ResonanceHealth

Annual Report 2011

Corporate information

ABN 96 006 762 492

Directors

Dr Martin Blake
Non-executive Chairman

Ms Liza Dunne
Managing Director

Mr Simon Panton
Non-executive Director

Dr Timothy St Pierre
Executive Director

Company secretary

Mr Colin McDonald

Stock exchange listing

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

Registered office and Principal place of business

Ground Floor
278 Stirling Highway
Claremont WA 6010
Telephone: +61 8 9286 5300
Facsimile: +61 8 9286 1179

Postal address

PO Box 1135
Nedlands WA 6909

Website and e-mail address

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

Auditors

HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000

Share registry

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

Bankers

National Australia Bank Limited

Solicitors

Cole Legal
Unit 9
569 Wellington Street
Perth WA 6000

OUR BUSINESS

Resonance Health specialises in the provision of medical imaging diagnostic tools to aid in the diagnosis and management of human disease. Resonance Health's expertise in the liver was established with FerriScan®, now the recognised gold standard for the assessment of iron overload. The Company is developing new products for the measurement of fatty liver disease and liver fibrosis using magnetic resonance imaging.

Resonance Health additionally provides comprehensive clinical trial services to pharmaceutical companies using imaging end points in their clinical trials.

Contents

Chairman and Managing Director's Report

Resonance Health has concentrated its efforts this year on increasing FerriScan® sales volumes, increasing the number of medical facilities using FerriScan®, product enhancements, improvements in service delivery and the development of new products.

During the year FerriScan® services have been provided to new markets including Italy, Japan, China, Bangladesh and Brazil and there has been deeper penetration into existing markets. The number of medical facilities using FerriScan® in the US doubled during the year to nearly 40, providing broad availability to patients (an important requirement for reimbursement in that market). FerriScan® sales volumes increased 14% on the prior year, represented by a 105% increase in the UK and a 35% increase in the US. FerriScan® revenue was $1.75m for the year, down 5% on the previous year. With the majority of the Company's revenue generated overseas the high Australian dollar continues to impact negatively on financial returns.

In October 2010, Resonance Health signed a strategic Master Service Agreement with Novartis Pharmaceuticals. As a result, several new contracts for FerriScan® services were executed during the year. We were pleased to announce the expansion of this agreement in March to include worldwide FerriScan® services to Novartis for non-clinical trial purposes.

Resonance Health augmented its medical image diagnostic portfolio with the Cardiac T2* test which was cleared for marketing by the US Food and Drug Administration (FDA) in August 2011 and is now available in the UK, US, Canada and Australia. This additional service enables an assessment of both liver iron concentration and cardiac iron loading at a single visit and has been well received by our customers.

Medical insurance for FerriScan® remains a key factor in achieving target growth levels. The Company has experienced challenges in achieving reimbursement in Australia with a direct link between a diagnostic test and patient outcome not easy to quantify. The Company is continuing to work through these issues with the Australian Medical Services Advisory Committee (MSAC) and is working with private and public payers in the US to gain insurance coverage for FerriScan® in that market. The Board and management remain confident they will achieve success with FerriScan® reimbursement, which together with access to new markets using distributors, will enable it to achieve FerriScan® growth expectations.

The Board has committed to bringing new diagnostic tests for the liver to market and has made a significant investment in research and development activities to expand its portfolio of products. These activities have primarily been focussed on the development of diagnostic tools for the assessment of fatty liver disease and liver fibrosis.

Resonance Health's test for measuring fatty liver (called HepaFat Scan™) produced results that are superior to all other available diagnostic tests. The Company is currently working on a submission to the FDA for HepaFat Scan™. Fatty liver disease is a large and growing medical condition. Up to 30% of people in developed countries and nearly 10% of people in developing countries have fatty liver disease, making it the most common liver condition in the world. Fatty liver disease is often undiagnosed until it has progressed to a more serious state of liver damage. HepaFat Scan™ provides a quick, non-invasive diagnostic test to enable patients to have their diagnosis of fatty liver made at an early stage.

We were delighted to commence a project with Pfizer to further develop the Company's liver fibrosis diagnostic test in collaboration with the liver transplant unit at the Austin Hospital in Melbourne. This project is on schedule and we look forward to reporting the outcome to shareholders in the first quarter 2012. The current gold standard diagnostic test for liver fibrosis is a liver biopsy which presents considerable risks to a patient. The Company's MRI-based liver fibrosis test would enable repeat measurements of a patient's liver fibrosis to be made, enabling the progress of the patient and their therapy to be tracked.

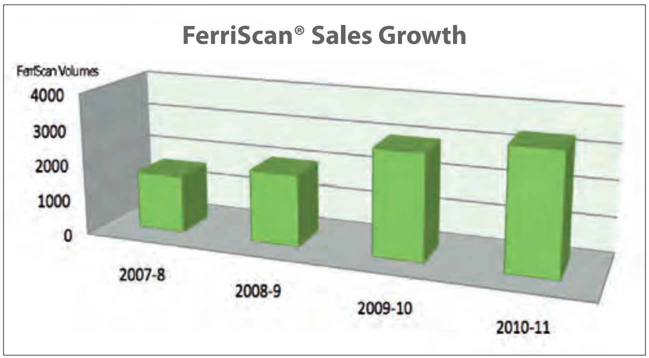
The Board and Management are confident that the investment it is making in the development of new diagnostic products and strategies to grow awareness, acceptance and use of its products will provide a strong future for Resonance Health.

Liza Dunne
Managing Director

Dr Martin Blake
Director Chairman

YEAR IN REVIEW

FerriScan® has become the method of choice for clinicians worldwide in the assessment of iron overload. FerriScan® sales volumes increased by 14% on the previous year, with 125 medical facilities now offering the service globally.



The unique delivery of FerriScan® as a quality-assured image analysis service provides consistently reliable results to clinicians and has afforded the Company a considerable competitive advantage.

Resonance Health conducted a survey of clinicians using FerriScan® in late 2010 which confirmed the importance of the robust scientific validation of the test and its proven accuracy in their adoption of FerriScan®. The survey also indicated that FerriScan® had reduced the number of liver biopsies being performed in 85% of respondents' centres, consolidating the test's status as the new gold standard. These factors have contributed to a 23% increase in the number of doctors referring patients for FerriScan® over the year.

FerriScan® Worldwide

The UK had a 105% increase in volume growth over the previous year and there are now 35 medical facilities in Europe providing FerriScan® to their patients. Clinical guidelines and patient management protocols incorporating FerriScan® have assisted in demonstrating the clinical value of the FerriScan® service.

FerriScan® is being used in approximately 40 facilities in North America in the clinical management of patients and within clinical trials. FerriScan® sales volumes in the USA increased 35% over the previous year despite economic cutbacks across all sectors of the economy. A Health Technology Assessment (HTA) was completed during the year to provide detailed information regarding the clinical utility of FerriScan®. It is being presented to public and private healthcare payers and providers as the Company seeks to have FerriScan® included in health benefit plans and disease management programs.

A network of distributors is being established to target the Asia Pacific and the Middle East regions which have a high prevalence of the medical conditions which can result in iron overload, providing a cost-effective marketing channel in these countries.

