ResonanceHealth

Annual Report 2009

RESONANCE HEALTH LIMITED

Corporate Information

ABN 96 006 762 492

Directors

Dr Stewart Washer
Non executive Chairman

Dr Martin Blake
Non executive Director

Ms Liza Dunne
Managing Director

Mr Simon Panton
Non executive Director

Dr Timothy St Pierre
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

Registered office and Principal place of business

1st Floor
216 Stirling Highway
Claremont WA 6010
Australia
Telephone: 61 8 9286 5300
Facsimile: 61 8 9286 1179

Postal address

PO Box 1135
Nedlands WA 6909
Australia

Website and e-mail address

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

Auditors

HLB Mann Judd
Level 2
15 Rheola Street
WEST PERTH WA 6005

Share registry

Advanced Share Registry Ltd
150 Stirling Highway
Nedlands WA 6009
Australia
Tel: +61 8 9389 8033
Fax: +61 8 9389 7871

Bankers

National Australia Bank Limited

Solicitors

Cole Legal
Unit 9
569 Wellington Street
Perth WA 6000

ResonanceHealth

Our Business

Resonance Health is a medical technology and services company developing novel medical imaging software to assist in the diagnosis and management of human disease.

Resonance Health's core product is FerriScan® which provides an accurate assessment of body iron stores for patients with iron overload conditions. The FerriScan® image analysis technology is provided to the medical community through our ISO 9001 certified image analysis facility. FerriScan® is used by pharmaceutical companies developing new therapies to treat iron overload and to clinicians managing patients with iron overload conditions.

Resonance Health continues to invest in the research and development of new tools to assist in the non-invasive assessment of disease. Our central image analysis facility provides a range of services to the clinical trial market requiring central imaging services.

Contents

Resonance Health delivered a full year profit, an outstanding success in the current economic climate. FerriScan® is the Company's core product, providing a Magnetic Resonance Imaging (MRI) based test for the accurate assessment of body iron stores for patients with iron overload disorders. Revenue increases for the FerriScan® test continue to support a growing acceptance of the role of FerriScan® within general clinical practice notably in the UK and USA.

Chairman and Managing Director's Report

Financial highlights for the year include:

- Net profit of $617,051
- FerriScan® revenue of $2,259,191 up 31%
- Expenditure decrease of 15%
- Cash of $2,644,938 and no debt

Resonance Health provides FerriScan® to a major pharmaceutical company, Novartis, who are conducting clinical trials on iron chelator drug therapies. Novartis conducted an independent validation of the various tools available to measure liver iron and subsequently chose FerriScan® as the best of breed solution for measuring liver iron. This glowing endorsement of FerriScan® has resonated with key medical opinion leaders throughout the world.

Whilst revenue associated with contracts for clinical trial services increased, this year saw a significant increase in FerriScan® revenue associated with the general clinical use of the test. This provides an encouraging outlook for FerriScan®'s broad clinical acceptance.

International marketing of FerriScan® was accelerated during the year, with an initial focus on the UK market. Results were very positive providing a 200% increase in sales in the first six months of the UK campaign. The Company has developed strong relationships with key disease groups and the related medical specialists including the thalassaemia and sickle cell communities.

The UK Sickle Cell Society has formally endorsed FerriScan® as the appropriate technology for the monitoring of transfused sickle cell patients throughout the UK.

The Thalassaemia International Federation's Guidelines for the Clinical Management of Thalassaemia recommends FerriScan® as part of the management of thalassaemia patients with iron overload owing to its accuracy, reproducibility, accessibility for patients and its easy implementation on most MRI scanners.

FerriScan® Rapide was launched in September 2009 providing a 60% reduction in MRI scan time for patients having a FerriScan® test. This reduction in scan time significantly improves the cost effectiveness of the test due to the high costs associated with MRI technology, and has been well received by the market.

Activities aimed at gaining health insurance reimbursement for FerriScan® remain a primary focus to ensure growth outside the clinical trial market. The Company expects a result from its submission to the Australian Medical Services Advisory Committee (MSAC) for reimbursement in Q1 2010, and is working with consultants in the USA to gain reimbursement for FerriScan® in the US market. The funding for FerriScan® by several UK NHS Trusts has accelerated the use of FerriScan® in that market whilst the Canadian funding for FerriScan® has also resulted in increased sales.

Development work has been accelerated for an MRI test to assess liver fibrosis. Chronic liver disease is responsible for 1.4m deaths annually worldwide and in the US is among the top 10 disease related causes of death. A non-invasive test would provide clinicians and patients with a diagnostic tool to replace liver biopsy, currently used to assess liver fibrosis and cirrhosis, the primary causes of which are hepatitis C and fatty liver disease. This development represents a significant opportunity for the company in a very large and growing market.

The board is encouraged by the expanding sales of FerriScan® in the general clinical settings and a growing consensus that FerriScan® represents the method of choice for managing patients with conditions associated with iron overload. Ongoing product improvements together with the development of a technology to assess liver fibrosis will deliver a broader revenue base for the company and a stronger position for sustained growth.

Yours sincerely,

L Dunne

Liza Dunne
Managing Director

Stewart Washer
Chairman

The year in review

FerriScan®

FerriScan® continues to be the most accurate tool available to clinicians and patients worldwide for the assessment of body iron stores associated with iron overload. An accurate measure of body iron provides clinicians with the information they require to manage their patients' iron reduction therapy and ultimately improves patient outcome.

FerriScan® utilizes standard magnetic resonance imaging (MRI) technology and does not require the purchase of additional hardware or software. It can be easily implemented on any 1.5T MRI scanner, the most popular MRI unit in the market.

In the 2008/2009 year Resonance Health embarked on a program aimed at reducing the scan time for patients having a FerriScan®. In order to benefit both patients and MRI centres and reduce the cost of the test.

Resonance Health chose the Whittington Hospital in London to launch FerriScan® Rapide. The scan time for patients has been reduced by 60% without impacting the accuracy and precision our customers have come to expect with the FerriScan® test.

The Imaging Services Manager at the Whittington Hospital said: *"As a centre of excellence in Thalassaemia and Sickle Cell Disease care, we are delighted to be leading the way in providing the latest technology to improve our patients' health outcomes."*

Medical consultants view FerriScan® as a very attractive alternative to existing monitoring methods. Dr Lorna Bennett, Clinical Services Manager of the Camden & Islington Sickle Cell and Thalassaemia Centre said *"The new FerriScan® technology offers a great advantage for sickle cell patients who require their liver iron levels to be monitored. We are delighted that FerriScan® is now available in this country to improve patient health outcomes and to provide consultants with an accurate, non-invasive and cost effective tool in the effective management of their patients."*

FerriScan® replaces the need for liver biopsy in many cases. Liver biopsy is a painful procedure with inherent risks to patients and is less accurate than FerriScan® as it is prone to sampling error. *"The liver R2 MRI (FerriScan®) has largely replaced liver biopsy for our patients",* said Dr. Janet Kwiatkowski, Hematologist at The Children's Hospital of Philadelphia.

> The scan time for patients has been reduced by *60%* without impacting the accuracy and precision our customers have come to expect.

UK Representation

The UK market has a high prevalence of patients with iron overload. There are approximately 12,500 patients in the UK with the sickle cell disease and a proportion of these undergo regular blood transfusions as part of their disease management, which result in iron overload.

Resonance Health established its first overseas branch in the UK in January 2009. Initial results have been very encouraging with increased sales, supported by key opinion leaders and patient advocacy groups and NHS funding at some hospitals.

The UK Sickle Cell Disease Society have recently launched their "Package of Care" as the blueprint for the management of sickle cell patients. They have formally endorsed FerriScan® as an important medical technology that should be available to all regularly tranfused patients with the sickle cell disease and clinicians involved in their management.

Sales results for FerriScan® have seen a 200% increase in the first six months of our campaign into this market. Following success in the UK Market, Resonance Health has appointed a marketing representative in Germany and is planning to establish a US marketing operation before the end of 2009.

