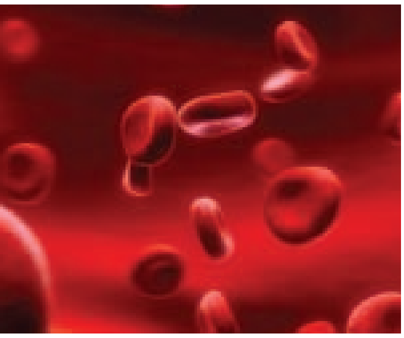
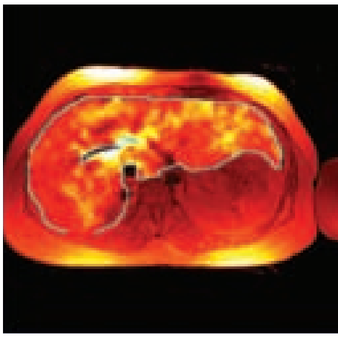
ResonanceHealth



Resonance Health Limited

Annual Report 2008

Corporate Directory

Resonance Health Limited

ABN 96 006 762 492

Directors

Mr Ian Anderson
Non-Executive Chairman

Dr Martin Blake
Non-Executive Director

Dr Timothy St. Pierre
Executive Director

Dr Andrew Walker
Non-Executive Director

Company Secretary
Ms Eva O'Malley

Stock exchange listing

Resonance Health Limited shares are listed on the Australian Securities Exchange.
ASX Code: RHT

Share registry

Advanced Share Registry Ltd
150 Stirling Highway
Nedlands WA 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

Bankers

National Australia Bank Limited

Registered office and Principal place of business

1st Floor
216 Stirling Highway
Claremont WA 6010
Telephone: +61 8 9286 5300
Facsimile: +61 8 9286 5399

Postal address
PO Box 1135
Nedlands WA 6909

Auditors

HLB Mann Judd
Level 2
15 Rheola Street
West Perth WA 6005

Solicitors

Cole Legal
Unit 9
569 Wellington Street
Perth WA 6000

Website and e-mail address

www.resonancehealth.com
Email: info@ferriscan.com

ResonanceHealth

Our Business

Resonance Health is a medical services company providing core laboratory services and utilising advanced technology for the analysis of medical images.

The initial target market has been the measurement of iron in the liver for diseases associated with iron overload. Our patented FerriScan® technology enables MRI images to be analysed at our central ISO 9001 accredited facility to measure the concentration and distribution of iron within the liver.

Pharmaceutical companies developing new drugs to treat iron overload represent a significant market and Resonance Health provides medical image analysis and core laboratory services for global clinical trials undertaking iron management research. This market represents long term opportunities for the FerriScan® service.

We are also assessing opportunities to leverage our technology, skills and infrastructure to provide additional image analysis and core laboratory services in other markets. This is a business model that is not geographically constrained and we are looking at various ways to provide these services to meet growing international demand.

Our goal is to be a global leader in the development and commercialisation of medical image analysis technology and services for the diagnosis and management of disease.

Contents

Chairman and General Manager's Report


The year has been one of consolidation for the company with a focus on the delivery of medical image analysis, core laboratory services and prudent management of costs. FerriScan® remains our primary 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 which 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 believes 2008-9 will be another year of strong progress toward ensuring a successful future for the company.

Yours sincerely,

Ian Anderson
Chairman

Liza Dunne
General Manager

The Year in Review

Strengths and Position of FerriScan®

FerriScan® is the first and most widely available non-invasive test for accurately measuring body iron stores.

FerriScan® can be divided into two components:

1. acquisition of images from standard magnetic resonance imaging (MRI) instruments, requiring no specific hardware or software to be purchased; and

2. analysis of images by Resonance Health using patent protected software to provide a report detailing the level of iron in the liver.

The Resonance Health analysis centre is ISO certified and all image analysis is conducted under quality controlled processes. Images are received via secure internet transfer from MRI operators anywhere in the world.

Recently published patient management guidelines now recommend FerriScan® for the management of patients on iron chelation therapy.

The Thalassaemia International Federation updated its Guidelines for the Clinical Management of Thalassaemia in December 2007 and recommends the FerriScan® technique to accurately assess the patient's iron burden to reduce the risk of giving either inadequate or excessive doses of iron chelation therapy.

The Italian Society of Hematology recently produced clinical practice guidelines for the management of iron overload in thalassemia major and related disorders and concluded that serum ferritin is not sufficient to demonstrate high body iron content accurately and recommended the FerriScan® technique for accurately measuring liver iron content to best manage the patient's chelation therapy.

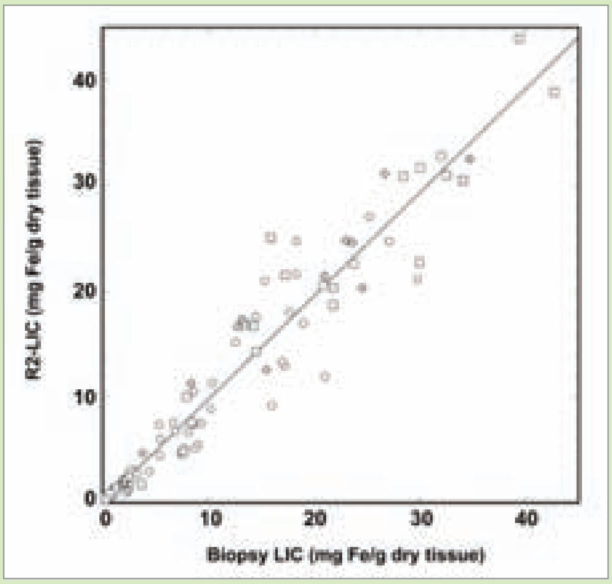
Cooley's Anemia Foundation in the USA state "non-invasive iron measurement is one of the most important advances to come along in the treatment of individuals with thalassaemia"… and strongly encourages all eligible patients to take advantage of this technology to help ensure they receive the treatment they need to stay healthy.

UK Thalassaemia Society has produced its Standards for the Clinical Care of Children and Adults with Thalassaemia in the UK which emphasises the need to accurately monitor iron stores in order to make correct clinical decisions regarding chelation therapy.

Traditional therapies have involved monitoring using serum ferritin tests and liver biopsy. However serum ferritin provides a poor correlation to the body's iron stores and is only useful in providing trending information to patients without the accurate assessment of iron needed to make patient management decisions.

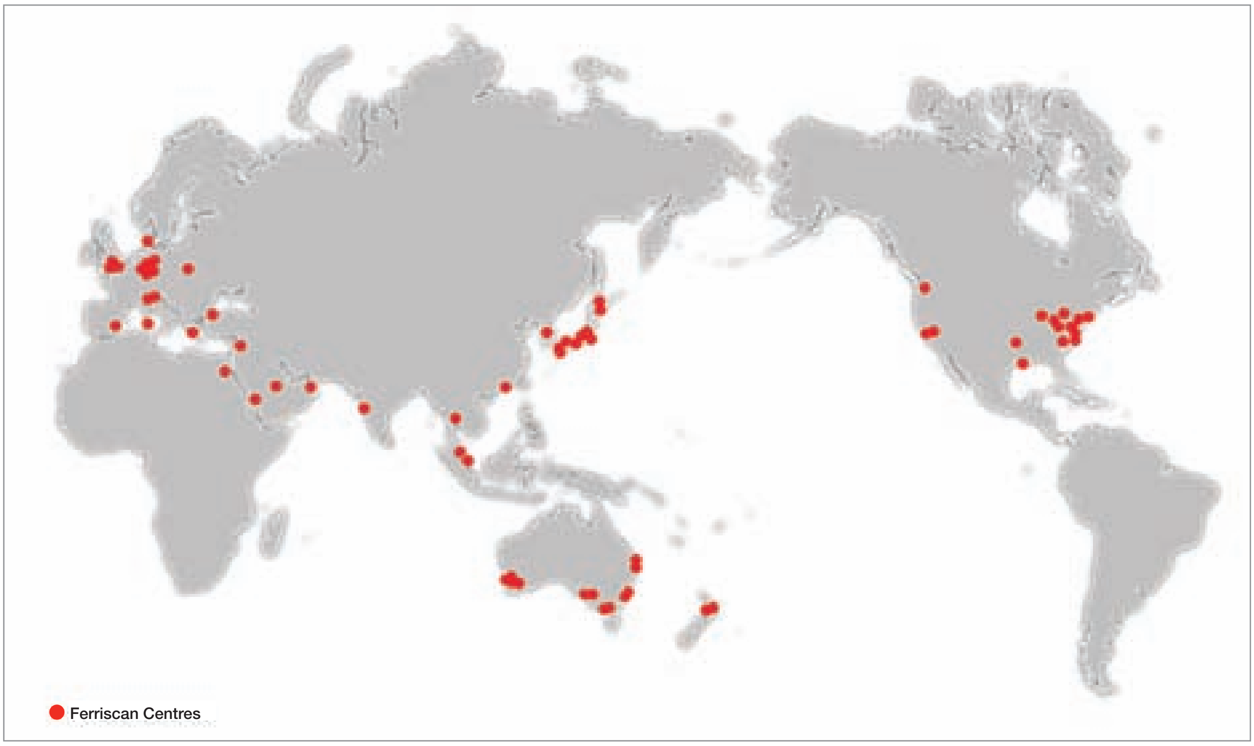
Liver biopsy has long been held as the gold standard in the measurement of body iron stores in the absence of alternatives. In a liver biopsy, a needle is inserted into the liver to remove a small amount of the liver to analyse its iron content. This physically invasive procedure has a risk of mortality and is prone to sampling error as iron is not distributed evenly throughout the liver.

Liver iron measurements are the most effective measure of total body iron stores and provide clinicians with the information they need to determine when to initiate or adjust therapy. FerriScan® remains accurate at very high and low levels of iron that are seen in the clinical setting. The graph below shows the relationship between FerriScan® and liver iron concentration demonstrating the strong correlation.



The Year in Review (Cont'd)

Having received regulatory clearance in many jurisdictions, FerriScan® is gaining acceptance as the new gold standard for the accurate measure of body iron stores and holds a leading position in the market being available in more than twenty countries.



The Iron Overload Market

Iron overload affects people in almost every country in the world and encompasses a range of clinical conditions. Blood disorders that require frequent blood transfusions result in the patient accumulating excess iron as the body has no natural mechanism for removing excess iron. There are approximately 60,000 new born thalassaemia major patients born every year who will require frequent blood transfusions. Their body iron stores need to be closely monitored to ensure iron overload and organ damage does not occur. Effective control of total body iron stores has been shown to significantly reduce the risk of cardiac disease which is still the number one cause of death in patients with thalassaemia major.

Sickle cell patients approximate 72,000 in the US and 13,000 in the UK, often from African descent and approximately 15% are at risk of iron overload due to frequent blood transfusions requiring the accurate monitoring of iron overload.

