



27 October 2008

Dear Shareholder

The year has been one of consolidation for the company with a focus on the delivery of medical image analysis and core laboratory services and prudent management of costs. FerriScan[®] remains our core technology platform for the accurate measurement of body iron stores and continues to gain international acceptance by clinical opinion leaders.

In August 2007 Resonance Health terminated its pathology acquisition strategy in favour of pursuing the commercial development of FerriScan[®] and the services associated with its delivery. The Board and staff are supportive and excited by the opportunities this creates and our focus in this direction has achieved several significant milestones.

Financial Highlights:

- Decrease in operating expenses resulting in profitable operations for the last three quarters of the financial year.
- A positive cash flow from operations of \$113,373, a significant improvement on the negative cash flow from operations in 2007 of (\$952,102).
- Receipts from customers were up 33% to \$1.9m from \$1.4m in 2007
- Cash reserves were \$2.4m at 30th June enabling the company to invest in further research and product development and to fund reimbursement initiatives.

The Board was reduced from eight to four and included the appointment of Dr. Martin Blake as a Non-executive director. Dr. Blake is a Radiologist and Nuclear Physician and brings significant medical, technical and industry experience to the company.

A long term agreement was signed with a pharmaceutical company for the provision of FerriScan[®] and core laboratory services for several global clinical trials. This provides Resonance Health with an important revenue stream as we seek reimbursement for FerriScan[®] in key markets.

Reimbursement remains a primary focus of the company in order to broaden the clinical use of the test. FerriScan[®] gained reimbursement in the year in several jurisdictions and we are now receiving referrals for FerriScans[®] which are fully funded by public health systems in the UK, Canada and NZ. A submission for reimbursement for FerriScan[®] was lodged in Australia and reimbursement submissions for several EU countries are in progress.

The board believes revenues for the 2008-9 year will match 2007-8 as some of the clinical trials utilising FerriScan[®] come to completion and commercial revenue increases. FerriScan[®] is now broadly recognised as the new 'gold standard' in liver iron measurement. This was highlighted by the publication of several patient management guidelines recommending the use of FerriScan[®] for the measurement of liver iron in patients with iron overload as part of their standard clinical care.

Whilst the company has good cash reserves we are conscious of the need to expand our product range and customer base and are investing in the future of the company and the FerriScan[®] technology. We are currently investing in the FerriScan[®] platform with an upgrade to the technology to enable it to operate more efficiently and are investing in reimbursement for FerriScan[®] which is essential for the broader uptake of the test and the creation of shareholder value.

We have also committed funds to the next stage in the development of FibroScreen[®], an MRI based liver fibrosis scoring platform. The market is particularly receptive to a non-invasive test to quantify liver fibrosis from mild through to severe forms whilst removing the sampling error associated with biopsy. Hepatitis is a major health problem worldwide with approximately 2.7 million people in the US carrying the Hep C virus where the vast majority currently have a biopsy for fibrosis assessment to diagnose and measure the progression of the disease. Fatty liver disease is another significant health problem resulting in liver fibrosis where the ability to accurately quantify fibrosis in its early stages represents a large opportunity for Resonance Health, although there are potential competitors in this market.

The board wishes to thank the staff for their dedication and focus and thank its shareholders for their support. On behalf of all shareholders the Board also wishes to acknowledge and thank Mr Andrew Walker who is stepping down as a Director at the 2008 Annual General Meeting. Mr Walker has made an extremely valuable contribution to the development of the technology and the progress of the company during his period as a Director.

The board is pleased to announce the appointment of Ms Liza Dunne to the position of Managing Director on 23 October 2008. Ms Dunne has worked at Resonance Health for over 5 years in various roles covering almost every aspect of the business, including operations, quality, finance and marketing. She has been the General Manager for over two years and since the resignation of the Company's Managing Director in August 2007 has assumed many of the responsibilities of this role.

The board believes 2008-9 will be another year of strong progress toward ensuring a successful future for the company.

Yours sincerely,



Ian Anderson
Chairman

RESONANCE HEALTH LIMITED

ABN 96 006 762 492

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:00 am

DATE: Wednesday, 26 November 2008

PLACE: UWA Boat Shed
Carpark #23
35 Stirling Highway
Crawley, Western Australia

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of Shareholders of Resonance Health Limited will be held at 10:00am on Wednesday 26 November 2008 at The UWA Boat Shed at 35 Stirling Highway, Crawley Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined that pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the AGM are those who are registered Shareholders at 9:00 am WST on Tuesday 25 November 2008.

