RESONANCE HEALTH LIMITED

(ABN 96 006 762 492)

Half Year Report

31 December 2005

Contents

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2005.

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

The Hon. Dr Michael Wooldridge	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

Review of Operations

In the half year ended 31st December 2005, the Resonance Group continued the commercialisation of FerriScan®, its world leading non invasive tool for measuring liver iron levels. FerriScan has received regulatory clearance to be marketed in the US, Australia, UK and Europe.

With rapid expansion during the period, FerriScan was available at 37 sites worldwide at 31 December 2005. FerriScan also gained international independent validation at the American Society of Hematology (ASH) conference held in Atlanta during December 2005 where a major pharmaceutical company released data favourably comparing FerriScan to the gold standard liver biopsy. In addition, a review was published in top peer reviewed medical journal 'Blood' highlighting the clinical utility of MRI based tools ,for the diagnosis and management of iron overload disorders.

Resonance Health also secured a Western Australian Government Health Supply Contract to provide FerriScan at every capable hospital in the State. This State-level reimbursement sets an important precedent for reimbursement in other states in Australia, as well as offshore.

Also during this period, the Resonance Group completed 'Proof of Concept' testing for the development of a second product for measuring liver fibrosis. This research program was supported via a grant provided by the Commonwealth Government's Biotechnology Innovation Fund program. The clinical development of the new test for Fibrosis will progress through 2006.

Whilst continuing to work closely with the pharmaceutical industry and partnering a major imaging chain in the US, Resonance also appointed Corporate Advisors, Montgomery Pacific in the US to assist with value creating initiatives in the US.

In October 2005 Resonance Health Limited undertook a placement of shares which raised 1.8 million and received a further $0.4 million from the exercise of options.

Operating Results

At 31 December 2005, the consolidated net loss of the company after income tax benefit was $1,800,646. This amount consists of research and development expenditure, commercialisation costs and normal administrative costs.

Adoption of Australian Equivalents to International Financial Reporting Standards ('AIFRS')

This interim report has been prepared under Australian Equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian Equivalents to IFRS has been included in Note 2 of this report.

Auditor's Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2005.

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

James Williams

Director

Dated this 16th day of March 2006.

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Resonance Health Limited for the half year ended 31 December 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Resonance Health Limited.

Perth, Western Australia
16 March 2006

L DI GIALLONARDO
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership)
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Partners: Ian H Barsden, Terry M Blenkinsop, Litsa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley

HLB Mann Judd (WA Partnership) is a member of HLB International and the HLB Mann Judd National Association of independent accounting firms

CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated 2005 $	2004 $
Revenue	3	**120,553**	**44,005**
Other income	3	**134,438**	**18,437**
Employee benefits expense		(847,274)	(560,744)
Consulting and professional services		(487,422)	(183,621)
Research and development		(169,565)	(202,190)
Depreciation and amortisation expense		(36,169)	(6,765)
Statutory and compliance		(139,214)	(131,454)
Travel		(200,893)	(113,998)
Other expenses		(402,483)	(166,130)
Loss before income tax benefit		**(2,028,029)**	**(1,302,460)**
Income tax benefit		227,383	-
Net loss for the period		**(1,800,646)**	**(1,302,460)**
Loss attributable to minority interest		**-**	**593,069**
Net loss attributable to members of parent		**(1,800,646)**	**(709,391)**
Basic (loss) per share (cents per share)		**(0.9)**	**(1.0)**

The accompanying notes form part of these financial statements

CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	Consolidated 31 Dec 2005 $	Consolidated 30 June 2005 $
Assets			
Current Assets			
Cash and cash equivalents		2,024,746	1,509,192
Trade and other receivables		111,650	227,802
Other financial assets		14,337	14,337
Other		124,135	84,221
Total Current Assets		2,274,868	1,835,552
Non-Current Assets			
Property, plant and equipment		134,728	156,780
Intangible assets	8	12,786,888	12,786,888
Total Non-Current Assets		12,921,616	12,943,668
Total Assets		15,196,484	14,779,220
Liabilities			
Current Liabilities			
Trade and other payables		362,629	321,303
Borrowings		29,656	-
Provisions		54,978	84,451
Total Current Liabilities		447,263	405,754
Total Liabilities		447,263	405,754
Net Assets		14,749,221	14,373,466
Equity			
Issued capital	4	64,568,266	62,391,865
Reserves		66,284	66,284
Retained earnings		(49,885,329)	(48,084,683)
Parent entity interest		14,749,221	14,373,466
Total Equity		14,749,221	14,373,466

