7 July 2006

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

Dear Sir/Madam,

RHT: Lodgement of Prospectus

Resonance Health Limited has today lodged a prospectus with the Australian Securities and Investments Commission (ASIC) in accordance with the announcement dated 26th of June 2006.

A copy of the prospectus is herewith attached.

Yours faithfully

Eva Liu
Company Secretary

For further information, please call: (08) 9286 5300.

Resonance Health Limited ABN: 96 006 762 492

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RESONANCE HEALTH LIMITED

ABN 96 006 762 492

PROSPECTUS 2006

For a non-renounceable entitlements offer of 3 New Shares for every 4 Shares held at an application price of two cents per New Share to raise up to $3.06 million

Investment in Securities offered by this Prospectus should be considered speculative. This Offer is not underwritten and will not proceed unless Resonance receives aggregate subscriptions of $1.5 million including from the placement of any shortfall.

IMPORTANT NOTICE

This Prospectus is dated 7 July 2006. A copy of this Prospectus has been lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

No Shares will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Resonance has applied to ASX for quotation of the New Shares. ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may quote the New Shares is not to be taken in any way as an indication of the merits of Resonance.

Before deciding to invest in Resonance, you should read and understand the entire Prospectus and, in particular, in considering Resonance's prospects, you should consider the risk factors that could affect Resonance's performance. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding to invest. Investing in Resonance involves risks. See 'Risk Factors' in Section 5 for a discussion of certain risk factors that you should consider before deciding to invest in Resonance.

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus or has not been released to ASX with the authorisation of Resonance.

The Entitlement and Acceptance Form accompanying this Prospectus is important. Please refer to the instructions in Section 4 of this Prospectus regarding the acceptance of your Entitlement. Applications can only be submitted on a valid Entitlement and Acceptance Form that is only available with this Prospectus.

Restrictions on distribution

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia or to otherwise permit a public offering of New Shares in any jurisdiction outside Australia. This Prospectus is not to be distributed in, and no offer of Shares is to be made in, countries other than Australia and New Zealand.

Neither the Entitlements nor the New Shares have been or will be registered under the US Securities Act of 1933 and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration. Accordingly, this Offer is not being made in the United States and Entitlements will not be distributed to holders of Shares with registered addresses in the United States. In addition, Entitlements may not be exercised by any Shareholder who cannot make the representation and warranty contained in the Entitlement and Acceptance Form to the effect that it is not in the United States and is not acting for the account or benefit of a person in the United States (subject to certain exceptions) or, if applicable, who does not agree to the restrictions on resale in, or to persons in, the United States specified therein.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their Application. Return of a duly completed Entitlement and Acceptance Form will be taken by Resonance as a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder and that the Applicant is physically present in Australia or New Zealand.

Shareholders outside Australia and New Zealand should refer to Section 1.11 of this Prospectus for details of these restrictions.

General

This Offer is non-renounceable so Entitlements may not be sold and if you decide not to take up your Entitlements they will lapse and form part of the shortfall.

Individual applicants are responsible for determining their allocations of New Shares before trading in them. Eligible Shareholders trade New Shares before receiving confirmation of their allocation at their own risk.

Shareholders who take no action in respect of their Entitlements will receive no benefits. An Entitlement and Acceptance Form is enclosed with this Prospectus.

Prospectus availability

This Prospectus is available in electronic form at www.resonancehealth.com and www.asx.com.au only for persons within Australia. Persons who access the electronic form of this Prospectus must ensure that they download and read the entire Prospectus.

A printed copy of this Prospectus is available free of charge by calling Advanced Share Registry Services on (08) 9389 8033.

Definitions and glossary, financial amounts and time

Definitions of certain terms used in this Prospectus are contained in Section 7. All references to currency are to Australian dollars and all references to time are to Perth time, unless otherwise indicated.

Enquiries

For further information in relation to the Offer, please call Resonance's Company Secretary on (08) 9286 5300.

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IMPORTANT DATES

Entitlements Issue Announced	:	26 June 2006
Shares trade "ex-entitlements"	:	11 July 2006
Record Date to determine Entitlements under the Entitlements Issue	:	17 July 2006
Prospectus and Entitlement and Acceptance Form despatched	:	18 July 2006
Closing Date for acceptances	:	1 August 2006
Allotment and issue of New Shares	:	10 August 2006
Despatch of shareholding statements for New Shares	:	10 August 2006
Trading of New Shares expected to commence	:	11 August 2006

This timetable is indicative only and subject to change. The Directors generally reserve the right to vary these dates, including the Closing Date without prior notice. The Directors also reserve the right not to proceed with the whole or part of the Offer any time before allotment. In that event, the relevant Application Money will be returned without interest.

LETTER FROM THE CHAIRMAN

Dear Shareholder,

Your Directors are pleased to offer you an opportunity to participate in Resonance's non-renounceable Entitlements Issue.

In summary, this is a 3 for 4 Entitlements Issue of New Shares at an issue price of two cents per New Share. If fully subscribed, and excluding the effect of vested options which may be exercised before the Record Date, it will result in the issue of at least 153,455,820 New Shares, raising approximately $3.06 million.

The Entitlements Issue is not underwritten and will only proceed if the Company receives subscriptions for New Shares with an aggregate subscription amount of at least $1.5 million before costs.

The Company has incorporated a top up facility whereby Eligible Shareholders may apply for additional New Shares in excess of their Entitlement at the same price. To the extent there is any shortfall under the Entitlements Issue, the Company may seek to place any shortfall with institutional and sophisticated investors chosen by the Company.

The funds raised will increase the Company's cash and will primarily assist us to commence full development of the Company's non-invasive liver fibrosis test, known as FibroScreen™. Proceeds will also be used to meet costs associated with the Offer, cover corporate overheads and provide working capital for up to 18 to 24 months (see section 2.2 for more details).

The Company continues its negotiations in relation to the potential acquisition of a US-based anatomical pathology business as disclosed to the market on 20 April 2006. A summary of the current status of negotiations is contained in Section 3.4. Due to the potential size of any such acquisition, it will be subject to the approval of shareholders of the Company at the relevant time.

Your Directors draw your attention to the courses of action available to you as set out in Section 4. Your Entitlement to New Shares is set out on the accompanying Entitlement and Acceptance Form.

Your Directors also draw your attention to Section 5, Risks, and ask that you carefully consider the potential risks outlined before making an investment under this Prospectus.

The proceeds of the Entitlements Issue will enhance the future of the Company and on behalf of the Board, I invite you to consider the contents of this Prospectus and encourage you to participate in the Entitlements Issue.

