

Dia-B Tech Limited

ABN: 49 102 456 048

Appendix 4E Preliminary Financial Report



for the year ended
30 June 2008

(and previous corresponding period: year ended 30 June 2007)

In compliance with Listing Rule 4.3A

DIRECTORS' REPORT

Your Directors submit the preliminary final report of Dia B Tech Limited (the Company) for the year ended 30 June 2008.

Directors

The following persons were Directors of the Company during the whole of the financial year.

Hon. Dr. Michael RL Wooldridge	Non-Executive Chairman
Sir K George MM Alberti	Non-Executive Director
Mr H Neil Hewitt	Non-Executive Director

Review of Operations

Principal Activities

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

ISF 402

Much of the focus since the completion of the successful Phase 1 human trial in late 2007 has been on developing a successful manufacturing protocol using solution phase and recrystallisation purification suitable for commercial scale manufacturing of ISF402. This has been achieved in conjunction with the Swiss company, Genzyme Pharmaceuticals. This protocol significantly reduces the costs associated with manufacturing ISF402, a critical element in securing a commercially viable insulin sensitizer for the daily treatment of diabetes.

Genzyme is now contracted to manufacture ISF402 using the cGMP compliant process. The material will allow Dia-B to complete the preclinical work required for opening an Investigational New Drug (IND) with the US FDA, and for Phase 1c/11a trials. This is a key milestone in the commercialisation of ISF402. Developing a cost effective, scalable GMP protocol for the manufacturing of drug candidates is often an overlooked component of commercial drug development. This result favourably positions the Company for achieving its goal of continuing product development with a clear eye on international registration. Genzyme has an excellent track record in GMP manufacture of drug candidates for use in FDA approved clinical trials.

In conjunction with US-based consultants, a robust development plan for Phase 11 human trials has been prepared, both for submission to the US FDA, and for discussions with interested partners. Key diabetes opinion leaders are being sought to assist Dia-B in presenting our credentials to the US FDA. A key for the Company is to achieve proof of concept for ISF402, which has so far proved safe and non-toxic in humans, and has a compelling data set indicating the compound will be active in humans.

The Directors recognise that local market conditions are difficult. As such, the focus over the last few months has been exposing the scientific data supporting ISF402 to a key range of possible overseas partners to further the development of this exciting project.

CDA1

This project is in conjunction with the recently amalgated Baker Medical Research Institute and the International Diabetes Institute, now known as the Baker IDI Heart & Diabetes Institute.

We have made some pleasing and substantial progress in 2008. Our current milestones have been reached in both animals and human kidney cell lines, and results to date confirm the likely efficacy of targeting CDA1 in reducing kidney fibrosis.

A key focus of attention is the development of a lead molecule to antagonise CDA1's activity, and a short peptide compound has been made which has been shown to be able to block direct binding between CDA1 and another identified protein *in vitro*.

This is an exciting result, possibly indicating a CDA1 antagonist may have generated. The immediate work now focuses on synthesizing the peptide for testing in live human kidney cells and in animal models.

IM014

This traditional medicine project is continuing to examine the anti-diabetic activity of a composite plant mixture used for the treatment of diabetic-like symptoms. Dia-B has established that the extract of the plant mixture comprises several anti-diabetic components. The first component has been isolated and identified.

Whilst extensive biological studies suggest this component has anti-diabetic activity, the drug candidate has proved difficult to manufacture. A program of research is underway to isolate and identify the remaining active constituents of the plant mixture. Dia-B will use an established anti-diabetic biology model to select a clinical candidate which is both potent and simple to manufacture.