Iron overload can also result from a genetic disorder known as hereditary hemochromatosis which affects approximately 1 in 227 people in the United States and results in the gradual build up of iron in the body due to excess absorption from the diet. Serious organ damage can result if it is not detected early and managed effectively with phlebotomy.

FerriScan® provides clinicians with an accurate measure of body iron stores enabling better informed decisions regarding the treatment of patients with iron overload.

Reimbursement of FerriScan®

Following regulatory approval, reimbursement is the next most significant milestone in gaining broad commercial use of the test. This has been a major area of focus for the company during the past twelve months and will continue to be in the year ahead;

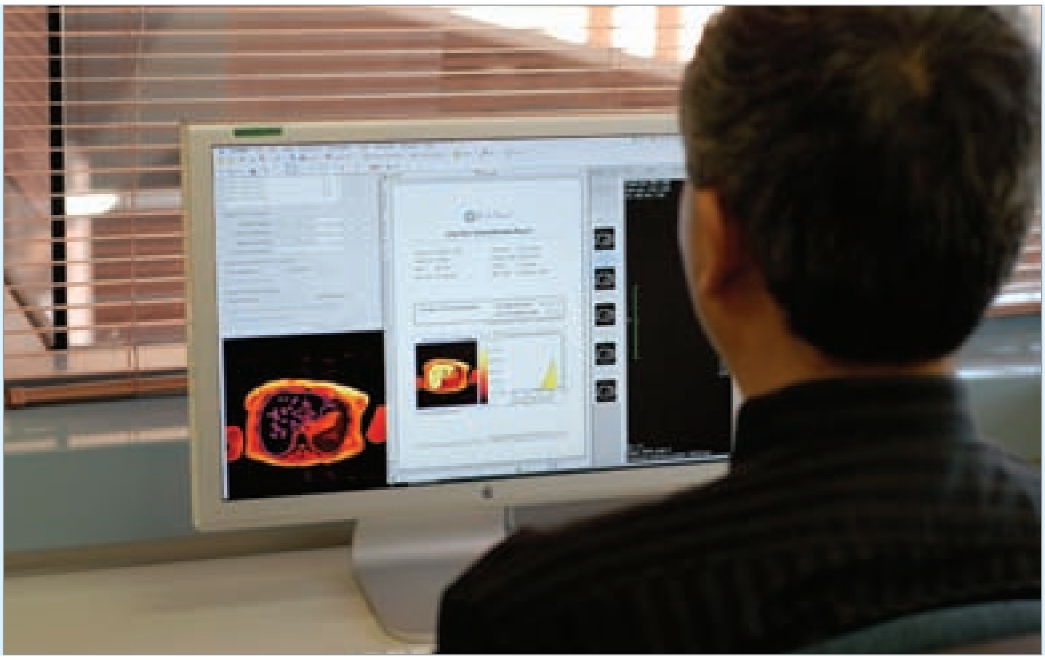
- An application has been lodged with the Australian Medical Services Advisory Committee requesting public funding approval for the FerriScan® test for patients at risk of iron overload from blood transfusion.
- The NHS in the United Kingdom has approved public funding for FerriScan® at the Whittington Hospital and University College London Hospital enabling clinicians to utilise FerriScan® in the routine clinical care of patients with iron overload.

  "*Having ready access to FerriScan® at the Whittington Hospital will greatly improve the efficiency of monitoring the body iron burden in our iron overloaded patients in a cost effective manner and will enable us to minimise the use of liver biopsy"* said Dr Farrukh Shah, Consultant Haematologist at the Whittington Hospital.
- The Ontario Ministry of Health (MOH) has approved FerriScan® providing approved patients with fully funded FerriScan®. There are approximately 500 thalassaemia major patients in Canada who would benefit from this test. Additionally, we estimate a much larger number of sickle cell patients in Canada (~6,000 patients). Approximately 15% sickle cell patients require regular blood transfusions as part of their disease management and therefore require an accurate assessment of the build up of excess iron in their body.
- FerriScan® is funded in New Zealand by the District Health Boards and some private insurers. In New Zealand, 1 in 7 people of European descent are carriers of the hemochromatosis gene, a condition in which the body absorbs and stores excess iron from the diet.
- Reimbursement applications have commenced in Germany, Italy and the United Kingdom, countries where the prevalence of iron overload is high and expert clinicians are keen to provide FerriScan® to their patients.

Financial Snapshot

- Positive cash flow from operations for the first time of $113,373 compared to a negative cash flow from operation of $952,102 in the prior year.
- Expenses reduced by 30%
- Net loss of $41,392 compared to a net loss of $725,319 in the prior year
- Cash in the bank at year end of $2.4m

Disappointingly an overall profit was not delivered. This was a result of the one time charges incurred in the termination of corporate advisors and US based CEO both of whom had been retained to progress a US Pathology acquisition strategy.



The Year in Review (Cont'd)

Research and Development

Resonance Health is undertaking research and development into an MRI test for the detection and scoring of liver fibrosis, towards a point where clinical trials can start in late 2008. Submissions for ethics approvals have been made in collaboration with Fremantle Hospital. The study will investigate the correlation between fibrosis scoring from biopsy and by MRI and aims to develop mathematical algorithms for grading liver fibrosis based on an optimised MRI protocol.

Approximately 80 patients will participate in the study and by late 2009 we hope to be in a position to determine the merits of our research and determine the feasibility of developing a commercial product with a higher degree of sensitivity and specificity for measuring the degree of liver fibrosis when compared with tests currently on the market. Emphasis is on maximising distinction between mild and moderate fibrosis - a clinically very important threshold for which current tests have only limited sensitivity and specificity.

The market potential for such a test is large and there is strong enthusiasm for an alternative to liver biopsy, considered the current gold standard for fibrosis measurement. Liver fibrosis can result from iron overload, hepatitis B and C and fatty liver disease amongst other indications. There are approximately 2.7 million Hepatitis C patients in the United States (250 million worldwide) many of which have a liver biopsy for the diagnosis and management of disease progression every 3-5 years.

Presently, a liver biopsy is often performed before commencing hepatitis patients on antiviral therapy. FibroScreen® aims to be a leading non-invasive method to predict the stage of fibrosis.

Presentations

Dr Tim St. Pierre was an invited speaker at the following conferences:

- 7th International Conference on the Scientific and Clinical Applications of Magnetic Carriers, 20-24 May 2008, Vancouver Canada.
  Title: *Apparent Dependence of the Interfacial Energy of Suspended Ferrofluid Droplets on Magnetic Field Strength*
- IEEE International Magnetics Conference, May 2008, Madrid, Spain
  Title: *Non-Invasive Measurement of Tissue Iron Concentrations with Magnetic Resonance Imaging*
- International BioIron Society, April 2007, Kyoto, Japan
  Title: *Quantitative Imaging of Human Liver Iron Concentration In Vivo*
- Iron Overload in the Asian Pacific Region, Novartis Symposium, April 2007, Kyoto, Japan
  Title: *Non-Invasive Assessments of Iron Overload*
- 17th Asia Pacific Association for the Study of the Liver, March 2007, Kyoto, Japan
  Title: *Non-Invasive Measurement of Iron, Hepatic Fat and Fibrosis*

Resonance Health staff presented at Investigator Meetings associated with the development of iron chelation drug therapy. Resonance Health provides FerriScan® liver iron measurements and related data management and core laboratory services for clinical studies of Exjade a product manufactured and marketed by Novartis.

Resonance Health had a significant presence at the 11th International Conference on Thalassaemia & Haemoglobinopathies, in Singapore 8-11 Oct, 2008. A presentation on FerriScan® was made together with a poster presentation on Distribution and Chemical Speciation of Iron Deposits in Hearts from Transfusion Dependent Patients.

Directors' Report

The Board of Directors of Resonance Health Limited has pleasure in presenting its report in respect of the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names, qualifications and experience of directors in office during the financial year and until the date of this report are as follows:

Ian Anderson
B.Bus, MBA

Position:
Chairman —
Independent and Non-Executive
(appointed 31 May 2005)

Experience:
Mr Anderson is currently the Director of Consulting with Barrington Consulting Group. He was previously a consultant to the North Metropolitan Area Heath Service managing their capital redevelopment program. He was also CEO of SKG Radiology where he led the restructuring of the company and its merger with Sonic Healthcare Ltd, and General Manager, Health Fund at the Hospital Benefit Fund, WA.

Mr Anderson is a Board Member of the Queen Elizabeth II Medical Centre Trust, a Director of Leadership WA, a Fellow of the Australian Institute of Management and Fellow of the Australian Institute of Company Directors.

Other current directorships:
None

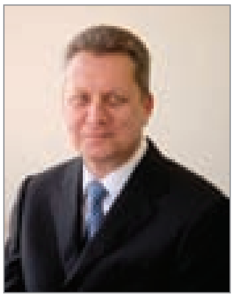
Former directorships in last 3 years:
None

Special responsibilities:
Appointed Chairman 10 August 2007

Chairman of the Remuneration Committee
(appointed 10 August 2007)

Chairman of the Audit Committee
(resigned 10 August 2007)

Dr Martin Blake
MBBS, FRANZCR, MBA, GAICD



Position:
Director —
Independent and Non-Executive
(appointed 4 October 2007)

Experience:
Dr Blake is a Radiologist and Nuclear Physician and brings a wealth of technical and industry experience to Resonance Health. He has been with the Perth Radiological Clinic since 1996 and a Partner with them since 1997. Dr Blake additionally held the position of Head of Department of Nuclear Medicine at Royal Perth Hospital for a number of years. He has published more than a dozen peer review research papers and has been a contributing author to the Royal Australian and New Zealand College of Radiologists (RANZCR) Imaging Guidelines.

Dr Blake has held positions as Secretary and Treasurer of the WA Branch of the RANZCR. Dr Blake has an MBA from Melbourne University, is a Graduate of the Australian Institute of Company Directors and holds directorships on a number of private company boards.

Other current directorships:
None

Former directorships in last 3 years:
None

Special responsibilities:
Chairman of the Audit Committee
(appointed 4 October 2007)

Directors' Report (Cont'd)

Dr Andrew Walker

B.Med, B.Med.Sci (Hons), MBA

Position:
Director —
Independent and Non-Executive
(appointed 11 November 2003)

Experience:
Dr Walker is currently Managing Director of Matrix Healthcare Pty Ltd, where he has served over 12 years and led the team that developed and commercialised a range of successful medical and health-related businesses, including, the Australian Skin Cancer Clinics and Combined Pathology.

He is also the Executive Chairman of Aspen Medical Pty Ltd, noted in BRW as Australia's fastest growing company in 2007. He is also Chairman of investment bank, Wingate Group and Generic pharmaceutical company, Generic Health Pty Ltd. In 2007 he was named Ernst and Young National Entrepreneur of the Year (Services).

