

22 April 2014

NON-RENOUNCEABLE RIGHTS ISSUE - CLEANSING NOTICE PURSUANT TO SECTION 708AA(2)(f) OF THE CORPORATIONS ACT 2001

This notice is given by Resonance Health Ltd (ASX: RHT) (**Company**) under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Act**), as notionally modified by ASIC Class Order [08/35] (**Class Order**).

On 10 April 2014, the Company announced that it would be offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company (**Shares**) via a non-renounceable pro-rata rights issue (**Rights Issue**) on the basis of one (1) Share for every four (4) Shares held at 5.00pm (WST) on the record date of 30 April 2014.

Shares under the Rights Issue will be offered at 5 cents (\$0.05) per Share. The maximum number of Shares which may be issued under the Rights Issue is 92,747,841 to raise up to \$4,637,392 (before costs). The Rights Issue will not be underwritten. Azure Capital (**Lead Manager**) has been appointed as Lead Manager by the Company to place any shortfall from the Rights Issue.

An Offer Document will be mailed to eligible shareholders on 2 May 2014 together with a personalised Entitlement and Acceptance Form. For informational purposes, a sample copy of this Offer Document has been attached to this notice.

The Company hereby gives notice under section 708AA(2)(f) of the Act that:

- (a) the Company will offer the Shares under the Rights Issue for issue without disclosure to investors under Part 6D.2 of the Act, as notionally modified by the Class Order;
- (b) the Company is providing this notice under section 708AA(2)(f) of the Act, as notionally modified by the Class Order;
- (c) at the date of this notice, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company;
- (d) at the date of this notice, the Company has complied with section 674 of the Act;
- (e) at the date of this notice, there is no information that is "excluded information" within the meaning of section 708AA(8) and section 708AA(9) of the Act; and

- (f) the potential effect that the issue of the Shares under the Rights Issue will have on the control of the Company is as follows:
- (i) if all eligible shareholders take up their entitlements under the Rights Issue, the issue of Shares under the Rights Issue will have no effect on the control of the Company and all shareholders will hold the same percentage interest in the Company, subject only to changes resulting from ineligible shareholders being unable to participate in the Rights Issue;
 - (ii) in the more likely event that there is a shortfall, eligible shareholders who do not subscribe for their full entitlement of Shares under the Rights Issue and ineligible shareholders unable to participate in the Rights Issue will be diluted relative to those shareholders who subscribe for some or all of their entitlement; and
 - (iii) the Lead Manager will endeavour to place the shortfall to a combination of existing shareholders of the Company, institutional and high net worth clients of the Lead Manager and various other parties introduced by the Company or the Lead Manager (**Shortfall Offer**). The Lead Manager will ensure that no person will be issued, through participation in the Shortfall Offer, Shares if such issue will result in their voting power in the Company exceeding 19.9%. Having regard to the number of Shares to be issued under the Rights Issue, even if a substantial shortfall eventuated, a participant in the Shortfall Offer would not be in a position to exercise any substantive control in the Company.

Signed for and on behalf of the Company:

DR MARTIN BLAKE
CHAIRMAN
RESONANCE HEALTH LTD

RESONANCE HEALTH LTD
ACN 006 762 492

OFFER DOCUMENT

Non-renounceable rights issue

For a non-renounceable pro rata entitlement issue to Shareholders of one (1) Share for every four (4) Shares held by Eligible Shareholders registered at 5:00pm (WST) on 30 April 2014 at an issue price of 5 cents (\$0.05) per Share to raise up to approximately \$4,637,392, before costs (**Offer**).

This Offer opens on 2 May 2014 and closes at 5:00pm WST on 23 May 2014. Valid acceptances must be received before that time.

The Offer is lead managed by Azure Capital. Refer to section 1.6 for details regarding the terms of the Lead Manager Mandate.

This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the Shares offered by this document.

This document and the accompanying Entitlement and Acceptance Form are important and require your immediate attention. They should be read in their entirety. If you do not understand their content or are in doubt as to the course you should follow or have any questions about the Shares being offered by this document, you should consult your stockbroker or other professional adviser.

