SUPPLEMENTARY PROSPECTUS for

NANOSONICS LIMITED (ABN 11 095 076 896) ("Company")

This document is a Supplementary Prospectus to the Company's Prospectus dated 2 April 2007 (the "**Original Prospectus**") and is dated, and lodged with ASIC on, 27 April 2007.

This Supplementary Prospectus forms part of the Original Prospectus and is to be read together with the Original Prospectus but subject to each of the amendments and comments set out below. To the extent of any inconsistency between this document and the Original Prospectus, this document prevails.

It is important that you carefully read this document and the Original Prospectus in their entirety before deciding to invest in the Company. If necessary, you should seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company or how to respond to this document or the Original Prospectus.

Neither ASIC nor ASX takes any responsibility for the contents of this document or the Original Prospectus or the merits of the investment to which this document and the Original Prospectus relate.

Replacement of sale of 10,000,000 Vendor Shares with increase in Company's offer of New Shares

The Directors have decided that the Offer will now comprise 54,000,000 New Shares to be issued by the Company. No Vendor Shares will be sold by the Vendor Shareholders to successful Applicants. The Offer Price for all New Shares will remain unchanged.

Accordingly, the Company is now intending to raise $27,000,000 as opposed to $22,000,000 which was intended to be raised by the Company under the Offer contained in the Original Prospectus.

In order to effect the Directors' decision to amend the Offer in the manner referred to above, the Original Prospectus must be read with each of the amendments set out below. In all other respects, the Offer remains as set out in the Original Prospectus.

All references to a page, section, paragraph or clause number, and each defined term, is intended to be a reference to, or defined term from, the Original Prospectus.

The Original Prospectus is amended as follows:

1. Page 1, Chairman's letter, fifth paragraph, line one – replace "and the Vendor Shareholders are" with "is";
2. Page 1, Chairman's letter, fifth paragraph, line four – replace "29.3%" with "27.8%";
3. Page 1, Chairman's letter, fifth paragraph, line seven – replace "$92 million" with "$97 million";

4. Page 2, key Offer statistics – "New Shares" - replace "44,000,000" with "54,000,000";

5. Page 2, key Offer statistics – delete "Vendor Shares – 10,000,000";

6. Page 2, key Offer statistics – "Amount to be raised by the Company" – replace "$22,000,000" with "$27,000,000";

7. Page 2, key Offer statistics – delete "Amount to be raised by the Vendor Shareholders - $5,000,000";

8. Page 2, key Offer statistics – "Number of Shares on issue following the Offer" – replace "184,319,243" with "194,319,243".

9. Page 2, key Offer statistics – "Market capitalisation at Offer Price (excluding the impact of Options)" – replace "$92,159,622" with "$97,159,622";

10. Page 2, key Offer statistics – "Pro forma net debt/(cash) (1)" – replace "$(27,426,000)" with "$(32,426,000)";

11. Page 13, section 3.1, the Offer, first paragraph – delete "and the Vendor Shareholders";

12. Page 13, section 3.1, the Offer, first paragraph – replace "invite" with "invites";

13. Page 13, section 3.1, the Offer, second paragraph – replace "44,000,000" with "54,000,000";

14. Page 13, section 3.1, the Offer, second paragraph – delete:

    - "and 10,000,000 Vendor Shares to be sold by the Vendor Shareholders"; and
    - "and the Vendor Shareholders in proportion to the number of Shares that each party is offering under this Prospectus";

15. Page 13, section 3.1, the Offer, fourth paragraph – replace "29.3%" with "27.8%";

16. Page 13, section 3.1, the Offer, table – delete:

    - "Proceeds from the sale of Vendor Shares - $5 million"; and
    - "Proceeds from the issue of New Shares - $22 million";

17. Page 13, section 3.1, the Offer, table – replace "Indicative market capitalisation on quotation - $92.2 million" with "Indicative market capitalisation on Official Quotation - $97.2 million";

18. Page 14, section 3.3, capital structure, table – in the line commencing "Existing Shares" replace "69.8" with "66.5";