Other current directorships:
Independent Non-Executive Director of RiTract Limited (director since 2003)

Former directorships in last 3 years:
None

Special responsibilities:
Member of the Audit Committee

Member of the Remuneration Committee (appointed 10 August 2007)

Dr Timothy St. Pierre

B.Sc(Hons), PhD

Position:
Director — Executive
(appointed 21 August 2006)

Experience:
Dr St. Pierre is widely published in the field of iron in medicine and biology and has built a reputation as a physicist with an outstanding understanding of the fundamental properties of the iron deposits that occur in iron overload diseases.

Dr St. Pierre, who is an Associate Professor led the team which developed the FerriScan® technology at The University of Western Australia.

Other current directorships:
None

Former directorships in last 3 years:
None

Special responsibilities:
None

On 10 August 2007, Dr Gary Pace, Mr Michael Dalsin and Mr Roger Greene resigned as directors.

On 3 October 2007 Mr Guy Aird resigned as a director.

Company Secretary

Ms Eva O'Malley

B.Com, CA

Position:
Company Secretary
(appointed 31 August 2007)

Experience:
Ms O'Malley has over ten years experience in managing the financial obligations of ASX listed corporations across a diverse range of industries.

DIRECTORS' REPORT (Cont'd)

Review of Operations

Resonance Health Limited is an Australian listed company located in Perth, Western Australia.

Resonance Health Analysis Services Pty Ltd is a 100% owned subsidiary of Resonance Health Limited. It owns the FerriScan® technology which is used to deliver FerriScan® to customers worldwide.

FerriScan® is the first and most widely available test for accurately assessing a patient's body iron stores. It is now available in over 20 countries with an expanding customer base.

Magnetic Resonance Imaging (MRI) images are produced by a MRI scanner incorporating the FerriScan® technology and are electronically sent to the FerriScan® service centre located in Perth, Western Australia. This data is analysed and a report detailing the iron measurement amount is provided.

The FerriScan® business unit operated profitably during the financial year with revenues of $1.7m derived from the provision of FerriScan® services. The Group's financial results for the year were significantly improved from a loss of $725,319 in the prior year to a loss of $41,392 this financial year.

The Group holds cash reserves in excess of $2.3 million. A nominal outflow of cash for the year included the charges associated with the release of corporate advisory consultants and the termination of the US based CEO in August 2007.

In 2007/2008 activities have been focused on gaining medical insurance funding for FerriScan® in order to achieve a sustainable broad based use of the FerriScan® test. FerriScan® is now reimbursed in NZ and in some parts of the UK and Canada. A submission was lodged with the Australian re-imbursement agency (MSAC) seeking coverage under the Medical Benefits Schedule and consultants have been engaged to assist with achieving reimbursement for FerriScan® in other European countries.

Our sound financial position has enabled us to pursue opportunities to create value for shareholders and a number of initiatives are currently being considered. These include the expansion into clinical research services, broadening the scope of MRI image analysis services and the potential acquisition of other cash flow positive businesses.

Looking forward, Resonance Health will focus on gaining further reimbursement success for FerriScan® in the US and European jurisdictions and we expect to continue to operate the FerriScan® business unit profitably. Our cash reserves provide a base to explore opportunities for growth in fields that complement the FerriScan® business.

Operating Results

The net loss of the consolidated entity for the financial year after tax was $41,392 (2007: $725,319).

Dividends Paid or Recommended

No dividend was paid or declared for the financial year.

Principal Activities

The company's business involves the development and commercialisation of technologies and services for the quantitative analysis of radiological images in a regulated and quality controlled environment.

The company's core product is FerriScan®, a non-invasive liver diagnostic technology used for the measurement of iron in the liver.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company occurred during the financial year:

The US based pathology laboratories strategy was abandoned. This resulted in the resignation of Mr Gary Pace, the Chairman of the Company, the departure of Mr Ed Dooling, our US based CEO and the termination of the consulting engagement with US based Stanmore.

On 10 August 2007 Stanmore were released from their role as corporate advisors. Under the terms of the Stanmore's Deed of Termination and Release amounts totalling US$185,000 (A$217,098) were paid.

Also on 10 August 2007 our US based CEO, Mr Ed Dooling, was terminated. Under the terms of Mr Dooling's contract severance pay totalling US$110,000 (A$129,085) and accrued leave entitlements were paid.

DIRECTORS' REPORT (Cont'd)

After Balance Date Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company and the consolidated entity, the results of those operations, or the state of affairs in future financial years.

Environmental Regulations

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Likely developments and expected results of operations

Comments on expected results of the operations of the consolidated entity are included in this report under the review of operations.

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Resonance Health Limited and for the executives receiving the highest remuneration.

Remuneration Policy

The Board of Directors of Resonance Health Limited is responsible for determining and reviewing compensation arrangements for directors and the executive team. Remuneration levels for executives are competitively set to attract the most qualified and experienced directors and senior executive officers, in the context of prevailing market conditions, particular experience of the individual concerned and the overall performance of the company, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The assistance of an external consultant or remuneration surveys are used where necessary.

The board of Resonance Health Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits. The remuneration committee reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the achievement of agreed milestones. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

DIRECTORS' REPORT (Cont'd)

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Securities given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive.

Each of the non-executive directors receives a fixed fee for their services as directors. Non-executive directors' fees not exceeding an aggregate of $250,000 per annum have been approved by the Company in a general meeting. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievements of certain key performance indicators other than the holders of Performance Shares which are not convertible to ordinary fully paid shares until various milestones are achieved. Messrs Dalsin and Greene who resigned as Directors on 10 August 2007 did not receive a fee for their services as directors. Entities associated with Messrs Dalsin and Greene received a fee for corporate advisory, acquisition sourcing, and negotiation services.

Details of Remuneration for Year Ended 30 June 2008 (This information has been audited)

The remuneration for each director and for the executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

Remuneration of directors and executives

		Primary	Post employment	Equity	Other	Total
		Salary & Fees	Superannuation Contributions	Options	Termination Benefits	
		$	$	$	$	$
Non-Executive Directors' remuneration*						
Mr I Anderson	2008	56,663	-	-	-	56,663
	2007	39,884	-	-	-	39,884
Dr M Blake	2008	27,523	2,477	-	-	30,000
	2007	-	-	-	-	-
Dr A Walker	2008	36,697	3,303	-	-	40,000
	2007	36,594	3,294	-	-	39,888
Dr G Pace	2008	10,000	-	-	-	10,000
	2007	59,830	-	-	-	59,830
Mr G Aird	2008	8,275	826	-	-	9,101
	2007	36,695	3,303	-	-	39,998
Mr M Dalsin	2008	-	-	-	-	-
	2007	-	-	-	-	-
Mr R Greene	2008	-	-	-	-	-
	2007	-	-	-	-	-
Executive Directors' remuneration*						
Dr T St Pierre	2008	139,525	-	-	-	139,525
	2007	82,887	-	-	-	82,887

* Represents director fees earned during the financial year from the date of appointment and consulting fees for duties as Chief Scientific Officer.

DIRECTORS' REPORT (Cont'd)

		Primary	Post employment	Equity	Other	Total
		Salary & Fees	Superannuation Contributions	Options	Termination Benefits	
		$	$	$	$	$
Other Executives' remuneration*						
Ms L Dunne – General Manager Resonance Health Analysis Services Pty Ltd	2008	166,725	15,005	-	-	181,730
	2007	71,013	6,391	-	-	77,404
Mr E Dooling – Chief Executive Officer	2008	135,187	-	-	-	135,187
	2007	340,000	-	-	-	340,000

* Represents remuneration earned during the financial year from the date of appointment, including amounts not yet paid at balance date.

Options

Unissued ordinary shares of Resonance Health Limited under option at the date of this report and the terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant Date	Expiry date	Exercise price	Value per option at grant date	Number under option
13 May 2004	7 July 2009	$0.30	$0.004	300,000
				300,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Options Issued as Part of Remuneration for the Year Ended 30 June 2008

Options are issued to directors and specified executives as part of their remuneration. The options are not issued based on performance criteria. When exercisable, each option is convertible into one ordinary share. No options were issued to directors and specified executives during the financial year. Set out below are details of options granted to specified directors to the date of this report.

Specified Directors	Grant Date	Expiry Date	Value per option at grant date $	Exercise Price $	Balance at start and end of the year Number
Dr A Walker Director	13 May 2004	7 July 2009	$0.016	$0.30	300,000

Consultancy Services Agreement for Executive Director Dr Tim St Pierre

The company has an agreement with The University of Western Australia (UWA) for consulting services provided by Dr St Pierre whereby UWA is paid 6 monthly in advance for anticipated consultancy requirements. Upon completion of the period an adjustment is performed for actual consultancy services provided. Under this agreement consulting services provided for duties of Chief Scientific Officer were incurred for the 2008 financial year totaling $96,525 (2007: $48,387). This amount is included in Dr Tim St Pierre's remuneration disclosed above.

Executive Officer's Employment Agreement with Ms Liza Dunne

Pursuant to an agreement dated 1 December 2006, the Company appointed Liza Dunne as General Manager of Resonance Health Analysis Services Pty Ltd on a permanent part time basis. Ms Dunne was employed on a salary package of $125,000 p.a. based on 25 hours worked per week. This was subsequently increased to a salary package of $187,500 p.a. for full time employment.

DIRECTORS' REPORT (Cont'd)

Executive Officer's Employment Agreement with Mr Ed Dooling

Pursuant to an agreement dated 26 September 2006, the Company engaged Ed Dooling to perform duties associated with the position of President and Chief Executive Officer. Mr Dooling was paid a base salary of US$220,000 p.a. which was reviewed and modified annually. His employment agreement also provided for a US$15,000 net sign on bonus and a discretionary bonus of up to 50% of base salary. In addition Mr Dooling was entitled to re-imbursement of health insurance costs, four weeks annual leave and all reasonable relocation expenses should relocation be necessary.

As a result of the Company's decision to not proceed with the acquisition of US based pathology businesses, Mr Dooling was made redundant on 10 August 2007. In the event of termination of employment without cause Mr Dooling was entitled to payment of six months severance at base salary.

Meetings of Directors

The number of meetings of the company's board of directors and each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

	Director Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number eligible To attend	Number attended	Number eligible To attend	Number attended	Number eligible To attend	Number attended
Mr I Anderson	10	10	-	-	1	1
Dr M Blake	5	5	2	2	-	-
Dr T St Pierre	10	10	-	-	-	-
Dr A Walker	10	8	3	2	1	1
Dr G Pace	4	4	-	-	-	-
Mr G Aird	5	5	1	1	-	-
Mr M Dalsin	4	4	-	-	-	-
Mr R Greene	4	4	-	-	-	-

Directors' and Executives' Shareholdings

Disclosures relating to directors' and executives' shareholdings are noted below.