The Shares offered by this Offer Document should be considered as speculative.

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IMPORTANT INFORMATION

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

This document is not a prospectus

This Offer Document is dated 22 April 2014, has been prepared by Resonance Health Ltd and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered by this document.

This Offer Document including each of the documents attached to it and which form part of this Offer Document are important and should be read in their entirety prior to making an investment decision. In particular, Shareholders should refer to the risk factors set out in section 3 of this document. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

Section 708AA of the Corporations Act

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Class Order CO 08/35. In general terms, section 708AA permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly the level of disclosure in this Offer Document is significantly less than the level of disclosure required in, and what you would expect in, a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to accept the Offer.

Eligibility

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

Overseas shareholders

This Offer may only be accepted by Eligible Shareholders and does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of the Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisors as to

whether any government or other consents are required, or other formalities need to be observed, to enable them to take up their Entitlement under the Offer.

Privacy Act

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

CORPORATE DIRECTORY

Directors

Dr Martin Blake, Chairman/ Non-Executive Director

Ms Liza Dunne, Executive Managing Director

Mr Simon Panton, Non Executive Director

Dr Timothy St. Pierre, Executive Director

Dr Jason Loveridge, Non Executive Director

Company Secretary

Mr Adrian Bowers

Registered Office

278 Stirling Highway
CLAREMONT WA 6010
Telephone: +61 8 9286 5300
Facsimile: +61 8 9286 1179

ASX Code

RHT

Share Registry*

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

Legal Advisers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Auditor*

HLB Mann Judd
Level 4
130 Stirling Street
PERTH WA 6000

Lead Manager

Azure Capital
Level 34, Exchange Plaza 2
The Esplanade
PERTH WA 6000

*These parties have been included for information purposes only. They have not been involved in the preparation of this Offer Document.

1. DETAILS OF THE OFFER

1.1 The Offer

The Company is making a non-renounceable pro rata entitlement offer to Shareholders of Shares at an issue price of 5 cents (\$0.05) each on the basis of one (1) Share for every four (4) Shares held by Eligible Shareholders on the Record Date to raise up to \$4,637,392, before costs (**the Offer**).

The Directors may at any time decide to withdraw this Offer Document and the offer of Shares made under this Offer Document in which case the Company will return all Application monies (without interest) within 28 days of giving such notice of withdrawal.

The Company intends to apply the funds raised from the Offer towards:

Item of Expenditure	Amount (\$)	Percentage (%)
Further the development of the Company's MRI based intellectual property including HepaFat, Fibrosis and other products	\$4,000,000	86.3%
Working capital	\$557,392	12%
Expenses of the Offer	\$80,000	1.7%
TOTAL	\$4,637,392	100%

The above table is a statement of the Board's current intentions as at the date of this Offer Document. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

As at the Record Date, the Company has on issue 370,991,365 Shares. The Company expects that up to approximately 92,747,841 Shares will be issued under the Offer.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded up to the nearest whole Share.

1.2 Timetable

Resonance Announces Rights Issue 10 April 2014

Lodgement of Offer Document, Appendix 3B and s708AA Cleansing Notice with ASX Prior to the commencement of trading on 22 April 2014

Notice sent to Shareholders 23 April 2014

Ex date	28 April 2014
Record Date for determining Entitlements	30 April 2014
Offer Document sent out to Shareholders & Company announces this has been completed & Offer Opening Date	2 May 2014
Closing Date	23 May 2014
Shares quoted on a deferred settlement basis	26 May 2014
ASX notified of under subscriptions	27 May 2014
Issue date/Shares entered into Shareholders' security holdings	29 May 2014
Quotation of Shares issued under the Offer	30 May 2014

Subject to the Listing Rules and the Corporations Act, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the Shares offered under this Offer Document.

1.3 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document. You may accept for a lesser number of Shares should you wish to take up only part of your Entitlement.

You can also apply for additional Shortfall Shares under the Offer in addition to your Entitlement by completing the shortfall section contained in the Entitlement and Acceptance Form. The Directors reserve the right to issue Shortfall Shares at their absolute discretion. If you are issued a lesser number of Shortfall Shares than you apply for any surplus Application monies will be returned to you.