The Global FerriScan® Footprint

Australia

The Company was disappointed that the Australian Medical Services Advisory Committee (MSAC) declined to recommend reimbursement for FerriScan®. The Company was advised that the technical evidence for the technology was robust but additional data was required to further demonstrate a direct link between the use of FerriScan® and improved patient outcomes, whilst acknowledging this is difficult to demonstrate for a diagnostic test of this type. In early 2011, MSAC announced significant changes to its framework and procedures for assessing medical devices for public funding. These changes have confounded the Company's ability to address the specific issues identified by MSAC in a timely fashion, requiring the Company to progress its application for reimbursement under the new framework. The Company is currently working through these issues with MSAC and is constrained by the limited number of scheduled MSAC meetings.

Extract from:
Australian Guidelines for the assessment of iron overload and iron chelation in transfusion-dependent thalassaemia major, sickle cell disease and other congenital anaemias.

"The quantitation of liver iron by MRI is one of the most significant recent advances in iron monitoring.

The most widely adopted method is based on the measurement of tissue proton transverse relaxation rates (R2)[FerriScan®], showing excellent correlation with liver iron concentration (LIC) measured by biopsy.

The expert panel considers it to be a very useful method of monitoring liver iron load and in directing iron chelation".

Expanding Role of FerriScan®

FerriScan® continues to be in demand in clinical trials. It has been used by Novartis Pharmaceuticals for over six years in their clinical trials for iron chelation therapy. Resonance Health has also contracted to provide FerriScan® to FerroKin BioSciences, a US-based pharmaceutical company developing an iron chelator drug.

FerriScan® has been chosen in a NIH funded study in the United States to assess treatment alternatives for sickle cell patients involving 25 medical facilities. FerriScan®'s technical leadership, together with the Company's ability to provide services to large clinical trials were primary reasons why FerriScan® was chosen in this study.

FerriScan® was also selected in a study on the occurrence of iron loading in renal disorders. Chronic kidney disease is commonly accompanied by the development of anaemia and intravenous iron therapy is often used to maintain adequate iron stores for dialysis patients. However, these patients can develop iron overload. This published study demonstrated that conventional blood markers such as serum ferritin were inadequate in identifying and measuring iron overload in many of these patients. It concluded that dialysis patients would benefit from FerriScan® to determine if iron overload is present and if iron administration should be withheld. These conclusions indicate a promising new clinical application for FerriScan®.

Product Pipeline – Investing for the Future

Resonance Health is progressing a number of research and development projects to bring pipeline products to market and expand revenue opportunities for the company. During the year, these projects have included the following:

- A Cardiac T2* test for the assessment of cardiac iron overload
- An MRI test for the measurement of fatty liver
- An MRI test for the staging of liver fibrosis

FDA clearance and Health Canada approvals were achieved during the year for the Company's Cardiac T2* test for the assessment of cardiac iron overload. Cardiac T2* is a widely accepted method of assessing cardiac iron loading and in combination with FerriScan® provides clinicians with a comprehensive evaluation of a patient's iron overload status.

- **There are 50 million obese Americans with BMI over 30**
- **Up to 30% of the US population has Fatty Liver Disease**
- **9-15 million Americans have non-alcoholic steatohepatitis (NASH)**
- **8 million Americans have liver fibrosis (scarring)**
- **Fatty liver disease is often asymptomatic and difficult to diagnose**
- **Liver biopsy is the recommended gold standard of diagnostic tests but causes complications**
- **Early diagnosis and intervention can prevent the onset of cirrhosis**

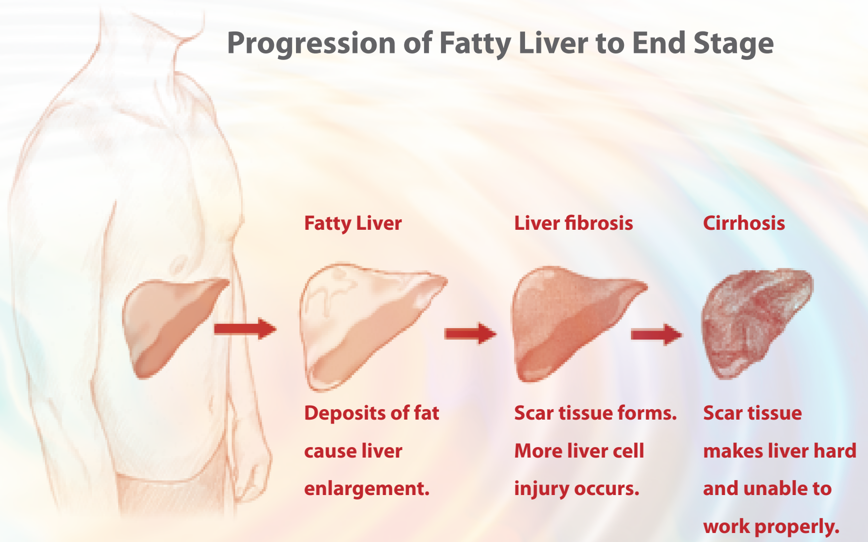
Fatty Liver Disease

Resonance Health completed a study to develop and assess its MRI technology, called HepaFat Scan™, for the assessment of fatty liver. The study involved 60 patients and demonstrated excellent results from low to high levels of fat in the liver, and outperformed all published data of similar research in the field.

Fatty liver disease can lead to an increase in liver cancer, cardiovascular death and liver cirrhosis, reduces the effectiveness of antiviral therapy and can lead to the onset of diabetes. Non-alcoholic fatty liver disease (NAFLD) is considered the most common liver disease in the western world affecting 20-30% of the population, rising to 50-90% of the obese population, and approximately 50% of diabetic patients. The US Centers for Disease Control (CDC) predicts that by 2025 nearly 40% of Americans will be obese including 20-30% of American children.

Fatty liver disease can be asymptomatic and is often undiagnosed. Currently, the gold standard is a liver biopsy with a visual estimate of the fat by a pathologist. These estimates are subjective, usually unrepresentative of the whole liver and require an invasive and potentially dangerous liver biopsy. As a result, the liver biopsy is rarely used. HepaFat Scan™ will provide a non-invasive diagnostic tool to the clinical community and to pharmaceutical companies developing therapies to address this market.

Progression of Fatty Liver to End Stage



What causes fatty liver disease?

The liver helps to break down and remove fat, cholesterol, and lipids from the body. However, when a person becomes seriously overweight and develops insulin resistance, the liver becomes less efficient and begins to store fat. Stored fat in the liver can lead to inflammation, which in turn can cause permanent scarring and cirrhosis.

Liver Fibrosis

Resonance Health is collaborating with Pfizer and the Liver Transplant Unit at the Austin Hospital in Melbourne, to investigate and further develop the Company's MRI technology for assessing liver fibrosis. The recruitment of patients into the study is on schedule and results are expected in early 2012.

