

Appendix 4E

Preliminary final report

Introduced 1/1/2003. Origin Appendix 4B

Name of entity

Resonance Health Limited

ABN or equivalent company
reference

96 006 762 492

Preliminary final
(tick)

✓

Financial year ended
('current period')

30 JUNE 2006

2. Results for announcement to the market

2.1	Revenues from ordinary activities	Up	118%	to	\$618,323
2.2	Profit (loss) from ordinary activities after tax attributable to members	Down	871%	to	(\$16,060,845)
2.3	Net profit (loss) for the period attributable to members	Down	871%	to	(\$16,060,845)
Dividends (distributions)					
		Amount per security		Franked amount per security	
2.4	Final dividend	-¢		-¢	
2.4	Previous corresponding period	-¢		-¢	
2.5	Record date for determining entitlements to the dividend	N/A			

2.6 Brief explanation of any of the figures reported above in 2.1 to 2.4 necessary to enable the figures to be understood:

Resonance Health is an Australian Healthcare company specialising in the development and commercialisation of magnetic resonance imaging (MRI) related technology. The Resonance Health Group includes Resonance Health Limited (RHT) an Australian Stock Exchange (ASX) listed company and its wholly-owned operating subsidiary, Resonance Health Analysis Services Pty Ltd (RHAS).

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.

With the World Health Organisation (WHO) estimating more than 170 million people worldwide are affected by Hepatitis C, a major cause of liver fibrosis, there is a massive unmet clinical need for a new non-invasive and accurate test that quantifies fibrosis.

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.

Ferriscan®

FerriScan, is a world leading non-invasive tool based on Magnetic Resonance Imaging (MRI) for measuring liver iron levels. FerriScan is the first non-invasive test for liver iron concentration to have achieved regulatory clearances in the US, Europe and Australia.

FerriScan® provides a significant improvement over current blood markers and invasive surgical procedures. This improvement leads to increased clinical efficiency and accuracy in diagnosis, in addition to allowing optimisation of treatment programs for iron-related disorders. FerriScan® is now positioned to become a routine part of the clinical diagnosis and management of iron loading disorders as well as playing a major role in the testing and monitoring of drugs used to treat these conditions.

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

Capital Raisings

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

On 7 July 2006 a prospectus was lodged with the Australian Securities and Investments Commission 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.

The net proceeds of the entitlements issue will be used to initiate full development of the Company's liver fibrosis test FibroScreen™, fund marketing and sales plans for FerriScan® and cover corporate overheads and provide working capital, including meeting the costs associated with the entitlements issue.

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 company business. The proposed acquisition is part of an overall acquisition strategy which is intended to complement the Company's radiology based diagnostic tests, strengthen access to referral channels and provide access to US-based billing and operational infrastructure. The strategy will, if successfully implemented, also provide immediate revenue to the Company and will position it 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 4 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.

Carrying Value of Non-Current Asset

In its financial report for the period ending 31 December 2005, the Company reported on its balance sheet goodwill on consolidation of \$12,786,888. Noting the uncertainty of future events related to FerriScan[®] sales and therefore the uncertainty of the recoverability of the carrying value the directors have reduced the carrying value of the goodwill on consolidation to nil.

Extraordinary General Meeting

On 1 August 2006 the Company received a request to hold a shareholders' meeting to consider resolutions to appoint selected new directors to the company and resolutions to remove a number of directors of the Company. The Extraordinary General Meeting of members will be held on 29 September 2006.

3. Income Statement for the year ended 30 June 2006

	Note	Consolidated	
		2006	2005
		\$	\$
Revenue	1	618,323	283,179
Expenses			
Employee benefits expense		(1,576,893)	(1,235,628)
Consulting and professional services		(983,917)	(414,095)
Research and development		(303,534)	(409,219)
Depreciation	2	(50,334)	(56,793)
Marketing		(269,321)	(75,146)
Statutory and compliance		(237,548)	(334,688)
Travel		(344,328)	(280,187)
Impairment of non-current assets	2	(12,786,888)	-
Other expenses		(353,788)	(241,856)
Loss before income tax		(16,288,228)	(2,764,433)
Income tax	3	227,383	-
Net loss for the year		(16,060,845)	(2,764,433)
Net loss attributable to minority interest		-	1,109,615
Net loss attributable to members of parent		(16,060,845)	(1,654,818)
Basic (loss) per share (cents per share)		(8.1)	(1.7)