19. Page 14, section 3.3, capital structure, table – in the line commencing "Existing Options[1]" replace "8.3" with "7.9";

20. Page 14, section 3.3, capital structure, table – in the line commencing "New Shares" replace "44,000,000" with "54,000,000" and also replace "21.9" with "25.6";

21. Page 14, section 3.3, capital structure, table – in the line commencing "**Total number of issued Securities**" replace "**201,005,183**" with "**211,005,183**";

22. Page 14, section 3.4, use of funds – in the first paragraph, replace "$22,000,000" with "$27,000,000";

23. Page 14, section 3.4, use of funds – in the line describing "Working Capital" replace "6,126" with "11,126";

24. Page 14, section 3.4, use of funds – in the line describing "**Sub Total**" replace "**27,426**" with "**32,426**";

25. Page 14, section 3.4, use of funds – in the line describing "**Total**" replace "**29,200**" with "**34,200**";

26. Page 15, section 3.4, use of funds – in the last paragraph, delete the words "and the dispersal of the Offer proceeds to the Vendor Shareholders";

27. Page 15, section 3.6, how to apply for Offer Shares, second paragraph, penultimate and last lines – delete "or transfer";

28. Page 15, section 3.7, acceptance of Applications and allocation of Offer Shares, first dot point, second line – delete "or transfer";

29. Page 16, section 3.7, acceptance of Applications and allocation of Offer Shares, third dot point, first line – delete "or procure the transfer";

30. Page 16, section 3.7, acceptance of Applications and allocation of Offer Shares, fifth paragraph, lines two and three – delete "or transferred, as the case may be,";

31. Page 16, section 3.7, acceptance of Applications and allocation of Offer Shares, seventh paragraph, line three – delete "or transferred, as the case may be,";

32. Page 16, section 3.8, application for admission to asx and official quotation of Shares, first paragraph, lines nine and ten – delete "or transferred";

33. Page 17, section 3.10, restricted securities – in the line describing "Interests associated with Maurie Stang" replace "25,127,000" with "28,377,000";

34. Page 17, section 3.10, restricted securities – in the line describing "Interests associated with Bernard Stang" replace "25,302,000" with "28,552,000";

35. Page 17, section 3.10, restricted securities – in the line describing "Interests associated with Steve Kritzler" replace "24,376,000" with "27,626,000";

36. Page 17, section 3.10, restricted securities – in the line describing "Interests associated with Brandon Capital Management Pty Limited" replace "58,690" with "308,690";

37. Page 17, section 3.10, restricted securities – in the line describing "**TOTALS**" replace "84,133,258" with "94,133,258";

38. Page 18, section 3.11, CHESS, second paragraph, line two – delete "or transferred";

39. Pages 46 to 59 (inclusive), section 7, financial information – these pages are replaced in their entirety by the financial information annexed to and forming part of this Supplementary Prospectus, and which is marked as Annexure "A";

40. Page 89, section 10, investigating accountant's report, paragraph 1.1 of the letter dated 30 March 2007 from RSM Bird Cameron Corporate Pty Limited, line three – replace "44,000,000" with "54,000,000";

41. Page 89, section 10, investigating accountant's report, paragraph 1.1 of the letter dated 30 March 2007 from RSM Bird Cameron Corporate Pty Limited, lines four and five – delete "and 10,000,000 Vendor Shares to be sold by the Vendor Shareholders";

42. Page 94, section 11.1, risk factors, existence of significant Shareholders, first paragraph, line three – replace "27.4%" with "29.3%";

43. Page 94, section 11.1, risk factors, existence of significant Shareholders, first paragraph, line seven – replace "13.2%" with "14.2%";

44. Page 94, section 11.1, risk factors, existence of significant Shareholders, first paragraph, line ten – replace "40.6%" with "43.5%";