Yours sincerely,

Gary W. Pace, PhD, Chairman

7 July 2006

1. DETAILS OF THE OFFER

1.1 Description of the Offer

Resonance is offering, by way of a 3 for 4 non-renounceable Entitlements Issue, approximately 153,455,820 New Shares at an Application Price of two cents per New Share to each Eligible Shareholder to raise up to $3.06 million (before costs).

1.2 Offer is non-renounceable

The Offer is non-renounceable, which means your Entitlement cannot be sold.

1.3 Offer not underwritten

The Offer is not underwritten and the minimum aggregate subscription amount sought to be raised is $1.5 million before costs, inclusive of any amount received from the placement of any Shortfall Shares. If this amount is not reached the Company will refund Application Money without interest.

1.4 Entitlements

Shareholders who are on the Company's Share Register at the close of business on the Record Date, being 5.00 pm Perth time on 17 July 2006 will be entitled to acquire 3 New Shares for every 4 Shares held at that time, at an Application Price of two cents per New Share.

Fractional entitlements will be rounded up to the nearest whole number of New Shares. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. If Resonance considers that holdings have been split to take advantage of rounding, Resonance reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

An Entitlement and Acceptance Form setting out your Entitlement to New Shares accompanies this Prospectus.

Eligible Shareholders may apply for Additional New Shares in accordance with Section 1.8.

Shareholders are not obliged to take up their Entitlements but those who do not do so will have their percentage shareholding in the Company diluted.

1.5 Application Price

The Application Price of two cents represents a discount of 39% to the closing price of Shares of 3.3 cents on 23 June 2006, being the last day of trading before the announcement of the Offer.

1.6 Size of offer and use of proceeds

Under the Offer, at least 153,455,820[1] New Shares are being offered. If fully subscribed this Entitlements Issue will raise up to approximately $3.06 million before costs. The Company will use the proceeds as set out in Section 2. It is expected that approximately $75,000 will be applied to the expenses of the Offer if it is fully subscribed.

The Offer is not underwritten and the minimum aggregate subscription amount sought to be raised is $1.5 million before costs.

1.7 Actions Required by Shareholders

An explanation of the actions required by Shareholders is set out in Section 4.

1.8 Applying for Additional New Shares

Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Shares regardless of the size of their present holding.

The Directors reserve the right in their absolute discretion to scale back or reduce to zero the number of Additional Shares applied for by any Eligible Shareholder and excess application money will be refunded without interest.

Further details of how to apply for Additional New Shares are set out in Section 4.

1.9 Allotment and Application Money

All Eligible Shareholders who accept the Offer will receive their Entitlement in full, subject to the Company receiving valid Applications (including through the placement of any Shortfall Shares with institutional and sophisticated investors) equivalent to the minimum subscription amount of $1.5 million.

New Shares will be issued only after all Application Money has been received and ASX has granted permission for the New Shares to be quoted. It is expected that New Shares will be issued on 10 August 2006 and trading of the New Shares on ASX is expected to commence on 11 August 2006.

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[1] There are 90,136,721 vested Options on issue which may be exercised before the Record Date although given their respective exercise prices are all significantly higher than the current market price of Shares the Directors believe it is unlikely that any Options will be exercised by this date. If, however, all vested Options are exercised before the Record Date the New Shares issued under the Entitlements Issue will increase by approximately 67,602,541. The Company will round up the number of New Shares to be issued under the Entitlements Issue to the nearest whole number in respect of each Shareholder. The actual number of New Shares is likely to increase but the amount of the increase is not able to be calculated as at the date of this Prospectus.

All Application Money received before New Shares are issued will be held in a special purpose account. After Application Money is refunded (if required) and New Shares are issued to Applicants, the balance of funds in the account plus accrued interest will be received by Resonance.

The Company has applied for the quotation of all New Shares on ASX. If the New Shares are not quoted by ASX within three months after the date of this Prospectus (or any longer period permitted by law), Resonance will refund all Application Money in full.

1.10 Closing Date

The closing date for acceptance of your Entitlement is 5.00 pm Perth time on 1 August 2006. The Company reserves the right to cancel the Entitlements Issue at any time before allotment.

1.11 Treatment of Overseas Shareholders

The Offer in this Prospectus is not being extended to any Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand because of the small number of such Shareholders, and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand. The Prospectus is sent to those Shareholders for information only.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

Recipients may not send or otherwise distribute this Prospectus or the Entitlement and Acceptance Form to any person outside Australia (other than to Eligible Shareholders).

Neither the Entitlements nor the New Shares have been or will be registered under the US Securities Act of 1933 and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration. Accordingly, this Offer is not being made in the United States and Entitlements will not be distributed to holders of Shares with registered addresses in the United States. In addition, Entitlements may not be exercised by any Shareholder who cannot make the representation and warranty contained in the Entitlement and Acceptance Form to the effect that it is not in the United States and is not acting for the account or benefit of a person in the United States (subject to certain exceptions) or, if applicable, who does not agree to the restrictions on resale in, or to persons in, the United States specified therein.

1.12 Rights attaching to New Shares

From issue, the New Shares issued under this Prospectus will rank equally in all respects with existing Shares. Summaries of the important rights attaching to Shares as set out in the Company's Constitution are contained in Section 6 of this Prospectus.

1.13 Risk Factors

There are a number of risk factors, both specific to Resonance and of a general nature, which may affect the future operating and financial performance of Resonance and the value of an investment in Resonance. These risk factors are discussed in more detail in Section 5 of this Prospectus and include the following:

- general risks associated with holding securities;
- share market conditions;
- commodity price volatility;
- economic factors;
- financial failure or default by joint venture counterparty;
- inability to raise capital;
- acquisition risks;
- general economic conditions;
- research and development risks;
- regulatory risks;
- intellectual property rights;
- reliance on key personnel;
- product liability and uninsured risks;
- uncertainty of future profitability;
- industry risks;
- ability to meet milestones; and
- speculative nature of investment in New Shares.

1.14 Placement of Shortfall

The Company may place any Shortfall Shares with institutional and sophisticated investors known to the Company within three months after the Closing Date at the same issue price as under the Entitlement Issue. The Company may agree at its discretion to pay a procurement fee of up to 7% of the issue price, exclusive of GST, to any broker or third party who obtains a subscription for the new Shares on the Company's behalf in respect of the placement of any Shortfall Shares.

2. PURPOSE AND EFFECT OF THE ENTITLEMENTS ISSUE

2.1 Purpose of the Entitlements Issue

The maximum amount able to be raised under this Entitlements Issue is approximately $3.06 million before costs. The minimum subscription amount (including from the placement of any Shortfall Shares) is $1.5 million and the Entitlements Issue is not underwritten.