	Balance 1.7.07	Received as Remuneration	Net Change Other*	Received during the year on exercise of options	Balance 30.6.08
Specified Directors					
Mr I Anderson	2,441,058	-	870,198	-	3,311,256
Dr M Blake^	-	-	4,224,677	-	4,224,677
Dr T St Pierre^	9,078,750	-	-	-	9,078,750
Dr A Walker	-	-	-	-	-
Dr G Pace∞	293,174	-	(293,174)	-	-
Mr G Aird∞	-	-	-	-	-
Mr M Dalsin∞	603,412	-	(603,412)	-	-
Mr R Greene∞	603,414	-	(603,414)	-	-
Total	13,019,808	-	3,594,875	-	16,614,683
Specified Executives					
Ms L Dunne	458,667	-	57,063	-	515,730
Mr E Dooling	-	-	-	-	-
Total	458,667	-	57,063	-	515,730

DIRECTORS' REPORT (Cont'd)

* "Net Change Other" includes those shares that were issued during the year through both on market purchase/sale and off-market purchase/sale.

∞ These Directors resigned during the year.

^ Includes shares held as disclosed in the initial director's interest notice on being appointed director on 4 October 2007.

Directors' and Executives' Incentive Shareholdings

Disclosures relating to directors' and executives' incentive shareholdings are noted below.

	Balance 1.7.07	Options Exercised	Granted as Remuneration	Net Change Other	Balance 30.6.08
Specified Directors					
Mr I Anderson*	83,334	-	-	-	83,334
Dr M Blake	-	-	-	-	-
Dr T St Pierre*	675,000	-	-	-	675,000
Dr A Walker	-	-	-	-	-
Dr G Pace	-	-	-	-	-
Mr G Aird	-	-	-	-	-
Mr M Dalsin	-	-	-	-	-
Mr R Greene	-	-	-	-	-
Total	758,334	-	-	-	758,334
Specified Executives					
Ms L Dunne	-	-	-	-	-
Mr E Dooling	-	-	-	-	-
Total	-	-	-	-	-

* Class F Incentive Shares

Directors' and Executives' Optionholdings

Disclosures relating to directors' and executives' option holdings are noted below.

	Balance 1.7.07	Options Exercised	Granted as Remuneration	Net Change Other*	Balance 30.6.08
Specified Directors					
Mr I Anderson	-	-	-	-	-
Dr M Blake	-	-	-	-	-
Dr T St Pierre	-	-	-	-	-
Dr A Walker	300,000	-	-	-	300,000
Dr G Pace∞	-	-	-	-	-
Mr G Aird∞	-	-	-	-	-
Mr M Dalsin∞	-	-	-	-	-
Mr R Greene∞	-	-	-	-	-
Total	300,000	-	-	-	300,000

DIRECTORS' REPORT (Cont'd)

	Balance 1.7.07	Options Exercised	Granted as Remuneration	Net Change Other*	Balance 30.6.08
Specified Executives					
Ms L Dunne	-	-	-	-	-
Mr E Dooling	-	-	-	-	-
Total	-	-	-	-	-

* "Net Change Other" includes those options that were issued during the year other than as remuneration through on market purchase/sale.

∞ These Directors resigned during the year.

No movements in these optionholdings have occurred between 30 June 2008 and the date of this report.

Indemnifying Directors and Officers

During the year, Resonance Health Limited paid a premium of $19,553 (2007: 24,475) to insure the directors and secretaries of the company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Options

Details of Options that were granted over unissued shares during the financial year by the company and which remain outstanding at balance date are disclosed at Note 15(b) to the financial statements.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Resonance Health Limited support and adhere to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditors' independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

DIRECTORS' REPORT (Cont'd)

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008:

	$
Taxation compliance services	14,105
Other services	3,372
	17,477

Auditor's Independence Declaration

A copy of the auditor's independence declaration for the year ended 30 June 2008, as required under section 307C of the Corporations Act 2001, has been received and can be found on page 22 of the directors' report.

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

Mr Ian Anderson
Chairman

Perth, Western Australia
Dated this 30th day of September 2008.

CORPORATE GOVERNANCE STATEMENT

Resonance Health Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. This Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Securities Exchange ('ASX') Corporate Governance Council recommendations. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

Principle 1

Lay solid foundations for management and oversight

The Board is the governing body of the Company. The Board and the Company act within a statutory framework – principally the Corporations Act and also the Constitution of the Company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of Resonance Health Limited.

The Board must ensure that Resonance Health Limited acts in accordance with prudent commercial principles, and satisfies shareholders – consistent with maximising the Company's long term value.

The Board Charter summarises the role, responsibilities, policies and processes of the Board of Resonance Health Limited and comments on the Board's approach to corporate governance.

The primary responsibilities of the Board include:

- Charting the direction, strategies and financial objectives of the company and ensuring appropriate resources are available
- Monitoring the implementation of those policies and strategies and the achievement of those financial objectives
- Monitoring compliance with control and accountability systems, regulatory requirements and ethical standards
- Ensuring the preparation of accurate financial reports and statements
- Reporting to shareholders and the investment community on the performance and state of the company
- Appoint the General Manager and monitor performance of the General Manager and senior executives
- Establish proper succession plans for management of the company

Separate functions of the Board and management existed and were practised throughout the year. The Board complied with the ASX Corporate Governance Council Principle 1 recommendations at all times during the year.

Principle 2

Structure the Board to add value

The composition of the Board has been determined on the basis of providing the Company with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. Details of each Director's skills and experience are set out in the Directors' report.

The ASX guidelines recommend that a listed company should have a majority of directors who are independent. The Board complied with the ASX Corporate Governance Council Principle 2.1 having a majority of directors including the Chairman who are independent throughout the year.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is evidence to the contrary) if it is equal or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point at the actual ability in question to shape the direction of the company's loyalty.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Principle 2 (Cont'd)

The ASX guidelines recommend that the Chairman should be an independent director.

The roles of Chairman and General Manager are exercised by different individuals, providing for clear division of responsibility at the head of the company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communication between them.

Directors are subject to re-election by rotation at annual general meetings as stipulated in the Corporations Act and the company's constitution. There are no maximum terms for non-executive director appointments. Newly elected directors must seek re-election at the first general meeting of shareholders following their appointment.

The remuneration of the directors is determined by the remuneration committee. Further information and the components of remuneration for directors are set out in the Directors' Report.

The members of the remuneration and nomination committee are:

- Dr Ian Anderson (Chairman) – appointed 10 August 2007
- Dr Andrew Walker

Mr Guy Aird resigned as Chairman of the remuneration and nomination committee on 3 October 2007.

ASX Corporate Governance Council Principle 2.4 recommends that the nomination committee should consist of a majority of independent directors, be chaired by an independent director and have at least three members. The nomination committee did not meet all requirements of this recommendation as it only comprised two members for part of the year. Given the complete Board comprises four members it was not considered practicable for the nomination committee to comprise more than two members.
The Board complied with the ASX Corporate Governance Council Principle 2 Recommendations at all times during the year, with the exception of Recommendation 2.4 as detailed above.

Principle 3

Promote ethical and responsible decision-making

The Board places great emphasis on ethics and integrity in all its business dealings.

In regards to Principle 3.1 the board considers the business practices and ethics exercised by individual Board members and key executives to be of the highest standards.

Trading in the company's shares

The company's policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices. Statutory provisions of the Corporations Act dealing with insider trading have been strictly complied with.

The Board complied with the ASX Corporate Governance Council Principle 3 Recommendations at all times during the year.

Principle 4

Safeguard integrity in financial reporting

The board has established an audit committee that operates in accordance with the Company's Audit and Risk Charter. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board has delegated responsibility for the establishment and framework of internal controls and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are independent non-executive directors.

The members of the audit committee are:

- Dr Martin Blake (Chairman)
- Dr Andrew Walker

Mr Guy Aird resigned as a member of the audit committee during the year.

The audit committee generally invites the Company Secretary and external auditors to attend meetings.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Principle 4 (Cont'd)

ASX Corporate Governance Council Principles 4.3 recommends that the audit committee should consist only of non-executive directors, a majority of independent directors, be chaired by an independent director who is not chairperson of the board and have at least three members. The audit committee did not meet all requirements of this recommendation as it only comprised two members throughout the year. Given the complete Board comprises four members it was not considered practicable for the audit committee to comprise more than two members.

The Board complied with the ASX Corporate Governance Council Principle 4 Recommendations at all times during the year, with the exception of Recommendation 4.3 as detailed above.

Principle 5

Make timely and balanced disclosure

The Company complies with all disclosure requirements to ensure that Resonance Health manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. All market disclosures are approved by the Board.

The General Manager and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures which are determined in accordance with the Company's Continuous Disclosure Charter.

All announcements made to the ASX are placed on the Company's web site immediately after public release.

The Board complied with the ASX Corporate Governance Council Principle 5 Recommendations at all times during the year.

Principle 6

Respect the rights of shareholders

The Communications Policy details the Company's strategy to communicate with shareholders and actively promote shareholder involvement in the Company. It aims to continue to increase and improve the information available to shareholders on its website. All company announcements, presentations to analysts and other significant briefings are posted on the company's website after release to the Australian Securities Exchange.

The Company's external auditor is invited to attend the annual general meeting and questions from shareholders regarding the conduct of the audit and the preparation and content of the auditor's report are welcomed.

The Board complied with the ASX Corporate Governance Council Principle 6 Recommendations at all times during the year.

Principle 7

Recognise and manage risk

The Board oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. Recommendation 7.1 requires the establishment of a risk committee. During the year Resonance Health Limited did not have a separately established risk committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the role of the Audit Committee and the main Board. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee.

Recommendation 7.1 also requires that the company has a formal risk management policy and internal compliance and control system. Resonance Health Limited, through its operating subsidiary Resonance Health Analysis Services Pty Ltd, maintained a Quality Management System (QMS) to international standards ISO9001:2000 and ISO13485:2003 which encompass formal risk analysis processes. In addition, the QMS requires the appointment of a Management representative that reports directly to the Board of Directors. The company also has in place classes of insurance at levels which, in the reasonable opinion of the directors, are appropriate for it size and operations.

In accordance with Recommendation 7.2 the General Manager and the Chief Financial Officer provide written statements at each reporting period regarding the integrity of the financial statements and the company's risk management and internal compliance and control systems.

The Board complied with the ASX Corporate Governance Council Principle 7 Recommendations at all times during the year, with the exception of Recommendation 7.1 as detailed above.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Principle 8

Encourage enhanced performance

During the year the company monitored the performance of its board, committees and key executives in accordance with recommendation 8.1.

To enable the performance of their duties, all directors:

- have access to management
- are provided with appropriate management information in a timely manner
- are able to seek independent professional advice at the company's expense
- are entitled to request additional management information at any time

The Board complied with the ASX Corporate Governance Council Principle 8 Recommendations at all times during the year.