The year in review (cont'd)

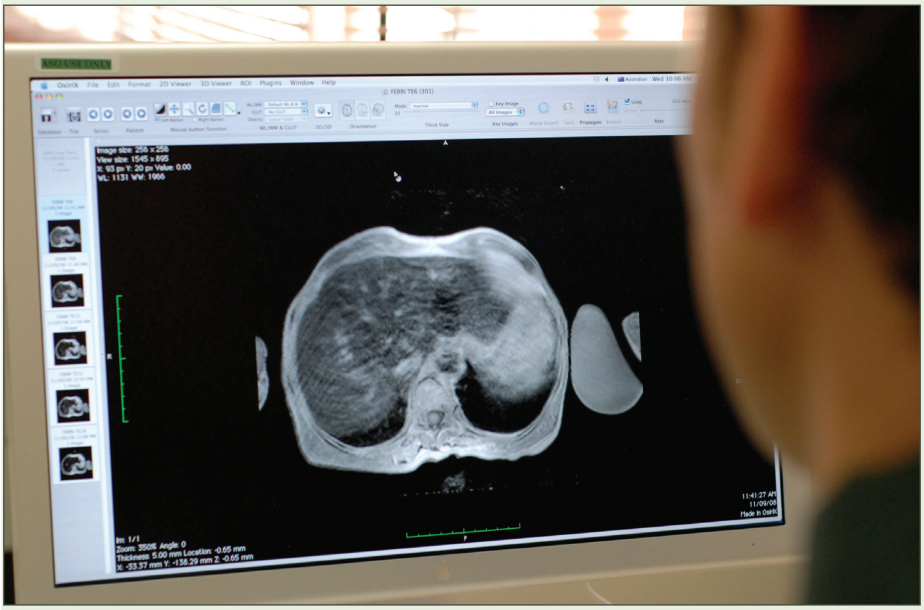
Iron overload

Patients with anaemias such as thalassaemia major, sickle cell disease and myelodysplastic syndrome often require regular blood transfusions. Each unit of red cells that is transfused contains approximately 200–250 mg of iron. Since the human body has no effective natural means of excreting iron, repeated transfusions will eventually lead to iron overload in the absence of iron reduction therapy. Iron chelating drugs are designed to grab hold of the free iron and bind it in a form that can be excreted from the body.

FerriScan® has been used in clinical trials for iron chelation therapy for over five years which has enabled key opinion leaders around the world to experience FerriScan®. Recent revenue gains have been primarily from the increased use of FerriScan® in the routine clinical management of patients, and FerriScan® is now available in over 20 countries and in all major jurisdictions with high disease prevelance associated with iron overload.

There are five key reasons why the precise and accurate measurement of iron levels in the liver is important in both the early detection and ongoing management of patients with iron overload:

1) Liver iron concentration provides an accurate estimate of total body iron stores, providing vital information regarding the management of iron reduction therapy.
2) The liver is the primary site of iron storage. However, once a certain threshold of liver iron is exceeded iron begins to accumulate in the heart and other organs. This can result in morbidity and mortality.
3) Thalassaemia patients with elevated liver iron concentration have been shown to be at greatest risk of future cardiac complications and premature death.
4) Excess iron in the liver may cause liver fibrosis and cirrhosis.
5) An accurate assessment of liver iron at diagnosis has been shown to provide an accurate predictor of liver fibrosis in patients with hereditary hemochromatosis, reducing the need for an invasive liver biopsy.



Reimbursement

Gaining health insurance reimbursement for FerriScan® continues to be a key focus for the Company. An application has been lodged with the Australian Medical Services Advisory Committee (MSAC) for public funding for FerriScan®. A decision is expected in Q1 2010.

Resonance Health has also commenced a reimbursement program for FerriScan® in the USA and has engaged specialist consultants to assist in this complex process. A ‘FerriScan® Billing Guide’ has been prepared to assist US health providers gain funding for FerriScan® for their patients in the short term with additional support provided to assist with gaining reimbursement from the large insurers. Resonance Health is planning to make a formal submission for reimbursement for FerriScan® by the government funded insurers in the USA.

FerriScan® is now funded by the UK NHS at several large hospitals in London with large cohorts of patients with iron overload. This initial support provides a strong support base to extend FerriScan® funding to other UK based hospitals.

The Canadian Ministry of Health has approved the funding of FerriScan® for patients with iron overload and sales of FerriScan® have increased as a direct result. Resonance Health is working with key opinion leaders in Canada to expand the use of FerriScan® to include patients with myelodysplastic syndromes (MDS) and suspected iron overload. Research has suggested that 1 in 1000 Canadians over the age of 65 is affected by MDS.

The Canadian Ministry of Health has approved the funding of FerriScan® for patients with ***iron overload*** and sales of FerriScan® have increased as a direct result.

Research and Development

Cardiac Iron

Resonance Health is expanding its services to include a cardiac iron test to complement FerriScan®. Whilst the majority of excess iron is stored in the liver, once a certain threshold has been exceeded iron begins to accumulate in other organs, such as the heart. Cardiac failure from iron overload remains the number one cause of death for patients with thalassaemia major.

The assessment of an imaging parameter known as T2* is widely used to provide an indirect measure of cardiac iron. Resonance Health is developing a tool to measure cardiac T2* which will complement the existing FerriScan® liver iron test providing clinicians with a more comprehensive picture of the iron overload status of the patient.

The year in review (cont'd)

Liver Fibrosis

Resonance Health is progressing research into the development of an MRI tool for the accurate assessment of liver fibrosis.

Liver fibrosis and cirrhosis are significant health problems worldwide. Primary causes of liver fibrosis are hepatitis B and C, fatty liver disease, iron overload and excess alcohol consumption.

Chronic liver disease is responsible for over 1.4m deaths annually (WHO, World Health Report 2004) and in the US is among the top ten disease related causes of death (CDC, National Center for Health Statistics, 2004).

170 million people worldwide are infected with chronic hepatitis C (of which 2.7 million are in the USA) and a significant number will go on to develop liver cirrhosis.

The prevalence of fatty liver disease is rising and was found in nearly one third of American adults in a recent population study.

Liver fibrosis is a significant predictor of hepatocellular carcinoma, which accounts for 80 - 90% of all liver cancers causing approximately 662,000 deaths worldwide per year.

If liver fibrosis is not treated early liver cirrhosis results. End stage liver disease requires a liver transplant. Non-invasive monitoring with MRI would detect the problem early and help assess the effectiveness of treatment options.

Resonance Health has commenced an exploratory study to gather initial data for the development of the image analysis software for assessing liver fibrosis.

Preliminary statistical analysis of data from this exploratory study suggests that differences between normal liver and liver fibrosis can be detected by MRI imaging techniques.

The outcome of this phase of the development is expected to be known in Q1 2010.

Articles and Presentations

FerriScan® gained significant coverage in the Thalassemia International Federation journal with an article titled "Using MRI to measure liver iron levels". The journal has an international readership of 3,500 clinicians and patients, including thalassaemia associations in 60 countries.

In the first six months of the FerriScan® campaign in the United Kingdom, Resonance Health secured exposure and publicity in UK disease society publications, at the National UK Forum on Haemoglobin Disorders and at the UK Sickle Cell Society Debate on iron monitoring.

Other International presentations on FerriScan® during the year included the following:

- Poster presentation and FerriScan® exhibit at the Thalassaemia International Federation (TIF) Conference, Singapore 8 October 2008.
- Invited speaker at the International Society of Hematology (ISH) Conference, Thailand 19 October 2008.
- Invited speaker at the International Thalassaemia Day Conference, Egypt 7 May 2009.
- Poster presentation at BioIron, Portugal 7 June 2009.
- Invited speaker at Iron in Haemoglobin, Italy 19 June 2009.
- Invited speaker at the UK Sickle Cell Debate, 24 June 2009.

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 2009. In order to comply with the provisions of the Corporations Act 2001, 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:

Dr Stewart Washer

B.Sc(Hons), PhD

Position: Chairman — Independent and Non-Executive (appointed 16 February 2009)

Experience: Dr Washer has over 20 years of senior executive and Board experience in commercial technology companies in the medical, food, agricultural and industrial sectors. He was a founder of Biopacific Ventures, a $120m New Zealand based fund. He is currently a Venture Partner with the Swiss Inventages Fund, a €1.5 billion life science fund, funded by Nestle.

Dr Washer was the founding CEO of Phylogica Ltd (ASX: PYC) a company with a peptide drug discovery technology. Before this, he was CEO of Celentis and managed the commercialisation of intellectual property from AgResearch in New Zealand with 650 Scientists and $130m revenues.