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Consolidated					
	Issued Capital	Retained Earnings	Option Premium	Total	Minority Interest	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2004	49,447,853	(46,429,865)	50,622	3,068,610	(199,485)	2,869,125
Shares issued during the year	1,075,950	-	-	1,075,950	-	1,075,950
Exercise of options	889,895	-	487	890,382	-	890,382
Cost of share issues	(33,870)	-	-	(33,870)	-	(33,870)
Loss attributable to members of the parent entity	-	(709,391)	-	(709,391)	-	(709,391)
Loss attributable to minority interest	-	-	-	-	(716,795)	(716,795)
Balance at 31 December 2004	51,379,828	(47,139,256)	51,109	4,291,681	(916,280)	3,375,401
Balance at 1 July 2005	62,391,865	(48,084,683)	66,284	14,373,466	-	14,373,466
Shares issued during the year	2,239,106	-	-	2,239,106	-	2,239,106
Cost of share issues	(62,705)	-	-	(62,705)	-	(62,705)
Loss attributable to members of the parent entity	-	(1,800,646)	-	(1,800,646)	-	(1,800,646)
Balance at 31 December 2005	64,568,266	(49,885,329)	66,284	14,749,221	-	14,749,221

The accompanying notes form part of these financial statements

CONDENSED CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Consolidated	
	2005 $	2004 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	134,622	7,725
Receipts from grants	90,333	-
Payments to suppliers and employees	(2,007,313)	(1,174,094)
Interest received	37,769	18,439
Income tax received	227,383	-
Net cash provided by/(used in) operating activities	(1,517,206)	(1,147,930)
Cash flows from investing activities		
Purchase of non-current assets	(7,741)	(100,738)
Payments for investments	-	(175,000)
Payments for research and development	(183,805)	(202,190)
Net cash provided by/(used in) investing activities	(191,546)	(477,928)
Cash flows from financing activities		
Proceeds from issue of shares and options	2,257,355	1,966,732
Share issue expenses	(62,705)	(33,870)
Proceeds from borrowings	42,437	-
Repayment of borrowings	(12,781)	-
Net cash provided by/(used in) financing activities	2,224,306	1,932,862
Net increase/(decrease) in cash held	515,554	307,004
Cash at 1 July 2005	1,509,192	1,272,680
Cash at 31 December 2005	2,024,746	1,579,684

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The half-year report has been prepared on a historical cost basis.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by Resonance Health Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the full financial report.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared and is presented in Note 2.

GOING CONCERN

The consolidated entity's cash loss for the half-year ended 31 December 2005 (after adding back depreciation and amortisation expense of $36,169) was $1,764,477. The consolidated entity has access to working capital of $1,827,605 as at 31 December 2005 and has forecast that it will be able to generate cash flows in the 12 months from the signing of this report which, together with current working capital, will be sufficient to fund the company's operations for that period. Notwithstanding this, it is also possible that the directors may choose to seek further capital from existing and new shareholders to assist in funding the continuing operations of the consolidated entity.

The financial statements have therefore been prepared on a going concern basis which assumes that the consolidated entity can continue to meet its commitments and can therefore continue normal business activities and achieve the realisation of assets and settlement of liabilities in the ordinary course of business.

(a) Principles of consolidation

The consolidated financial report comprises the financial statements of Resonance Health Limited and its controlled entities.

A controlled entity is any entity controlled by Resonance Health Limited whereby Resonance Health Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Income tax

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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 consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

(c) Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Impairment

Carrying values of assets are reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part.

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

Recoverable amount is determined as the greater of fair value less costs to sell and value in use. The assessment of value in use considers the present value of future cash flows discounted using an appropriate pre-tax discount rate reflecting the current market assessments of the time value of money and risks specific to the asset.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and equipment	10% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(d) Leases

Leases are classified as operating leases where substantially all the risks and benefits remain with the lessor. Payments in relation to operating leases are charged as expenses in the periods in which they are incurred.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(f) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is allocated to each of the cash generating units expected to benefit from the acquisition. Goodwill is subsequently recorded at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment

Goodwill is tested for impairment by comparing the recoverable amount of the cash generating unit to which any goodwill relates with the carrying amount. Any impairment loss is apportioned according to the relative carrying amounts of the goodwill and other assets comprising the cash generating unit.

(g) Recoverable amount of assets and impairment testing

The consolidated entity assesses at each reporting date whether any objective indications of impairment are present. Where such an indicator exists, a formal assessment of recoverable amount is then made and where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset.

Any resulting impairment loss is recognised immediately in the income statement unless it reverses a previous impairment loss that was recognised in prior periods in the income statement.

(h) Foreign currency transactions and balances

The functional and presentation currency of Resonance Health Limited is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement.

(i) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. To date no research and development costs, including costs associated with patent applications, have been deferred.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(m) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue is capable of being reliably measured.

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

Interest revenue is recognised on a proportional basis 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).

(n) 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) AASB 1 Transitional exemptions

The consolidated entity has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 "Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations occurring prior to the date of transition to AIFRS).