AGENDA

Reports and Accounts

To receive the Financial Report of the Company for the year ended 30 June 2008, together with the Directors' Report and the Auditor's Report.

Ordinary Business

Resolution 1 – Adoption of Remuneration Report (non-binding)

To consider and if thought fit to pass with or without amendment, the following resolution as a non-binding resolution:

“That, for the purposes of Section 250R(2) of the Corporations Act 2001 (Cth) and for all other purposes, the Company adopts the Remuneration Report.”

Short Explanation: The Corporations Act provides that a resolution on the remuneration report must be put to vote at a listed company's AGM. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Resolution 2 – Re-election of Mr Ian Anderson

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

“That, Mr Ian Anderson, being a Director, retires by rotation in accordance with Clause 13.2 of the Constitution, and being eligible, is hereby re-elected as a Director.”

Resolution 3 – Re-election of Ms Liza Dunne

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

“That, Ms Liza Dunne, being a Director of the Company who was appointed on 23 October 2008 and being eligible and offering herself for re-election, be appointed as a Director of the Company.”

Resolution 4 – Approval of Incentive Option Scheme

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

*“That, for the purposes of Listing Rule 7.2 (Exception 9) of the Listing Rules of the Australian Securities Exchange and for all other purposes, the Directors are authorised to issue options, each to acquire one (1) fully paid ordinary share in the capital of the Company, pursuant to an incentive option scheme known as the “Resonance Health Ltd Incentive Option Scheme” (**Scheme**) upon and subject to the terms and conditions of the Scheme, a summary of which is included in the Explanatory Statement accompanying this Notice.”*

Voting Exclusion: The Company will disregard any votes cast on this resolution by a director of the Company (except a director who is ineligible to participate in the plan) and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Notice of Annual General Meeting

Resolution 5 – Approval to Issue Shares to the Managing Director

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

“That, for the purposes of Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange and for all other purposes, shareholders approve the allotment and issue of that number of fully paid ordinary shares to Liza Dunne that is equal to \$10,000 divided by the volume weighted average price of the Company’s shares as traded on ASX over the 20 trading days prior to the date of issue of the shares on the terms set out in the Explanatory Statement accompanying this Notice.”

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

Resolution 6 – Adoption of Executive Share Incentive Plan

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

“That, for the purposes of Listing Rule 7.2 (Exception 9) and Listing Rule 10.14 of the Australian Securities Exchange and for all other purposes, approval is given for:

- (a) the Company to adopt the Executive Share Incentive Plan on the terms set out in the Explanatory Statement;*
- (b) the issue to or acquisition of fully paid ordinary shares in the capital of the Company in accordance with the terms of the Executive Share Incentive Plan; and*
- (c) the Board of Directors to implement and administer the Executive Share Incentive Plan in accordance with its terms.”*

Voting Exclusion: The Company will disregard any votes cast on this resolution by a director of the Company (except a director who is ineligible to participate in the plan) and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By Order of the Board



Eva O'Malley
Company Secretary
27 October 2008

Explanatory Statement

Resolution 1 - Adoption of Remuneration Report

In accordance with Section 250R(2) of the Corporations Act, the Company submits to Shareholders for consideration and adoption of the Remuneration Report. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

The Remuneration Report, set out in the Company's 2008 Annual Report from page 10 to 13, includes all of the information required by Section 300A of the Corporations Act, including:

- (a) board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of directors, secretaries and senior managers of the Company;
- (b) discussion of the relationship between such policy and the Company's performance; and
- (c) the prescribed details in relation to the remuneration of each Director and certain executives.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the AGM.

The Directors recommend Shareholders vote in favour of this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.

Resolution 2 – Re-election of Mr Ian Anderson

Clause 13.2 of the Constitution provides that one-third of the Directors, or if their number is not a multiple of 3 then the number nearest one-third, shall retire from office at each AGM, provided always that no Director, (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third AGM following his or her appointment, whichever is longer, without submitting himself for re-election. A retiring Director is eligible for re-election.

Mr Ian Anderson, retiring at this AGM, seeks re-election in accordance with Clause 13.2 of the Constitution. Details regarding the Directors are set out in the Company's 2008 Annual Report.

The Directors, other than the retiring Director who abstains from making any recommendation, recommend Shareholders vote in favour of this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.