Dr Washer is an Investment Director with IB Managers who have Australian and European life-science funds. He is the Chairman of Hatchtech Pty Ltd who have a novel anti pest egg hatching technology and are in clinical trials with a headlice treatment. He is also a Director of Healthlinx (ASX:HTX) who have developed the first successful diagnostic for Ovarian Cancer and Genesis R&D (ASX:GEN) who have developed new ways to deliver siRNA drugs. Dr Washer sits on the Senate at Murdoch University, and the Federal Government Advisory Panel for Industrial Biotechnology and the Board of AusBiotech Ltd, the industry body for biotechnology.

Other current directorships:

Ausbiotech Ltd

Genesis Research and Development Ltd

HealthLinx Ltd

Former directorships in last 3 years:

Biosignal Ltd

Phylogica Ltd

Xceed Capital Ltd

Special responsibilities:

Appointed Chairman 16 February 2009

Chairman of the Remuneration Committee (appointed 1 May 2009)

Member of the Audit Committee (appointed 1 May 2009)

Ms Liza Dunne

B.Bus, GDipAppFin, GAICD

Position: Managing Director — Executive (appointed 23 October 2008)

Experience: Ms Dunne joined Resonance Health in October 2003 and has been actively involved in all aspects of the business including business development and commercialisation of FerriScan®, developing alliances with pharmaceutical industry partners and obtaining regulatory approval in various countries.

Ms Dunne has a wealth of experience in senior positions across industry. She worked for IBM for eleven years in financial, marketing and management positions and spent five years with KPMG Consulting working across a broad spectrum of industry and project areas that focused on improved business processes and implementation of new technology.

Ms Dunne holds a Business Degree, a Graduate Diploma in Applied Finance and is a Graduate of the Australian Institute of Company Directors.

Other current directorships:
None

Former directorships in last 3 years:
None

Special responsibilities:
Member of the Remuneration Committee (appointed 1 May 2009)

Directors' report (cont'd)

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 a Partner of Perth Radiological Clinic since 1997 and is currently the Chairman of the Company.

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 additionally 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)

The Audit Committee was discontinued on 26 November 2008 and re-established on 1 May 2009.

Member of the Remuneration Committee (appointed 1 May 2009)

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 a 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 26 November 2008 Mr Ian Anderson and Dr Andrew Walker resigned as directors

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

Resonance Health is developing and commercialising magnetic resonance imaging (MRI) tools for the diagnosis and clinical management of human disease.

Resonance Health's FerriScan® technology for accurately measuring liver iron concentration has FDA, CE Mark and TGA approvals and is currently used in over 20 countries in the management of patients with iron overload conditions. FerriScan® is provided to the market through the Company's central image analysis facility which also provides a range of 'Imaging CRO' services for customer clinical trials. FerriScan® is the first and most widely available regulated non-invasive test for accurately assessing a patient's body iron stores. It is now available in over 20 countries with an expanding customer base.

Major milestones during the year were:

- New contracts signed for the provision of FerriScan® in multicentre clinical trials addressing iron overload.
- New countries providing FerriScan® during the year include Brazil, Colombia, Sri Lanka, Taiwan and Iran.
- Increased investment in marketing to grow revenue from the non clinical trial sector.
- Overseas office established in the UK to market FerriScan® to the large UK and Irish markets. Sales increase of 200% over this period compared to previous period.
- Study commenced to test a new faster version of FerriScan® that can make measurements in 40% of the time usually taken. New version to be launched in Q4 2009.
- Development commenced on a cardiac iron assessment MRI tool for iron overload patients with cardiac complications. Due to be launched Q4, depending on regulatory requirements.
- Study commenced to determine the role of FerriScan® for identifying patients with end stage liver disease who should be prioritized on the liver transplant waiting list. This study potentially opens a new market for FerriScan®.
- Study commenced to develop the next stage of an MRI technology for the assessment of liver fibrosis following conclusion of proof of concept study. With approximately 170 million people worldwide affected by hepatitis C, a major cause of liver fibrosis, there is a large unmet clinical need for a new non-invasive and accurate test that quantifies fibrosis.

Financial Summary:

- Net profit increased to $617,051 from a loss of $41,392 in the previous financial year. This represents Resonance Health's first full year profit.
- FerriScan® revenue increased 31% to $2,259,191 from $1,722,085 in the previous financial year.
- Clinical trial revenue increased 21% and non clinical trial revenue increased 84% reflecting the increased focus on sales and marketing and a broadening role of FerriScan® in routine clinical use.
- Research and development expenditure during the year totalled $342,936. This comprised capitalised development costs of $190,042 that are recognised as an intangible asset on the balance sheet and expenditure recognised in the income statement of $152,894. This is an increase of 91% from the previous financial year as the company expands its product portfolio and future revenue opportunities.
- Expenditure decreased 15% to $1,822,828 from $2,137,015 in the previous financial year.
- Marketing and travel expenditure increased 218% to $159,764 from $50,216 in the prior financial year.
- Resonance Health continues to have no debt and has cash at bank of $2,644,938 at the end of the financial year, compared to $2,381,870 in the previous financial year.

Directors' report (cont'd)

Operating Results

The net profit of the consolidated entity for the financial year after tax was $617,051 (2008: loss of $41,392). This represents Resonance Health's first full year profit.

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

There were no significant changes in the state of affairs of the company during the financial year.

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.

Directors' report (cont'd)

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

- set competitive remuneration packages to attract the highest calibre of employees in the context of prevailing market conditions, particular experience of the individual concerned and the overall performance of the company; and
- reward employees for performance that results in long-term growth in shareholder wealth.

With the objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

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.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for directors and the executive team.

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.

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 assistance of an external consultant or remuneration surveys are used where necessary.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive Director Remuneration

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.

Executive Remuneration

Fixed Remuneration

All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits. The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the achievement of agreed milestones.

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

Variable Remuneration

All bonuses and incentives are 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.

During the year, the Directors used their discretion to approve a bonus to Ms Dunne for her past services to the company.

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.

Directors' report (cont'd)

Details of Remuneration for Year Ended 30 June 2009 (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	Bonus	Superannuation Contributions	Shares	Termination Benefits		Performance Remuneration
		$	$	$	$	$	$	%
Non-Executive Directors' remuneration*								
Dr S Washer	2009	24,082	-	2,167	-	-	26,249	-
	2008	-	-	-	-	-	-	-
Mr I Anderson	2009	25,000	-	-	-	-	25,000	-
	2008	56,663	-	-	-	-	56,663	-
Dr M Blake	2009	40,520	-	3,647	-	-	44,167	-
	2008	27,523	-	2,477	-	-	30,000	-
Dr A Walker	2009	16,667	-	-	-	-	16,667	-
	2008	36,697	-	3,303	-	-	40,000	-
Dr G Pace	2009	-	-	-	-	-	-	-
	2008	10,000	-	-	-	-	10,000	-
Mr G Aird	2009	-	-	-	-	-	-	-
	2008	8,275	-	826	-	-	9,101	-
Mr M Dalsin	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
Mr R Greene	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
Executive Directors' remuneration								
Ms L Dunne*	2009	193,005	10,000	18,270	10,000	-	231,275	8.6
	2008	166,725	-	15,005	-	-	181,730	-
Dr T St Pierre**	2009	154,872	-	-	-	-	154,872	-
	2008	139,525	-	-	-	-	139,525	-
Other Executives' remuneration								
Mr E Dooling – Chief Executive Officer***	2009	-	-	-	-	-	-	-
	2008	135,187	-	-	-	-	135,187	-
Ms E O'Malley	2009	59,400	-	5,346	-	-	64,746	-
	2008	52,922	-	4,763	-	-	57,685	-

Directors' report (cont'd)

Remuneration of directors and executives (continued)

* Ms Dunne was the General Manager of Resonance Health Analysis Services Pty Ltd. In reward for Ms Dunne's performance in this role she was promoted to Managing Director of Resonance Health Ltd on 23 October 2008 and given a cash bonus of $10,000 and fully vested shares to the value of $10,000.

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

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

Options

There were no unissued ordinary shares of Resonance Health Limited under option at the date of this report.

Options Issued as Part of Remuneration for the Year Ended 30 June 2009

No options were issued to directors and specified executives during the current or previous financial year.