Share based payment transactions

AASB 2 'Share-Based Payment' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

(p) Comparative figures

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

NOTE 2: FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ('AIFRS')

Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and loss after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (previous Australian GAAP) are illustrated below.

(i) Reconciliation of total equity as presented under previous Australian GAAP to that under AIFRS

	Note	Consolidated		
		1 July 2004	31 December 2004	30 June 2005
		$	$	$
Total equity under previous Australian GAAP		2,869,125	3,289,468	14,106,799
Adjustments to equity:				
Write back of goodwill amortisation	(a)	-	85,933	266,667
Total equity under AIFRS		2,869,125	3,375,401	14,373,466

(ii) Reconciliation of loss after tax under previous Australian GAAP to that under AIFRS

	Note	Consolidated	
		Year ended 30 June 2005	Half year ended 31 December 2004
		$	$
Loss after tax as previously reported		(1,906,310)	(795,324)
Recognition of share-based payment expense	(b)	(15,175)	-
Write back of goodwill amortisation	(a)	266,667	85,933
Loss after tax under AIFRS		(1,654,818)	(709,391)

(a) Goodwill is not amortised under AASB 3 'Business Combinations', but was amortised under previous Australian GAAP. There is no tax effect in relation to this adjustment.

(b) Share-based payment costs are charged to the income statement under AASB 2 'Share-based Payment'. This is not the case under previous Australian GAAP. There is no tax effect in relation to this adjustment.

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statement presented under AIFRS and those presented under previous Australian GAAP.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

NOTE 3: REVENUE FROM ORDINARY ACTIVITIES

	Consolidated	
	31 December 2005 $	31 December 2004 $
Liver scan income	120,553	44,005
Grants received	90,333	-
Interest received	37,769	18,437
Other	6,336	-
	254,991	62,442

NOTE 4: ISSUED CAPITAL

	Consolidated	
	31 December 2005 $	30 June 2005 $
Issued Capital	64,568,266	62,391,865
Comprised of:		
Ordinary shares		
Issued and fully paid	64,568,250	62,391,849
	No.	$
Movements in ordinary shares on issue		
At 1 July 2005	185,494,023	62,391,849
Share Placements	9,112,319	1,043,750
Share Purchase Plan	6,921,635	796,000
Option conversions	2,662,515	399,356
Share issue expenses	-	(62,705)
At 31 December 2005	204,190,492	64,568,250
	$	$
Incentive shares		
Issued and fully paid	16	16
	No.	$
Movements in incentive shares on issue		
At 1 July 2005	16,000,000	16
At 31 December 2005	16,000,000	16
Total	220,190,492	64,568,266

NOTE 5: SEGMENT REPORTING

The consolidated entity's business involves the development and commercialisation in Australia 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 geographic segment.

NOTE 6: CONTINGENT LIABILITIES

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

NOTE 7: 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 consolidated entity, the results of those operations, or the state of affairs in future financial years.

NOTE 8: INTANGIBLES

	31 December 2005	30 June 2005
	$	$
Goodwill on consolidation	12,786,888	12,786,888

Goodwill on consolidation represents the amount by which the purchase price of the ownership interest in the controlled entity exceeded the fair value attributed to the identifiable net assets of the controlled entity at the date of acquisition. The directors have tested this goodwill for impairment and have satisfied themselves that based on expected future cash flows from the technology embodied in this goodwill, the recoverable amount of the goodwill exceeds the carrying value at 31 December 2005. These expected future cash flows include estimated cash flows from sales of FerriScan which are funded through direct sales to consumers in addition to scans funded by third party reimbursement through Government or private health insurance providers, commercial or philanthropic organisations. The present value of these expected cash flows have been used by the directors in arriving at the recoverable amount of goodwill.

The expected cash inflows from FerriScan, other sources of income and cash outflows used in the preparation of the forecast cash flows are based upon certain economic, regulatory, reimbursement, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. Whilst the directors believe the assumptions are best estimate assumptions based on information provided to the company by external parties, the occurrence and timing of the future events are not certain.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 16:
   a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
   b. give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

James Williams

Director

Dated this 16th day of March 2006

HLB Mann Judd
Chartered Accountants

INDEPENDENT REVIEW REPORT

To the members of
RESONANCE HEALTH LIMITED
Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements and the directors' declaration of Resonance Health Limited for the half year ended 31 December 2005. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", 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.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

HLB Mann Judd (WA Partnership)
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Partners: Ian H Barsden, Terry M Blenkinsop, Litsa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley

Independence

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out on page 5 of the half year financial report has not changed as at the date of provision of our review report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Resonance Health Limited and the entities which it controlled during the half year, is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position at 31 December 2005 and of its performance for the half year ended on that date; and

  (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Carrying Value of Goodwill

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As discussed in Note 8 to the half year financial report, there is uncertainty as to the recoverability of the carrying value of goodwill on consolidation.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
16 March 2006

L DI GIALLONARDO
Partner