45. Page 94, section 11.1, risk factors, restricted securities and options, line one – replace "76.7" with "86.9";

46. Page 94, section 11.1, risk factors, restricted securities and options, line two – replace "39%" with "42.3%";

47. Page 94, section 11.1, risk factors, restricted securities and options, line five – replace "3.6%" with "3.4%";

48. Page 100, section 12.5, material contracts, first paragraph, lines one and two – replace "Nanosonics, the Underwriter and the Vendor Shareholders" with "Nanosonics and the Underwriter";

49. Page 100, section 12.5, material contracts, second paragraph, lines one and two – replace "Further, each of the Company and the Vendor Shareholders agree" with "Further, the Company has agreed";

50. Page 101, section 12.5, material contracts, third paragraph, lines two and three – replace "each of Nanosonics and the Vendor Shareholders" with "Nanosonics";

51. Page 101, section 12.5, material contracts, third paragraph, lines four and five – delete "and the Vendor Shareholders";

52. Page 101, section 12.5, material contracts, fourth paragraph, line five – delete "or transfer";

53. Page 107, section 13.8, footnote 1 to the table – delete the contents of the first dot point in its entirety;

54. Page 107, section 13.8, footnote 3 to the table – delete the last sentence which reads "However, Brandon is a Vendor Shareholder of up to a maximum of 250,000 Vendor Shares, as part of the Offer Shares";

55. Page 112, section 14, glossary – in the definition of "Issue Date", delete the words "or transferred";

56. Page 112, section 14, glossary – in the definition of "New Shares", replace "44,000,000" with "54,000,000";

57. Page 112, section 14, glossary – in the definition of "Offer", replace "44,000,000" with "54,000,000" and delete "and 10,000,000 Vendor Shares";

58. Page 112, section 14, glossary – in the definition of "Offer Shares", delete "or transferred";

59. Page 113, section 14, glossary – delete the defined term "Vendor Shareholder"; and

60. Page 113, section 14, glossary – delete the defined term "Vendor Shares".

This Supplementary Prospectus is dated, and was lodged with Australian Securities and Investments Commission ("ASIC"), on **27 April 2007.**

This Supplementary Prospectus may be accessed on the Internet at www.nansonics.com.au. Any person accessing the electronic version of this Supplementary Prospectus for the purposes of investing in the Company must only access this Supplementary Prospectus from within Australia. Investors should read this Supplementary Prospectus in its entirety before submitting an Application Form. During the Offer Period, any person may obtain, without charge, a hard copy of this Supplementary Prospectus by contacting the Company (Attention: Mr R Mierzejewski by telephone on (02) 9381 1000 or by email at radekm@regionalhealth.com.au).

Each Director and RSM Bird Cameron Corporate Pty Limited has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn his or its consent.

Annexure "A"

NANOSONICS LIMITED
CONSOLIDATED INCOME STATEMENT
AS AT 31 DECEMBER 2006

	Notes	Consolidated Reviewed 6 Months 31 December 2006	Consolidated Audited 12 months 30 June 2006	Consolidated Audited 12 months 30 June 2005
		$	$	$
Revenue				
Government grants		1,241,271	1,365,853	1,259,814
Finance revenue		152,637	220,312	90,150
Other income		6,843	877,840	62,314
	2	1,400,751	2,464,005	1,412,278
Operating Expenses				
Staffing cost		(1,097,485)	(1,387,176)	(867,545)
R&D and external consultants		(1,586,675)	(1,877,126)	(685,870)
General and administration		(555,868)	(804,061)	(293,663)
Marketing, promotion and travel		(173,792)	(158,488)	(59,313)
Financial		(6,099)	-	-
		(3,419,919	(4,226,851)	(1,906,391)
Operating (loss) before income tax expense	3	(2,019,168)	(1,762,846)	(494,113)
Income tax expense		-	-	(471)
Net (loss) after income tax expense attributable to members of the parent entity		(2,019,168)	(1,762,846)	(494,584)