Dr Walker who resigned as a director on 26 November 2008 had 300,000 options that were granted on 13 May 2004. These options had a value per option at grant date of $0.016 and an exercise price of $0.30. These options expired upon Dr Walker's resignation.

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. Under this agreement consulting services provided for duties of Chief Scientific Officer totaling $114,872 (2008: $96,525) and a fixed fee for his services as a director of $40,000 (2008: $43,000) were incurred during the financial year. These amounts are included in Dr Tim St Pierre's remuneration disclosed above.

Executive Officer's Employment Agreements

Ms Dunne was appointed to the role of Managing Director of Resonance Health Ltd on 23 October 2008. Her employment agreement provides for a salary of $220,000 pa inclusive of superannuation and the provision of one months notice for termination or resignation without cause.

Prior to this Ms Dunne was General Manager of Resonance Health Analysis Services Pty Ltd. Ms Dunne was appointed to this role on 1 December 2006, initially on a permanent part-time basis, increasing to a full time position. Her salary package was a full time equivalent of $187,500 p.a.

On 10 August 2007, following the Company's decision to not proceed with the acquisition of US based pathology businesses, Mr Ed Dooling who had been engaged by the Company in the USA as President and Chief Executive Officer was made redundant. Mr Dooling was entitled to payment of six month's severance at his base salary of US$220,000pa.

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 2009, 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	3	2	-	-	1	1
Dr M Blake	8	8	2	2	1	1
Ms L Dunne	6	6	-	-	1	1
Dr T St Pierre	8	7	-	-	-	-
Dr A Walker	3	2	1	0	1	1
Dr S Washer	4	3	1	1	1	1

The Remuneration Committee comprised Mr Anderson and Dr Walker for the period 1 July 2008 to 26 November 2008 and Dr Blake, Ms Dunne and Dr Washer for the period 1 May 2009 to 30 June 2009.

Directors' report (cont'd)

Directors' and Executives' Shareholdings

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

	Balance 1.7.08	Received as Remuneration	Net Change Other*	Received during the year on exercise of options	Balance 30.6.09
Directors					
Mr I Anderson[∞]	3,311,256	-	(3,311,256)	-	-
Dr M Blake	4,224,677	-	2,000,000	-	6,224,677
Ms L Dunne[^]	515,730	1,057,778	653,517	-	2,227,025
Dr T St Pierre	9,078,750	-	-	-	9,078,750
Dr A Walker[∞]	-	-	-	-	-
Dr S Washer	-	-	451,422	-	451,422
Total	17,130,413	1,057,778	(206,317)	-	17,981,874
Executives					
Ms E O'Malley	-	-	-	-	-
Total	-	-	-	-	-

* "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 directors interest notice on being appointed director on 23 October 2008. Ms Dunne was a specified executive in the prior financial year.

There has been no change in directors' and executives shareholdings to the date of this report.

Directors' and Executives' Incentive Shareholdings

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

	Balance 1.7.08	Options Exercised	Granted as Remuneration	Net Change Other	Balance 30.6.09
Directors					
Mr I Anderson*	83,334	-	-	(83,334)	-
Dr M Blake	-	-	-	-	-
Ms L Dunne	-	-	-	-	-
Dr T St Pierre*	675,000	-	-	(675,000)	-
Dr A Walker	-	-	-	-	-
Dr S Washer	-	-	-	-	-
Total	758,334	-	-	(758,334)	-
Executives					
Ms E O'Malley	-	-	-	-	-
Total	-	-	-	-	-

* Class F Incentive Shares expired on 7 November 2008.

Directors' report (cont'd)

Directors' and Executives' Optionholdings

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

	Balance 1.7.08	Options Exercised	Granted as Remuneration	Net Change Other*	Balance 30.6.09
Directors					
Mr I Anderson	-	-	-	-	-
Dr M Blake	-	-	-	-	-
Ms L Dunne	-	-	-	-	-
Dr T St Pierre	-	-	-	-	-
Dr A Walker	300,000	-	-	(300,000)	-
Dr S Washer	-	-	-	-	-
Total	300,000	-	-	(300,000)	-
Executives					
Ms E O'Malley	-	-	-	-	-
Total	-	-	-	-	-

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

No movements in these optionholdings have occurred between 30 June 2009 and the date of this report.

Indemnifying Directors and Officers

During the year, Resonance Health Limited paid a premium of $14,469 (2008: $19,553) 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.

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 2009:

	$
Taxation compliance services	39,354

Auditor's Independence Declaration

A copy of the auditor's independence declaration for the year ended 30 June 2009, as required under section 307C of the Corporations Act 2001, has been received and can be found on page 23 of the directors' report.

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

Dr Stewart Washer
Chairman

Perth, Western Australia

Dated this 21st September 2009

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 unless otherwise stated. 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 Company has established the functions reserved to the Board. 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 and monitor the performance of senior executives
- Establish proper succession plans for management of the company

The Company has established the functions delegated to senior executives. The Board Charter summarises the role and responsibilities of the Managing Director and the Company Secretary.

The Board delegates responsibility for day to day management of the Company to the Managing Director. However, the Managing Director must consult the Board on matters that are sensitive, extraordinary or of a strategic nature. The Company Secretary supports the effectiveness of the Board.

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 recommendation 1.1 at all times during the year.

ASX Corporate Governance Council Principle 1 recommendation 1.2 requires companies to disclose the process for evaluating the performance of senior executives.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the achievement of agreed milestones. Performance evaluations of senior executives are conducted by the Chairman. Changes to the composition of the Board during the year resulted in the appointment of a new Chairman on 16 February 2009. As a result of these changes and the time required to understand the business and the requirements of the company, performance evaluations were not completed for senior executives prior to the end of the financial year.

Details of matters reserved to the Board and delegated to senior executives are outlined in the Board Charter. A copy of the Board Charter is publically available on the Company's website.

Corporate Governance Statement (cont'd)

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, commercial 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 did not comply with the ASX Corporate Governance Council Principle 2 Recommendation 2.1 throughout the year. As a result of director resignations the Board did not have a majority of independent Directors at all times during the financial year.

A Director is considered independent when the Director does not have any relationship with the Company that would be considered to affect the independent status as outlined in the ASX Corporate Governance Council Principle 2 Recommendation 2.1.

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.

Directors during the financial year were:

- Mr Ian Anderson – Independent – Chairman (resigned 26 November 2008)
- Dr Martin Blake – Independent
- Ms Liza Dunne – Executive – Not independent – Managing Director (appointed 23 October 2008)
- Dr Tim St Pierre – Executive – Not independent
- Dr Andrew Walker – Independent (resigned 26 November 2008)
- Dr Stewart Washer – Independent – Chairman (appointed 16 February 2009)

A description of the skills and experience of each director and their period of office is disclosed in the Directors' Report. The ASX Corporate Governance Council Principle 2 Recommendation 2.2 recommends that the Chairman should be an independent director. The role of Chairman was performed by an independent director at all times during the financial year. The ASX Corporate Governance Council Principle 2 Recommendation 2.3 recommends that the roles of Chairman and Managing Director be exercised by different individuals. The company complied with this recommendation at all times during the financial year.

The roles of Chairman and Managing Director 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 is no maximum term 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 Nomination and Remuneration Committee. Further information and the components of remuneration for Directors are set out in the Directors' Report.

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.

Corporate Governance Statement (cont'd)

The members of the Nomination and Remuneration Committee for the period 1 July 2008 to 26 November 2008 were:

- Dr Ian Anderson (Chairman) - Independent
- Dr Andrew Walker - Independent

The members of the Nomination and Remuneration Committee for the period 1 May 2009 to 30 June 2009 were:

- Dr Stewart Washer (Chairman) - Independent
- Dr Martin Blake - Independent
- Ms Liza Dunne – Not Independent

There was no Nomination and Remuneration Committee for the period 27 November 2008 to 30 April 2009. As a result of changes to the composition of the Board during this time the responsibilities of the Nomination and Remuneration Committee were performed by the entire Board. The number of meetings attended by each member of the Nomination and Remuneration Committee are detailed in the Directors' Report.

The Nomination and Remuneration Committee did not meet all requirements of this recommendation as it comprised two members for part of the year and did not exist for another part of the year. Given the size of the Board it was not considered practicable to comply with this recommendation.

