

Dia-B Tech Limited

ABN: 49 102 456 048

Appendix 4E Preliminary Financial Report



for the year ended
30 June 2007

(and previous corresponding period: year ended 30 June 2006)

In compliance with Listing Rule 4.3A

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DIRECTORS' REPORT

Your Directors submit the preliminary final report of the Company for the year ended 30 June 2007.

Directors

The following persons were directors of Dia-B Tech Limited during the whole of the financial year and up to the date of this report unless stated otherwise:

Hon. Dr. Michael RL Wooldridge	Non-Executive Chairman
Sir K George MM Alberti	Non-Executive Director
Mr H Neil Hewitt	Non-Executive Director
Mr Patrick J Volpe	Non-Executive Director (Resigned 27 March 2007)

Principal Activities

Dia-B's underlying strategy and objective is the discovery and development of pharmaceuticals, diagnostics and treatments for diabetes and diabetes-related diseases.

Current Projects

- * ISF 402 Type 2 Diabetes
- * CDA1 Diabetes Complications
- * IM014 Traditional Remedy for Type 2 Diabetes

ISF 402

The Company's primary focus, and most advanced project, since listing on the ASX in 2005 has been ISF402, and remains so as the project moves through Phase 1 human clinical testing.

The peptide focuses on the treatment of type 2 diabetes, and is based on a naturally occurring oral insulin-potentiating agent. Phase 1 testing went through the regulatory approval process in late 2006, and the Phase 1a human trial of healthy patients commenced in December 2006. It is still continuing through the Phase 1b stage of the trial with dosing expected to conclude in the first two weeks of October 2007.

CDA1

This project, in conjunction with the Baker Medical Research Institute, focuses on diabetes complications. The CDA1 protein has been identified as likely to cause and thereby promote kidney and vascular complications in people suffering from diabetes. Dia-B is attempting to develop a drug to prevent the complications caused by CDA1.

Work on this project continues to meet milestones, and evaluation of the likely impact of a recently discovered protein that interacts with CDA1 is progressing very well.

IM014

This project, in conjunction with Fusion Biosciences Pty Ltd, continues to make significant progress. IM014 focuses on the anti-diabetic properties of a compound found throughout the world in many medicinal plants.

A specific alkaloid has been identified that has similar effects as the anti-diabetes drug insulin. Synthetic insulin has debilitating effects on a number of human organs when used over a long time.

Review of Operations

ISF 402

ISF402 has moved well into the Phase 1 human clinical trial phase, with the Phase 1a part of the trial on healthy patients concluded in April 2007.

Phase 1 human trials are conducted to ensure the safety and lack of toxic side-effects on humans. ISF402 was found to have no safety issues in healthy patients.

Work continues on completing the Phase 1b part of the trial, involving further safety testing on patients with type 2 diabetes. Dosing for this part of the trial is expected to be completed in the first two weeks of October 2007.

Further, there has been significant work conducted on the pharmacokinetics of ISF402 during the period under review. Pharmacokinetics is the study of pharmacological substances in the body, as to their absorption, distribution, metabolism, duration of effect, and elimination.

Review of Operations Continued

Dia-B has just announced the achievement of a major clinical milestone in the ISF402 drug development by confirming the detection of ISF402 in the bloodstream of human patients involved in the Phase 1a trial. Throughout the reporting period of 2006, work has been conducted on developing a robust procedure (or assay) for measuring ISF402 in plasma.

Development of the assay has advanced the clinical development of ISF402 by identifying a major clinically active metabolite. In animal studies, the assay has determined the circulating concentrations of the metabolite which improves insulin action. The assay can measure ISF402, and the metabolite, in plasma from humans and animals dosed orally with ISF402. The results confirm that ISF402 enters the circulation after oral dosing.

An independent pharmacological assessment of interim data from the Phase 1a trial has shown pharmacologically relevant amounts of the metabolite in plasma from trial subjects dosed orally with ISF402.