Liver fibrosis is primarily caused by fatty liver disease, hepatitis, iron overload or excessive alcohol consumption. Viral hepatitis affects 170m people worldwide and fatty liver disease affects one in three American adults. The progression of liver fibrosis can be slowed, stopped and potentially reversed if detected and treated early. However, if left untreated, liver fibrosis can progress to liver cirrhosis where treatment options are limited and may require a liver transplant. Liver cirrhosis is one of the top 10 causes of death by disease in America. Cirrhosis of the liver has been shown to be a significant predictor of hepatocellular carcinoma, the most common form of liver cancer.

An accurate, non-invasive diagnostic tool for assessing the severity of liver fibrosis will enable more regular monitoring of patients at risk of developing liver fibrosis. It also provides a better alternative to a liver biopsy for patients participating in clinical trials for liver fibrosis related therapies where repeat measurements are usually required.

Resonance Health gained the exclusive worldwide licence for a new imaging technology being developed at University College London called Equilibrium Contrast Imaging. The technology has potential applications in the non-invasive measurement of diffuse fibrosis in the liver and the heart and in the monitoring of amyloid deposits in amyloidosis disease. This technology is complementary to Resonance Health's research interests in clinical imaging technologies and positions the Company to provide its expertise in this field to companies researching potential therapies for these disease groups. The Company is currently evaluating the commercial potential of this opportunity.

Articles and Presentations

Resonance Health has maintained a prominent profile through presentations, publications and participation in events within the clinical community. These have included:

- 3rd International Conference on Thalassemia in China and the 2nd Asia Pacific Iron Academy Conference, Nanning, China 3-6 November 2010. Professor Tim St Pierre was invited to present on: Novel technologies in detecting and monitoring tissue iron.
- Sickle Cell Disease Association of America Meeting, Washington DC, USA 21-24 September 2010.
- 52nd American Society of Hematology (ASH) Annual Meeting and Exposition, Florida, USA 4-7 December 2010. Professor Tim St Pierre presented a poster on: Multicenter validation of Spin-Density Projection-Assisted R2-MRI (FerriScan®) for the Non-invasive Measurement of Liver Iron Concentration.
- Sickle Cell Research & Education Meeting, Florida, 22-25 February 2011.
- Global Iron Summit, Istanbul Turkey, 11-14 March 2011, trade exhibition.
- Monitoring and Management of Iron Overload Conditions: A Regional Conference London, UK 28 January 2011. Professor Tim St Pierre was invited to present on: Monitoring Liver and Cardiac Iron Using MRI.
- 1st Emirates Hematology Conference, Dubai, 24-27 March 2011, trade exhibition.
- 12th International Conference on Thalassaemia and Haemoglobinopathies, Antalya, Turkey 11-14 May 2011. Professor Tim St Pierre was invited to present on: Validation of spin-density projection-assisted R2-MRI (FerriScan®) for the non-invasive measurement of liver iron concentration; and Monitoring of iron overload in heart and liver.
- 16th Congress of the European Haematology Association Conference, London 10-12 June 2011.
- Sickle Cell in Focus, London, UK 16-18 June 2011.

Directors' report

The Directors present their report on the consolidated entity, consisting of Resonance Health Limited and the entities it controlled, together with the annual financial report for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names, qualifications and experience of directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dr Martin Blake

MBBS, FRANZCR, MBA, GAICD

Position:
Chairman —
Independent and Non-Executive
(appointed as Director 4 October 2007 and as Chairman 16 December 2010)

Experience:

Dr Blake is a Radiologist and Nuclear Physician and brings significant technical and industry experience to Resonance Health. He has been a Partner of Perth Radiological Clinic since 1997 and is currently the Chairman of that company.

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
Chairman of the Remuneration Committee (from 16 December 2010)

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, commercialisation of FerriScan®, developing alliances with pharmaceutical industry partners and obtaining regulatory approval in various countries.

Ms Dunne has in-depth 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

Mr Simon Panton

Position:

Director — Non-Executive (appointed 5 October 2009)

Experience:

Mr Panton has been a strong supporter of the Company and the FerriScan® technology over a number of years and is a major shareholder of Resonance Health. Mr Panton brings skills in business and marketing having run his own successful business.

Other current directorships:

None

Former directorships in last 3 years:

None

Special responsibilities:

Member of the Audit Committee
Member of the Remuneration Committee

Dr Stewart Washer

B.Sc(Hons), PhD

Position:

Chairman — Independent and Non-Executive (appointed 16 February 2009, resigned 16 December 2010)

Special responsibilities:

Chairman of the Remuneration Committee (resigned 16 December 2010)
Member of the Audit Committee (resigned 16 December 2010)

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, a Professor at The University of Western Australia, led the team which developed the FerriScan® technology. Dr St Pierre has strong links with international key opinion leaders in the field of iron overload diseases and regularly participates in international research collaborations. Dr St Pierre recently won a Clunies Ross Award from the Australian Academy of Technological Sciences and Engineering for his work on non-invasive measurement of tissue iron deposits.

Other current directorships:

None

Former directorships in last 3 years:

None

Special responsibilities:

None

Company Secretary

Mr Colin McDonald

B.Com, CA

Position:

Company Secretary
(appointed 16 December 2010)

Experience:

Mr McDonald has eighteen years experience in managing the financial obligations of ASX listed corporations across a diverse range of industries.

Interests in the Shares of the Company

The following relevant interests in shares of the company were held by the directors during the period. There has been no change in directors' and executives shareholdings to the date of this report.

	Balance 1.7.10	Received as Remuneration	Net Change Other	Balance 30.6.11
Directors				
Dr M Blake	6,224,677	-	-	6,224,677
Ms L Dunne	2,593,795	559,590	-	3,153,385
Mr S Panton	65,960,972	-	-	65,960,972
Dr T St Pierre	9,078,750	-	-	9,078,750
Dr S Washer (resigned 16 Dec 2010)[1]	451,422	-	(451,422)	-
Total	84,309,616	559,590	(451,422)	84,417,784
Executives				
Mr C McDonald	-	-	-	-
Total	-	-	-	-

[1] Excludes shares held as disclosed in the final director's notice on Dr Washer's resignation as director.

Incentive Shares and Options

The company does not have an option plan. Accordingly, no options were issued as part of remuneration to directors or specified executives during the current or previous financial year.

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.

Review of Operations

Resonance Health Limited is an Australian healthcare listed company located in Perth, Western Australia, specialising in the provision of image analysis services and the development of quantitative MRI diagnostic technology, with a sub-specialty in the liver. All services are provided under a ISO:9001 certified quality management system.

Resonance Health's FerriScan® technology for accurately measuring liver iron concentration has FDA, CE Mark and TGA certification and is being used in over 20 countries. FerriScan® is provided to the market through the Company's central image analysis facility which also offers a range of Imaging services for clinical trials in the pharmaceutical and biotechnology industries.

The Company is also developing imaging tools for the non-invasive assessment of liver fat and liver fibrosis to address a large clinical need for patients with fatty liver disease and viral hepatitis.

Financial Summary:

Revenue for the year ended 30 June 2011 was $1,745,864, representing a decrease of 5% from the previous year's result of $1,837,795. Revenue was negatively impacted by the strengthening of the Australian dollar with over 80% of the Company's revenue received in US dollars. The revenue associated with the routine clinical use of FerriScan® continues to increase.