ASX Corporate Governance Council Principle 2.5 recommends that the performance of the Board should be reviewed regularly against appropriate measures. The Company does not have a formal process for evaluating the performance of the Board, its Committees or individual Directors. Accordingly, there was no formal evaluation of the Board, its Committees or individuals Directors during the reporting period.

The Company has a procedure in place for Directors to take independent professional advice at the expense of the Company.

Prior to the appointment of a new director the Nomination and Remuneration Committee assesses the skills represented on the Board by the non-executive Directors and determines whether those skills meet the skills identified as required. The Committee will then implement a process to identify suitable candidates for appointment. The Committee makes recommendations to the Board on candidates it considers appropriate for appointment. Induction procedures are in place to ensure new Directors are able to participate fully and actively in Board decision-making at the earliest opportunity. Directors have access to continuing education and are encouraged to update and enhance their skills and knowledge. Directors meet regularly to discuss the performance of the company and to attend to regulatory requirements. The company secretary distributes information before each Board meeting to enable Directors to discharge their duties effectively.

The Company's Constitution requires one-third of Directors to retire from office at each Annual General Meeting. A retiring Director is eligible for re-election. The Directors to retire at an Annual General Meeting are those who have been longest in office since their last election. Persons who became Directors on the same day may agree among themselves or be determined by drawing lots.

The Company discloses its Nomination and Remuneration Committee Charter on the Company's website. This Charter was not on display for the entire reporting period as the Committee was not in operation for the entire reporting period.

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.

The Company has a code of conduct as to the:

- practices necessary to maintain confidence in the company's integrity;
- practices necessary to take into account their legal obligations and the expectations of shareholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

These practices are outlined in the Company's Board Charter, Communication Policy, Continuous Disclosure Charter, Share Trading Policy, Audit and Risk Charter and Nomination and Remuneration Charter. These documents are disclosed on the Company's website.

Corporate Governance Statement (cont'd)

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. The Directors and employees of the Company strictly complied with the statutory provisions of the Corporations Act dealing with insider trading.

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

The Company's Share Trading Policy is disclosed on the Company's website.

Principle 4

Safeguard integrity in financial reporting

The Board has established an Audit and Risk 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.

ASX Corporate Governance Council Principle 4.2 recommends that the Audit Committee should consist only of non-executive with a majority of independent Directors, be chaired by an independent director who is not chair of the Board and have at least three members.

The members of the Audit and Risk Committee for the period 1 July 2008 to 26 November 2008 were:

- Dr Martin Blake (Chairman) - Independent
- Dr Andrew Walker - Independent

The members of the Audit and Risk Committee for the period 1 May 2009 to 30 June 2009 were:

- Dr Martin Blake (Chairman) - Independent
- Dr Stewart Washer - Independent

There was no Audit and Risk Committee for the period 27 November 2008 to 30 April 2009. As a result of changes to the composition of the Board during this time the responsibilities of the Audit and Risk Committee were performed by the entire Board. The qualifications of each member of the Audit and Risk Committee and the number of meetings attended are detailed in the Directors' Report.

The Audit and Risk Committee did not meet all requirements of this recommendation as it comprised two members for part of the year and did not exist for another part of the year. Given the size of the Board it was not considered practicable to comply with this recommendation.

The Audit and Risk Committee generally invites the Managing Director, Company Secretary, and external auditors to attend meetings.

The Company discloses its Audit and Risk Committee Charter on the Company's website. The Charter was not on display for the entire reporting period as the Committee was not in operation for the entire reporting period.

The Company's external auditors have a policy for the rotation of audit engagement partners. A new Audit Partner was assigned to the Company with effect for the current financial year in line with this policy.

The Board complied with the ASX Corporate Governance Council Principle 4 Recommendations at all times during the year except where noted above.

Corporate Governance Statement (cont'd)

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 Managing Director and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures.

The Company has a written policy designed to ensure compliance with ASX Listing Rule disclosures and accountability at a senior executive level for that compliance. The details of this policy are outlined in the Company's Continuous Disclosure Charter which is displayed on the Company's website.

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 Company has a Communications Policy that 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.

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 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 ISO9001:2008 and ISO13485:2003 which encompass formal risk analysis processes.

Recommendation 7.2 requires implementation and review of the company's risk management and internal control system. The Company 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 and Risk 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.

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. Management has reported the effectiveness of the Company's management of its material business risks to the Board during the reporting period.

In accordance with Recommendation 7.3 the Managing Director 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 Company's Audit and Risk Charter is displayed on the Company's website.

The Board complied with the ASX Corporate Governance Council Principle 7 Recommendations at all times during the year.

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 Company's Communication Policy is displayed on the Company's website.

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

Corporate Governance Statement (cont'd)

Principle 8

Remunerate fairly and responsibly

The Board has a Nomination and Remuneration Committee. Members of the Committee are outlined under Principle 2 above.

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 Nomination and Remuneration Committee did not meet all requirements of this recommendation as it comprised two members for part of the year and did not exist for another part of the year. Given the size of the Board it was not considered practicable to comply with this recommendation.

The Nomination and Remuneration Committee regularly review the level and composition of remuneration of non-executive Directors, executive Directors and senior management with regards to industry best practice, company and individual performance.

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 non-executive Directors and corporate performance. There are no schemes for retirement benefits other than superannuation for non-executive Directors.

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 fees comprise a fixed fee for his services as a director and a daily fee for his services as Chief Scientific Officer.

All executive employees receive a base salary, superannuation and fringe benefits. An employee incentive option scheme and an executive share incentive plan proposed to shareholders at the 2008 Annual General Meeting were not approved. Accordingly, executive employees do not receive any equity based remuneration unless specifically approved on a case by case basis at a general meeting.

The members of the Nomination and Remuneration Committee are outlined in Principle 2. Their attendance at Nomination and Remuneration Committee meetings is detailed in the Directors' Report. Director disclosure requirements are detailed in the notes to the financial statements.

The Nomination and Remuneration Committee Charter is displayed on the Company's website.

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

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 2009, 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
21 September 2009

N G NEILL
Partner, HLB Mann Judd

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

Consolidated Income Statement for the year ended 30 June 2009

		Consolidated		Parent	
	Note	2009 $	2008 $	2009 $	2008 $
Revenue	2(a)	**2,390,961**	**1,882,611**	**120,748**	**286,892**
Reversal of impairment of loans to and investments in subsidiaries		-	-	1,078,640	399,888
Employee benefits expense		(979,928)	(1,035,092)	(249,298)	(258,247)
Consulting and professional services		(132,855)	(490,138)	(20,773)	(370,394)
Research and development		(152,894)	(179,892)	-	-
Depreciation	2(b)	(26,033)	(34,202)	-	-
Marketing and travel		(159,764)	(50,216)	(5,395)	(6,561)
Statutory and compliance		(129,340)	(98,679)	(91,163)	(68,141)
Foreign exchange loss		-	(31,697)	(247,112)	-
Other expenses		(242,014)	(217,099)	(17,634)	(29,451)
Profit / (loss) before income tax benefit		**568,133**	**(254,404)**	**568,013**	**(46,014)**
Income tax benefit	3	48,918	213,012	-	-
Net profit / (loss) attributable to members of parent		**617,051**	**(41,392)**	**568,013**	**(46,014)**
Basic earnings per share (cents per share)	5	0.2	0.0		

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet as at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Current Assets					
Cash and cash equivalents	7	2,644,938	2,381,870	2,627,385	2,358,390
Trade and other receivables	8	712,317	407,980	11,567	17,648
Available for sale investments	9	2,651	1,767	-	-
Other	10	77,901	96,721	4,824	19,293
Total Current Assets		3,437,807	2,888,338	2,643,776	2,395,331
Non-Current Assets					
Property, plant and equipment	11	61,103	40,108	-	-
Receivables	8	-	-	-	-
Other financial assets	9	-	-	678,490	370,006
Intangible assets	12	190,042	-	-	-
Total Non-Current Assets		251,145	40,108	678,490	370,006
Total Assets		3,688,952	2,928,446	3,322,266	2,765,337
Current Liabilities					
Trade and other payables	13	319,874	236,372	62,150	87,016
Employee Entitlements	14	41,307	16,945	6,974	3,192
Other	15	25,512	-	-	-
Total Current Liabilities		386,693	253,317	69,124	90,208
Total Liabilities		386,693	253,317	69,124	90,208
Net Assets		3,302,259	2,675,129	3,253,142	2,675,129
Equity					
Issued capital	16(a)	67,514,039	67,504,039	67,514,039	67,504,039
Reserves		83,408	83,329	66,284	66,284
Accumulated losses	17	(64,295,188)	(64,912,239)	(64,327,181)	(64,895,194)
Total Equity		3,302,259	2,675,129	3,253,142	2,675,129

The accompanying notes form part of these financial statements.