4. Balance Sheet as at 30 June 2006

	Note	Consolidated	
		2006	2005
		\$	\$
Current Assets			
Cash and cash equivalents	4	570,951	1,509,192
Trade and other receivables	5	134,106	227,802
Available for sale investments	6	3,888	14,337
Other	7	110,950	84,221
Total Current Assets		819,895	1,835,552
Non-Current Assets			
Property, plant and equipment	8	118,608	156,780
Intangible assets	9	-	12,786,888
Total Non-Current Assets		118,608	12,943,668
Total Assets		938,503	14,779,220
Current Liabilities			
Trade and other payables	10	372,980	321,303
Borrowings	11	15,935	-
Provisions	12	39,232	84,451
Total Current Liabilities		428,147	405,754
Total Liabilities		428,147	405,754
Net Assets		510,356	14,373,466
Equity			
Issued capital	13	64,589,600	62,391,865
Reserves		66,284	66,284
Retained Earnings		(64,145,528)	(48,084,683)
Total Equity		510,356	14,373,466

5. Statement of Changes in Equity for the year ended 30 June 2006

	Issued Capital \$	Retained Earnings \$	Consolidated		Minority Interest \$	Total Equity \$
			Reserves \$	Total \$		
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	11,575,619	-	-	11,575,619	-	11,575,619
Exercise of options	1,404,956	-	487	1,405,443	-	1,405,443
Cost of share issues	(36,563)	-	-	(36,563)	-	(36,563)
Loss attributable to members of the parent entity	-	(1,906,310)	-	(1,906,310)	-	(1,906,310)
Loss attributable to minority interest	-	-	-	-	(1,109,615)	(1,109,615)
Acquisition of minority shareholding	-	-	-	-	1,309,100	1,309,100
Balance at 30 June 2005 under previous Australian GAAP	62,391,865	(48,336,175)	51,109	14,106,799	-	14,106,799
Writeback of goodwill amortisation ¹	-	266,667	-	266,667	-	266,667
Share based payment expense ²	-	(15,175)	15,175	-	-	-
Balance at 30 June 2005 under AIFRS	62,391,865	(48,084,683)	66,284	14,373,466	-	14,373,466
Shares issued during the year	1,873,084	-	-	1,873,084	-	1,873,084
Exercise of options	399,356	-	-	399,356	-	399,356
Cost of share issues	(74,705)	-	-	(74,705)	-	(74,705)
Loss attributable to members of the parent entity	-	(16,060,845)	-	(16,060,845)	-	(16,060,845)
Balance at 30 June 2006	64,589,600	(64,145,528)	66,284	510,356	-	510,356

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

The impact of adopting AIFRS on the total equity as reported under Australian Accounting Standards applicable before 1 January 2005 (previous Australian GAAP) is illustrated above.

¹ 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.

² 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.

6. Cash Flow Statement for the year ended 30 June 2006

	Note	Consolidated	
		2006	2005
		\$	\$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		510,733	166,488
Payments to suppliers and employees		(3,614,128)	(2,558,016)
Interest received		69,183	49,847
Income tax refund received		227,383	-
Net cash (used in) operating activities		<u>(2,806,829)</u>	<u>(2,341,681)</u>
Cash flows from investing activities			
Payments for plant and equipment		(24,223)	(149,852)
Payments for investments		-	(425,000)
Payments for research and development		(317,774)	(335,843)
Cash introduced on acquisition of controlled entity		-	146,058
Net cash (used in) investing activities		<u>(341,997)</u>	<u>(764,637)</u>
Cash flows from financing activities			
Proceeds from share issue		2,257,355	3,379,644
Payment of share issue costs		(62,705)	(36,814)
Proceeds of borrowings		62,006	-
Repayment of borrowings		(46,071)	-
Net cash provided by financing activities		<u>2,210,585</u>	<u>3,342,830</u>
Net increase/(decrease) in cash held		(938,241)	236,512
Cash at the beginning of the financial year		<u>1,509,192</u>	<u>1,272,680</u>
Cash at the end of the financial year	4	<u><u>570,951</u></u>	<u><u>1,509,192</u></u>

7. Notes to the Financial Statements

	Consolidated	
	2006	2005
	\$	\$
Note 1. Revenue		
Liver scan income	313,532	121,568
Grants received	233,070	111,766
Interest received	69,183	49,845
Other	2,538	-
	618,323	283,179
Note 2. Expenses		
Depreciation of fixtures and equipment	50,334	56,793
Lease rental expense – operating leases	72,989	33,287
Impairment of non-current assets	12,786,888	-
	12,809,211	90,080
Note 3. Income Tax		
Accounting (loss) before income tax	(16,288,228)	(2,764,433)
Income tax calculated at 30%	(4,886,468)	(829,330)
Benefit of income tax losses not brought to account	4,886,468	829,330
Tax refund received (R&D tax offset)	227,383	-
	227,383	-
Note 4. Cash and cash equivalents		
Deposits at call	570,951	1,509,192
Note 5. Trade and other receivables		
Trade receivables	105,252	76,127
Other receivables	28,854	151,675
	134,106	227,802
Note 6. Available for sale investments		
Shares in listed corporations, at fair value	3,888	14,337

