years of the Issue Date; or
- (b) the Holder ceases to be an employee of the Company before a Milestone is achieved,

and the Holder shall do all acts required by the Company to give effect to the cancellation of the Performance Shares subject to forfeiture (including the exercise or non-exercise of voting rights attaching to Shares controlled by the Holder). No consideration shall be payable to the Holder in relation to the forfeiture and cancellation of the Performance Shares pursuant to this Term.

### **6. NO OTHER RIGHTS**

The Performance Shares give the Holders no rights other than those expressly provided by these Terms and those provided at law where such rights at law cannot be excluded by these Terms.

**SCHEDULE 3**

**IVB MINORITY SHAREHOLDERS**

<b>Name</b>	<b>Number of Resonance Ordinary Shares</b>	<b>Number of Resonance Class F Shares</b>
Mr I Anderson	1,157,934	83,334
Dr J Black	1,157,935	83,334
Dr J Cartoon	1,157,935	83,334
Dr R Dalrymple	1,157,935	83,334
Dr J Fraser	1,157,935	83,334
Dr J Glancy	1,157,935	83,334
Dr F Ives	1,157,934	83,334
Dr A Kaard	1,157,935	83,334
Dr H Kaard	1,157,935	83,333
Dr A Kam	1,157,935	83,333
Dr J Lagerberg	1,157,935	83,333
Dr P Leaver	1,157,935	83,333
Dr W McAuliffe	1,157,935	83,333
Dr C McCormick	1,157,935	83,333
Dr I Morrison	1,157,935	83,333
Dr R Noonan	1,157,935	83,333
Dr P Robins	1,157,935	83,333
Dr P Sprague	1,157,935	83,333
Dr D Sweeney	1,157,935	83,333
Dr S Swift	1,157,935	83,333
Dr J Tidbury	1,157,935	83,333
Dr S Ulreich	1,157,935	83,333
Dr N Wambeek	1,157,935	83,333
Dr S Young	1,157,935	83,333
The University of Western Australia	9,078,750	675,000
Timothy Guy St Pierre as trustee for the St Pierre Trust	9,078,750	675,000

Name	Number of Resonance Ordinary Shares	Number of Resonance Class F Shares
Paul Roderick Clark as trustee for the Pankima Trust	10,087,500	750,000
Wanida Chau-anusorn as trustee for the Medta Trust	8,070,000	600,000
Franklyn Jay Ives	4,035,000	300,000
<b>TOTAL</b>	<b>68,140,438</b>	<b>5,000,000</b>





**RESONANCE HEALTH LIMITED**  
**ABN 96 006 762 492**

**Instructions for Completing 'Appointment of Proxy' Form**

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.