The Company has lodged an international provisional patent application to strengthen Dia-B's intellectual portfolio position, which reflects the recently acquired knowledge on the mode of action of ISF402.

Planning is underway for Phase 2 of human clinical trials, and this will firm up once full results from the Phase 1 a&b trials are available late in 2007.

CDA1

CDA1's progress has been very successful. The original work done in normal cell lines has now progressed to experiments in kidney cells and cells from blood vessels. This latest work has confirmed that the target (CDA1) is still the main target of the research. Furthermore, the Baker researchers have identified a potential receptor for CDA1, which appears to mediate the actions of CDA.

IM014

IM014 continues to meet milestones and was the subject of a provisional patent application being lodged in the USA in late 2006 to protect the Company's position in the use of a specific alkaloid in the treatment of diabetes.

Dia-B is confident that the alkaloid causing the insulin-like effect has been fully identified. A large part of the work through the period has been focused on identifying a synthetic, rather than extractive source for the alkaloid. This will allow access to sufficient quantity of compound to progress into in vivo efficacy and pharmacology studies in the third quarter of 2007.

Strategic Overview & Likely Developments

Dia-B over the next two years expects to:

- Complete Phase 1 human clinical trials of ISF402
- Plan for Phase 2 human clinical trials of ISF402 to commence in the second half of 2008
- Complete further trials in a non-rodent animal, as a precursor to seeking FDA approval for the Phase 2 human trials
- Look to partner the ISF402 project with global pharmaceutical companies, many of which have expressed interest in opening negotiations when the results of Phase 1 are to hand and when the proof of concept has been established
- Critically evaluate and progress the two other existing projects
- Raise sufficient funds to get ISF402 to a state of preparedness for the Phase 2 human trials, and to continue normal operations and research projects
- Apply for grant assistance for the Phase 2 human trials
- Look for opportunities to build a larger mass of projects to minimize risk.

In the opinion of the Directors, disclosure of additional information regarding developments in the operations of the Company 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 included in this report.

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

Hon. Dr. Michael RL Wooldridge
Non-Executive Chairman
Dia-B Tech Limited
Melbourne
Dated 31 August 2007

Appendix 4E for the Year Ended 30 June 2007

Results for announcement to the market

Current Reporting Period - Year Ended 30 June 2007
 Previous Reporting Period - Year Ended 30 June 2006

Revenues	down	30.56%	to	\$119,833
Loss after tax attributable to members	up	23.80%	to	(\$2,846,609)
Net loss for the period attributable to members	up	23.80%	to	(\$2,846,609)

Dividends (distribution)	Amount per Security	Franked Amount per Security
Final dividend	n/a	n/a
Previous corresponding period	n/a	n/a

Net Tangible Asset per Security (cents per security)

As at 30 June 2007 1.19
 As at 30 June 2006 2.36

Record date for determining entitlements to the dividend,
 (in the case of a trust, distribution)

n/a

Explanation of the above information:
 Refer to the directors' Report - Review of Operations.

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007 \$	30 June 2006 \$
Revenue	119,833	172,582
Administration Expenses	(322,668)	(192,923)
Employee & Consulting Expenses	(585,771)	(475,569)
Research & Development Expenses	(1,977,035)	(1,759,412)
Patent Costs	(80,968)	(44,008)
LOSS BEFORE INCOME TAX	(2,846,609)	(2,299,330)
INCOME TAX EXPENSE	-	-
(LOSS) FOR THE PERIOD	(2,846,609)	(2,299,330)
	Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company, from overall operations		
Basic loss per share	(2.73)	(2.40)
Diluted loss per share	(2.73)	(2.40)

The accompanying notes form part of these financial statements.