Sales volumes increased 14% over the prior year, as measured by the number of image analyses performed by the Company during the year. Sales growth was particularly strong in the UK which saw a 105% growth on the prior year and was enhanced by the launch of the Cardiac T2* test in that market. The US market had a strong 35% growth in sales volume over the prior year. The Cardiac T2* test was cleared for marketing by the FDA in August 2011 and is now available in the US.

A net loss was recorded for the year of $316,829 compared to a net loss of $102,335 in the previous financial year. This was largely due to the strength of the Australian dollar and the investment the company is making into the development of new products.

Research and development expenditure during the year totalled $455,266. This comprised capitalised development costs of $314,634 that are recognised as an intangible asset on the Statement of Financial Position and expenditure recognised in the Statement of Comprehensive Income of $140,632. Research and development expenditure was associated with the development of a liver fibrosis test, a liver fat test and improvements to the FerriScan® technology.

The Company's development of a magnetic resonance imaging assessment of liver fat is now progressing to an FDA application, which the Company plans to submit in late 2011.

The development of a magnetic resonance imaging test to assess liver fibrosis represents a significant commercial opportunity for the Company. A non-invasive imaging test that has the potential to replace the need for a liver biopsy has strong appeal to both the clinical community and to pharmaceutical companies developing therapies for this market. Resonance Health has collaborated with Pfizer on a clinical trial to assess the Company's imaging technology for the staging of liver fibrosis and results of this work are expected by end of first quarter 2012.

The Company has also been working on gaining greater efficiencies in the FerriScan® analysis process and is upgrading the core software platform to support this initiative.

Overall expenditure increased 9% to $2,436,740 from $2,238,461 in the previous financial year. The foreign exchange loss of $146,160 reflected the volatility and strength of the Australian dollar against the currencies in which the company invoices its customers, particularly the US dollar.

Resonance Health has cash at bank of $1,503,479 at the end of the financial year, compared to $2,133,884 in the previous financial year and has no debt.

Operating Results

The net loss of the consolidated entity for the financial year after tax was $316,829 (2010: $102,335).

Significant Changes in State of Affairs

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

Significant Events After Balance 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.

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.

Environmental Legislation

The consolidated entity's operations are not subject to any significant environmental legislation.

Indemnification and Insurance of Directors and Officers

The company has agreed to indemnify all the directors and secretaries of the company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the company paid a premium of $13,000 (2010: $14,443) to insure the directors and secretaries of the company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for the key management personnel of Resonance Health Limited for the financial year ended 30 June 2011. The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company and the Company Secretary.

Key Management Personnel

(i) Directors

Dr Martin Blake – appointed Chairman 16 December 2010

Dr Stewart Washer – Chairman (resigned 16 December 2010)

Ms Liza Dunne – Managing Director

Mr Simon Panton

Dr Timothy St Pierre

(ii) Executives

Mr Colin McDonald – Company Secretary (appointed 16 December 2010)

Ms Eva O'Malley – Company Secretary (resigned 16 December 2010)

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

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Non-executive directors' fees not exceeding an aggregate of $250,000 per annum have been approved by the Company in a general meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each of the non-executive directors receives a fixed fee for their services as directors. There is no direct link between remuneration paid to any of the directors and corporate performance.

Executive Remuneration

Remuneration consists of fixed remuneration and variable remuneration.

(i) Fixed Remuneration

Fixed remuneration is reviewed annually. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

All executives (except Dr St Pierre) 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.

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

(ii) Variable Remuneration

All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, 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 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.

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 $250,000 pa inclusive of superannuation and the provision of one months notice for termination or resignation without cause.

Mr McDonald was appointed to the role of Company Secretary of Resonance Health Ltd on 16 December 2010. His employment agreement provides for an equivalent full time salary of $141,700 pa inclusive of superannuation for at least 22.5 hours per week and the provision of one months notice for termination or resignation without cause.

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 totalling $127,407 (2010 $112,767) and a fixed fee for his services as a director of $40,000 (2010: $40,000) were incurred during the financial year. These amounts are included in Dr Tim St Pierre's remuneration disclosed in the following table.

Details of Remuneration for Year Ended 30 June 2011 (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

		Short-term employee benefits		Post employment benefits		Equity	Total	
		Salary & Fees	Bonus	Superannuation Contributions	Termination Benefits	Shares		Performance Related
		$	$	$	$	$	$	%
Non-Executive Directors' remuneration								
Dr S Washer[1]	2011	28,361	-	2,552	-	-	30,913	-
	2010	64,220	-	5,780	-	-	70,000	-
Dr M Blake	2011	46,636	-	4,197	-	-	50,833	-
	2010	36,697	-	3,303	-	-	40,000	-
Mr S Panton[2]	2011	36,697	-	3,303	-	-	40,000	-
	2010	27,029	-	2,432	-	-	29,461	-
Total	2011	111,694	-	10,052	-	-	121,746	N/A
Total	2010	127,946	-	11,515	-	-	139,461	N/A

[1] Dr Washer resigned on 16 December 2010.

[2] Mr Panton was appointed as a Director on 5 October 2009.

		Short-term employee benefits		Post employment benefits		Equity	Total	
		Salary & Fees	Bonus	Superannuation Contributions	Termination Benefits	Shares		Performance Related
		$	$	$	$	$	$	%
Executive Directors' remuneration								
Ms L Dunne[3]	2011	217,396	-	19,566	-	10,000	246,962	4.0
	2010	201,834	-	18,165	-	10,000	229,999	4.3
Dr T St Pierre[4]	2011	167,407	-	-	-	-	167,407	-
	2010	152,767	-	-	-	-	152,767	-
Other Executives' remuneration								
Mr C McDonald[5]	2011	50,667	-	4,560	-	-	55,227	-
	2010	-	-	-	-	-	-	-
Ms E O'Malley[6]	2011	45,802	-	3,187	-	-	48,989	-
	2010	76,458	-	6,881	-	-	83,339	-
Total	2011	481,272		27,313	-	-	518,585	N/A
Total	2010	431,059	-	25,046	-	10,000	466,105	N/A

[3] Ms Dunne was given fully vested shares to the value of $10,000 in recognition of her performance to the Company.

[4] Dr St Pierre's remuneration represents directors' fees earned during the financial year and consulting fees for duties as Chief Scientific Officer.

[5] Mr McDonald was appointed Company Secretary on 16 December 2010.

[6] Ms O'Malley resigned as Company Secretary on 16 December 2010.

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 2011, 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
Dr M Blake	8	8	3	3	-	-
Ms L Dunne	8	8	-	-	-	-
Mr S Panton	8	8	3	3	-	-
Dr T St Pierre	8	7	-	-	-	-
Dr S Washer	4	4	2	2	-	-

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.

Auditor Independence and Non-audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 18 and forms part of this directors' report for the year ended 30 June 2011.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 22 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact 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 APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

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

M. P. Blake

Dr Martin Blake
Chairman
Perth, Western Australia

Dated this 27 September 2011

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 published guidelines as well as its corporate governance principles and 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.

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 criteria were set and evaluated for the Managing Director during 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.

The Board complied with the ASX Corporate Governance Council Principle 1 at all times during the year except as noted above.