The net proceeds of the Entitlements Issue will be used to:

- initiate full development of the Company's liver fibrosis test FibroScreen™;
- fund any revisions to its marketing and sales plans for FerriScan® currently under consideration; and
- cover corporate overheads and provide working capital and to meet costs associated with the Offer.

2.2 Allocation of proceeds

If this Entitlements Issue is fully subscribed the Company expects to have approximately $3.4 million of available funds on completion of the Entitlements Issue, including existing cash reserves.

In that event, it is the intention to apply the available funds in approximately the following proportions:

- 50% to clinical and regulatory expenses;
- 25% to research and development; and
- 25% to general working capital.

Further details in relation to the FibroScreen™ product, which will be the primary focus of the research and development and clinical and regulatory work are outlined in section 3.

To the extent that:

- unforeseen technical development problems arise;
- future revenues from the sales of the Company's products do not eventuate; or
- the Entitlements Issue is less than fully subscribed; or
- there are delays in the regulatory approval processes for the Company's products,

the consequence of this could be that in time the Company's FibroScreen™ technology may be superseded by competitors and not be commercially viable.

Without taking into account any proceeds of the Offer, the Company currently has approximately $500,000 of available funds which the Directors expect to be sufficient to fund the Company's operations for the next five to eight months, assuming sales revenue of FerriScan® consistent with that of recent months.

If this Entitlements Issue is fully subscribed the Directors expect that the increased available funds should be sufficient to fund the Company's operations for the next 18 to 24 months assuming sales revenue of FerriScan® consistent with that of recent months during that period. This will potentially allow the Company to achieve its objectives on FibroScreen™ and FerriScan®.

The Company currently generates sales revenue of approximately $50,000 per month from sales of FerriScan® services and the Directors consider it is reasonable to assume this level of sales will continue for the next 18 to 24 months.

If this Entitlements Issue is undersubscribed by up to $1.5 million (ie approximately the minimum subscription), it is the intention to apply the available funds in approximately the following proportions:

- 30% to clinical and regulatory expenses;
- 35% to research and development; and
- 35% to general working capital.

If this occurs the Directors would consider:

- seeking alternative sources of funding at an appropriate time when further demonstrable progress has been made; and
- seeking strategic alliances to assist with the Company's commercialisation and ongoing research aims.

2.3 Effect of the Entitlements Issue

The principal effects of the Entitlements Issue will be to:

- increase the Company's cash reserves by approximately $3.06 million (assuming that the Offer is fully subscribed) before taking into account the costs of the Entitlements Issue (see section 6.11);

- provide the Company with additional capital for the purposes referred to in Section 2.1; and

- increase the total number of issued Shares (refer Section 2.4).

Pro-forma consolidated historical financial information is provided in Section 2.6 summarising the effect of the Entitlements Issue.

2.4 Effect of the Entitlements Issue on capital structure

The effect of the Offer on the Company's issued share capital will be as follows:

Ordinary Shares	Number
Existing Shares	204,607,759
Issue under Share Offer [2]	153,455,820
Total	358,063,579

These numbers may vary slightly due to rounding up to the nearest whole number.

The Company has and will have on successful completion of the Offer the following listed Options on issue assuming that none of the Options are exercised before the Record Date or before Completion of the Offer.

Class	Expiry Date	Exercise Price $	Number on issue
RHTOA	15/01/07	$0.15	47,798,794
RHTOB	15/01/08	$0.40	20,604,594

The Company has and will have on successful completion of the Offer the following unlisted Options on issue, assuming that none of the Options are exercised before the Record Date:

Class	Expiry Date	Exercise Price $	Number on issue
A Incentive Options	12/11/07	0.20	4,000,000
D Incentive Options	06/12/07	0.20	3,333,341
D Incentive Options	06/12/07	0.30	3,333,325
E Incentive Options	01/02/08	0.20	3,333,342
E Incentive Options	01/02/08	0.30	3,333,325
Employee Incentive Options	24/03/08	0.30	100,000
Employee Incentive Options	02/04/08	0.40	400,000
Employee Incentive Options	31/05/07	0.25	500,000
Employee Incentive Options	31/05/08	0.30	1,000,000
Employee Incentive Options	31/05/08	0.40	2,000,000
Employee Incentive Options	31/05/08	0.50	2,000,000
Directors' Options	07/07/09	0.40	800,000
Directors' Options	07/07/09	0.30	1,600,000
F Incentive Options	5 years from issue	N/A[3]	6,666,667

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[2] There are 90,136,721 vested Options on issue which may be exercised before the Record Date although given their respective exercise prices are all significantly higher than the current market price of Shares the Directors believe it is unlikely that any Options will be exercised by this date. If, however, all vested Options are exercised before the Record Date the New Shares issued under the Entitlements Issue will increase by 67,602,541. The Company will round up the number of New Shares to be issued under the Entitlements Issue to the nearest whole number in respect of each Shareholder. The actual number of New Shares is likely to increase but the amount of the increase is not able to be calculated as at the date of this prospectus.

[3] The F Class Incentive Options were issued and allotted on 7 November 2003 and convert to the following Options on certain milestones being reached within 5 years of the date of issue:

- 3,333,334 unlisted options with an exercise price of $0.20 and an exercise period of 3 years from the conversion date; and

- 3,333,333 unlisted options with an exercise price of $0.30 and an exercise period of 3 years from the conversion date.

The Company also has and will have on successful completion of the Offer the following unlisted incentive shares, which each convert to one ordinary Share on certain milestones being reached, assuming that none of the incentive shares are converted to ordinary Shares before the Record Date:

Class	Number on issue
F Shares	13,000,000
G Shares	3,000,000

2.5 Market price of Shares

The highest and lowest market prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: 8.7 cents on 20 April 2006

Lowest: 2.1 cents on 27 June 2006

The volume weighted average sale price on ASX of the Company's Shares during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC was 5.3 cents.

The latest available market sale price of the Company's Shares on ASX before the date of lodgement of this Prospectus with ASIC was 3.0 cents on 6 July 2006.

2.6 Effect of the Entitlements Issue on Company's financial position

Set out below is the historical Consolidated Balance Sheet of the Company as at 31 December 2005 and a pro forma Consolidated Balance Sheet of the Company after the Entitlements Issue. The historical Consolidated Balance Sheet has been extracted from the Company's Half Year Financial Report lodged with ASX on 16 March 2006. The Half Year Financial Report has been subject to review (in accordance with Australian Auditing Standards) by the Company's Auditor.