1.4 No rights trading

The rights to Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for Shares under the Offer to any other party. If you do not take up your Entitlement to Shares under the Offer by the Closing Date, the Offer to you will lapse.

1.5 Underwriting

The Offer is not underwritten.

1.6 Lead Manager

On 4 March 2014, the Company and Azure Capital (**Lead Manager**) entered into an agreement (**Lead Manager Mandate**) pursuant to which the Lead Manager agreed to co-ordinate the Rights Issue and use best endeavours to place any Shortfall from the Offer.

The Lead Manager is not presently a shareholder of the Company and is not a

related party of the Company for the purpose of the Corporations Act.

Pursuant to the Lead Manager Mandate, as consideration for co-ordinating the Offer, the Company has agreed to:

- (a) pay the Lead Manager a management fee of 2% of the total amount raised under the Offer;
- (b) pay the Lead Manager a placement fee of 3% of the total amount raised under the Offer; and
- (c) reimburse the Lead Manager for and indemnify the Lead Manager against all costs reasonably and properly incurred by the Lead Manager in respect of the Offer.

The management and placement fees referred to above are to be satisfied by a combination of the issue of Shares (at an issue price of 5 cents per Share) and the payment of cash (to a maximum of \$50,000). The Lead Manager Mandate also contains other terms and conditions, and representations and warranties that are considered standard for an agreement of this type.

1.7 Shortfall

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall.

The Shortfall Offer is a separate offer made pursuant to this Offer Document and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.05 being the price at which Shares have been offered under the Offer.

Shareholders can apply for Shortfall Shares by following the instructions set out in the Entitlement and Acceptance Form and in section 2.1 below. The Directors reserve the right to issue Shortfall Shares at their absolute discretion. Any application monies received for more than your final allocation of Shortfall Shares will be refunded. No interest will be paid on any application monies received or refunded.

1.8 Opening and Closing Dates

The Offer opens on the Opening Date, being 2 May 2014. The Company will accept Entitlement and Acceptance Forms until 5:00 pm WST on the Closing Date, being 23 May 2014 or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

1.9 Issue

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the timetable set out in this Offer Document.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Offer Document, all Application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and the timetable set out in this Offer Document.

1.10 ASX listing

Application for official quotation by ASX of the Shares offered pursuant to this Offer Document will be made within 7 days after the date of this Offer Document. If approval is not obtained from ASX before the expiration of 3 months after the date of this Offer Document (or such period as varied by the ASIC) the Company will not issue any Shares and will repay all Application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

1.11 CHESS

The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Offer Document. The notice will also advise holders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

1.12 Rights and Liabilities Attaching to Shares

The Shares offered under this Offer Document will rank equally in respect of dividends and have the same rights in all other respects (eg voting, bonus issues) as existing Shares.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

1.13 Overseas Eligible Shareholders

No Offer is being made to Shareholders with a registered address outside Australia and New Zealand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of

overseas Shareholders, the number and value of the Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. No action has been taken to comply with legal and regulatory requirements of jurisdictions outside Australia and New Zealand to permit an offer of the Shares in any jurisdiction outside Australia and New Zealand.

Shares to which any Shareholders who do not have a registered address in Australia or New Zealand would otherwise be entitled will form part of the Shortfall.

This Offer Document and accompanying Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

1.14 Control Implications

The potential effect that the issue of Shares under the Offer will have on the control of the Company is as follows:

- (a) if all Eligible Shareholders take up their entitlements for Shares, the issue of Shares under the Offer will have no effect on the control of the Company and all Shareholders will hold the same percentage interest in the Company, subject only to changes resulting from ineligible shareholders being unable to participate in the Offer;
- (b) in the more likely event that there is a Shortfall, Eligible Shareholders who do not subscribe for their full entitlement of Shares under the Offer will be diluted relative to those Eligible Shareholders who subscribe for some or all of their entitlement of Shares; and
- (c) the Lead Manager will endeavour to place the Shortfall to a combination of existing shareholders of the Company, institutional and high net worth clients of the Lead Manager and various other parties introduced by the Company or the Lead Manager (**Shortfall Offer**). The Lead Manager will ensure that no person will be issued, through participation in the Shortfall Offer, Shares if such issue will result in their voting power in the Company exceeding 19.9%. Having regard to the number of Shares to be issued under the Rights Issue, even if a substantial shortfall eventuated, a participant in the Shortfall Offer would not be in a position to exercise any substantive control in the Company.