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BALANCE SHEET AS AT 30 JUNE 2007

	Note	30 June 2007 \$	30 June 2006 \$
CURRENT ASSETS			
Cash and cash equivalents	9	1,834,660	2,818,961
Trade and other receivables		43,306	42,891
Other		3,281	29,158
TOTAL CURRENT ASSETS		1,881,247	2,891,010
NON-CURRENT ASSETS			
Plant and equipment		3,468	3,610
TOTAL NON-CURRENT ASSETS		3,468	3,610
TOTAL ASSETS		1,884,715	2,894,620
CURRENT LIABILITIES			
Trade and other payables		169,277	632,905
Provisions		12,835	-
TOTAL CURRENT LIABILITIES		182,112	632,905
TOTAL LIABILITIES		182,112	632,905
NET ASSETS		1,702,603	2,261,715
EQUITY			
Issued Capital		9,162,752	6,875,255
Accumulated Losses		(7,460,149)	(4,613,540)
TOTAL EQUITY		1,702,603	2,261,715

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 30 June 2005	6,875,242	(2,314,210)	4,561,032
Options exercised net of costs	13	-	13
Net (Loss) for the period	-	(2,299,330)	(2,299,330)
Balance at 30 June 2006	6,875,255	(4,613,540)	2,261,715
Shares issued net of costs	2,272,497	-	2,272,497
Options issued	15,000	-	15,000
Net (Loss) for the period	-	(2,846,609)	(2,846,609)
Balance at 30 June 2007	9,162,752	(7,460,149)	1,702,603

The accompanying notes form part of these financial statements.

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007 \$	30 June 2006 \$
CASH FLOWS RELATED TO OPERATING ACTIVITIES		
Payments to suppliers and employees	(3,348,071)	(1,959,280)
Interest received	119,833	172,582
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(3,228,238)	(1,786,698)
CASH FLOWS RELATED TO INVESTING ACTIVITIES		
Payment for purchases of plant and equipment	(2,090)	(395)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,090)	(395)
CASH FLOWS RELATED TO FINANCING ACTIVITIES		
Proceeds from issues of securities	2,369,295	13
Capital raising costs	(123,268)	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	2,246,027	13
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(984,301)	(1,787,080)
Cash and cash equivalents at the beginning of the year	2,818,961	4,062,927
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,834,660	2,275,847

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

Note 1. Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensure that the financial statements and notes of the company comply with International Financial Reporting Standards ("IFRS").

The accounting policies adopted are consistent with those of the previous financial year.

Note 2. Dividends

The Company resolved not to declare any dividends in the period ended 30 June 2007.

Note 3. Segment Information

Primary Reporting Format - Business Segments

ISF402
CDA 1
IM 014
Bafilomycin

30 June 2007 Project	ISF402 \$	Bafilomycin \$	CDA 1 \$	IM 014 \$	Total
Revenue	-	-	-	-	-
External sales	-	-	-	-	-
Intersegment sales (i)	-	-	-	-	-
Unallocated revenue	-	-	-	-	119,833
Total segment revenue/income	-	-	-	-	119,833
Segment Result	(1,408,841)	-	(247,361)	(320,833)	(1,977,035)
Unallocated Revenue	-	-	-	-	119,833
Unallocated Expenses	-	-	-	-	(989,407)
Income Tax Expense	-	-	-	-	-
Net Loss	(1,408,841)	-	(247,361)	(320,833)	(2,846,609)
Segment Assets	-	-	-	-	-
Unallocated Assets	-	-	-	-	1,884,715
Total Assets	-	-	-	-	1,884,715
Segment Liabilities	-	-	-	-	-
Unallocated Liabilities	-	-	-	-	182,112
Total Liabilities	-	-	-	-	182,112

30 June 2006 Project	ISF402 \$	Bafilomycin \$	CDA 1 \$	IM 014 \$	Total
Revenue	-	-	-	-	-
External sales	-	-	-	-	-
Intersegment sales (i)	-	-	-	-	-
Unallocated revenue	-	-	-	-	172,582
Total segment revenue/income	-	-	-	-	172,582
Segment Result	(1,179,567)	(88,246)	(216,599)	(275,000)	(1,759,412)
Unallocated Revenue	-	-	-	-	172,582
Unallocated Expenses	-	-	-	-	(712,500)
Income Tax Expense	-	-	-	-	-
Net Loss	(1,179,567)	(88,246)	(216,599)	(275,000)	(2,299,330)
Segment Assets	-	-	-	-	-
Unallocated Assets	-	-	-	-	2,894,620
Total Assets	-	-	-	-	2,894,620
Segment Liabilities	-	-	-	-	-
Unallocated Liabilities	-	-	-	-	632,905
Total Liabilities	-	-	-	-	632,905