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:

- Dr Stewart Washer – Independent – Chairman (resigned 16 December 2010)
- Dr Martin Blake – Independent – Chairman (appointed Chairman 16 December 2010)
- Ms Liza Dunne – Executive – Not independent – Managing Director
- Mr Simon Panton – Not independent – substantial shareholder
- Dr Tim St Pierre – Executive – Not independent – Chief Scientific Officer

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.

The members of the Nomination and Remuneration Committee during the financial year were:

- Dr Stewart Washer (Chairman) – Independent (resigned 16 December 2010)
- Dr Martin Blake – (Chairman) - Independent
- Mr Simon Panton – Not Independent

The number of meetings attended by each member of the Nomination and Remuneration Committee are detailed in the Directors' Report.

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 a director of the Company to not hold office without re-election past the third annual general meeting following the director's appointment or three years, whichever is longer.

The Company discloses its Nomination and Remuneration Committee Charter on the Company's website.

The Board complied with the ASX Corporate Governance Council Principle 2 at all times during the year except as noted above.

Principle 3

Promote ethical and responsible decision-making

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

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

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.

Trading in the company's shares

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

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

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 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 during the financial year were:

- Dr Martin Blake (Chairman) - Independent
- Mr Simon Panton – Not independent
- Dr Stewart Washer – Independent (resigned 16 December 2010)

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 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 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 2009 financial year in line with this policy.

The Board has not complied with the ASX Corporate Governance Council Principle 4 Recommendations at all times during the year. Due to there being only 2 non-executive directors on the Board from 16 December 2010, it was not possible to have three members on the committees at all times. The Chairman of the Board is also Chairman of the committees which is not in accordance with Principle 4.2, and this is also a result of having only 2 non-executive directors.

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.

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

Principle 7

Recognise and manage risk

The Board oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. Recommendation 7.1 requires 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 7 Recommendations at all times during the year.

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. Ms Dunne, an executive director, resigned from the Nomination and Remuneration Committee on 24 March 2010. From this date the Company complied 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.

From this date the Company has not complied with this recommendation due to the small size of the Board.

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. This comprises 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. The Company does not have a share or option incentive plan. 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 audit of the financial report of Resonance Health Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Resonance Health Limited.

Perth, Western Australia

27 September 2011

N G NEILL

Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.

Email: hlb@hlbwa.com.au Website: http://www.hlb.com.au

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
Revenue	2(a)	1,745,864	1,837,795
Other Income	2(b)	187,447	168,477
Revenue		**1,933,311**	**2,006,272**
Employee benefits expense		(1,329,333)	(1,265,675)
Consulting and professional services		(33,022)	(72,857)
Research and development		(140,632)	(111,360)
Depreciation	2(c)	(21,169)	(24,582)
Marketing and travel		(349,380)	(334,073)
Statutory and compliance		(133,900)	(130,572)
Foreign exchange loss		(146,160)	(16,380)
Other expenses		(283,144)	(282,962)
(Loss) / profit before income tax benefit		**(503,429)**	**(232,189)**
Income tax benefit	3	186,600	129,854
Net (loss) / profit for the year attributable to owners of the parent		**(316,829)**	**(102,335)**
Other comprehensive income			
Exchange differences arising on translation of foreign operations		146,934	35,842
Exchange differences arising on translation of foreign loan		(153,048)	(37,261)
Other comprehensive (loss) / income for the year, net of tax		**(6,114)**	**(1,419)**
Total comprehensive (loss) / income for the year attributable to owners of the parent		**(322,943)**	**(103,754)**
Basic earnings / (loss) per share (cents per share)	5	(0.09)	(0.03)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
Current Assets			
Cash and cash equivalents	7	1,503,479	2,133,884
Trade and other receivables	8	877,619	789,947
Other	9	87,618	97,011
Total Current Assets		2,468,716	3,020,842
Non-Current Assets			
Property, plant and equipment	10	46,023	62,387
Intangible assets	11	957,400	642,766
Available for sale investments	12	3,004	3,004
Total Non-Current Assets		1,006,427	708,157
Total Assets		3,728,999	3,688,952
Current Liabilities			
Trade and other payables	13	427,695	494,269
Other	14	151,886	26,225
Total Current Liabilities		579,581	520,494
Total Liabilities		579,581	520,494
Net Assets		**2,895,562**	**3,208,505**
Equity			
Issued capital	15(a)	67,534,039	67,524,039
Reserves		75,875	81,989
Accumulated losses		(64,714,352)	(64,397,523)
Total Equity		**2,895,562**	**3,208,505**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	2010 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		1,795,564	1,887,772
Payments to suppliers and employees		(2,101,537)	(1,951,285)
Grants received		109,305	76,432
Interest received		80,120	66,888
Net cash provided by / (used in) operating activities	7(i)	(116,548)	79,807
Cash flows from investing activities			
Payments for plant and equipment		(4,805)	(46,478)
Payments for intangibles		(472,880)	(544,383)
Net cash (used in) investing activities		(477,685)	(590,861)
Net increase (decrease) in cash and cash equivalents		(594,233)	(511,054)
Foreign exchange differences on cash balances		(36,172)	-
Cash and cash equivalents at the beginning of period		2,133,884	2,644,938
Cash and cash equivalents at the end of the period	7	1,503,479	2,133,884

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

Consolidated	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total Equity $
Balance at 1 July 2009	67,514,039	(64,295,188)	17,124	66,284	3,302,259
(Loss) for the year	-	(102,235)	-	-	(102,235)
Other comprehensive (loss) for the year	-	-	(1,419)	-	(1,419)
Total comprehensive (loss) for the year	-	(102,235)	(1,419)	-	(103,754)
Shares issued during the year	10,000	-	-	-	10,000
Balance at 30 June 2010	**67,524,039**	**(64,397,523)**	**15,705**	**66,284**	**3,208,505**
(Loss) for the year	-	(316,829)	-	-	(316,829)
Other comprehensive (loss) for the year	-	-	(6,114)	-	(6,114)
Total comprehensive (loss) for the year	-	(316,829)	(6,114)	-	(322,943)
Shares issued during the year	10,000	-	-	-	10,000
Balance at 30 June 2011	**67,534,039**	**(64,714,352)**	**9,591**	**66,284**	**2,895,562**

The accompanying notes form part of these financial statements.

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 and the United States of America. The entity's principal activities are the development of magnetic resonance imaging related technology, specifically the provision of non-invasive imaging tests for use by health care professions.

(b) Adoption of new and revised standards

In the year ended 30 June 2011, 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 2011. 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 necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 29 September 2011.

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.

Business combinations have been accounted for using the acquisition method of accounting [refer Note 1(ab)].

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

(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.

NOTE 1: Statement of significant accounting policies (cont.)

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 intangibles with indefinite useful lives are discussed in Note 11.

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) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Resonance Health Limited.

(g) 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.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(g) Foreign currency translation (continued)

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 statement of financial position date and the statement of comprehensive income is translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component recognised in the foreign currency translation reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(h) 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

NOTE 1: Statement of significant accounting policies (cont.)

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.

(i) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(j) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards if ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

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.