Consolidated Statement Of Changes In Equity for the year ended 30 June 2009

Consolidated	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total Equity $
Balance at 1 July 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**
Shares issued during the year	10,000	-	-	-	10,000
Translation reserve	-	-	79	-	79
Profit attributable to members of the parent entity	-	617,051	-	-	617,051
Balance at 30 June 2009	**67,514,039**	**(64,295,188)**	**17,124**	**66,284**	**3,302,259**

Parent	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total Equity $
Balance at 1 July 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**
Shares issued during the year	10,000	-	-	-	10,000
Profit attributable to members of the parent entity	-	568,013	-	-	568,013
Balance at 30 June 2009	**67,514,039**	**(64,327,181)**	**-**	**66,284**	**3,253,142**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 $	2008 $	2009 $	2008 $
		Inflows/(Outflows)		Inflows/(Outflows)	
Cash flows from operating activities					
Receipts from customers		2,027,127	1,911,537	-	-
Payments to suppliers and employees		(1,623,103)	(2,100,543)	(379,694)	(744,962)
Interest received		130,710	135,629	125,562	122,401
Income tax received		-	166,750	-	-
Net cash provided by / (used in) operating activities	7(i)	534,734	113,373	(254,132)	(622,561)
Cash flows from investing activities					
Loans from subsidiaries		-	-	523,127	1,040,833
Loans to subsidiaries		-	-	-	-
Payments for plant and equipment		(32,290)	(4,612)	-	-
Payments for security deposits		-	(14,775)	-	-
Payments for research and development		(239,376)	(131,476)	-	-
Net cash provided by / (used in) investing activities		(271,666)	(150,863)	523,127	1,040,833
Cash flows from financing activities					
Proceeds from issue of shares and options		-	-	-	-
Payments for share issue costs		-	-	-	-
Repayment of borrowings		-	-	-	-
Net cash provided by financing activities		-	-	-	-
Net increase / (decrease) in cash held		263,068	(37,490)	268,995	418,272
Cash at the beginning of the financial year		2,381,870	2,419,360	2,358,390	1,940,118
Cash at the end of the financial year	7	2,644,938	2,381,870	2,627,385	2,358,390

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis 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 for available-for-sale investments, which have been measured at fair value. 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 2009, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Group 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.

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 2009. 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 21 September 2009.

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"). Control is achieved 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 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 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of intangibles with indefinite useful lives

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 12.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date.

(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) Lease

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.

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes (continued)

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.

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.

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Plant and Equipment (continued)

(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.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets that are not quoted in an active market. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired.

(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.

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. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 cannot 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.

(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.

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 2009

	Consolidated		Parent	
	2009	2008	2009	2008
NOTE 2: Revenues and expenses	$	$	$	$
(a) Revenue				
Liver Scan income	2,259,191	1,722,085	-	-
Grants received	-	13,496	-	-
Interest received	125,260	147,030	120,748	132,746
Foreign exchange gain	6,510	-	-	154,146
	2,390,961	1,882,611	120,748	286,892
(b) Expenses				
Depreciation of non-current assets	26,033	34,202	-	-
Impairment of property, plant and equipment	351	3,933	-	-
Impairment of available-for-sale investments	(884)	1,061	-	-
Rental expense on operating leases	56,699	45,212	-	-

NOTE 3: Income tax benefit

Income tax recognised in profit or loss

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
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	48,918	213,012	-	-
The prima facie income tax benefit on pre-tax accounting profit/(loss) from operations reconciles to the income tax benefit in the financial statements as follows:				
Accounting profit/(loss) before income tax	568,133	(254,404)	568,013	(46,014)
Income tax calculated at 30%	170,440	(76,321)	170,404	(13,804)
Non deductible expenses	1,238	-	270	-
Unused tax losses not recognised as deferred tax assets	825,475	264,966	825,324	201,111
Benefit of tax losses recognised for the first time	(974,129)	(143,573)	(280,000)	-
Non assessable income	-	-	(323,592)	-
Other deferred tax assets and tax liabilities not recognised	261,174	(29,100)	21,674	(187,303)
R & D tax concessions	74,078	(15,848)	-	-
Over/(under) provision for income tax in prior year	(358,276)	-	429	-
Other	-	(124)	-	(4)
Net tax benefit assumed by head entity on consolidation	-	-	(414,509)	-
Tax refund received (R&D tax offset)	48,918	213,012	-	-
Income tax benefit attributable to loss from ordinary activities	48,918	213,012	-	-

Notes to the Financial Statements for the year ended 30 June 2009

	Consolidated		Parent	
NOTE 3: Income tax (Continued)	2009 $	2008 $	2009 $	2008 $
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	1,858,558	1,109,745	1,794,552	969,228
Temporary differences – impairment of receivables	-	1,372,013	-	1,372,013
Temporary differences – impairment of investments in subsidiaries	1,518	3,292,648	-	3,170,898
Other temporary differences	733,381	464,104	287,991	314,006
	2,593,457	6,238,510	2,082,543	5,826,145
Deferred tax liabilities:				
Capitalised research and development costs	55,717	-	-	-
Temporary differences	1,890	76,504	1,559	49,346
	57,607	76,504	1,559	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 by business segment. The Group's risks and rates of return are affected predominantly by differences in the products and services provided.

Secondary segment information is reported by geographical segments. The Group now operates solely within Australia.

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 2009.

	FerriScan® $	Corporate $	Total $
Segment revenue	2,259,191	131,770	2,390,961
Segment profit/(loss)	1,244,612	(627,561)	617,051
Segment assets	1,042,524	2,646,428	3,688,952
Segment liabilities	317,569	69,124	386,693

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 4: Segment reporting (Continued)

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

Geographical Segments

The Group operated solely within Australia for the year ended 30 June 2009.

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)

		Consolidated	
NOTE 5: Earnings per share		2009 $	2008 $
	Basic profit per share (cents)	0.2	0.0
(a)	Earnings used in the calculation of basic and dilutive earnings per share	617,051	(41,392)
		2009 Number	2008 Number
(b)	Weighted average number of ordinary shares for the purposes of basic loss per share	359,575,239	359,007,227

There are no potential ordinary shares on issue.

NOTE 6: Dividends

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

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 7: Cash and cash equivalents	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Deposits at call	494,938	231,870	477,385	208,390
Term Deposits	2,150,000	2,150,000	2,150,000	2,150,000
	2,644,938	2,381,870	2,627,385	2,358,390

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

(i) Reconciliation of profit / (loss) for the year to net cash flows from operating activities	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Profit/(loss) for the year	617,051	(41,392)	568,013	(46,014)
Non-cash flows in profit / (loss):				
Depreciation	26,033	34,202	-	-
Share issue	10,000	-	10,000	-
Impairment of property, plant and equipment	351	3,933	-	-
Impairment of investments	(884)	1,061	(1,078,640)	(399,888)
Foreign exchange loss	-	-	247,112	-
Reclassification to investing activities:				
Research and development	239,376	131,476	-	-
Security deposits	-	14,775	-	-
Changes in net assets and liabilities:				
(Increase)/decrease in receivables	(301,403)	150,707	6,081	(10,307)
(Increase)/decrease in other assets	18,820	3,328	14,469	(80)
(Increase)/decrease in capitalised development costs	(190,042)	-	-	-
Increase/(decrease) in trade creditors and borrowings	65,479	(170,164)	(24,949)	(167,338)
Increase/(decrease) in provisions	24,362	(9,931)	3,782	1,066
Increase/(decrease) in other liabilities	25,512	-	-	-
Increase/(decrease) in translation reserve	79	(4,622)	-	-
Net cash used in operating activities	534,734	113,373	(254,132)	(622,561)