The financial information prepared below is prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

$	**31 Dec 05 (Reviewed)**	**Entitlements Issue Proceeds**[4]	**31 Dec 05 (Pro Forma)**
Current Assets			
Cash	2,024,746	2,985,000	5,009,746
Receivables	111,650		111,650
Other Financial Assets	14,337		14,337
Other	124,135		124,135
Total Current Assets	**2,274,868**	2,985,000	**5,259,868**
Non Current Assets			
Property, plant & equipment	134,728		134,728
Other	12,786,888		12,786,888
Total Non Current assets	**12,921,616**		**12,921,616**
Total Assets	**15,196,484**	2,985,000	**18,181,484**
Current Liabilities			
Payables	362,629		362,629
Borrowings	29,656		29,656
Provisions	54,978		54,978
Total Current Liabilities	**447,263**		**447,263**
Total Liabilities	**447,263**		**447,263**
Net Assets	**14,749,221**	2,985,000	**17,734,221**
Equity			
Contributed Equity	64,568,266	2,985,000	67,553,266
Reserves	66,284		66,284
Accumulated losses	(49,885,329)		(49,885,329)
Total Equity	**14,749,221**	2,985,000	**17,734,221**

4 Assuming a fully subscribed Entitlements Issue of 153,455,820 shares at two cents per New Share, resulting in proceeds of approximately $3.06 million less costs of $75,000 (see section 6.10)

3. COMPANY INFORMATION

3.1 Introduction

Resonance is an Australian healthcare company specialising in the development and commercialisation of magnetic resonance imaging (**MRI**) related technology.

3.2 FibroScreen™

The Company is developing a new non-invasive diagnostic test called FibroScreen™ for the progression of liver fibrosis (scarring) based on MRI technology that can be used to replace the need for using liver biopsy to assess fibrosis for most people with liver diseases.

The Company believes there is a significant market for such a test among sufferers of:

- Hepatitis B and C.
- non-alcoholic fatty liver disease; and
- other causes of chronic liver disease.

As announced to the market on 6 June 2006, the Company's FibroScreen™ project has currently completed "Proof of Concept" stage. Significant technical and clinical hurdles remain before a marketable product can be released.

A fibrosis test would utilise and extend the existing technology platform of the Company.

3.3 FerriScan®

FerriScan® is a new technology for the non-invasive measurement of liver iron concentration. Advanced computer software is used to analyse data obtained through MRI of a patient's liver to determine an accurate measurement of liver iron concentration.

FerriScan® is currently available for routine clinical use throughout the world where regulatory clearance/approvals have been achieved - in Australia, within the European Union and in the United States of America.

Sales of the product to date have been lower than anticipated and based on current sales figures and costs, the product is not profitable. As a result the Company is currently re-evaluating its marketing and sales strategy in relation to FerriScan® in order to improve margins and increase sales.

3.4 Proposed Acquisition Strategy

Resonance announced to the market on 20 April 2006 that it has signed a non-binding Letter of Intent for the acquisition of a US-based anatomical pathology business (**Target Company**). The Target Company had 2005 revenue in excess of US$5 million, and reports that revenues thus far achieved in 2006 are exceeding those for the same period in 2005. While the Directors believe the Target Company is an attractive standalone acquisition target, the acquisition is also expected to complement Resonance's efforts to efficiently commercialise FerriScan® and enhance the development of FibroScreen™

The proposed acquisition is part of an overall acquisition strategy which is intended to complement Resonance's radiology based diagnostic tests, strengthen access to referral channels and provide access to established US-based billing and operational infrastructure. The strategy will, if successfully implemented, also provide immediate revenue to Resonance and will position the Company as an integrated diagnostic business.

As previously announced, the non-binding terms of the transaction relating to this business include payments in the form of cash and Resonance shares with a total consideration expected to be US$9 million over 5 years, with 25% payable on closing and a further 15% earn-out payment due in each of the 5 subsequent years. The total consideration payable may increase or decrease subject to the ongoing performance of the Target Company. The minimum total consideration payable, subject to the company maintaining revenues, profitability and association of the principals, will be US$5.37 million.

Under the current Letter of Intent, assuming all conditions precedent to proceeding with this first transaction are satisfied (including entering into a binding purchase agreement), the payment on closing will be US$1.6875 million in cash and US$562,500 in Resonance Shares at an assumed AU$0.063 valuation. The payment made after the first year anniversary will be 75% Resonance Shares and 25% cash, and each one thereafter will be 100% Resonance Shares. The share component for the earn out payments will be valued at the 30-day volume weighted average share price for the 30 days leading up to the commencement date of the earn-out year.

Resonance believes that as it continues to negotiate with the Target Company, certain proposed terms may change from the original Letter of Intent. In particular, given that the price of Resonance Shares has declined since the announcement of the Letter of Intent, Resonance may need to offer a greater proportion of cash in comparison to shares in the early payments. Other changes may include the mix of cash and shares in later payments, the creation of a separate account in which the Target Company would have a security interest to guarantee the minimum payment, or some other form of payment. It is also possible that there will be other changes to pricing and terms, some of which may be favourable to Resonance, and others of which may be adverse to Resonance.

There can be no guarantee that the parties will reach a binding agreement, or that the acquisition will close. Resonance expects to make any agreement subject to shareholder approval, at which time greater details about the terms of any transaction will be made available for shareholder consideration.

To fund the acquisition strategy and continued development of the current Resonance technology portfolio (FerriScan® and FibroScreen™), Resonance would expect to make a placement of Shares, subject to shareholder approval, to a fund or funds associated with Queensland Investment Corporation. As previously announced, Resonance has received a non-binding letter of intent from a Queensland Investment Corporation fund for an investment in Resonance of up to AU$8 million at a price of AU$0.063 per share. While the non-binding letter has not been renegotiated at this time, it can be expected that given the current price of Resonance Shares, a placement at AU$0.063 is unlikely. Nevertheless, the Directors currently expect that given the expected financial strength of the Company after the Entitlements Issue (assuming it is fully subscribed) and the attractiveness of its technology, that any placement would be priced at a level in excess of the subscription pricing under this Entitlements Issue.

Further details of the proposed transactions and timing will be provided to the market as soon as possible and will be subject to finalisation of terms, successful completion of due diligence and securing shareholder approval at a general meeting of shareholders.

Subject to that approval, Resonance intends to actively seek other acquisitions of complementary pathology businesses.

4. ACTION REQUIRED BY SHAREHOLDERS

4.1 What Eligible Shareholders may do

The number of New Shares to which Eligible Shareholders are entitled (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted.

Eligible Shareholders may:

- take up all of your Entitlement and, if you wish, apply for Additional New Shares (refer Section 4.2);
- take up part of your Entitlement and allow the balance to lapse (refer Section 4.3); or
- allow all or part of your Entitlement to lapse (refer Section 4.4).