Note 4. Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 5. Issued Capital

	30 June 2007		30 June 2006	
	No.	\$	No.	\$
<u>Issued and Paid Up Capital</u>				
Fully Paid Ordinary Shares	143,670,019	9,147,752	95,905,976	6,875,255
Options over Fully Paid Ordinary Shares	87,881,699	15,000	72,995,799	-
Total Issued Capital	231,551,718	9,162,752	168,901,775	6,875,255

During the half year ended 30 June 2007, the following movements in equity occurred:

Shares

- 14,385,900 Ordinary Shares issued to sophisticated investors to raise working capital to fund Phase 1 Human Clinical
- 22,572,825 Ordinary Shares issued to subscribers of the Share Purchase Plan (SPP)
- 10,427,175 Ordinary Shares issued to excluded offeres as subscribers to the SPP shortfall
- 378,143 Ordinary Shares issued in lieu of consulting services rendered

Options

- 14,385,900 DIAO Options issued to sophisticated investors who participated in capital raising as per resolution 3 approved by shareholders at the 2006 Annual General Meeting of the Company.
- 250,000 Unlisted Options issued to a consultant in lieu of consulting services rendered
- 250,000 Unlisted Options issued to a consultant in lieu of consulting services rendered

Note 7. Loss per Share

	30 June 2007	30 June 2006
Basic loss per share (cents)	(2.73)	(2.40)
Diluted loss per share (cents)	(2.73)	(2.40)
	\$	\$
a) Net Loss used in the calculation of basic and diluted loss per share	(2,846,609)	(2,299,330)
	No.	No.
b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	104,285,519	95,905,919

Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. Where dilutive, potential ordinary shares are included in the calculation of diluted loss per share. All the options on issue do not have the effect to dilute the loss per share. Therefore they have been excluded from the calculation of diluted loss per share.

Note 8. Net Tangible Assets

		<u>30 June 2007</u>	<u>30 June 2006</u>
Net Tangible Assets	\$	1,702,603	2,261,715
Shares	No.	143,670,019	95,905,976
Net Tangible Assets (cents)		1.19	2.36

Note 9. Cash Flow Reconciliation

		<u>30 June 2007</u>	<u>30 June 2006</u>
(a) Reconciliation of Cash Flow from Operating Activities with Net Loss after Income Tax		(2,846,609)	(2,299,330)
Add back depreciation expense		2,231	2,260
Add back equity issued for nil consideration		41,470	-
Add back Provisions		12,835	-
(Increases)/Decreases in Accounts Receivable		(415)	534,259
(Increases)/Decreases in Other Current Assets		25,877	(25,719)
Increases/(Decreases) in Accounts Payable		(463,627)	544,946
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(3,228,238)	(1,243,584)

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:		\$1,834,660	\$2,818,961
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Note 10. Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, which significantly affected or may significantly affect the operations of the company, the result of those operations or the state of affairs of the company in subsequent financial years.

Note 11. Going Concern

This Appendix 4E has been prepared on a going concern basis. As is common with biotechnology companies:

- the company's operations are subject to considerable risk due primarily to the nature of research, development and commercialisation to be undertaken; and
- the going concern basis assumes that the existing cash reserves and future capital raisings will be sufficient to enable the company to successfully execute its existing and future plans

The financials statements take no account of the consequences, if any, of the effects of unsuccessful product development or commercialisation nor of the inability of the company to obtain adequate funding. The ability of the company to realise the carrying value of the intangible asset is subject to the successful operation of the company's existing and future plans.

Note 12. Audit

These accounts are currently in the process of being audited. An Annual Report containing the audit report shall be provided in due course.