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

NANOSONICS LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	Consolidated Reviewed 31 December 2006	Pro-forma Adjustments	Consolidated Unaudited Pro-Forma 31 December 2006
		$	$	$
CURRENT ASSETS				
Cash assets	5	9,130,468	25,430,791	34,561,259
Receivables	6	77,466	-	77,466
Other	7	162,498	-	162,498
TOTAL CURRENT ASSETS		9,370,432	25,430,791	34,801,223
NON-CURRENT ASSETS				
Property, plant and equipment	8	473,453	-	473,453
Other non-current assets	9	25,000	-	25,000
TOTAL NON-CURRENT ASSETS		498,453	-	498,453
TOTAL ASSETS		9,868,885	25,430,791	35,299,676
CURRENT LIABILITIES				
Payables	10	648,626	-	648,626
Provisions	11	86,953	-	86,953
TOTAL CURRENT LIABILITIES		735,579	-	735,579
NON-CURRENT LIABILITIES				
Borrowings	12	2,000,000	(2,000,000)	-
TOTAL NON-CURRENT LIABILITIES		2,000,000	(2,000,000)	-
TOTAL LIABILITIES		2,735,579	(2,000,000)	735,579
NET ASSETS		7,133,306	27,430,791	34,564,097
EQUITY				
Contributed equity	13	13,656,589	27,430,791	41,087,380
Accumulated losses		(6,523,283)	-	(6,523,285)
TOTAL EQUITY		7,133,306	22,430,791	34,564,097

The above consolidated reviewed balance sheet and consolidated unaudited pro forma balance sheet should be read in conjunction with the accompanying notes

1. Summary of Significant Accounting Policies

The significant accounting policies that have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law of 2001.

It has been prepared on the basis of historical costs and does not take into account changes in money values or fair values of assets

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

(b) Principles of consolidation

Controlled entities

A controlled entity is any entity controlled by Nanosonics Ltd. Control exists where Nanosonics Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Nanosonics Ltd to achieve the objectives of Nanosonics Ltd. A list of controlled entities is contained in Note 13 to the financial statements.

In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated in full. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(c) Revenue recognition

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

Government grants
Government grants are recognised on a quarterly basis based on the eligible expenses and the relevant forecast information.

Interest revenue
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset

Sale of non-current assets
The gross proceeds of non-current asset sales are recognised as revenue at the date control of the asset passed to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs)

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO in included as a current asset or liability in the statement of financial position.

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

(e) Borrowing costs

Borrowing costs include interest or finance charges in respect of finance leases. Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs. Borrowing costs are expensed as incurred.

(f) Taxation

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumptions that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

The company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 13. The head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions).

(g) Acquisition of assets

All assets acquired, including plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Acquired in-process development is only recognised as a separate asset when future benefits are expected beyond any reasonable doubt to be recoverable.

(h) Research and development

Research and development expenditure is expensed as incurred except to the extent that development expenditure recoverability is assured beyond reasonable doubt, in which case it is capitalised. Deferred development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised once commercial production has commenced.

(i) Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(j) Receivables

The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

(k) Inventories

Inventories and raw materials are carried at the lower of cost and net realisable value. Costs are assigned on first in first out basis.

(l) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(m) Leased assets

Leases under which the consolidated entity assumes substantially all of the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases
Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

Operating leases
Lease payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(n) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have been discounted to their present value.

(o) Revaluation of non-current assets

Classes of non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date.

(p) Depreciation and amortisation

Useful lives
All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, taking into account residual values. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. Depreciation and amortisation are expensed.

The depreciation/amortisation rates or useful lives used for each class of assets are as follows:

	2006	2005
Laboratory Fit-out	16.67%	16.67%
Laboratory Equipment	7.5% - 20%	7.5% - 20%
Office Furniture and Equipment	7.5% - 66.67%	7.5% - 66.67%
Leasehold Improvement	11.25%	11.25%

(q) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(r) Employee benefits

Wages, salaries, annual leave and sick leave
Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date. Employee benefits expected to be settled within one year together have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Superannuation plan
Contributions are made by the economic entity to employee superannuation funds and are charged as expenses as incurred.

(s) Cash

For the purpose of the statements of cash flows, cash includes cash on hand, deposits held at call with banks net of bank overdrafts.