Non-qualifying Foreign Shareholders may not take any of the steps set out in Sections 4.2 to 4.4.

4.2 Taking up all of your Entitlement and Additional Shares

If you wish to take up all of your Entitlement, complete the accompanying Entitlement and Acceptance Form for New Shares in accordance with the instructions set out in that form.

If you have applied to take up all of your Entitlement, you may also apply for Additional New Shares by completing the relevant section of the Entitlement and Acceptance Form.

You should then forward your completed Entitlement and Acceptance Form together with your Application Money in accordance with Section 4.5 to reach the Company's Share Registry no later than 5.00 pm Perth time on 1 August 2006.

4.3 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the accompanying Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the steps required in accordance with Section 4.2. If you take no further action, the balance of your Entitlement will lapse and you will receive no payment in respect of it.

4.4 Allow all or part of your Entitlement to lapse

Entitlements are non-renounceable, so Eligible Shareholders who do not wish to accept some or all of their Entitlement cannot sell or trade all or part of their Entitlement on ASX. You will receive no payment for any part of your Entitlement which lapses.

4.5 Payment

The Application Price for New Shares is payable in full on application by a payment of two cents per New Share. The Entitlement and Acceptance Form must be accompanied by a cheque or bank draft for the Application Monies.

Cheques or bank drafts must be drawn in Australian currency on an Australian bank and made payable to "Resonance Health Limited - Share Application Account" and crossed "Not Negotiable". Applicants must not forward cash. Receipts for payment will not be issued.

You should ensure that sufficient funds are held in relevant account(s) to cover the cheque(s). If the amount of your cheque(s) for Application Money is not sufficient to pay for the number of New Shares you have applied for, you may be taken to have applied for such lower number of New Shares as your cleared Application Money will pay for or your Application may be rejected.

CHEQUES SHOULD BE MADE PAYABLE TO "RESONANCE HEALTH LIMITED - SHARE APPLICATION ACCOUNT" AND CROSSED "NOT NEGOTIABLE".

4.6 Dealing in Additional New Shares

Applicants may only sell or otherwise deal in Additional New Shares subsequent to receipt of shareholding statements confirming the number of Additional New Shares allotted to a particular Shareholder and the commencement of trading of New Shares on ASX.

4.7 Enquiries

If you have any questions about your Entitlement please contact the Company's Share Registry.

Alternatively, contact your stockbroker or other professional adviser.

4.8 Brokerage

No brokerage or stamp duty is payable by Shareholders who accept their Entitlement to New Shares.

5. RISKS

5.1 General Risk Factors

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There are also a range of specific risks associated with the Company's business and its involvement in the healthcare industry.

This Section identifies the areas the Directors regard as the major risks associated with an investment in the Company. Investors should be aware that an investment in the Company involves many risks that may be higher than the risks associated with an investment in other companies. Intending subscribers should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for securities.

Applicants should be aware that there are risks associated with any share investment. The prices at which the Company's securities trade may be above or below the issue price for these securities under this Prospectus. The trading price of the securities is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as additions or departures of key personnel, litigation, press, newspaper and other media reports, actual or anticipated variations in the Company's operating result and results of the Company's research and development activities.

The securities allotted under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on ASX. The Company’s principal activities comprise research, development and commercialisation of healthcare projects that by their nature involve significant risks.

The value of the Company’s listed securities can increase or decrease based on the Company’s activities. The future profitability of the Company will be dependent on the success of the current and any future projects of the Company and the successful commercial exploitation of the FerriScan® and FibroScreen™ technologies.

A summary of the main risk factors relevant to the Company are set out below. However this summary is not exhaustive and potential applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for the securities.

Factors which may affect the Company’s financial position, prospects and price of its listed securities include the following:

5.2 Security Investments

Applicants should be aware there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of technology and healthcare companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the New Shares regardless of the Company's performance.

Healthcare technology development and commercialisation is speculative and may be hampered by circumstances beyond the control of the Company. Profitability depends on successful development, commercialisation, competent operation and management and proficient financial management.

5.3 Share Market Conditions

The market price of Shares in the Company is also subject to various and unpredictable influences of the stock market in general. Therefore, the New Shares offered by this Prospectus may trade above or below issue price. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

5.4 Commodity Price Volatility

The price of commodities is influenced by physical and investment demand and supply. Fluctuations in the price of commodities may influence individual projects in which the Company has an interest and the price of the Company’s listed securities.

5.5 Economic Factors

General economic factors such as inflation, currency exchange, industrial disruption and interest rate fluctuations, government policy and regulations, commodity prices and stock market prices may have an adverse impact on the activities of the Company, on its ability to fund those activities and on the financial performance of the Company.

5.6 Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

5.7 Future Capital Requirements

The Company's activities will require substantial expenditures. There can be no guarantees that the funds raised through this Issue will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Entitlements Issue, there can be no assurances that the Company will have sufficient capital resources for that purposes, or other purposes, or that it will be able to obtain additional resources in terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing if available, may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

In particular, there is no guarantee that the non-binding letter of intent with Queensland Investment Corporation will be converted into a binding commitment on the same terms or at all.

5.8 Potential Acquisitions

As part of its business strategy, the Company intends to proceed with the negotiation of the acquisition described in Section 3.4 and may make other acquisitions of or significant investments in companies, products or technologies. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products or technologies, including risks associated with integration of new businesses and specific risks associated with those businesses.

5.9 General Economic Conditions

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption, interest rates and the rate of inflation.

5.10 Research and Development

Resonance can make no representations that any of its research and development will be successful, that the Company's development milestones will be achieved or that the Company’s products will be commercially exploitable. There are many risks inherent in the development of novel products, particularly where these are in an early stage of commercialisation. Projects can be delayed or fail, or research may cease to be viable for a range of unexpected scientific and commercial reasons.

5.11 Regulatory Issues & Government Regulation

Products derived from the Company's research and development may be subject to numerous government regulatory approvals and controls throughout the world and these will affect both the timing and the cost of bringing these products to the market. Delays or failures in obtaining regulatory approval for a product would be likely to have a serious adverse effect on the value of Resonance and have a consequent impact on the financial performance of the Company.

The Company's operations are also subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst other things, occupational safety, laboratory practice, the use and handling of hazardous materials, prevention of illness and injury and environmental protection. There can be no assurance that future legislation will not impose further government regulation, which may adversely affect the business or financial condition of Resonance.