Principle 9

Remunerate fairly and responsibly

The Board has a remuneration committee. Members of the remuneration committee are:

- Mr Ian Anderson (Chairman) – appointed 10 August 2007
- Dr Andrew Walker – appointed 10 August 2007

Mr Guy Aird resigned as a member of the remuneration committee on 3 October 2007.

ASX Corporate Governance Council Principles recommend that the remuneration committee should consist of a majority of independent directors, be chaired by an independent director and have at least three members. The remuneration committee did not meet all requirements of this recommendation as it only comprised two members throughout the year. Given the complete Board comprises four members it was not considered practicable for the remuneration committee to comprise more than two members

The remuneration policy, which sets the terms and conditions for the General Manager and other senior executives, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the board.

Each of the non-executive directors receives a fixed fee for their services as directors. Non-executive directors' fees not exceeding an aggregate of $250,000 per annum have been approved by the Company in a general meeting. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievements of certain key performance indicators other than the holders of Performance Shares which are not convertible to ordinary fully paid shares until various milestones are achieved.

Messrs Dalsin and Greene who resigned as Directors on 10 August 2007 did not receive a fee for their services as directors. Entities associated with Messrs Dalsin and Greene received a fee for corporate advisory, acquisition sourcing, and negotiation services.

The Company pays fees to the University of Western Australia for services provided by Dr St Pierre who is an executive director of the Company. The Company pays a fixed fee for his services as a director and a daily fee based on market rates for his services as Chief Scientific Officer.

All executive employees receive a base salary, superannuation, fringe benefits and performance incentives. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Director disclosure requirements are dealt with in the notes to the financial statements.

The Board complied with the ASX Corporate Governance Council Principle 9 Recommendations at all times during the year except as detailed above.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Principle 10

Recognise the legitimate interests of stakeholders

The Board recognises that the interests of all stakeholders will be best served when the company, its directors and staff adhere to high standards of business ethics and comply with the law.

The Board expects a high standard of ethical corporate behaviour from all directors. A Board Charter has been developed outlining the policies and procedures which operate within the company to ensure its exemplary reputation is maintained.

The Board complied with the ASX Corporate Governance Council Principle 10 Recommendations at all times during the year.

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Resonance Health Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

This declaration is in respect of Resonance Health Limited.

Perth, Western Australia
30 September 2008

L DI GIALLONARDO
Partner, HLB Mann Judd

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Revenue	2(a)	**1,882,611**	**2,155,340**	**286,892**	**138,237**
Reversal of impairment of loans to and investments in subsidiaries		-	-	399,888	639,671
Employee benefits expense		(1,035,092)	(1,234,871)	(258,247)	(345,648)
Consulting and professional services		(490,138)	(1,049,001)	(370,394)	(830,987)
Research and development		(179,892)	(83,304)	-	-
Depreciation	2(b)	(34,202)	(42,946)	-	-
Marketing		(25,391)	(28,696)	(1,318)	(3,063)
Statutory and compliance		(98,679)	(106,329)	(68,141)	(80,001)
Travel		(24,825)	(112,597)	(5,243)	(61,225)
Foreign exchange loss		(31,697)	(245,188)	-	-
Impairment of loans to and investments in subsidiaries	2(b)	-	-	-	(126,608)
Other expenses		(217,099)	(169,029)	(29,451)	(34,028)
(Loss) before income tax		**(254,404)**	**(916,621)**	**(46,014)**	**(703,652)**
Income tax benefit	3	213,012	191,302	-	-
Net (loss) attributable to members of parent		**(41,392)**	**(725,319)**	**(46,014)**	**(703,652)**
Basic (loss) per share (cents per share)	5	(0.0)	(0.2)		

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Current Assets					
Cash and cash equivalents	7	2,381,870	2,419,360	2,358,390	1,940,118
Trade and other receivables	8	407,980	558,687	17,648	7,341
Available for sale investments	9	1,767	2,828	-	-
Other	10	96,721	100,049	19,293	19,213
Total Current Assets		2,888,338	3,080,924	2,395,331	1,966,672
Non-Current Assets					
Property, plant and equipment	11	40,108	73,631	-	-
Receivables	8	-	-	-	-
Other financial assets	9	-	-	370,006	1,010,951
Total Non-Current Assets		40,108	73,631	370,006	1,010,951
Total Assets		2,928,446	3,154,555	2,765,337	2,977,623
Current Liabilities					
Trade and other payables	12	236,372	406,536	87,016	254,354
Provisions	13	16,945	26,876	3,192	2,126
Total Current Liabilities		253,317	433,412	90,208	256,480
Total Liabilities		253,317	433,412	90,208	256,480
Net Assets		2,675,129	2,721,143	2,675,129	2,721,143
Equity					
Issued capital	14(a)	67,504,039	67,504,039	67,504,039	67,504,039
Reserves		83,329	87,951	66,284	66,284
Accumulated losses	15	(64,912,239)	(64,870,847)	(64,895,194)	(64,849,180)
Total Equity		2,675,129	2,721,143	2,675,129	2,721,143

The above balance sheet should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
		Inflows/(Outflows)		Inflows/(Outflows)	
Cash flows from operating activities					
Receipts from customers		1,911,537	1,435,192	-	-
Payments to suppliers and employees		(2,100,543)	(2,698,331)	(744,962)	(1,275,558)
Interest received		135,629	136,307	122,401	105,704
Income tax received		166,750	174,730	-	-
Net cash provided by / (used in) operating activities	7(i)	113,373	(952,102)	(622,561)	(1,169,854)
Cash flows from investing activities					
Loans from subsidiaries		-	-	1,040,833	-
Loans to subsidiaries		-	-	-	(126,608)
Payments for plant and equipment		(4,612)	(8,349)	-	-
Proceeds on disposal of plant and equipment		-	5,660	-	-
Payments for security deposits		(14,775)	-	-	-
Payments for research and development		(131,476)	(83,304)	-	-
Net cash provided by / (used in) investing activities		(150,863)	(85,993)	1,040,833	(126,608)
Cash flows from financing activities					
Proceeds from issue of shares and options		-	3,087,989	-	3,087,989
Payments for share issue costs		-	(185,550)	-	(185,550)
Repayment of borrowings		-	(15,935)	-	(11,741)
Net cash provided by financing activities		-	2,886,504	-	2,890,698
Net increase / (decrease) in cash held		(37,490)	1,848,409	418,272	1,594,236
Cash at the beginning of the financial year		2,419,360	570,951	1,940,118	345,882
Cash at the end of the financial year	7	2,381,870	2,419,360	2,358,390	1,940,118

The above cash flow statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

Consolidated

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total Equity $
Balance at 1 July 2006	64,589,600	(64,145,528)	-	66,284	510,356
Shares issued during the year	3,087,989	-	-	-	3,087,989
Cost of share issues	(173,550)	-	-	-	(173,550)
Translation reserve	-	-	21,667	-	21,667
Loss attributable to members of the parent entity	-	(725,319)	-	-	(725,319)
Balance at 30 June 2007	**67,504,039**	**(64,870,847)**	**21,667**	**66,284**	**2,721,143**
Translation reserve	-	-	(4,622)	-	(4,622)
Loss attributable to members of the parent entity	-	(41,392)	-	-	(41,392)
Balance at 30 June 2008	**67,504,039**	**(64,912,239)**	**17,045**	**66,284**	**2,675,129**

Parent

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total Equity $
Balance at 1 July 2006	64,589,600	(64,145,528)	-	66,284	510,356
Shares issued during the year	3,087,989	-	-	-	3,087,989
Cost of share issues	(173,550)	-	-	-	(173,550)
Loss attributable to members of the parent entity	-	(703,652)	-	-	(703,652)
Balance at 30 June 2007	**67,504,039**	**(64,849,180)**	**-**	**66,284**	**2,721,143**
Loss attributable to members of the parent entity	-	(46,014)	-	-	(46,014)
Balance at 30 June 2008	**67,504,039**	**(64,895,194)**	**-**	**66,284**	**2,675,129**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has been prepared on a historical cost basis, except where stated. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars.

The company is a listed public company, incorporated and operating in Australia. The entity's principal activities are the development of magnetic resonance imaging related technology, specifically the provision of non-invasive measurement tests for use by health care professions.

(b) Adoption of new and revised standards

In the year ended 30 June 2008, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Instruments' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2008. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 30 September 2008.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements comprise the separate financial statements of Resonance Health Limited ("company" or "parent entity") and its subsidiaries as at 30 June each year ("the Group").

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(iii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

(i) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(j) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 14 days to 90 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are initially converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss.

(l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the account profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will no reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against with the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available or allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it is has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(m) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Other taxes (Cont'd)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(n) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment 3 – 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying amount of plant and equipment is reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Impairment losses for plant and equipment are recognised in the income statement.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(o) Financial assets

Investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

(p) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Goodwill (Cont'd)

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(q) Research and development costs

Research costs are expensed as incurred.

(r) Impairment of assets (other than goodwill)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which cash the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount can not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Employee Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in sundry creditors in respect of employees' services up to the reporting date. Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(v) Share-based payment transactions

(i) Equity-settled transactions

The Group has a number of agreements where payment for services rendered are settled by the issuance of fully paid shares or options in the company.

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date they are granted and is recognised, together with a corresponding increase in equity, over the period in which the service is provided.

(w) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Earnings per share ("EPS")

Basic EPS is calculated as net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit/loss attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

and divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(y) Foreign Currency Translation

Both the functional and presentation currency of Resonance Health Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the foreign operation Resonance USA Inc. is United States dollars (US$). As at the reporting date the assets and liabilities of this subsidiary are translated into the presentation currency of Resonance Health Limited at the rate of exchange ruling at the balance sheet date and the income statement is translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. These differences are recognised in the income statement in the period in which the operation is disposed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
NOTE 2: Revenues and expenses	2008 $	2007 $	2008 $	2007 $
(a) Revenue				
Liver Scan income	1,722,085	1,868,790	-	-
Grants received	13,496	150,000	-	-
Interest received	147,030	136,550	132,746	105,704
Foreign exchange gain	-	-	154,146	32,533
	1,882,611	2,155,340	286,892	138,237
(b) Expenses				
Depreciation of non-current assets	34,202	42,946	-	-
Impairment of property, plant and equipment	3,933	-	-	-
Loss on sale of property, plant and equipment	-	7,528	-	-
Rental expense on operating leases	45,212	84,590	-	-
Impairment of loans to and investments in subsidiaries	-	-	-	126,608

NOTE 3: Income tax

Income tax recognised in profit or loss

The major components of tax benefit are:				
Adjustments recognised in the current year in relation to the current tax of prior years – R&D tax offset	213,012	191,302	-	-
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:				
Accounting (loss) before income tax	(254,404)	(916,621)	(46,014)	(703,652)
Income tax calculated at 30%	(76,321)	(274,986)	(13,804)	(211,096)
Unused tax losses not recognised as deferred tax assets	264,966	607,412	201,111	230,435
Benefit of tax losses recognised for the first time	(143,573)	(267,545)	-	-
Other deferred tax assets and tax liabilities not recognised	(29,100)	(8,073)	(187,303)	(19,339)
R & D tax concessions	(15,848)	(56,808)	-	-
Other	(124)	-	(4)	-
Tax refund received (R&D tax offset)	213,012	191,302	-	-
Income tax benefit attributable to loss from ordinary activities	213,012	191,302	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 3: Income tax (Cont'd)	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Unrecognised deferred tax balances				
The following deferred tax assets and liabilities have not been brought to account:				
Deferred tax assets:				
Losses available for offset against future taxable income - revenue	1,109,745	1,145,095	969,228	768,118
Temporary differences – impairment of receivables	1,372,013	1,684,263	1,372,013	1,684,263
Temporary differences – impairment of investments in subsidiaries	3,292,648	3,133,987	3,170,898	2,978,615
Other temporary differences	464,104	417,121	314,006	331,995
	6,238,510	6,380,466	5,826,145	5,762,991
Deferred tax liabilities:				
Temporary differences	76,504	104	49,346	-
Income tax expense not recognised direct in equity				
Share issue costs	152,765	152,765	152,765	152,765

NOTE 4: Segment reporting

Segment Information

The Group's primary segment reporting format is geographical segments as the Group's risks and rates of return are affected predominantly by differences in the geographical areas. Secondary segment information is reported by business segments.