(ii) Financing facilities	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Unsecured credit card:				
Amount used	(8,444)	(277)	-	-
Amount unused	-	-	-	-
	(8,444)	(277)	-	-
Secured credit card:				
Amount used	4,719	1,109	-	-
Amount unused	15,281	18,891	-	-
	20,000	20,000	-	-

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 7: Cash and cash equivalents (Continued)	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
(iii) Cash balances not available for use				
Security deposits:				
Credit card	20,000	20,000	-	-
Lease premises	38,120	38,120	-	-
	58,120	58,120	-	-

NOTE 8: Trade and other receivables

Current				
Trade receivables	593,379	329,213	-	-
Other receivables	118,938	78,767	11,567	17,648
	712,317	407,980	11,567	17,648

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	194,831	61,156		
60-90 days	35,264	5,673	-	-
90-120 days	1,748	9,037	-	-
120+ days	14,565	-	-	-
	246,408	75,866	-	-

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 81% 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	-	-	3,803,220	4,573,376
Less: Impairment	-	-	(3,803,220)	(4,573,376)
	-	-	-	-
Movement in impairment:				
- balance at the beginning of year	-	-	(4,573,376)	(5,614,209)
- decrease during the year	-	-	770,156	1,040,833
- balance at end of year	-	-	(3,803,220)	(4,573,376)

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 2009

Note 9: Financial assets

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Current – Available for sale investments carried at fair value				
Shares in listed corporations	14,337	14,337	-	-
Less: Impairment	(11,686)	(12,570)	-	-
	2,651	1,767	-	-
Non-Current – Other financial assets				
Investment in subsidiaries (Note 20) (i)	-	-	10,939,666	10,939,666
Less: Impairment	-	-	(10,261,176)	(10,569,660)
	-	-	678,490	370,006

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

Current				
Prepayments	19,781	38,601	4,824	19,293
Security deposits	58,120	58,120	-	-
	77,901	96,721	4,824	19,293

NOTE 11: Property, plant and equipment

Fixtures and equipment				
At cost	242,355	196,595	-	-
Less: Accumulated depreciation	(181,252)	(156,487)	-	-
Total property, plant and equipment	61,103	40,108	-	-

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 11: Property, plant and equipment (Continued)	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Reconciliation				
Reconciliation of the carrying amount of each class of property, plant and equipment is set out below:				
Fixtures and Equipment				
Balance at the beginning of the year	40,108	73,631	-	-
Additions	47,379	4,612	-	-
Disposals	(351)	(3,933)	-	-
Depreciation expense	(26,033)	(34,202)	-	-
Carrying amount at the end of the year	61,103	40,108	-	-

NOTE 12: Intangible assets

Development expenditure	190,042	-	-	-

Development expenditure relates to costs incurred in developing MRI tools for the diagnosis and clinical management of human disease.

During the current financial year this development has related to a faster version of FerriScan®, a cardiac iron assessment MRI tool and the next stage of a liver fibrosis assessment MRI tool.

The recoupment of development expenditure is dependent on the successful development and commercialisation or sale of the technology developed. The directors are required to assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists an estimate is made of the asset's recoverable amount. Where the asset's carrying value exceeds the estimated recoverable amount a provision for impairment is recognised.

The company acquired 100% of Resonance Health Analysis Services Pty Ltd (owner of the FerriScan® technology) and WA Private Health Care Services Pty Ltd via the staged injection of capital during the 2004 and 2005 financial years.

As a result of this acquisition goodwill on consolidation totalling $12,837,843 was recognised as an intangible asset in the 2005 Annual Report. This goodwill on consolidation represented the amount by which the purchase price of the ownership interest in the controlled entity exceeded the fair value attributed to the identifiable net assets of the controlled entity at the date of acquisition. Essentially, the technology embedded in this goodwill represented technology associated with FerriScan®.

The directors are required to assess at each reporting date whether there is an indication that an asset may be impaired. In the 2006 financial year the directors assessed the goodwill on consolidation for impairment and determined that given the rate of market and sales penetration of FerriScan® to that date the FerriScan® service did not constitute an adequate stand alone business.

As such an impairment loss of $12,786,888 was recorded in the 2006 financial year against the goodwill on consolidation reducing the carrying value to nil. Once an impairment loss is recorded in relation to goodwill it cannot be reversed. However, expenditure related to further development of the technology can be recognised as an intangible asset subject to impairment testing at each reporting date.

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 13: Trade and other payables	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Current				
Trade payables (i)	70,167	93,586	7,031	36,137
Related party payables (ii)	153,476	66,536	6,667	7,636
Sundry creditors and accruals	96,231	76,250	48,452	43,243
	319,874	236,372	62,150	87,016

(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 20.

Information regarding the effective interest rate and credit risk of current payables is set out in Note 18.

NOTE 14: Employee Entitlements				
Current				
Annual leave payable	41,307	16,945	6,974	3,192

NOTE 15: Other liabilities				
Current				
Unearned income	25,512	-	-	-

NOTE 16: Issued Capital		2009 Number	2009 $	2008 Number	2008 $
(a) Issued and paid up capital					
360,065,005 ordinary shares 3,000,000 incentive shares	$67,514,023 $16	363,065,005	67,514,039	375,007,227	67,504,039

Movements during the period

Ordinary shares	Number of shares	Issue price	$
Balance at the beginning of the financial year	359,007,227		67,504,023
Shares issued to Managing Director	1,057,778	$0.009454	10,000
Balance at the end of the financial year	360,065,005		67,514,023
Incentive shares			
Balance at the beginning of the financial year	16,000,000	$0.000001	16
Expiration of Class F incentive shares	(13,000,000)		-
Balance at the end of the financial year	3,000,000		16
Total	**363,065,005**		**67,514,039**

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 16: Issued Capital (Continued)

(b) Shares issued to Managing Director

The issue price of shares issued to the Managing Director was equal to the volume weighted average price of the Company's shares as traded on ASX over the 20 trading days prior to the date of issue of the shares.

(c) Terms and conditions of incentive shares and options

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 17: Accumulated losses	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Balance 1 July	(64,912,239)	(64,870,847)	(64,895,194)	(64,849,180)
Net profit/(loss) for year	617,051	(41,392)	568,013	(46,014)
Balance 30 June	(64,295,188)	(64,912,239)	(64,327,181)	(64,895,194)

NOTE 18: 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. The capital structure of the group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

(b) Categories of financial instruments

Financial assets				
Cash and cash equivalents	2,703,058	2,439,990	2,627,385	2,358,390
Loans and receivables	712,317	407,980	690,057	387,654
Available for sale financial assets	2,651	1,767	-	-
Financial liabilities				
Payables	319,874	236,372	62,150	87,016

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.

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 18: Financial instruments (Continued)

(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	
	2009 $	2008 $	2009 $	2008 $
United States Dollars	-	622	552,051	278,840
Great British Pounds	-	-	17,668	743
European Euros	-	-	15,161	19,674

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 and other equity where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be positive.

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Profit or loss impact:				
- USD	(50,186)	(25,293)	-	19
- GBP	(1,606)	(68)	-	-
- EUR	(1,378)	(1,789)	-	-

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 18: Financial instruments (Continued)

(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				
2009	$2,494,938	$208,120	-	$2,703,058
Weighted average effective interest rate	2.99%	3.78%	-	
2008	$231,870	$2,150,000	$38,120	$2,419,990
Weighted average effective interest rate	6.77%	7.63%	7.60%	
Company				
2009	$2,477,385	$150,000	-	$2,627,385
Weighted average effective interest rate	3.01%	3.70%		
2008	$208,390	$2,150,000	-	2,358,390
Weighted average effective interest rate	6.96%	7.63%		

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	
	2009 $	2008 $	2009 $	2008 $
Profit or loss impact	1,353	19,328	1,350	17,845

(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.

Notes to the Financial Statements for the year ended 30 June 2009

	Consolidated		Parent	
	2009	2008	2009	2008
NOTE 19: Commitments for expenditure	$	$	$	$
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	63,374	60,630	-	-
Later than 1 year but no later than 5 years	21,125	80,840	-	-
Total commitments not recognised in the financial statements	84,499	141,470	-	-

NOTE 20: 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 ($) 2009	Investment ($) 2008
Resonance Health Analysis Services Pty Ltd (formerly Inner Vision Biometrics Pty Ltd)	Australia	Ordinary	100%	9,415,300	9,415,300
WA Private Health Care Services Pty Ltd	Australia	Ordinary	100%	224,366	224,366
IVB Holdings Pty Ltd	Australia	Ordinary	100%	1,300,000	1,300,000
Resonance USA Inc	USA	Ordinary	100%	-	-
Less: Impairment				(10,261,176)	(10,569,660)
				678,490	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 received interest free loans from Resonance Health Analysis Services Pty Ltd totalling $468,948 with no fixed repayment date.