5.12 Intellectual Property Rights

Securing rights to intellectual property, and in particular to patents, is an integral part of securing potential product value in the outcomes of healthcare research and development. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing intellectual property that circumvents such patents. Because the patent positions of healthcare companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in healthcare patents nor their enforceability can be predicted. There can be no assurance that any patents that Resonance may own or control or license now and in the future will afford Resonance commercially significant protection of its intellectual property or its projects or have significant commercial application. While Resonance is not aware of any third party interests in its intellectual property rights, there is always a risk of third parties claiming involvement in technological and medical discoveries and if any such disputes arise, they could adversely affect the Company.

5.13 Reliance on Key Personnel and Need to Attract Qualified Staff

Resonance is dependent on its management and scientific personnel, the loss of whose services could materially and adversely affect Resonance and impede the achievements of its research and development objectives. Because of the specialised nature of the Company's business, its ability to commercialise its products and maintain its research programme will depend in part upon its ability to attract and retain suitably qualified management, scientists and research people over time. There can be no assurance that Resonance will be able to attract or retain sufficiently qualified personnel on a timely basis, retain its key scientific and management personnel, or maintain its relationship with key scientific organisations.

5.14 Risk of Product Liability & Uninsured Risks

Resonance's business exposes it to potential product liability risks that are inherent in the research and development, manufacturing, marketing and use of its products. It will be necessary for Resonance to secure sufficient levels of insurance to cover various product liability risks in the course of maintaining its business. However, there can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient amounts, if at all, or that product liability or other claims would not materially and adversely affect the business or financial conditions of Resonance.

5.15 Uncertainty of Future Profitability

The Company has incurred losses and it is therefore not possible to evaluate the future prospects based on past performance. Resonance's ability to operate profitably in the future will depend on its ability to commercialise its products with other organisations on commercial terms for onward sale to customers. This will depend on the ultimate demand for its products by consumers that cannot be guaranteed. There is no certainty therefore that Resonance can successfully commercialise its projects.

Other factors that will determine the Company's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets the Company operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability is uncertain. Moreover, the level of such profitability cannot be predicted.

5.16 Industry Risks

The Company's current and future potential competitors include companies with substantially greater resources than it. There is no assurance that competitors will not succeed in developing products that are more effective or economic than the current products or any of those being developed by the Company or which would render the products obsolete and/or otherwise uncompetitive. In addition, Resonance may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect Resonance's future business, operating results and financial position.

5.17 Probability of Meeting Milestones

As the Company is still in the pre-commercialisation stage in respect of the FibroScreen™ technology and not yet earning material revenues from it, Resonance's most important task is to achieve its commercialisation milestones with its existing products and its research and development milestones for new products. Virtually every person associated with the Company is a contributor to it achieving its milestones. Therefore the probability of Resonance achieving its milestones depends on the organisation as a whole. Failure to achieve any critical milestone could have a material adverse effect on the Company and its prospects.

5.18 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus.

Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities.

6. ADDITIONAL INFORMATION

6.1 Nature of the Prospectus

This Prospectus is a short form prospectus issued under section 713 of the Corporations Act which allows the issue of a short form prospectus in relation to offers of securities where those securities are of a class which have been quoted for twelve months before the date of that prospectus.

6.2 ASX listing

The Company participates in CHESS and will despatch holding statements in lieu of share certificates that set out the number of New Shares issued to each successful Applicant under this Prospectus.

It is the responsibility of Applicants to determine their allocation before trading in the New Shares. Applicants who sell New Shares before they receive their statement do so at their own risk.

6.3 Rights attaching to New Shares

The rights attaching to ownership of Shares (including New Shares) are:

- described in the Constitution; and
- regulated by the *Corporations Act*, the Listing Rules and the general law.

The following is a summary of the key provisions in the Constitution and the principal rights of shareholders as set out in the Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of shareholders.

Meetings and notices

Each shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, financial reports and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Voting

At meetings of shareholders, every shareholder present in person or by proxy, attorney or representative has one vote on a vote taken by a show of hands, and, on a poll has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid Share. A poll may be demanded by the chairperson of the meeting, by any five shareholders present in person or by proxy, attorney or representative or by any one or more shareholders who are together entitled to not less than 5% of the votes that may be cast on the resolution on a poll.

Dividends

Dividends are payable out of the Company's profits and are declared or determined to be payable by the Directors.

Transfer

A shareholder may transfer all or any of its Shares by:

- in the case of an ASTC-regulated transfer, in any manner required or permitted by the Listing Rules or ASTC Settlement Rules; and
- in other cases, using any written transfer instrument in any common form or form approved or adopted by ASX or the Directors.

The Directors may decline to register any transfer where permitted to do so by the ASX Listing Rules and must decline to register a transfer of:

- Shares where required by the ASX Listing Rules; or
- Restricted Securities which may be in breach of the Listing Rules or any escrow arrangement entered into by the Company.

Liquidation Rights

The Company has three classes of shares on issue, ordinary Shares, Class F Incentive Shares and Class G Incentive Shares. Each ordinary Share ranks equally in the event of liquidation. The Class F Incentive Shares and Class G Incentive Shares rank equally with ordinary shares in a liquidation, but only to the extent of their issue price; they do not participate in any surplus.

Variation of Rights

Subject to the ASX Listing Rules, the rights attached to the Shares may be varied with the consent in writing of shareholders holding three-quarters of the Shares or by a special resolution passed at a separate meeting of the holders of the Shares in accordance with the Corporations Act.

The Directors may, subject to the restrictions on allotment of shares imposed by the Constitution, the Corporations Act and the ASX Listing Rules, from time to time issue and allot further shares on such terms and conditions as they see fit.

Alteration of constitution

The Constitution can only be amended by a special resolution (that is, a resolution that has been passed by at least three-quarters of the votes cast by shareholders entitled to vote on the resolution). While the Company is listed, at least 28 days written notice of the special resolution must be given.

Indemnification of Directors

To the extent permitted by law, the Company indemnifies every person who is or has been an officer of the Company and indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by the person as an officer of the Company

6.4 Dividends

The Company seeks to provide value to shareholders through appreciation in the price of its Shares. The Directors do not anticipate that the Company will pay dividends in the foreseeable future.