(k) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 date.

Deferred income tax is provided on all temporary differences at the balance 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 accounting 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 not reverse in the foreseeable future.

NOTE 1: Statement of significant accounting policies (cont.)

(k) Income Tax (cont.)

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against with the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each balance 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 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.

(l) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- when the 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 statement of financial position.

Cash flows are included in the Statement of Cash Flows 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Impairment of assets

The Group assesses at each balance 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 inflows 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 case the impairment loss is treated as a revaluation decrease).

NOTE 1: Statement of significant accounting policies (cont.)

(k) Impairment of assets (cont.)

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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 recognised in profit or loss unless the asset is carried at revalued amount, in which case the 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.

(n) 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 statement of financial position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(o) 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 any allowance 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 statement of comprehensive income 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 statement of comprehensive income.

(p) Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. Where financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. 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.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(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.

NOTE 1: Statement of significant accounting policies (cont.)

(p) Financial assets (cont.)

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

(iii) 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.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(q) Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

(ii) Financial liabilities

A financial liability is recognised when the obligation under the liability is discharged or cancelled or expires.When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(r) Impairment of financial assets

The Group assess at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future

NOTE 1: Statement of significant accounting policies (cont.)

(r) Impairment of financial assets (cont.)

cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial asset is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(s) Property, plant and equipment

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

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 values of plant and equipment are reviewed for impairment at each balance 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 statement of comprehensive income.

NOTE 1: Statement of significant accounting policies (cont.)

(s) Property, plant and equipment (cont.)

(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.

(t) Intangible assets

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development expenditure on an internal project is recognised if, and only if, all of the following has been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. The amortisation period is the period of expected benefits from the related project.

(u) 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.

(v) Interest-bearing loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

NOTE 1: Statement of significant accounting policies (cont.)

(w) Provisions (cont.)

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(x) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in sundry creditors in respect of employees' services up to the balance 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.

(y) Share-based payment transactions

(i) Equity-settled transactions

The Group has previously had 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.

(z) 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.

(aa) Earnings per share ("EPS")

Basic EPS is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any 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 of the parent, 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;

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

(ab) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangements and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

NOTE 1: Statement of significant accounting policies (cont.)

(ab)Business combinations (cont.)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Note 2: Revenues and expenses

		Consolidated	
		2011 $	2010 $
(a)	**Sales revenue**		
	Sales to external customers	1,745,864	1,837,795
		109,305	76,432
(b)	**Interest received**	78,142	92,045
	Foreign exchange gain		168,477
(c)	**Expenses**		
	Depreciation of non-current assets	21,169	24,582
	Impairment of trade receivables	-	33,556
	Disposals of property, plant and equipment	-	328
	Impairment of available-for-sale investments	-	(353)
	Rental expense on operating leases	60,494	59,534

	Consolidated 2011 $	Consolidated 2010 $
Note 3: Income tax benefit		
Income tax recognised in profit or loss		
The major components of tax benefit are:		
Adjustments recognised in the current year in relation to the current tax of prior years – R & D tax offset	186,600	129,854
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	(503,429)	(232,189)
Income tax calculated at 30%	(151,028)	(69,656)
Non deductible expenses	83,647	1,343
Unused tax losses not recognised as deferred tax assets	(340,882)	381,872
Benefit of previously unrecognised temporary differences	511,703	-
Non assessable income	-	(11,178)
Benefit of temporary differences recognised for the first time	-	1,295
Other deferred tax assets and tax liabilities not recognised	(224,769)	(489,500)
R & D tax concessions	121,329	185,824
Over/(under) provision for income tax in prior year	-	-
Tax refund receivable (R & D tax offset)	186,600	129,854
Income tax benefit reported in the income statement	186,600	129,854
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	1,899,549	2,240,430
Temporary differences – impairment of investments in subsidiaries	-	1,624
Depreciation timing differences	46,045	-
Business related costs	135,002	-
Unrealised foreign exchange losses	107,910	-
Other temporary differences	-	339,694
Accrued expenses and liabilities	70,916	-
	2,259,422	2,581,748
Deferred tax liabilities:		
Capitalised research and development costs	287,220	190,251
Accrued income	54,410	9,437
	341,630	199,688
Income tax expense not recognised directly in equity		
Share issue costs	152,765	152,765

Note 4: Segment reporting

Segment information

The chief operating decision maker is considered to be the Company's Board of Directors. The Group's operating segments are determined by differences in the type of service provided. The financial results of the Group's operating segments are reviewed by the Board of Directors on a quarterly basis.

Business segments

The following table presents revenue and profit/loss information and certain asset and liability information regarding business segments for the year ended 30 June 2011.

	Services	Research and Development	Corporate	Total
	$	$	$	$
Segment revenue				
Sales to external customers	1,745,864	-	-	1,745,864
Grant revenue	109,305	-	-	109,305
Interest revenue	-	-	78,142	78,142
Total segment revenue	1,855,169	-	78,142	1,933,311
Segment profit/(loss)	43,866	45,968	(406,663)	(316,829)
Other segment information included in profit/(loss)				
Depreciation	21,169	-	-	21,169
Income tax benefit	-	186,600	-	186,600
Segment assets	987,159	957,400	1,539,584	3,475,143
Segment liabilities	366,307	142,465	70,809	579,581
Other segment cash flow information:				
Net cash inflow / (outflow) from operating activities	247,078	-	(363,626)	(116,548)
Net cash (outflow) from investing activities	(4,805)	(472,880)	-	(477,695)

NOTE 4: Segment reporting (cont.)

The following table presents revenue and profit/loss information and certain asset and liability information regarding business segments for the year ended 30 June 2011.

	FerriScan®	Research and Development	Corporate	Total
	$	$	$	$
Segment revenue				
Sales to external customers	1,837,795	-	-	1,837,795
Grant revenue	76,432	-	-	76,432
Total segment revenue	-	-	92,045	92,045
Total segment revenue	1,914,227	-	92,045	2,006,272
Segment profit/(loss)	266,800	18,494	(387,629)	(102,335)
Other segment information included in profit/(loss)				
Depreciation	24,582	-	-	24,582
Income tax benefit	-	129,854	-	129,854
Segment assets	896,697	642,766	2,189,536	3,728,999
Segment liabilities	277,617	172,827	70,050	520,494
Other segment cash flow information:				
Net cash inflow / (outflow) from operating activities	495,849	-	(416,042)	79,807
Net cash (outflow) from investing activities	(46,478)	(544,383)	-	(590,861)

The consolidated entity derived 71% (2009: 78%) of its external customer sales revenue from one major customer.

Note 5: Earnings per share

	Consolidated 2011	Consolidated 2010
	$	$
Basic profit / (loss) per share (cents)	(0.09)	(0.03)
(a) Earnings / (loss) used in the calculation of basic and dilutive earnings per share	(316,829)	(102,335)
	2011 Number	2010 Number
(b) Weighted average number of ordinary shares for the purposes of basic loss per share	360,769,062	360,246,883

There are no potential ordinary shares on issue.