1.15 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Offer Document.

1.16 Risk factors

An investment in Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in

Section 3.

1.17 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.resonancehealth.com or the ASX www.asx.com.au.

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

1.18 Rights Issue Notice

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, amongst other information, the effect of the Offer on the control of the Company. This notice may be reviewed on the websites of the Company and ASX.

1.19 Enquiries concerning Offer Document

Enquiries concerning the Entitlement and Acceptance Form should be directed to Advanced Share Registry Services by telephone on (08) 9389 8033. Enquiries relating to this Offer Document should be directed to the Company Secretary, Adrian Bowers by telephone on (08) 9286 5300.

2. ACTION REQUIRED BY SHAREHOLDERS

2.1 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft or money order made payable in Australian currency, for the appropriate Application monies (at \$0.05 per Share) or pay via BPAY® by following the instructions set out below and in the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (iii) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (iv) attach your cheque, drawn on an Australian bank or bank draft or money order made payable in Australian currency, for the appropriate Application monies (at \$0.05 per share) or pay via BPAY® by following the instructions set out below and in the Entitlement and Acceptance Form; or
- (c) if you wish to accept your full Entitlement **and** apply for additional Shortfall Shares:
 - (i) complete the Entitlement and Acceptance Form including filling in the number of Shortfall Shares you wish to apply for in the shortfall section on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft or money order made payable in Australian currency, for the appropriate application monies (at \$0.05 per Share) or pay via BPAY® by following the instructions set out below and in the Entitlement and Acceptance Form; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Your completed Entitlement and Acceptance Form and cheque must reach the Company no later than 5:00pm (WST) on the Closing Date.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

Please read the instructions on the Entitlement and Acceptance Form carefully.

2.2 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Offer Document and the accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application monies, the Application may not be varied or withdrawn except as required by law.

2.3 Payment by cheque/bank draft/money order

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Resonance Health Ltd – Share Issue Trust Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque, bank draft or money order must reach the Company's share registry, at one of the addresses listed below, no later than 5.00pm WST on the Closing Date.

By delivery	By Post
Resonance Health Ltd C/- Advanced Share Registry Ltd 150 Stirling Highway NEDLANDS WA 6009 Australia	Resonance Health Ltd C/- Advanced Share Registry Ltd PO Box 1156 NEDLANDS WA 6909 Australia

2.4 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY® you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5.00pm WST on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any Application monies received for more than your entitlement allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any Application monies received or refunded.

3. RISK FACTORS

3.1 Introduction

An investment in the Company is not risk free and prospective investors should consider the risk factors described below, together with information contained elsewhere in this Offer Document, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

3.2 Key investment risks

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. Prospective investors should read this Offer Document in its entirety before deciding whether to apply for Shares under this Offer Document.

These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Offer Document.

Risk	Description
Intellectual Property	<p>The Company's lead product for generating revenue is FerriScan® for the measurement of iron overload. FerriScan® is provided to the market as an image analysis service where radiology facilities upload data to a secure web facility for analysis and reporting by the Company. The Company has also received marketing clearance for HepaFat-Scan® which is now available to specialist clinicians and pharmaceutical companies developing therapies to address fatty liver disease.</p> <p>The Company's interest in FerriScan® and HepaFat-Scan® is protected by a portfolio of issued and pending patents. Whilst this provides the Company with protection, there is no guarantee that other companies will not legally challenge the patents or that they might knowingly or unknowingly infringe the Company's patents. Any such action may adversely affect the business, operating results and financial condition of the Company.</p> <p>Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value from the outcomes of research and development. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.</p> <p>The granting of a patent does not guarantee that the rights of others are not infringed nor that competitors will not develop competing intellectual property that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.</p> <p>Although the Company is not aware of any third party interests in relation to the intellectual property rights of the intellectual</p>