6.5 Continuous reporting and disclosure obligations

The Company is a "disclosing entity" (as defined in the Corporations Act) and as such is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit or review report, appropriate.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

Since lodging the Company's Annual Report for the year ended 30 June 2005, the Company has made the following announcements to ASX:

Date	Description of ASX Announcement
26/06/2006	Entitlement Offer
16/06/2006	Shares to be released from escrow
06/06/2006	Proof of Concept & Restructuring
19/05/2006	Final Director's Interest Notice
12/05/2006	Resignation of Managing Director
28/04/2006	Change of company secretary and registered office
28/04/2006	Commitments Test Entity - Third Quarter Report
28/04/2006	Initial Director's Interest Notice x4
28/04/2006	Final Director's Interest Notice x 3
28/04/2006	Ceasing to be a substantial holder
28/04/2006	Appendix 3B
20/04/2006	US Expansion Plans/Institutional Investment-Changes to Board
18/04/2006	Trading Halt
18/04/2006	Canadian Regulatory Clearance by Health Canada for FerriScan
10/04/2006	Response to ASX Query re: Share Price
20/03/2006	Granted Second US Patent
17/03/2006	Half Yearly Report
16/03/2006	Half Year Accounts
10/02/2006	Ceasing to be a substantial holder
10/02/2006	TGA & CE Full Quality Assurance System Approval
03/02/2006	Quality Management Certification
31/01/2006	Commitments Test Entity - Second Quarter Report
20/01/2006	Insight Investor Newsletter
12/12/2005	FerriScan gains independent validation
29/11/2005	Appendix 3B
29/11/2005	Change of Director's Interest Notice
15/11/2005	Close of SPP & Appointment of U.S. Corporate Advisor
14/11/2005	Results of AGM
14/11/2005	AGM Presentation
03/11/2005	Expands into Fibrosis Field
31/10/2005	Commitments Test Entity - First Quarter Report
25/10/2005	Shareholder Letter
21/10/2005	Notice under Section 708A
21/10/2005	Appendix 3B
14/10/2005	Annual Report/Notice of AGM
12/10/2005	First European Patent Granted
10/10/2005	Share Purchase Plan
06/10/2005	Notice under Section 708A
04/10/2005	Awarded WA State Government Health Supply Contract
30/09/2005	Annual Report

The information in these documents may be of interest to investors and their financial advisers.

The Company will provide a copy (free of charge), to any person who requests it in the period starting from the date of this Prospectus and ending on the Closing Date, of the Annual Report, the Half Year Report and any of the announcements made to ASX referred to above.

Alternatively, these documents may be viewed at the Company's website www.resonancehealth.com.

6.6 Taxation

The Directors consider that it is not appropriate to give advice regarding the taxation consequences associated with the exercising of Entitlements, or the subsequent disposal of any Shares subscribed for under this Prospectus. The Directors recommend that all Eligible Shareholders consult their own professional tax advisors.

6.7 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Entitlements Issue; or
- the Entitlements Issue,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- to induce him or her to become, or to qualify him or her as, a Director; or
- for services provided by him or her in connection with the formation or promotion of the Company, or the Entitlements Issue.

The directors have interests in Resonance shares and options as follows:

Name	Number of Ordinary Shares	Number of Options
Dr. G W Pace	Nil	Nil
Mr G. Aird	Nil	Nil
Mr. I Anderson	1,394,900+	Nil
Mr. M Dalsin	250,000	Nil
Mr. R Green	250,000	Nil
Dr. A Walker	Nil	590,000
Dr. M Wooldridge	224,742	1,140,927

+ Mr Anderson also holds 83,334 Class F Performance Shares which, in certain circumstances, may convert to ordinary Shares.

Although some Options held by Directors have vested and could be exercised before the Record Date in order to participate in the Entitlements Issue those Directors holding Options do not intend to exercise them as the relevant exercise prices are above the current market price of Shares.

The Company has agreements with 2 entities that are affiliated with directors Michael Dalsin and Roger Greene.

The first agreement is with Montgomery Pacific Group, LLC (**MPG**). Mr Dalsin and Mr Greene each own 31.5% of MPG. The Company has agreed to pay MPG a fee of 1% of the value of all equity funds MPG is responsible for raising for the Company. The Company has also agreed, subject to shareholder approval, to issue 1,000,000 Shares to MPG when the volume weighted average trading price of the Shares in Resonance over a 40 trading day period equals or exceed AU$0.40.

MPG received 833,334 Shares for services rendered to the Company before Mr Greene and Mr Dalsin were appointed as Directors. Those Shares are held by MPG for the benefit of the owners of MPG and are in the process of being transferred to them. Of those 833,334 Shares, Mr Greene and Mr Dalsin each have a relevant interest in 250,000 Shares.

Secondly, the Company pays a monthly retainer of US$15,000 to Stanmore Capital Partners, LLC (**Stanmore**) under an agreement with that company. Mr Dalsin and Mr Greene each own 50% of Stanmore. In addition to its monthly retainer which is payable for corporate advisory and acquisition sourcing and negotiation services, Stanmore is entitled to receive a success fee on the closing of any relevant acquisition sourced by it of 3% of the total consideration payable, with a minimum fee of US$75,000 in respect of any relevant acquisition. Upon the Company executing any letter of intent involving an acquisition sourced by Stanmore, Stanmore is entitled to receive a milestone fee of US$75,000, which is credited against the 3% fee referred to above payable on successful closing of the acquisition. With respect to the potential acquisition being negotiated in relation to the Target Company (see Section 3.4 for more details), Stanmore is entitled, subject to shareholder approval, to receive 7,000,000 Shares in Resonance upon closing, if that occurs. Stanmore is also entitled to receive a fee of 6% of all equity funds raised by the Company from subscribers introduced by Stanmore.

While MPG and Stanmore will receive no fees in relation to the issue of New Shares to existing Shareholders under the Offer, if any Shortfall Shares are placed with third parties as a result of introductions by MPG or Stanmore, they may be entitled to receive a procurement fee of 7% of the aggregate subscription amount of those placed Shortfall Shares (split between them as follows: 1% for MPG and 6% for Stanmore).

In addition, an entity associated with Director Guy Aird, Domain Capital Pty Ltd, may, if any Shortfall Shares are placed with third parties as a result of introductions by it, be entitled to receive a procurement fee of 7% of the aggregate subscription amount of those placed Shortfall Shares.

Directors' Remuneration

Under the Company's Constitution, the Directors are entitled to be paid such remuneration as is authorised by an ordinary resolution of the Company in general meeting (excluding remuneration of Managing or Executive Directors). The amount that the Company has currently authorised Directors to receive is a maximum of $250,000 plus statutory superannuation to be divided between them as Directors' fees. Currently the Directors do not receive any cash consideration as Directors' fees but it is intended that a proposal will be put to shareholders before the end of calendar 2006 for approval of an equity and/or cash-based remuneration scheme for directors.

If a Director undertakes any work additional to the ordinary duties of a Director, or undertakes travel for the Company's business at the request of the Board, the Directors may decide to pay that Director additional remuneration which is not included in the above limits. Directors are also entitled to reasonable travelling, accommodation and other expenses for attending meetings while engaged in the Company's business.

If the Directors appoint any Managing Director or Executive Director, they will determine the remuneration payable to that person for his or her services, which will be additional to the amount that the Company has authorised the Directors to receive.