Note 6: Dividends

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

Note 7: Cash and cash equivalents

	Consolidated 2011 $	Consolidated 2010 $
Deposits at call	503,479	633,884
Term deposits	1,000,000	1,500,000
	1,503,479	2,133,884

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

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

(i) Reconciliation of profit / (loss) for the year to net cash flows from operating activities

	2011	2010
Profit/(loss) for the year	(316,829)	(102,335)
Non-cash flows in profit / (loss):		
Depreciation	21,169	24,582
Share issue	10,000	10,000
Accrued consulting fees	47,672	-
Impairment of trade receivables	-	33,556
Disposal of property, plant and equipment	-	328
Impairment of investments	-	(353)
Reclassification to investing activities:		
Research and development	140,632	90,240
Changes in net assets and liabilities:		
(Increase)/decrease in receivables	(87,672)	(106,960)
(Increase)/decrease in other assets	9,393	(19,110)
Increase/(decrease) in trade creditors and borrowings	(66,574)	149,146
Increase/(decrease) in other liabilities	125,661	713
Net cash provided by operating activities	(116,548)	79,807

Net cash provided by operating activitiesw

(ii) Financing facilities

	2011	2010
Unsecured credit card:		
Amount used	(2,216)	(2,178)
Amount unused	-	-
	(2,216)	(2,178)
Secured credit card:		
Amount used	4,582	1,864
Amount unused	15,418	18,136
	20,000	20,000

NOTE 7: Cash and cash equivalents (cont.)

	Consolidated 2011 $	2010 $
(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

	2011 $	2010 $
Current		
Trade receivables	453,220	526,315
Allowance for impairment	(26,632)	(33,556)
	428,688	492,759
Other receivables	450,931	297,188
	877,619	789,947

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

	2011 $	2010 $
Aging of past due but not impaired		
Up to 30 days	94,548	6,602
60-90 days	30,027	11,768
90-120 days	39,709	539
120+ days	-	8,096
	164,284	27,005
Movement in the allowance for impairment		
Balance at the beginning of the year	33,556	-
Impairment losses recognised on receivables	(6,924)	33,556
Balance at the end of the year	26,632	33,556

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. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services in relation to a specific debtor amount. The concentration of credit risk is significant with 50% (2010: 72%) of trade receivables relating to one major customer. The remaining trade receivables relate to a large and unrelated customer base. The directors believe no further credit provision is required in excess of the allowance for impairment.

Note 9: Other assets

	2011 $	2010 $
Current		
Prepayments	29,498	38,891
Security deposits	58,120	58,120
	87,618	97,011

Note 10: Property, plant and equipment

	Consolidated 2011 $	2010 $
Fixtures and equipment		
At cost	232,381	227,575
Less: Accumulated depreciation	(186,358)	(165,188)
Total property, plant and equipment	46,023	62,387

Reconciliation

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

	2011 $	2010 $
Fixtures and equipment		
Balance at the beginning of the year	62,387	61,103
Additions	4,805	26,194
Disposals	-	(328)
Depreciation expense	(21,169)	(24,582)
Carrying amount at the end of the year	46,023	62,387

NOTE 11: Intangible assets

	2011 $	2010 $
Development expenditure	957,400	642,766

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.

In making this assessment the directors had regard to the market and sales penetration to date of the existing FerriScan technology and the developed products, the likely period over which these revenues are expected to be generated and the likelihood of any technological obsolescence.

Note 12: Available for sale investments

	2011 $	2010 $
Current – Carried at fair value		
Shares in listed corporations	14,337	14,337
Less: Impairment	(11,333)	(11,333)
	3,004	3,004

Note 13: Trade and other payables

	Consolidated 2011 $	Consolidated 2010 $
Current		
Trade payables (i)	79,675	126,966
Related party payables (ii)	61,005	132,183
Sundry creditors and accruals	287,105	235,120
	427,695	494,269

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

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

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

Note 14: Other liabilities

	2011	2010
Current		
Unearned income	151,886	26,225

Note 15: Issued Capital

	2011 Number	2011 $	2010 Number	2010 $
(a) Issued and paid up capital	360,991,365	67,534,039	360,431,775	67,524,039

Movements during the period

Ordinary shares	Number of shares	Issue Price	$
Balance at the beginning of the financial year	360,431,775		67,524,039
Shares issued to Managing Director	559,590	$0.01787	10,000
Balance at the end of the financial year	360,991,365		67,534,039

(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.

NOTE 16: Financial instruments

(a) Capital risk management

The Group controls the capital of the Company in order to maintain an appropriate debt to equity ratio and to ensure that the Company can fund its operations and continue as a going concern. The Group's overall strategy remains unchanged from the previous financial year. 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. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures.

(b) Categories of financial instruments

	Consolidated	
Financial assets	2011 $	2010 $
Cash and cash equivalents	1,561,599	2,192,004
Loans and receivables	877,619	789,947
Available for sale financial assets	3,004	3,004
Financial liabilities		
Payables	346,725	418,080

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

(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. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(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	
	2011	2010	2011	2010
	$	$	$	$
United States Dollars	6,431	30,259	690,372	545,346
Great British Pounds	-	995	46,734	69,111
European Euros	7,022	23,410	20,662	11,799

Note 16: Financial instruments (cont.)

(*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.

Profit or loss impact:	2011 $	2010 $
- USD	(62,176)	(46,826)
- GBP	(4,249)	(6,192)
- EUR	(1,240)	1,056

(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 Group's expected maturities for cash and cash equivalent financial assets.

Cash and cash equivalent financial assets	Less than one month	One to three months	Total
2010	$1,503,479	$58,120	$1,561,599
Weighted average effective interest rate	4.18%	6,14%	
2009	$2,133,884	$58,120	$2,192,004
Weighted average effective interest rate	4.22%	3.65%	

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

The impact of a 10% change in interest rates will not have a material impact on the result for the year.

(g) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. At 30 June 2010, the Group had one customer that accounted for 72% of all trade receivables (2009: 81%).

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date in relation to each class of recognised financial assets is the carrying amount, net of any allowance for impairment recorded in the financial statements. The Group does not hold any collateral as security for any trade receivable.

(h) Equity price risk

The Group is exposed to equity price risks arising from available-for-sale financial assets. The Group's investments are publicly traded.

The impact of a 10% increase or decrease in the equity price will not have a material impact on the result for the year.

Note 16: Financial instruments (cont.)

(i) 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 by continually monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 7 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following table details the Group's expected maturity for its financial liabilities.

	Less than one month	One month to three months	Three months to one year	Total
	$	$	$	$
2011				
Non-interest bearing	258,162	73,697	14,866	346,725
2010				
Non-interest bearing	358,580	45,000	14,500	418,080

(j) 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 organised markets in standardised form.

The aggregate net fair values and carrying amounts of all financial assets and liabilities are disclosed in the financial statements.

Note 17: Commitments for expenditure

	Consolidated	
	2011	2010
	$	$
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	5,527	22,108
Later than 1 year but no later than 5 years	-	-
Total commitments not recognised in the financial statements	5,527	22,108

Note 18: Related party disclosure

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

Name of entity	Country of incorporation	Class of shares	Equity holding
Resonance Health Analysis Services Pty Ltd (formerly Inner Vision Biometrics Pty Ltd)	Australia	Ordinary	100%
WA Private Health Care Services Pty Ltd	Australia	Ordinary	100%
IVB Holdings Pty Ltd	Australia	Ordinary	100%
ResonanceUSA Inc	USA	Ordinary	100%

Resonance Health Limited is the ultimate Australian entity and ultimate parent of the Group.