The operating businesses are organised and managed separately according to their location with each segment representing a different physical location. The Group now operates solely within Australia.

Geographical Segments

The following table presents revenue and profit/loss information and certain asset and liability information regarding geographical segments for the year ended 30 June 2008.

	Australia $	USA $	Total $
Segment revenue	1,882,611	-	1,882,611
Segment profit/(loss)	171,459	(212,851)	(41,392)
Segment assets	2,928,024	422	2,928,446
Segment liabilities	253,317	-	253,317
Other segment information			
Net cash inflow / (outflow) from operating activities	394,828	(281,455)	113,373
Net cash outflow from investing activities	(150,863)	-	(150,863)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 4: Segment reporting (Cont'd)

The following table presents revenue and profit/loss information and certain asset and liability information regarding geographical segments for the year ended 30 June 2007.

	Australia	USA	Total
	$	$	$
Segment revenue	2,155,340	-	2,155,340
Segment profit/(loss)	(202,846)	(522,473)	(725,319)
Segment assets	3,123,495	31,060	3,154,555
Segment liabilities	364,830	68,582	433,412
Other segment information			
Net cash outflow from operating activities	(519,878)	(432,224)	(952,102)
Net cash outflow from investing activities	(85,993)	-	(85,993)
Net cash inflow from financing activities	2,886,504	-	2,886,504

Business Segments

The Group's business segments are determined by differences in the products and services provided.

The following table presents revenue and profit/loss information and certain asset and liability information regarding business segments for the year ended 30 June 2008.

	FerriScan®	Path Labs	Corporate	Total
	$	$	$	$
Segment revenue	1,722,085	-	160,526	1,882,611
Segment profit/(loss)	529,300	(212,851)	(357,841)	(41,392)
Segment assets	530,926	422	2,397,098	2,928,446
Segment liabilities	163,109	-	90,208	253,317

The following table presents revenue and profit/loss information and certain asset and liability information regarding business segments for the year ended 30 June 2007.

	FerriScan®	Path Labs	Corporate	Total
	$	$	$	$
Segment revenue	1,868,790	-	286,550	2,155,340
Segment profit/(loss)	1,018,755	(522,473)	(1,221,601)	(725,319)
Segment assets	1,153,995	31,060	1,969,500	3,154,555
Segment liabilities	108,349	68,582	256,481	433,412

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated	
NOTE 5: Earnings per share		2008 $	2007 $
	Basic and diluted (loss) per share (cents)	0.0	(0.2)
(a)	Earnings used in the calculation of basic and dilutive (loss) per share	(41,392)	(725,319)
		2008 Number	2007 Number
(b)	Weighted average number of ordinary shares for the purposes of basic loss per share	359,007,227	320,936,125

(c) Classification of securities

Options outstanding have been classified as potential ordinary shares, however they are not considered to be dilutive in nature as their conversion will not result in an increase in the basic loss per share.

NOTE 6: Dividends

No dividend was paid or declared for the current or previous financial year.

NOTE 7: Cash and cash equivalents	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Deposits at call	231,870	2,419,360	208,390	1,940,118
Term Deposits	2,150,000	-	2,150,000	-
	2,381,870	2,419,360	2,358,390	1,940,118

Deposits at call earn interest at floating rates based on daily bank deposit rates.

Term deposits are made for 30 days depending on the immediate cash requirements of the Group and earn interest at the respective term deposit rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 7: Cash and cash equivalents (Cont'd)	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
(i) Reconciliation of loss for the year to net cash flows from operating activities				
(Loss) for the year	(41,392)	(725,319)	(46,014)	(703,652)
Non-cash flows in profit / (loss):				
Depreciation	34,202	42,946	-	-
Impairment of property, plant and equipment	3,933	-	-	-
Loss on sale of property, plant and equipment	-	7,528	-	-
Impairment of investments	1,061	1,060	(399,888)	(513,063)
Reclassification to investing activities:				
Research and development	131,476	83,304	-	-
Security deposits	14,775	-	-	-
Changes in net assets and liabilities:				
(Increase)/decrease in receivables	150,707	(424,581)	(10,307)	47,787
(Increase)/decrease in other assets	3,328	8,093	(80)	15,894
Increase/(decrease) in trade creditors and borrowings	(170,164)	45,557	(167,338)	(18,946)
Increase/(decrease) in provisions	(9,931)	(12,357)	1,066	2,126
Increase/(decrease) in translation reserve	(4,622)	21,667	-	-
Net cash used in operating activities	113,373	(952,102)	(622,561)	(1,169,854)
(ii) Financing facilities				
Unsecured credit card:				
Amount used	(277)	503	-	-
Amount unused	-	-	-	-
	(277)	503	-	-
Secured credit card:				
Amount used	1,109	-	-	-
Amount unused	18,891	-	-	-
	20,000	-	-	-
(iii) Cash balances not available for use				
Security deposits:				
Credit card	20,000	-	-	-
Lease premises	38,120	43,345	-	-
	58,120	43,345	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 8: Trade and other receivables	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Current				
Trade receivables	329,213	541,488	-	-
Other receivables	78,767	17,199	17,648	7,341
	407,980	558,687	17,648	7,341

The average credit period on sales of goods and rendering of services is 14 to 90 days.

Aging of past due but not impaired				
Up to 30 days	61,156	7,938		
60-90 days	5,673	8,471	-	-
90-120 days	9,037	884	-	-
	75,866	17,293	-	-

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was granted up to the reporting date. The concentration of credit risk is significant with 76% of trade receivables relating to one major customer. The remaining trade receivables relate to a large and unrelated customer base. The directors believe no credit provision is required.

Non Current				
Loans to subsidiaries	-	-	4,573,376	5,614,209
Less: Impairment	-	-	(4,573,376)	(5,614,209)
	-	-	-	-
Movement in impairment:				
- balance at the beginning of year	-	-	(5,614,209)	(5,487,601)
- (increase) / decrease during the year	-	-	1,040,833	(126,608)
- balance at end of year	-	-	(4,573,376)	(5,614,209)

An impairment loss has been recognised in prior years against the loans to subsidiaries on the basis that the subsidiaries have incurred losses and it is considered prudent to provide for the possibility of non-recovery of the loans. The impairment loss is eliminated on consolidation. As subsidiaries become profitable and the loans are repaid, prior year impairments are reversed to the extent of these loan repayments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 9: Financial assets

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Current – Available for sale investments carried at fair value				
Shares in listed corporations	14,337	14,337	-	-
Less: Impairment	(12,570)	(11,509)	-	-
	1,767	2,828	-	-
Non-Current – Other financial assets				
Investment in subsidiaries (Note 18) (i)	-	-	10,939,666	10,939,666
Less: Impairment	-	-	(10,569,660)	(9,928,715)
	-	-	370,006	1,010,951

The carrying value of the investment in subsidiaries is dependent on the successful development and commercialisation of the FerriScan® technology or realisation by sale, by the company's subsidiaries.

(i) An impairment loss has been recognised against the investment in subsidiaries on the basis that the subsidiaries have incurred losses in the past and it is considered prudent to provide for the possibility of non-recovery. The impairment loss is eliminated on consolidation.

NOTE 10: Other assets

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Current				
Prepayments	38,601	56,704	19,293	19,213
Security deposits	58,120	43,345	-	-
	96,721	100,049	19,293	19,213

NOTE 11: Property, plant and equipment

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Fixtures and equipment				
At cost	196,595	206,730	-	-
Less: Accumulated depreciation	(156,487)	(133,099)	-	-
Total property, plant and equipment	40,108	73,631	-	-

Reconciliation

Reconciliation of the carrying amount of each class of property, plant and equipment is set out below:

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Fixtures and Equipment				
Balance at the beginning of the year	73,631	118,608	-	-
Additions	4,612	8,349	-	-
Disposals	(3,933)	(10,380)	-	-
Depreciation expense	(34,202)	(42,946)	-	-
Carrying amount at the end of the year	40,108	73,631	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 12: Trade and other payables	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Current				
Trade payables (i)	93,586	115,089	36,137	41,859
Related party payables (ii)	66,536	175,741	7,636	121,855
Sundry creditors and accruals	76,250	115,706	43,243	90,640
	236,372	406,536	87,016	254,354

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

(ii) For terms and conditions relating to related party payables refer to Note 18.

Information regarding the effective interest rate and credit risk of current payables is set out in Note 16.

NOTE 13: Provisions				
Current				
Employee entitlements	16,945	26,876	3,192	2,126

Note 14: Issued Capital		2008 Number	2008 $	2007 Number	2007 $
(a) Issued and paid up capital					
359,007,227 ordinary shares 16,000,000 incentive shares	$67,504,023 $16	375,007,227	67,504,039	375,007,227	67,504,039

Movements during the period

	Number of shares	Issue price	$
Ordinary shares			
Balance at the beginning of the financial year	359,007,227		67,504,023
Incentive shares			
Balance at the beginning of the financial year	16,000,000	$0.000001	16
Total	**375,007,227**		**67,504,039**

(b) Share Options

Options over ordinary shares issued and outstanding at balance date:

300,000 Unlisted Options Expiring 7 July 2009

Issued to directors and have an exercise price of $0.30 to the expiry date of 7 July 2009.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 14: Issued Capital (Cont'd)

(c) Terms and conditions of ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(d) Terms and conditions of incentive shares and options

13,000,000 unquoted class F incentive shares and 6,666,667 unquoted incentive options

Each Incentive Share entitles the Holder to convert the Incentive Share into an ordinary Share and an Incentive Share Option into a share option in accordance with the following Milestones.