Directors' Indemnities and Insurance

The Company has executed deeds of access and indemnity in favour of each Director. The indemnity is subject to the restrictions prescribed in the Corporations Act. Subject to the terms of the deed, it also gives Directors a right of access to Board papers.

6.8 Interests of Other Persons

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, a promoter of the Company, or a financial services licensee named in the Prospectus as a financial services licensee involved in the Entitlements Issue, holds or held at any time within two years before lodgment of this Prospectus with ASIC any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the company in connection with its formation or promotion or the Entitlements Issue; or
- the Entitlements Issue,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by him or her in connection with the formation or promotion of the Company or the Entitlements Issue.

Clayton Utz have acted as lawyers to the Entitlements Issue for which an amount of $40,000 exclusive of GST has been paid or has agreed to be paid.

6.9 Consents

The following parties have given written consent, which has not been withdrawn at the time of lodgement of this Prospectus with the ASIC, in the following terms:

HLB Mann Judd has given its consent to be named in the Prospectus as auditor of Resonance and to the inclusion of statements referring to the historical audited and reviewed accounts of Resonance in the form and context in which they are included.

Clayton Utz has given its consent to be named in the Prospectus as lawyers to the Entitlements Issue in the form and context in which it is named.

Advanced Share Registry Services has given its consent to be named in the Prospectus as Share Registry in the form and context in which it is named.

Each of the companies and firms named in this Section:

- has not authorised or caused the issue of this Prospectus;
- has not made any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, except where expressly stated above;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and except where expressly stated above; and
- was not involved in the preparation of the Prospectus or any part of it except where expressly attributed to that person.

6.10 Entitlements Issue expenses

The expenses of the Entitlements Issue are expected to be $75,000. These expenses include corporate advisory, legal, listing and other administrative fees as well as printing, advertising and other expenses relating to the Prospectus.

The Company may pay procurement fees in connection with the placement of any Shortfall Shares as set out in section 1.14. It is not possible at the date of this prospectus to determine the total amount of the procurement fees payable, if any, as this will depend on the number of Shortfall Shares, if any, placed through relevant third parties. By way of hypothetical example, if procurement fees of 7% were payable in respect of the placement of Shortfall

Shares with an aggregate subscription price of $1 million, those fees would be $70,000 exclusive of GST.

All expenses are payable by the Company.

6.11 Privacy

If you apply for New Shares, you will provide personal information to the Company and Advanced Share Registry Services. Company laws and tax laws require some of the information to be collected and kept. The Company will collect, hold and use the information provided by you to process your application and to administer your investment in the Company.

If you do not provide the information requested in the Entitlement and Acceptance Form, the Company and the Share Registry may not be able to process your application.

The Company may disclose your personal information for purposes related to your investment to the Company's agents and service providers. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the shareholder register,
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising, on the Shares and for associated actions.

The Company complies with its legal obligations under the Privacy Act 1988 (Cth).

You may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

6.12 Governing law

This Prospectus, the Entitlements Issue and the contracts formed on acceptance of the Applications are governed by the law applicable in Queensland, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of Queensland, Australia.

6.13 Directors authorisation

Each Director of Resonance Health Limited has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

7. DEFINITIONS

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

Additional New Shares	New Shares in addition to an Eligible Shareholder's Entitlement for which an Applicant makes an Application.
Annual Report	The 30 June 2005 Annual Report of the Company as lodged with ASIC and ASX.
Applicant	A person who submits an Entitlement and Acceptance Form.
Application Money	Money received from Applicants in respect of their Applications
ASIC	Australian Securities and Investments Commission
ASTC Settlement Rules	means the operating rules of the settlement facility operated by ASX Settlement and Transfer Corporation Pty Limited, as amended from time to time.
ASX	Australian Stock Exchange Limited.
Auditor	HLB Mann Judd (WA Partnership)
Board	The Board of Directors of Resonance.
Business Day	Has the same meaning as in the Listing Rules.
CHESS	ASX Clearing House Electronic Subregister System.
Closing Date	1 August 2006 or such earlier or later time as the Directors may determine.
Company or Resonance	Resonance Health Limited ABN 96 006 762 492
Constitution	The constitution of the Company
Corporations Act	*Corporations Act* 2001 (Cth)
Directors	Directors of Resonance
Eligible Shareholder	A Shareholder of the Company, as at the Record Date, other than a Non-qualifying Foreign Shareholder.
Entitlement	Each Shareholder's right to subscribe for New Shares on the terms of the Offer.
Entitlements Issue or Offer	The non-renounceable pro rata issue pursuant to this Prospectus by the Company of 3 New Shares for 4 Shares at an issue price of two cents per New Share.
Entitlement and Acceptance Form	The Entitlement and Acceptance Form accompanying this Prospectus that sets out the Entitlement of Shareholders to subscribe for New Shares pursuant to the Entitlements Issue.
FerriScan®	See section 3.3
FibroScreen™	See section 3.2
Half Year Report	The 31 December 2005 Half Year Report for the Company as lodged with ASIC and ASX.
Listing Rules	The listing rules of ASX.
New Shares	Shares to be issued pursuant to this Prospectus.
Non-qualifying Foreign Shareholder	A Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand.
Offer	means the offer of New Shares under this Prospectus
Option	An option to subscribe for a Share.
Prospectus	This Prospectus.
Record Date	5.00 pm Perth time on 17 July 2006.
Register	The register of Shareholders of the Company.
Resonance	See definition of Company.
Securities Clearing House	The Clearing House which governs the administration of CHESS.
Share Registry	Advanced Share Registry Services
Shareholders	Holders of Shares
Shares	Ordinary shares in the capital of the Company.
Shortfall Shares	New Shares for which successful valid applications have not been received by the Closing Date.

8. CORPORATE INFORMATION

Directors

Dr Gary W Pace - Chairman
Mr Guy Aird
Mr Ian Bruce Anderson
Mr Michael Dalsin
Mr Roger Greene
Dr Andrew Walker
Dr Michael Wooldridge

Company Secretary

Ms Eva Liu

Registered and Head Office

1st Floor, 216 Stirling Hwy
Claremont, WA 6010
Tel (08) 9286 5300

Web: www.resonancehealth.com
Email: admin@resonancehealth.com

Share Registry

Advanced Share Registry Services
110 Stirling Highway
Nedlands, WA 6009
Tel (08) 9389 8033
Fax (08) 9389 7871

Auditor

HLB Mann Judd (WA Partnership)
15 Rheola Street
West Perth 6005

Lawyers to the Entitlements Issue

Clayton Utz
Level 28, Riparian Plaza
71 Eagle Street
Brisbane Qld 4000