(t) Pro-forma balance sheet

The pro-forma balance sheet for the Company has been included for illustrative purposes only. The pro-forma balance sheet has been prepared by adjusting the Balance Sheet to reflect the financial effect of the following transactions as if they had occurred at 31 December 2006:

i) Issue of 54,000,000 fully paid shares of 50c each pursuant to this Prospectus raising $27,000,000;

ii) Estimated cash costs of $1,773,500 associated with the Prospectus capital raising set off against the share capital raised;

iii) Conversion of a loan of $2,000,000 to 4,000,000 shares at the issue price of $0.50 per share.

iv) Pursuant to the Company's private share placement a further $204,291 (526,441 shares) was received in January 2007.

	Consolidated Reviewed 6 months 31 December 2006 $	Consolidated Audited 12 months 30 June 2006 $	Consolidated Audited 12 months 30 June 2005 $

2. Revenue

Government grant	1,241,271	1,365,853	1,259,814
Finance revenue	152,637	220,312	90,150
Other income	6,843	877,840	62,314
	1,400,751	2,464,005	1,412,278

Government grants for 30 June 2005 includes an amount of $617,064 relating to R & D Tax offsets not received in other years.

Other income for 30 June 2006 includes forgiveness of loan from 3M totalling $800,000.

3. Loss from ordinary activities before income tax expense

The loss from ordinary activities before income tax includes:

Expenses

Depreciation	69,211	98,609	90,423
Research and development costs	1,586,675	1,877,126	685,870
Bank Charges and Interest	2,178	16,263	8,288
Rental expenses relating to operating leases	186,701	109,959	73,827

4. Taxation

Deferred tax assets not taken to account

The potential deferred tax assets in a controlled entity, which is a company, arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

	31 December 2006 $	30 June 2006 $
Tax losses carried forward	6,628,540	4,194,317

The potential future income tax benefit will only be obtained if:

(i) the company and the economic entity derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the company and the economic entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the company and the economic entity in realising the benefit.

	Consolidated Reviewed 31 December 2006 $	Consolidated Unaudited Pro-forma 31 December 2006 $
5. Cash assets		
Cash at bank and on hand	5,082,831	5,082,831
Deposits on call	4,047,637	29,478,428
Balance as per Statement of Cash Flows	9,130,468	34,561,259

Refer Note 14 for Reconciliation of Cash

6. Receivables

Current		
Trade debtors	6,028	6,028
Other debtors	71,438	71,438
	77,466	77,466

7. Other current assets

Other current assets		
Prepayments	15,316	15,316
Accrued income	88,650	88,650
Deposits and bonds	13,941	13,941
Deferred expenditure	44,591	44,591
	162,498	162,498

	Consolidated Reviewed 31 December 2006 $	Consolidated Unaudited Pro-forma 31 December 2006 $
8. Plant and equipment		
Laboratory fit-out		
At cost	325,927	325,927
Accumulated depreciation	(251,648)	(251,648)
	74,279	74,279
Laboratory equipment		
At cost	154,798	154,798
Accumulated depreciation	(81,287)	(81,287)
	73,511	73,511
Office furniture & equipment		
At cost	268,538	268,538
Accumulated depreciation	(103,240)	(103,240)
	165,298	165,298
Leasehold improvements		
At cost	163,861	163,861
Accumulated depreciation	(3,496)	(3,496)
	160,365	160,365
Total plant and equipment net book value	473,453	473,453
9. Other non-current asset		
Related Party Receivable - other	25,000	25,000
10. Payables		
Trade creditors	527,640	527,640
Other creditors	120,986	120,986
	648,626	648,626
11. Provisions		
Current		
Employee benefits	86,953	86,953

	Consolidated Reviewed 31 December 2006 $	Consolidated Unaudited Pro-forma 31 December 2006 $
12. Non-current Liabilities		
Current		
Loans	2,000,000	-

Conversion of $2,000,000 loan to 4 million share capital prior to the company listing on the Australian Stock Exchange. The number of ordinary shares to be issued under the conversion is calculated by dividing the amount of loan outstanding by the issue price of the offer.