Note 18: Related party disclosure (cont.)

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 provided interest free loans to Resonance Health Analysis Services Pty Ltd totalling $388,163 with no fixed repayment date. During the previous year the company provided interest free loans to Resonance Health Analysis Services Pty Ltd totalling $621,555.

During the year the company provided interest free loans to ResonanceUSA Inc totalling $223,285 with no fixed repayment date (2010: $109,820).

A cumulative impairment of these loans amounting to $4,545,135 was recorded up to balance date (2010: $4,401,373).

During the year expenses were paid by Resonance Health Analysis Services Pty Ltd totalling $125,746 (2010: $140,800) on behalf of the company. During the year expenses were paid by ResonanceUSA Inc totalling $214,762 (2010: $111,846) on behalf of the company. During the year expenses were paid by the company on behalf of Resonance Health Analysis Services Pty Ltd totalling $13,020 (2010: $41,930).

Note 19: Parent entity disclosures

	2011 $	2010 $
Financial Position		
Assets		
Current assets	1,051,277	1,741,324
Non-current assets	856,682	856,682
Total assets	1,907,959	2,598,006
Liabilities		
Current liabilities	67,021	70,050
Total liabilities	67,021	70,050
Equity		
Issued capital	67,534,039	67,524,039
Option reserve	66,284	66,284
Accumulated losses	(65,296,505)	(65,062,367)
Total equity	2,303,819	2,527,956

Financial Performance	Year ended 30 June 2011 $	Year ended 30 June 2010 $
Profit / (loss) for the year	(234,138)	(735,186)
Total comprehensive income / (loss)	(234,138)	(735,186)

Note 20: 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.

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 21: Auditors' remuneration

	Consolidated 2011 $	Consolidated 2010 $
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	38,450	37,450
- taxation compliance services	47,113	28,698
	85,563	66,148

Note 23: Directors and executive disclosures

(a) Details of key management personnel

(i) Directors

Dr Stewart Washer	Chairman (non-executive)	Resigned 16 December 2010
Ms Liza Dunne	Managing Director (executive)	
Dr Martin Blake	Chairman (non-executive)	
Mr Simon Panton	Director (non-executive)	
Dr Tim St Pierre	Director (executive)	

(ii) Executives

Mr Colin McDonald	Chief Financial Officer and Company Secretary	Appointed 16 December 2010
Ms Eva O'Malley	Chief Financial Officer and Company Secretary	Resigned 16 December 2010

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(c) Shareholdings of key management personnel

The numbers of ordinary shares in the company held during the financial year by key management personnel of the consolidated Group including their personally related entities are set out below.

Directors	Balance 1.7.10	Received as Remuneration	Net Change Other*	Received during the year on exercise of options	Balance 30.6.11
Dr S Washer	451,422	-	(451,422)	-	-
Dr M Blake	6,224,677	-	-	-	6,224,677
Ms L Dunne	2,593,795	559,590	-		3,153,385
Dr T St Pierre	9,078,750	-	-	-	9,078,750
Mr S Panton	65,960,972	-	-	-	65,960,972
Total	84,309,616	559,590	(451,422)	-	84,417,784
Executives					
Mr C McDonald	-	-	-	-	-
Ms E O'Malley	-	-	-	-	-
Total	-	-	-	-	-

* Excludes shares held as disclosed in the final directors interest notice on Dr Washer resigning as director on 16 December 2010.

Note 23: Directors and executive disclosures (cont.)

(d) Transactions and balances with directors and other key management personnel

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 under the agreement with the University of Western Australia during the financial year totalled $14,945 (2010: $39,859). The amount payable at 30 June 2011 totalled $86,293 (2010: $71,348).

During the year the Group provided FerriScan services totalling $3,575 (2010: $10,311) to the University of Western Australia. Amounts receivable at 30 June 2011 totalled $Nil (2010: $1,817).

Directors' declaration

1. In the opinion of the directors:
   a. the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of it's performance for the year then ended; and
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the 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; and
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
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 2011.

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

M. P. Blake

Dr Martin Blake

Chairman

Place: Perth, Western Australia

Dated: 27 September 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of

RESONANCE HEALTH LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Resonance Health Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report 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. Those 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 control relevant to the company'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 company's internal control. 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 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au Website: http://www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Resonance Health Limited for the financial year ended 30 June 2011 included on Resonance Health Limited's website. The company's directors are responsible for the integrity of the Resonance Health Limited website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified in this report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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 2011 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD

Chartered Accountants

Norman Glover

N G NEILL

Partner

Perth, Western Australia

27 September 2011

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

The following information is supplied as at 23 September 2011.

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	535	120,715
1,001 – 5,000	187	587,947
5,001 – 10,000	235	1,744,174
10,001 – 100,000	743	29,194,879
100,001 – and over	342	329,343,650
	2,042	360,991,365

The number of shareholdings holding less than a marketable parcel of shares are 1,372.

2. Voting Rights

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.

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	18.12
2.	The University Of Western Australia	9,078,750	2.52
3.	Timothy Guy St Pierre <The St Pierre A/C>	9,078,750	2.52
4.	Wanida Chau-Anusorn <The Medta A/C>	8,070,000	2.24
5.	Mr Robert Francis Panton	7,840,824	2.17
6.	BNM Holdings Pty Ltd <BJD Beresford Family A/C>	6,487,278	1.80
7.	Dr Franklyn Jay Ives	6,272,934	1.74
8.	Sean Watkins-Saxon <Saxon Family Superfund A/C>	6,250,000	1.73
9.	Mr Helmut Rocker	6,000,000	1.66
10.	Dr Simon Bell	5,087,483	1.39
11.	Mr William Grove	4,838,401	1.34
12.	Five Tigers Investment Corporation Ltd	4,494,844	1.25
13.	Mr Paul Clark	4,102,388	1.14
14.	Mr Kevin Edward Deeves & Mrs Pauline Mary Deeves <Deeves Family Super Fund A/C>	4,000,000	1.11
15.	Dr Martin Peter Blake	3,798,590	1.05
16.	Mr Harry Basle	3,671,359	1.02
17.	Mr Bruce Alan Stevenson	2,932,755	0.81
18.	Mr Jeremy Hussein Rishani	2,638,699	0.73
19.	Blake Nominees Pty Ltd <M & T Super Fund A/C>	2,426,087	0.67
20.	Anahein Pty Ltd	2,408,478	0.67
		164,892,242	45.68

4. 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

This page has been left bank intentionally

ResonanceHealth

Registered office and Principal place of business
Ground Floor
278 Stirling Highway
Claremont WA 6010
Telephone: +61 8 9286 5300
Facsimile: +61 8 9286 1179

Postal address
PO Box 1135
Nedlands WA 6909

Website and e-mail address
www.resonancehealth.com
Email: info@ferriscan.com