Class F Incentive Shares and Class F Incentive Share Options: Convert to 13,000,000 Resonance Shares, 3,333,334 free unlisted Resonance options with an exercise price of 20 cents per Resonance option and an expiry date 3 years from the date of issue and 3,333,333 unlisted Resonance options with an exercise price of 30 cents per Resonance option and an expiry date 3 years from the date of issue upon achievement of Medicare Services Advisory Committee (MSAC) assessment completed and reimbursement number received for at least one clinical application of the FerriScan® Technology and the expiration of 12 months from Settlement.

These Class F Incentive Shares and Class F Incentive Options automatically expire if these milestones are not achieved within five years of the issue date making the expiry date 7 November 2008.

3,000,000 unquoted class G incentive shares

Each Incentive Share entitles the Holder to convert the Incentive Share into an ordinary Share and an Incentive Share Option into a share option in accordance with the following Milestones.

Class G Incentive Shares: Convert to 3,000,000 Ordinary Shares upon the Company achieving a minimum volume weighted average share price for a period of 60 trading days of not less than $0.60 per share; or in the event that the Company's shares are listed on a recognised international stock exchange other than the ASX and where or when Resonance shareholders have received a minimum value of $0.60 per share for their Resonance shareholding; or on receipt of an offer by a third party to acquire not less than 20% of the Company's issued shares at a placement or offer price of not less that $0.60 per share.

These Class G Incentive Shares expire on 31 May 2010.

NOTE 15: Accumulated losses	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Balance 1 July	(64,870,847)	(64,145,528)	(64,849,180)	(64,145,528)
Net loss for year	(41,392)	(725,319)	(46,014)	(703,652)
Balance 30 June	(64,912,239)	(64,870,847)	(64,895,194)	(64,849,180)

NOTE 16: Financial instruments

(a) Capital risk management

The Group controls the capital of the Company in order to maintain an appropriate debt to equity ratio and to ensure that the Company can fund its operations and continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 16: Financial instruments (Cont'd)	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
(b) Categories of financial instruments				
Financial assets				
Cash and cash equivalents	2,439,990	2,462,705	2,358,390	1,940,118
Loans and receivables	407,980	558,687	387,654	1,018,292
Available for sale financial assets	1,767	2,828	-	-
Financial liabilities				
Payables	236,372	406,536	87,016	254,354

The net fair values of all financial assets and liabilities approximate their carrying value.

At the reporting date there are no significant concentrations of credit risk.

(c) Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks.

(d) Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The Group does not engage in forward exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2008 $	2007 $	2008 $	2007 $
United States Dollars	622	195,849	278,840	919,680
Great British Pounds	-	-	743	6,620
European Euros	-	-	19,674	48,182

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 16: Financial instruments (Cont'd)

Foreign currency sensitivity analysis

The Group is exposed to United States Dollar (USD), Great British Pound (GBP) and European Euro (EUR) currency fluctuations.

The following table illustrates the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number indicates a decrease in profit where the Australian dollar strengthens against the respective currency.

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Profit or loss impact:				
- USD	(25,293)	(65,803)	19	12,759
- GBP	(68)	(602)	-	-
- EUR	(1,789)	(4,380)	-	-

(f) Interest rate risk management

All financial assets and financial liabilities are non-interest bearing except for cash and cash equivalent balances. The following table details the company's and the Group's expected maturities for cash and cash equivalent financial assets.

Cash and cash equivalents	Less than one month	One to three months	Three months to one year	Total
Consolidated				
2008	$231,870	$2,150,000	$38,120	$2,419,990
Weighted average effective interest rate	6.77%	7.63%	7.60%	
2007	$2,419,360	-	$43,345	$2,462,705
Weighted average effective interest rate	5.42%		6.40%	
Company				
2008	208,390	2,150,000	-	2,358,390
Weighted average effective interest rate	6.96%	7.63%		
2007	1,940,118	-	-	1,940,118
Weighted average effective interest rate	5.84%			

Interest rate sensitivity analysis

The Group is exposed to fluctuations in interest rates as it has deposited monies at floating and fixed interest rates.

The following table illustrates the Group's sensitivity to a 10% increase and decrease in the interest rate. The sensitivity analysis includes only cash and cash equivalents as at 30 June and assumes a 10% change in interest rates. Where the interest rate decreases a reduction in profit would be experienced.

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Profit or loss impact:	19,328	13,121	17,845	11,321

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 16: Financial instruments (Cont'd)

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure to any single debtor or group of debtors.

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date in relation to each class of recognized financial assets is the carrying amount, net of any allowance for doubtful debts as disclosed in the Balance Sheet and Notes to the Financial Statements.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(i) Fair value of financial instruments

The net fair value of all financial assets and liabilities approximate their carrying values. No financial assets or financial liabilities, except for listed shares are readily traded on organized markets in standardised form.

The aggregate net fair values and carrying amounts of all financial assets and liabilities are disclosed in the Balance Sheet and Notes to the Financial Statements.

	Consolidated		Parent	
NOTE 17: Commitments for expenditure	2008 $	2007 $	2008 $	2007 $
Operating lease commitments				
Commitments for minimum lease payments in relation to non-cancellable operating leases for office premises are payable as follows:				
Within one year	60,630	6,964	-	-
Later than 1 year but no later than 5 years	80,840	-	-	-
Total commitments not recognised in the financial statements	141,470	6,964	-	-
Remuneration commitments				
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within 1 year	-	129,610	-	-

Amounts disclosed as remuneration commitments include commitments arising from the service contract of the former CEO that was not recognised as a liability and was not included in the directors' remuneration disclosure in the directors' report in the prior financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 18: Related party disclosure

The consolidated financial statements include the financial statements of Resonance Health Limited and the subsidiaries listed in the following table.

Name of entity	Country of incorporation	Class of shares	Equity holding	Investment $
Resonance Health Analysis Services Pty Ltd (formerly Inner Vision Biometrics Pty Ltd)	Australia	Ordinary	100%	9,415,300
WA Private Health Care Services Pty Ltd	Australia	Ordinary	100%	224,366
IVB Holdings Pty Ltd	Australia	Ordinary	100%	1,300,000
Resonance USA Inc	USA	Ordinary	100%	-
Less: Impairment				(10,569,660)
				370,006

Transactions with related parties

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with Related Parties in the Wholly Owned Group

During the year the company has received interest free loans from Resonance Health Analysis Services Pty Ltd totalling $1,016,007 and provided interest free loans to Resonance USA Inc totalling $202,576 with no fixed repayment date.

During the previous year the company provided interest free loans to Resonance Health Analysis Services Pty Ltd and Resonance USA Inc totalling $610,000 and $553,789 respectively, with no fixed repayment date.

A cumulative impairment of these loans amounting to $4,573,376 was recorded up to balance date.

During the year expenses were paid by the company on behalf of Resonance Health Analysis Services Pty Ltd, Resonance USA Inc and WA Private Health Care Services Pty Ltd totalling $nil, $18,535 and $nil respectively (2007: $1,315, $127,396 and $16,572).

During the year expenses were paid by Resonance Health Analysis Services Pty Ltd totalling $98,408 (2007: $74,886) on behalf of the company.

NOTE 19: Events subsequent to reporting date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company and the consolidated entity, the results of those operations, or the state of affairs in future financial years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
NOTE 20: Auditors' remuneration	2008 $	2007 $	2008 $	2007 $
During the year the following fees were paid or payable to the auditor:				
Remuneration of the auditor of the company for:				
— auditing or reviewing the financial report	29,400	25,000	29,400	25,000
— taxation compliance services	14,105	7,538	5,950	2,794
— other services	3,372	2,250	3,372	2,250
	46,877	34,788	38,722	30,044

NOTE 21: Director and key management personnel disclosures

(a) Details of Directors and other key management personnel

(i) Directors

Mr Ian Anderson	Chairman (non-executive)	
Dr Martin Blake	Director (non-executive)	Appointed 4 October 2007
Dr Tim St Pierre	Director (executive)	
Dr Andrew Walker	Director (non-executive)	
Dr Gary Pace	Chairman (non-executive)	Resigned 10 August 2007
Mr Guy Aird	Director (non-executive)	Resigned 4 October 2007
Mr Michael Dalsin	Director (non-executive)	Resigned 10 August 2007
Mr Roger Greene	Director (non-executive)	Resigned 10 August 2007

(ii) Other key management personnel

Ms Liza Dunne	General Manager	
Mr Ed Dooling	President and Chief Executive Officer	Resigned 10 August 2007

(b) Remuneration of Directors and other key management personnel

The Company has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the Remuneration Report forming part of the Directors' Report.

The aggregate compensation made to key management personnel of the Group is set out below:

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Short term employment benefits	580,595	666,903	182,158	207,503
Post employment benefits	21,641	12,988	6,636	6,597
Total	602,236	679,891	188,794	214,100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21: Director and key management personnel disclosures (Cont'd)

(c) Shareholdings

Number of Ordinary Shares held by Directors and Key Management Personnel

The numbers of ordinary shares in the company held during the financial year by each director and executive of Resonance Health Limited including their personally related entities are set out below.

Directors	Balance 1.7.07	Received as Remuneration	Net Change Other*	Received during the year on exercise of options	Balance 30.6.08
Mr I Anderson	2,441,058	-	870,198	-	3,311,256
Dr M Blake^	-	-	4,224,677	-	4,224,677
Mr T St Pierre	9,078,750	-	-	-	9,078,750
Dr A Walker	-	-	-	-	-
Dr G Pace	293,174	-	(293,174)	-	-
Mr G Aird	-	-	-	-	-
Mr M Dalsin	603,412	-	(603,412)	-	-
Mr R Greene	603,414	-	(603,414)	-	-
Total	13,019,808	-	3,594,875	-	16,614,683
Executives					
Mr E Dooling	-	-	-	-	-
Ms L Dunne	458,667	-	57,063	-	515,730
Total	458,667	-	57,063	-	515,730

* "Net Change Other" includes those shares that were issued during the year through on market purchase/sale and off-market purchase/sale.

^ Includes shares held as disclosed in the initial directors interest notice on being appointed director on 4 October 2007.

(d) Option Holdings

Number of Options held by Directors and Key Management Personnel

The numbers of options over ordinary shares in the company held during the financial year by each director and executive of Resonance Health Limited including their personally related entities are set out below.

