The Manager
Company Announcements
Australian Stock Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

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Dear Sir,

RHT: Resonance Health announces "Proof of Concept" of FibroScreen; restructuring as a result of lagging FerriScan sales

Resonance Health has recently completed the work under an Australian Commonwealth Government's Biotechnology Innovation Fund (BIF) Grant to evaluate the feasibility of the Company's non-invasive liver fibrosis (scarring) test, known as FibroScreen. The research was designed to determine whether the MRI data acquired using the FerriScan technology can also be used to identify and quantify the presence of fibrosis.

The research performed under the grant demonstrated the feasibility of the Company's technical approach to the problem, and provides a "Proof of Concept" for future work.

The Company believes there is strong value to continue its research focus on the development and commercialization of a non-invasive test to determine the extent of liver fibrosis. The extent of fibrosis of liver is the single most important predictor of complications in patients with chronic liver diseases such as hepatitis. The World Health Organisation estimates that more than 170 million people worldwide are affected by the chronic liver disease Hepatitis C creating a large worldwide demand for a non-invasive, accurate test that quantifies fibrosis. Such a test, if developed and approved, will meet a clear need for a superior and less invasive patient procedure.

While the approval for the fibrosis test is anticipated to take some time, the test addresses a much larger market than FerriScan, the non-invasive test for iron overload in the liver.

While the research to date on FibroScreen is encouraging, the newly reconstituted Board of Directors has concluded a strategic review of the Company in light of disappointing sales of FerriScan. As a result of this review, the board has set the following strategic imperatives:

Acquisition of pathology companies in the United States:

> RHT is committed to acquiring specialty anatomical pathology businesses in the United States and is working to close its first acquisition. Other acquisition targets have been identified and negotiations are underway. QBF remains committed to financing the company simultaneously with the close of an acquisition.

FerriScan Sales *(*Non-invasive test for liver iron levels in patients with iron metabolism disorders)*:*

The rate of market and sales penetration of FerriScan has not met the marketing goals. Some FerriScan sales, however, continue in certain small niche markets, such as clinical studies conducted by Novartis and pathology sales in Australia and the Middle East. Further, FerriScan remains the only approved non-invasive test for the determination of iron levels in the liver. Thus, the Board has decided to focus efforts on existing customers, and sharply cut the substantial expense associated with direct marketing of FerriScan by the Company to new prospects.

The recent positive results from FibroScreen research only underscore the need to preserve capital in order to develop the tests that serve a much larger potential market, patients with chronic liver disease. The Board does not believe that FerriScan constitutes an adequate standalone business, and is reviewing the long term forecasts and pricing of the FerriScan service. As part of that review, the Board will consider other marketing strategies.

Liver Fibrosis Test:

In light of research completed to date, the Board believes there is strong value to continue its research focus on the development and commercialization of a non-invasive test to determine the extent of liver fibrosis.

As a result of these conclusions, the Board decided to:

1. **Right size the organization.** The Company has largely completed its program of reducing expenses to right size the organization to meet its immediate need of reducing losses from FerriScan whilst re-evaluating its commercialization approach.

2. **Focus on building shareholder value.** The Company will implement its strategy of acquiring specialty anatomical pathology companies in the United States. Further, subject to adequate funding, the Company will pursue with vigour the development and commercialization for the fibrosis test.

The Board of Directors continues to believe that the strategy of building a business that offers specialty anatomical pathology services in the US market through acquisition and leveraging its market position and knowledge to develop unique, patented diagnostic pathology tools will be a highly effective approach to building shareholder value.

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