During the previous year the company 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.

A cumulative impairment of these loans amounting to $3,803,220 was recorded up to balance date (2008: $4,573,376).

During the year expenses were paid by Resonance Health Analysis Services Pty Ltd totalling $64,555 (2008: $98,408) on behalf of the company.

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 $10,377, $nil and $nil respectively (2008: $nil, $18,535 and $nil).

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 21: 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.

NOTE 22: Auditors' remuneration	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
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	30,000	29,400	30,000	29,400
• taxation compliance services	39,354	14,105	23,520	5,950
• other services	-	3,372	-	3,372
	69,354	46,877	53,520	38,722

NOTE 23: Director and key management personnel disclosures

(a) Details of Directors and other key management personnel

(i) Directors

Mr Ian Anderson	Director (non-executive)	Resigned 26 November 2008
Dr Martin Blake	Director (non-executive)	
Ms Liza Dunne	Managing Director (executive)	Appointed 23 October 2008
Dr Tim St Pierre	Director (executive)	
Dr Andrew Walker	Director (non-executive)	Resigned 26 November 2008
Dr Stewart Washer	Chairman (non-executive)	Appointed 16 February 2009

There are no additional key management personnel other than the executive Directors detailed above.

(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 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Short term employment benefits	523,546	633,517	225,852	235,080
Post employment benefits	29,430	26,374	11,160	11,369
Total	552,976	659,891	237,012	246,449

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 23: Director and key management personnel disclosures (Continued)

(c) Share Holdings

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.

	Balance 1.7.08	Received as Remuneration	Net Change Other*	Received during the year on exercise of options	Balance 30.6.09
Directors					
Mr I Anderson [∞]	3,311,256	-	(3,311,256)	-	-
Dr M Blake	4,224,677	-	2,000,000	-	6,224,677
Ms L Dunne[^]	515,730	1,057,778	653,517		2,227,025
Dr T St Pierre	9,078,750	-	-	-	9,078,750
Dr A Walker [∞]	-	-	-	-	-
Dr S Washer	-	-	451,422	-	451,422
Total	17,130,413	1,057,778	(206,317)	-	17,981,874
Executives					
Ms E O'Malley	-	-	-	-	-
Total	-	-	-	-	-

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

[∞] These Directors resigned during the year.

[^] Includes shares held as disclosed in the initial directors interest notice on being appointed director on 23 October 2008. Ms Dunne was a specified executive in the prior financial year.

(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 1.7.08	Options Exercised	Granted as Remuneration	Net Change Other	Balance 30.6.09
Directors					
Mr I Anderson	-	-	-	-	-
Dr M Blake	-	-	-	-	-
Ms L Dunne	-	-	-	-	-
Dr T St Pierre	-	-	-	-	-
Dr A Walker	300,000	-	-	(300,000)	-
Dr S Washer	-	-	-	-	-
Total	300,000	-	-	(300,000)	-
Executives					
Ms E O'Malley	-	-	-	-	-
Total	-	-	-	-	-

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 23: Director and key management personnel disclosures (Continued)

(e) Incentive Shareholdings

Number of Incentive Shares held by Directors and Key Management Personnel

	Balance 1.7.08	Received as Remuneration	Converted to Ordinary Shares	Expired	Balance 30.6.09
Directors					
Mr I Anderson*	83,334	-	-	(83,334)	-
Dr M Blake	-	-	-	-	-
Ms L Dunne	-	-	-	-	-
Dr T St Pierre*	675,000	-	-	(675,000)	-
Dr A Walker	-	-	-	-	-
Dr S Washer	-	-	-	-	-
Total	758,334	-	-	(758,334)	-
Executives					
Ms E O'Malley	-	-	-	-	-
Total	-	-	-	-	-

* Class F incentive shares expired on 7 November 2008.

(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 $1,617 (2008: $1,078) to Perth Radiological Clinic. Amounts receivable at 30 June 2009 totalled $269 (2008: $nil).

During the year the Group purchased MRI patient scans for a clinical trial study totalling $1,980 (2008: $nil) from Perth Radiological Clinic. Amounts payable at 30 June 2009 totalled $660 (2008: $nil).

Executive Director – Dr Tim St Pierre

Dr St Pierre is an employee of The University of Western Australia. The Group has an agreement with the University of Western Australia for the provision of consulting services by Dr St Pierre and others.

Amounts relating to services provided by Dr St Pierre during the year can be found in the Remuneration Report forming part of the Directors Report.

Amounts relating to consulting services provided by others during the financial year totalled $31,489 (2008: $nil). The amount payable at 30 June 2009 totalled $31,489 (2008: $nil).

Others

During the previous financial year Mr Dalsin and Mr Greene resigned as directors of the Company. In the period to their resignation amounts were paid to companies associated with Mr Dalsin and Mr Greene. These amounts totalled $27,308 for corporate advisory services and commission on contracts and $217,098 under the terms of a Deed of Termination and Release.

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 2009 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 2009.

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

Dr Stewart Washer
Chairman

Place: Perth, Western Australia

Dated: 21 September 2009

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 2009, 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 also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, 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 2009 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 11 to 13 of the directors' report for the year ended 30 June 2009. 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 2009 complies with Section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glad

N G NEILL
Partner

Perth, Western Australia
21 September 2009

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 6 October 2009

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	536	121,962
1,001 – 5,000	200	631,402
5,001 – 10,000	260	1,948,939
10,001 – 100,000	823	31,925,399
100,001 – and over	321	325,437,303
	2,140	360,065,005

The number of shareholdings holding less than a marketable parcel of shares are 1,385.

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>	65,414,622	18.17
2.	BNM Holdings Pty Ltd <BJD Beresford Family A/C>	10,500,000	2.92
3.	The University Of Western Australia	9,078,750	2.52
4.	Timothy Guy St Pierre <The St Pierre A/C>	9,078,750	2.52
5.	Paul Roderick Clark <The Pankima A/C>	8,530,388	2.37
6.	Wanida Chau-Anusorn <The Medta A/C>	8,070,000	2.24
7.	Mr Robert Francis Panton	7,840,824	2.18
8.	Dr Franklyn Jay Ives	6,272,934	1.74
9.	Sean Watkins-Saxon <Saxon Family Superfund A/C>	6,250,000	1.74
10.	Mr Helmut Rocker	6,135,492	1.70
11.	Dr Simon Bell	4,787,483	1.33
12.	Five Tigers Investment Corporation Ltd	4,494,844	1.25
13.	Untold Pty Ltd <Faithfull Superfund A/C>	4,166,667	1.16
14.	William Grove	4,099,000	1.14
15.	Mr Kevin Edwards Deeves and Mrs Pauline Mary Deeves < Deeves Family Super Fund A/C>	4,000,000	1.11
16.	Dr Martin Peter Blake	3,798,590	1.10
17.	Bellamena Pty Ltd <O'Dea Family Superfund A/C>	3,333,333	0.93
18.	Mr Ian Bruce Anderson	2,522,138	0.70
19.	Mr Walter Pellicciotti	2,500,000	0.69
20.	Anahein Pty Ltd	2,408,478	0.67
		173,282,293	48.18

Additional Information for Listed Public Companies (cont'd)

4. Escrowed and Unquoted Securities

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

Incentive Shares:	Number of holders	Number	Date escrow period ends	Expiry date
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.

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> 65,414,622 ordinary shares

6. Statement in accordance with ASX Listing Rule 4.10.19

The Company believes that for the year ended 30 June 2009, 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.

This page has been left intentionally blank

This page has been left intentionally blank

ResonanceHealth

1st Floor
216 Stirling Highway
Claremont WA 6010
Australia
Telephone: 61 8 9286 5300
Facsimile: 61 8 9286 1179

Postal address
PO Box 1135
Nedlands WA 6909
Australia

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