13. Contributed Equity		
Share capital		
(a) Ordinary fully paid shares	8,715,157	41,087,380
(b) Other contributed equity*	4,941,432	-
	13,656,589	41,087,380

* Other Contributed Equity represents applications for a total of 13,257,152 ordinary shares which had been received pursuant to the Company's private placement but not allotted. These applications together with applications, received in January 2007, for a further 526,441 ordinary shares ($204,291), totalling 13,783,593 ordinary shares, were allotted and issued in January 2007.

	Ref	31 December 2006 $
14. Reconciliation of Cash		
Cash balance as at 31 December 2006		9,130,468
Additional proceeds from private placement	1t(iv)	204,291
Funds raised pursuant to this prospectus - Minimum Subscription	1t(i)	27,000,000
Capital Raising Costs - Minimum Subscription	1t(ii)	(1,773,500)
Pro forma Cash Position		**34,561,259**

15. Movements in Contributed Equity – Ordinary Shares	**Ref**	**Number of Shares**	**$**
Balance as at 31 December 2006		122,535,650	13,656,589
Ordinary Shares Issued			
Shares allotted under private placement	13	13,783,593	204,291
Shares issued under this Prospectus	1t(i)	54,000,000	27,000,000
Costs of the Capital Raising	1t(ii)	-	(1,773,500)
Conversion of loan funds	1t(iii)	4,000,000	2,000,000
Pro forma balance as at 31 December 2006		**194,319,243**	**41,087,380**

16. Related Party Disclosure

(a) Directors

The directors of the company and their interests in fully paid shares as at the date of this report are:

Director	Ordinary Shares	Pro-Forma Holding	Options
Maurie Stang[1]	56,929,000	56,929,000	-
Bill Widin	1,785,000	1,785,000	278,334
Geoff Marshall	-	-	1,900,002
David Fisher	396,726	396,726	547,700
	59,110,726	59,110,726	2,726,036

[1] *Includes indirect interests in 28,552,000 ordinary shares held by Bernie Stang.*

Full details of the Director's interests in the company are set out in Section 13 of this prospectus.

(b) Directors – Related Parties

Transactions between related parties during the financial period ended on 31 December 2006 were on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Service fees pursuant to a Service Agreement with Medi-Consumables Pty Limited for the provision of IT, accounting, HR and administration, etc. Total fees paid during the 6 month period to 31 December, 2006 were $185,575 (30/6/06; $161,699).

Medi-Consumables is a company controlled by Maurie Stang and Bernie Stang, both of whom are substantial shareholders of Nanosonics.

Consultancy and payroll services were paid to Novapharm Research (Australia) Pty Ltd during the 6 month period to 31 December, 2006 of $34,772 (30/6/06; $129,515). Novapharm Research is a company controlled by Maurie Stang, Bernie Stang and Steve Kritzler all of whom are substantial shareholders in Nanosonics

Lease costs are paid to Ramlist Pty Ltd for the premises at Unit 24, 566 Gardeners Road, Alexandria. During the 6 month period to 31 December, 2006 the rent paid was $46,693 (30/6/06; $76,654) With effect from April 2007, a new lease is being negotiated. Ramlist is a company controlled by Maurie Stang and Bernie Stang both of whom are substantial shareholders of Nanosonics.

Further details of Directors remuneration and transactions with the Directors and their related entities are set out in the following sections of this Prospectus:

- Section 12.2: Employee Share Option Scheme
- Section 12.6: Executive Director Agreement
- Section 12.12: Non Executive Director Terms of Appointment

17. Capital Commitments

Under the terms of the Federal Government R&D Start grant ($1.88m) and the Commercial Ready grant ($2.4m), the Company has an obligation to expend $4.28m in approved eligible R&D expenditure by 30 September 2007. As at 31 December, 2006 the Company had expended a total of $3,067,690 under these grants.

Capital Expenditure Commitments	**$**
Future operating lease commitments not provided for in the financial statements and payable	
Within one year	87,143
One year or longer but no later than five years	45,444
More than five years	-
	132,587