Resolution 3 – Re-election of Ms Liza Dunne

Clause 13.4 of the Constitution provides that a Director who was appointed by the Directors as an addition to the Board, shall only hold office until the next general meeting and shall be eligible for re-election at such meeting. Ms Liza Dunne was appointed by the Board on 23 October 2008. In accordance with clause 13.4 of the Constitution, it is necessary for Ms Dunne to stand for re-election at the next general meeting.

Ms Dunne has been involved with the Company in various capacities since October 2003, and was appointed to the role of General Manager in December 2006. During this period she has been actively involved in all facets of the Company's business activities and the challenges in bringing a new medical technology to market. Prior to joining the Company Ms Dunne held a range of senior management and consulting positions across diverse industry sectors. Her experience includes marketing, finance, accounting, information technology and general management. Ms Dunne holds a Business Degree, a Graduate Diploma in Applied Finance and is a Graduate of the Australian Institute of Company Directors.

The Directors, other than the retiring Director who abstains from making any recommendation, recommend Shareholders vote in favour of this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.

Resolution 4 – Approval of Incentive Option Scheme

Resolution 4 seeks the approval of Shareholders for the "Resonance Health Ltd Incentive Option Scheme" (**Scheme**). The Resolution is placed before Shareholders in accordance with Exception 9 of Listing Rule 7.2.

Shareholders should note that no options have previously been issued under this Scheme. The objective of the Scheme is to attract, motivate and retain key employees.

It is considered by the Directors that the adoption of the Scheme and the future grant of options under the Scheme will provide select employees with the opportunity to participate in the future growth of the Company.

A summary of the terms of the Scheme is set out in Schedule 1 to this Explanatory Statement.

Resolution 5 – Approval to Issue Shares to the Managing Director

As part of the remuneration package of the new Managing Director, the Company agreed to issue shares to Liza Dunne with a value of \$10,000 in recognition of her past services to the Company.

Resolution 5 seeks Shareholder approval pursuant to ASX Listing Rule 10.11 for the issue of these shares.

Explanatory Statement

Shareholder approval is not being sought under the related party provisions of the Corporations Act because the independent directors consider that the issue falls within either the arm's length exemption in Section 210 of the Corporations Act or the reasonable remuneration exemption in Section 211 of the Corporations Act.

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Liza Dunne is a related party of the Company by virtue of being a director.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the shares under Resolution 5 as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the shares will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Share Ratification:

- (a) the issue price of the shares will be equal to the volume weighted average price of the Company's shares as traded on ASX over the 20 trading days prior to the date of issue of the shares (**Issue Price**);
- (b) the number of shares to be issued will be equal to \$10,000 divided by the Issue Price;
- (c) the shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing shares;
- (d) the shares will be allotted and issued to Liza Dunne (or her nominee);
- (e) the shares will be issued no later than one month after the date of the meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the shares will be issued on one date; and
- (f) there will be no funds raised from the issue as the shares as they will be issued in recognition of past services by Liza Dunne for the Company.

Resolution 6 – Adoption of Executive Share Incentive Plan

Resolution 6 seeks approval for the adoption of the Executive Share Incentive Plan.

Resolution 6 is required to be approved in accordance with ASX Listing Rule 7.2 (Condition 9) and ASX Listing Rule 10.14. Approval under ASX Listing Rule 7.2 (Condition 9) and ASX Listing Rule 10.14 is required because shares may either be issued to or acquired by Executives under the plan, which Executives may or may not be directors or related parties of the Company. Information required to be set out for the purposes of approval under the ASX Listing Rules (including, without limitation, ASX Listing Rule 10.15A) is set out below:

- (a) the persons eligible to participate in the Executive Share Incentive Plan are Liza Dunne (the current Managing Director of the Company) and any other persons that the Board approves as being covered by the plan within 3 years of the date of the Meeting (**Participants**);
- (b) the only initial person, who is a person of the type referred to in ASX Listing Rule 10.14, who will be eligible to participate in the plan is Liza Dunne (the current Managing Director);
- (c) the maximum number of shares to be offered annually to Participants under the Executive Share Incentive Plan will be calculated as 10% of the total fixed annual salary of a Participant before taxation and exclusive of superannuation (**Total Fixed Remuneration**) divided by the average closing market price of shares over the 5 trading days prior to the time at which each offer is made to a Participant;
- (d) details of any securities issued under the Executive Share Incentive Plan to persons of the type referred to in ASX Listing Rule 10.14 will be published in each annual report of the Company relating to a period in which securities have been issued and that approval for the issue of securities was obtained under Listing Rule 10.14;
- (e) any additional persons, who are persons of the type referred to in ASX Listing Rule 10.14, who become entitled to participate in the Executive Share Incentive Plan after Resolution 6 is approved and who are not named in the notice of meeting will not participate until approval is obtained under Listing Rule 10.14;
- (f) no financial assistance will be giving in relation to any shares issued under the Executive Share Incentive Plan; and
- (g) the shares will be issued or acquired under the Executive Share Incentive Plan no later than 3 years from the date of the Meeting.