7. Notes to the Financial Statements (continued)

	Consolidated	
	2006	2005
	\$	\$
Note 7. Other current assets		
Prepayments	65,205	38,621
Security deposits	45,745	45,600
	110,950	84,221
Note 8. Property, plant and equipment		
Fixtures and equipment		
At cost	220,160	236,259
Less: Accumulated depreciation	(101,552)	(79,479)
	118,608	156,780
Reconciliation		
Opening balance	156,780	79,115
Additions	24,223	134,458
Disposals	(12,061)	-
Depreciation	(50,334)	(56,793)
	118,608	156,780
Note 9. Intangible assets		
Goodwill – on consolidation	12,786,888	12,786,888
Less: Impairment	(12,786,888)	-
	-	12,786,888
Note 10. Trade and other payables		
Trade creditors	175,805	87,967
Sundry creditors and accruals	197,175	233,336
	372,980	321,303
Note 11. Borrowings		
Interest-bearing loans	15,935	-

7. Notes to the Financial Statements (continued)

	Consolidated	
	2006	2005
	\$	\$
Note 12. Provisions		
Employee entitlements	22,660	67,879
Income tax	16,572	16,572
	<u>39,232</u>	<u>84,451</u>

Note 13. Issued Capital

	2006	2005
	Number	Number
	\$	\$
Issued and paid up capital		
204,607,159 ordinary shares	\$64,589,584	
16,000,000 incentive shares	\$16	
	<u>220,607,159</u>	<u>201,494,023</u>
	<u>64,589,600</u>	<u>62,391,865</u>
2005:		
185,494,023 ordinary shares	\$62,391,849	
16,000,000 incentive shares	\$16	

Movements during the period

Ordinary shares	Number of shares	Issue price	\$
Balance at the beginning of the financial year	<u>185,494,023</u>		<u>62,391,849</u>
Shares issued:			
- Exercise of options	2,662,515	\$0.15	399,356
- Shares issued pursuant to share placement in Sept 2005	8,695,652	\$0.115	1,000,000
- Shares issued pursuant to share purchase plan in Nov 2005	6,921,635	\$0.115	796,000
- Shares issued to advisors in Nov 2005	416,667	\$0.105	43,750
- Shares issued to advisors in Apr 2006	416,667	\$0.08	33,334
Share issue expenses		-	(74,705)
Balance at the end of the financial year	<u>204,607,159</u>		<u>64,589,584</u>
Incentive shares			
Balance at the beginning of the financial year	<u>16,000,000</u>	\$0.000001	16
Balance at the end of the financial year	<u>16,000,000</u>		16
Total	<u><u>220,607,159</u></u>		<u><u>64,589,600</u></u>

8. Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable N/A

⁺Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if ⁺securities are not ⁺CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if ⁺securities are ⁺CHESS approved) N/A

If it is a final dividend, has it been declared?
(Preliminary final report only) N/A

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
Final dividend: Current year	-¢	-¢	-¢
Previous year	-¢	-¢	-¢
Interim dividend: Current year	-¢	-¢	-¢
Previous year	-¢	-¢	-¢

9. Details of dividend or distribution reinvestment plans in operation

N/A

10. NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	0.2 cents	0.9 cents

11. Control gained over entities having material effect

Name of entity (or group of entities)	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	
Date from which such loss has been calculated	
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	

Loss of control of entities having material effect

Name of entity (or group of entities)	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	
Date to which the profit (loss) has been calculated	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	

12. Details of aggregate share of profits (losses) of associates and joint venture entities

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
Equity accounted associates and joint venture entities				
Total	N/A		N/A	N/A
Other material interests	-	-	-	-
Total	N/A		N/A	N/A

13. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

Refer to 2.6

14. Foreign entities set of accounting standards used in compiling the report (IAS)

N/A

15. Commentary on the results for the period.

15.1 Earnings per security (EPS)	Current period	Previous corresponding period
Basic EPS (cents per share)	(8.1)	(1.7)
Diluted EPS (cents per share)	(8.1)	(1.7)

The following reflects the profit or loss and share data used in the calculations of basic and diluted earnings per share:

	2006	2005
	\$	\$
Earnings used in calculation of basic and diluted earnings per share	(16,060,845)	(1,654,818)
Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	198,057,790	94,686,030

15.2 Returns to shareholders (Including distributions and buy backs)

	Current period \$A'000	Previous corresponding period - \$A'000
Ordinary securities (<i>each class separately</i>)	-	-
Preference securities (<i>each class separately</i>)	-	-
Other equity instruments (<i>each class separately</i>)	-	-
Total	-	-

The were no dividend or distribution plans in operation during the period.

15.3 Significant features of operating performance

Refer to 2.6

15.4 Report on trends in performance

Refer to 2.6

15.5 Report any factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified.

N/A

16. This report is based on accounts to which one of the following applies.

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

17. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

N/A

18. If the accounts have not been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

N/A

Signed



Eva Liu
Company Secretary

Date: 13th September 2006