Risk	Description
	<p>property, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological and medical discoveries, and if any disputes arise, they could adversely affect the Company.</p> <p>Although the Company will implement all reasonable endeavours to protect its intellectual property, there can be no assurance that these measures have been, or will be sufficient.</p>
<p>Research and development</p>	<p>The Company can make no representation that any of its research into or development of its technologies will be successful, that the development milestones will be achieved, or that the technologies will be developed into products that are commercially exploitable.</p> <p>There are many risks inherent in the development of biotechnology products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.</p>
<p>Loss of key client</p>	<p>At 30 June 2013, the Company had one customer that accounted for 29% of all trade receivables. Although the Company is expected to establish further relationships through development of the technologies, the loss of this key client is likely to adversely affect the operating results of the Company.</p>
<p>Regulatory Approvals</p>	<p>The regulatory environment for biomedical devices is demanding, complex, time consuming and very expensive and as such there is no certainty that the applications for regulatory approval from bodies including, but not limited to, the US Food and Drug Administration and the Therapeutic Goods Administration for products developed by the Company will be successful.</p>
<p>Product liability and uninsured risks</p>	<p>Through its intended business, the Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products or products developed with future co-development alliance partners. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.</p> <p>Although the Company endeavors to work to rigorous standards there is still the potential for the products to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs.</p> <p>If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.</p> <p>Further, the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its</p>

Risk	Description
	performance.
Licence and marketing risk	The Directors believe the funds raised from the Offer will give the Company sufficient working capital to achieve its objectives. However, funds raised under this Offer Document may not be sufficient to enable the Company to fully commercialise all of its technologies.
Unforeseen expenditure risk	Expenditure may need to be incurred that has not been taken into account in the preparation of this Offer Document. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

3.3 General Risks

(a) Additional requirements for capital

The funds raised under the Offer are considered sufficient to meet the current proposed objectives of the Company. Additional funding may be required in the event future costs exceed the Company's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(b) Competition risk

There is significant competition in the biomedical technology industry generally. There is no assurance that competitors will not succeed in developing products that are more effective or economic than the products manufactured or developed by the Company, or which would render the products obsolete and/or otherwise uncompetitive.

The Company may be unable to compete successfully against future competitors where aggressive policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's future business, operating results and financial position.

(c) Dependence on outside parties

The Company may pursue a strategy that forms strategic business relationships with the other organisations for the manufacture and distribution of products and services. The manufacture and global

distribution of products and services is crucial to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations.

(d) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(e) **Regulatory risks**

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its shares. In addition there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

(f) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

3.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Offer Document. Therefore, the securities to be issued pursuant to this Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

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

4. DEFINED TERMS

Applicant refers to a person who submits an Entitlement and Acceptance Form.

Application refers to the submission of an Entitlement and Acceptance Form.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Closing Date means 5.00pm WST on 23 May 2014 unless extended in accordance with the Listing Rules.

Company means Resonance Health Ltd (ACN 006 762 492).

Directors means the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date and have a registered address in Australia or New Zealand.

Entitlement means the entitlement to subscribe for one (1) Share for every four (4) Shares held by an Eligible Shareholder on the Record Date and **Entitlements** has a corresponding meaning.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

FerriScan® means the image analysis service provided by the Company for the measurement of iron overload where radiology facilities upload data to a secure web facility for analysis and reporting by the Company.

HepaFat-Scan® is a software technology for the non-invasive quantitative measurement of fat in the liver utilising MRI medical images.

Listing Rules means the Listing Rules of the ASX.

Offer means the non-renounceable pro rata offer of Shares at an issue price of 5 cents each on the basis of one (1) Share for every four (4) Shares held on the Record Date pursuant to this Offer Document.

Offer Document means this Offer Document dated 22 April 2014.

Opening Date means 2 May 2014.

Record Date means 30 April 2014.

Section means a section of this Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in section 1.7 of this Offer Document.

WST means Australian Western Standard Time.