A summary of the terms of the Executive Share Incentive Plan is set out in Schedule 2 to this Explanatory Statement. Please read these terms carefully.

The Directors believe the Executive Share Incentive Plan will be an incentive for Participants to improve the Company's performance and to improve Shareholder returns, and that the plan will help to align the financial interests of Participants with the interest of Shareholders.

Explanatory Statement – Schedule 1

A summary of the terms and conditions of the Scheme is set out below:

Summary of Scheme Terms

The Scheme is designed to provide employees with an ownership interest in the Company and to provide additional incentives for employees to increase profitability and returns to Shareholders.

The summary of the Scheme is set out below for the information of potential investors in the Company. The detailed terms and conditions of the Scheme may be obtained free of charge by contacting the Company.

General

The Directors may, in their absolute discretion offer to grant options to eligible employees under the Scheme.

The options will be granted for no consideration and will carry the right in favour of the option holder to subscribe for one (1) fully paid ordinary share in the capital of the Company.

The options issued pursuant to the Scheme will be exercisable at a price as the Directors in their absolute discretion determine, which may be a nominal amount or a higher amount.

Eligible Employees

Full time or part time employees of the Company and its subsidiaries are eligible to participate in the Scheme.

Directors and employees who join the Company or one of its subsidiaries after the date of commencement of the Scheme are also eligible employees.

Restrictions

The Directors may decide that the options are only exercisable during certain “window periods”.

ASIC Class Order 03/184 provides that the Company is not required to issue a prospectus for the offer of options to employees under the Scheme provided a number of conditions are satisfied, including without limitation:

- (a) the options may not be exercised until the shares have been quoted on ASX throughout the 12 month period immediately before the exercise of the option without suspension for more than a total of 2 trading days during that period; and
- (b) the total number of shares that would be issued under the Scheme, were each option granted pursuant to the Scheme exercised, and the number of shares issued by the Company pursuant to any employee share or option scheme implemented by the Company during the previous 5 years may not exceed 5% of the total number of shares on issue as at the date any options are offered pursuant to the Scheme.

The Directors recommend Shareholders vote in favour of this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.

Explanatory Statement – Schedule 2

Summary of Terms of Execution Incentive Share Plan (“Plan”)

The purpose of the Plan is to recognise the ability and efforts of the executives who have contributed to the success of the Company, to provide an incentive for the executives to achieve the long term objectives of the Company and to improve the performance of the Company. The summary of the Plan is set out below for the information of Shareholders.

General

Under the Plan, eligible executives will be allocated fully paid ordinary shares in the Company pending the successful achievement of the required performance criteria.

The shares will be either issued by the Company at the relevant price at date of purchase. The shares will rank equally in all respects with the existing shares of the Company.

Eligible Executives

The Board at its absolute discretion will determine eligibility to participate (**Participants**). Executives who join the Company or one of its subsidiaries after the date of commencement of the Plan may also be eligible executives.

Performance Criteria

The Board at its absolute discretion will determine the applicable performance criteria to be achieved and the time period in which those criteria must be satisfied. Whilst not limiting the Board’s discretion, the performance criteria would generally be focused on exceeding the key financial and other performance measures of the Company.

Maximum Shares to be offered

The maximum number of shares to be offered annually to Participants under the Plan will be calculated as 10% of the Total Fixed Remuneration of the relevant Participant divided by the average closing market price of shares over the 5 trading days prior to the time at which each offer is made to a Participant.

Restrictions

Whilst the shares may be allocated to an executive under this Plan prior to satisfactorily meeting the agreed performance criteria, these shares will not be vested with the executive until the performance criteria has been satisfactorily achieved. If the performance criteria are not met, the entitlement to shares previously allocated will be forfeited.

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