	Balance 1.7.07	Options Exercised	Granted as Remuneration	Net Change Other*	Balance 30.6.08
Directors					
Mr I Anderson	-	-	-	-	-
Dr M Blake	-	-	-	-	-
Dr T St Pierre	-	-	-	-	-
Dr A Walker	300,000	-	-	-	300,000
Dr G Pace	-	-	-	-	-
Mr G Aird	-	-	-	-	-
Mr M Dalsin	-	-	-	-	-
Mr R Greene	-	-	-	-	-
Total	300,000	-	-	-	300,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21: Director and key management personnel disclosures (Cont'd)

(d) Option Holdings (Cont'd)

Executives					
Mr E Dooling	-	-	-	-	-
Ms L Dunne	-	-	-	-	-
Total	-	-	-	-	-

(e) Incentive Shareholdings

Number of Incentive Shares held by Directors and Key Management Personnel

Directors	Balance 1.7.07	Received as Remuneration	Converted to Ordinary Shares	Net Change Other	Balance 30.6.08
Mr I Anderson*	83,334	-	-	-	83,334
Dr M Blake	-	-	-	-	-
Dr T St Pierre*	675,000	-	-	-	675,000
Dr A Walker	-	-	-	-	-
Dr G Pace	-	-	-	-	-
Mr G Aird	-	-	-	-	-
Mr M Dalsin	-	-	-	-	-
Mr R Greene	-	-	-	-	-
Total	758,334	-	-	-	758,334
Executives					
Ms L Dunne	-	-	-	-	-
Mr E Dooling	-	-	-	-	-
Total	-	-	-	-	-

* Class F incentive shares.

(f) Transactions and Balances with Directors and Other Key Management Personnel

Non-Executive Director – Dr Martin Blake

Dr Blake is a Director of Perth Radiological Clinic. During the year the Group provided FerriScan services totalling $1,078 to Perth Radiological Clinic. No amounts were receivable at 30 June 2008.

Non-Executive Directors – Mr Michael Dalsin and Mr Roger Greene

During the financial year the company had agreements with two entities that were affiliated with directors Mr Dalsin and Mr Greene who resigned as directors on 10 August 2007.

The first agreement was with Montgomery Pacific Group, LLC (MPG) for corporate advisory services. Mr Dalsin and Mr Greene each own 31.5% of MPG. Under this agreement the Company agreed to pay MPG a fee of 1% of the value of all equity funds MPG was responsible for raising for the Company. The Company also agreed, subject to shareholder approval, to issue 1,000,000 fully paid ordinary shares in the Company to MPG when the volume weighted average trading price of the shares in the Company over a 40 trading day period equals or exceeds $0.40 by 30 May 2009.

No amounts were paid to MPG under this agreement in the current or previous financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21: Director and key management personnel disclosures (Cont'd)

(f) Transactions and Balances with Directors and Other Key Management Personnel (Cont'd)

The second agreement was with Stanmore for corporate advisory and acquisition sourcing and negotiation services. Mr Dalsin and Mr Greene each own 50% of Stanmore. Under this agreement the company paid a monthly retainer of US$15,000 to Stanmore. In addition, Stanmore was 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 was 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 announced on 20 April 2006 and further detailed in the prospectus dated 7 July 2006, Stanmore was entitled, subject to shareholder approval, to receive 7,000,000 shares in the Company upon closing, if that occurs. Stanmore was also entitled to receive a fee of 6% of all equity funds raised by the Company from subscribers introduced by Stanmore. In addition, 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 with 1% for MPG and 6% for Stanmore.

Stanmore was also entitled to receive commission of 10% on increased revenues received from the Company's major customer.

During the financial year Mr Dalsin and Mr Greene as directors of Stanmore received $17,477 (2007: $191,353) as a monthly retainer for corporate advisory services, $9,831 (2007: $115,372) as commission on contracts and nil (2007: $90,203) for placement fees. At balance date an amount of nil (2007: $58,736) was owing to Stanmore as a related party payable.

As a result of ceasing the pathology business acquisition strategy MPG and Stanmore were released from their role as corporate advisors on 10 August 2007. On the same day Mr Dalsin and Mr Greene resigned as directors. Under the terms of the Deed of Termination and Release amounts totalling US$185,000 (A$217,098) were paid.

Also owing at balance date in the prior financial year to companies associated with Mr Dalsin and Mr Greene was $52,769 for re-imbursement of travel expenses.

Non-Executive Director – Mr Guy Aird

The company also had an agreement with Domain Capital Pty Ltd, an entity associated with Mr Aird who resigned as director of the Company on 3 October 2007. Under this agreement, any shortfall shares arising in relation to the prospectus dated 7 July 2006, are placed with third parties as a result of introductions by it, Domain Capital Pty Ltd would be entitled to receive a procurement fee of 7% of the aggregate subscription amount of those placed shortfall shares. Under this agreement Domain Capital Pty Ltd received $5,600 in the prior financial year.

DIRECTORS' DECLARATION

1. In the opinion of the directors:
    a. the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including:
        i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year then ended; and
        ii. complying with Accounting Standards and Corporations Regulations 2001; and
    b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2008.

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

Mr Ian Anderson
Chairman

Place: Perth, Western Australia
Dated: 30th September 2008

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of

RESONANCE HEALTH LIMITED

We have audited the accompanying financial report of Resonance Health Limited ("the company"), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year then ended, and the directors' declaration for both the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the end of the financial year or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(c), the directors state that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 2 15 Rheola Street West Perth 6005 PO Box 263 West Perth 6872 Western Australia. Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Resonance Health Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 13 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Resonance Health Limited for the year ended 30 June 2008 complies with Section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
30 September 2008

L DI GIALLONARDO
Partner

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is disclosed in accordance with Section 4.10 of the Australian Securities Exchange Ltd Listing rules in respect of listed public companies only.

The following information is supplied as at 10 October 2008

1. Analysis of Shareholdings

Distribution of Shareholders (ASX Code: RHT)

	Ordinary Shares	
Number of Ordinary Shares Held	Number of holders	Number of shares
1 – 1,000	541	122,369
1,001 – 5,000	208	659,268
5,001 – 10,000	270	2,033,314
10,001 – 100,000	858	33,028,707
100,001 – and over	319	323,163,569
	2,196	359,007,227

The number of shareholdings holding less than a marketable parcel of shares are 1,661.

2. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

— No voting rights.

3. Twenty Largest Shareholders of quoted Ordinary Shares

	Name	Number of Ordinary Shares	Percentage of Total
1.	Southam Investments 2003 Pty Ltd <Warwickshire Investment A/C>	65,014,622	18.11
2.	BNM Holdings Pty Ltd <BJD Beresford Family A/C>	10,500,000	2.93
3.	Paul Roderick Clark <The Pankima A/C>	9,100,000	2.53
4.	The University Of Western Australia	9,078,750	2.53
5.	Timothy Guy St Pierre <The St Pierre A/C>	9,078,750	2.53
6.	Wanida Chau-Anusorn <The Medta A/C>	8,070,000	2.25
7.	Mr Robert Francis Panton	6,840,824	1.90
8.	Dr Franklyn Jay Ives	6,272,934	1.75
9.	Sean Watkins-Saxon <Saxon Family Superfund A/C>	6,250,000	1.74
10.	Mr Helmut Rocker	6,135,492	1.71
11.	Five Tigers Investment Corporation Ltd	4,494,844	1.25
12.	Untold Pty Ltd <Faithfull Superfund A/C>	4,166,667	1.16
13.	Dr Simon Bell	4,141,383	1.15
14.	William Grove	4,049,000	1.13
15.	Bellamena Pty Ltd <O'Dea Family Superfund A/C>	3,333,333	0.93
16.	Mr William James Moulden & Mrs Carol Elaine Moulden <CAJWM Retirement Fund A/C>	3,000,000	0.84
17.	Mr Ian Bruce Anderson	2,522,138	0.70
18.	Mr Walter Pellicciotti	2,500,000	0.70
19.	ANZ Nominees Limited <Cash income A/C>	2,477,757	0.70
20.	Anahein Pty Ltd	2,408,478	0.67
		169,434,972	47.21

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (Continued)

4. Escrowed and Unquoted Securities

The number and class of securities subject to a voluntary escrow and date of escrow are:

	Number of holders	Number	Date escrow period ends	Expiry date
__Incentive Shares:__				
Class F	64	13,000,000	Subject to milestones	7 November 2008
Total Class F	64	13,000,000		

Pacific Healthcare Ltd holds 3,908,659 of the unquoted Class F Incentive shares representing 30% of the total escrowed unquoted Class F Incentive shares on issue.

Class G	1	3,000,000	Subject to milestones	31 May 2010
Total Class G	1	3,000,000		

Dr James Williams holds all of the unquoted Class G Incentive shares on issue.

__Director Options__

Exercise price	Expiry	Number
$0.30	7 July 2009	300,000

Dr Andrew Walker holds all of the unquoted options on issue.

__Incentive Options:__

Class F	36	6,666,667	Subject to milestones	7 November 2008
Total Class F	36	6,666,667		

Pacific Healthcare Investments Ltd holds 3,257,218 of the unquoted Class F Incentive Options representing 48% of the total unquoted Class F Incentive options on issue.

Direct Capital Pty Ltd holds 1,400,000 of the unquoted Class F Incentive Options representing 21% of the total unquoted Class F Incentive options on issue.

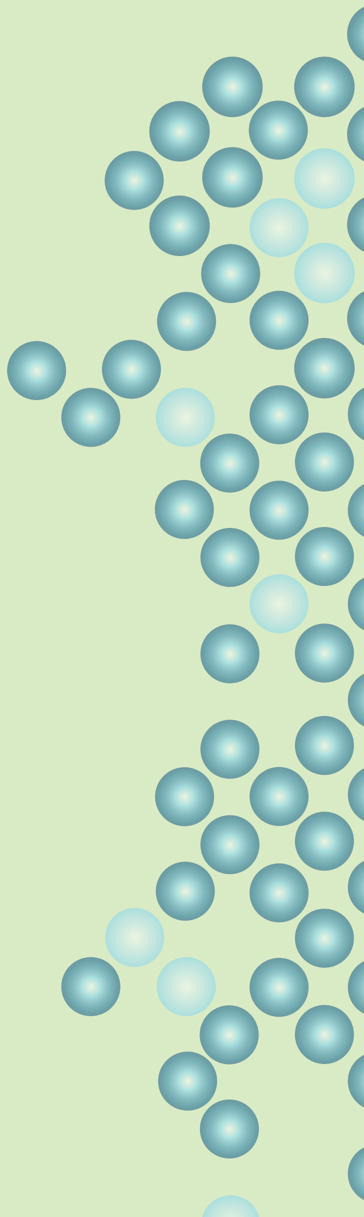
5. Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with sections 709 and 710 of the Corporations Act 2001 are:

Southam Investments 2003 Pty Ltd <Warwickshire Investment A/C> 65,014,622 ordinary shares

6. Statement in accordance with ASX Listing Rule 4.10.19

The Company believes that for the year ended 30 June 2008, it used its cash and assets in a form readily convertible to cash, that it held at the time of admission in a way consistent with its business objectives.



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