Biotechnology Companies - Inherent Risks

Some of the risks inherent in the development of a pharmaceutical product to a marketable stage include the uncertainty of patents protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development or may infringe intellectual property rights of other parties, the obtaining of the necessary drug regulatory authority approvals and difficulties caused by the rapid advancements in technology. Also a particular compound may fail the clinical development process through lack of efficacy or safety. Companies such as Dia-B Tech Limited are dependent on the success of their research projects and on the ability to attract funding to support these activities. Investment in research and development projects cannot be assessed on the same fundamentals as trading and manufacturing enterprises. Thus investment in these areas must be regarded as speculative taking into account these considerations.

This report may contain forward-looking statements regarding the potential of the Company's projects and interests and the development of the Company's projects and interests and the development and therapeutic potential of the Company's research and development projects. Any statement describing a goal, expectation, intention or belief of the Company is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering, developing and commercialising drugs that are safe and effective for use as human therapeutics and the financing of such activities. There is no guarantee that the Company's research and development projects will be successful or receive regulatory approvals or prove to be commercially successful in the future. Actual results of further research could differ from those projected or detailed in this report.

As a result, you are cautioned not to rely on forward-looking statements. Consideration should be given to these and other risks concerning the Company's research and development program referred to in this report for the year ended 30 June 2008.

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



Hon. Dr. Michael RL Wooldridge

Dia-B Tech Limited
Melbourne
Dated 29 August 2008

Appendix 4E for the Year Ended 30 June 2008

Results for announcement to the market

Current Reporting Period - Year Ended 30 June 2008
 Previous Reporting Period - Year Ended 30 June 2007

Revenues	down	19.14%	to	\$96,901
Loss after tax attributable to members	up	8.92%	to	(\$3,100,496)
Net loss for the period attributable to members	up	8.92%	to	(\$3,100,496)

Dividends (distribution)	Amount per Security	Franked Amount per Security
Final dividend	NIL	NIL
Previous corresponding period	NIL	NIL

Net Tangible Asset per Security (cents per security)

As at 30 June 2008	(0.84)
As at 30 June 2007	1.19

Record date for determining entitlements to the dividend, (in the case of a trust, distribution)		n/a
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Explanation of the above information:
 Refer to the Directors' Report - Review of Operations.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	30 June 2008 \$	30 June 2007 \$
Revenue	96,901	119,833
Administration expenses	(357,157)	(322,668)
Employee & consulting expenses	(616,664)	(585,771)
Research & development expenses	(1,725,532)	(1,977,035)
Patent costs	(103,863)	(80,968)
Finance & borrowing costs	(394,181)	-
LOSS BEFORE INCOME TAX	(3,100,496)	(2,846,609)
INCOME TAX EXPENSE	-	-
LOSS FOR THE YEAR	(3,100,496)	(2,846,609)
	Cents	Cents

Loss per share attributable to the ordinary equity holders of the Company

	Note			
Basic loss per share	6	(2.15)		(2.73)
Diluted loss per share	6	(2.15)		(2.73)

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2008

	Note	30 June 2008 \$	30 June 2007 \$
CURRENT ASSETS			
Cash and cash equivalents		926,474	1,834,660
Trade and other receivables		36,259	43,306
Other		9,092	3,281
TOTAL CURRENT ASSETS		971,825	1,881,247
NON-CURRENT ASSETS			
Plant and equipment		1,564	3,468
TOTAL NON-CURRENT ASSETS		1,564	3,468
TOTAL ASSETS		973,389	1,884,715
CURRENT LIABILITIES			
Trade and other payables		214,118	169,277
Borrowings		-	-
Provisions		21,507	12,835
TOTAL CURRENT LIABILITIES		235,625	182,112
NON-CURRENT LIABILITIES			
Borrowings		1,975,224	-
Provisions		6,493	-
TOTAL NON-CURRENT LIABILITIES		1,981,717	-
TOTAL LIABILITIES		2,217,342	182,112
NET ASSETS/(NET DEFICIENCY)		(1,243,953)	1,702,603
EQUITY			
Issued capital	5	9,316,692	9,162,752
Accumulated losses		(10,560,645)	(7,460,149)
TOTAL EQUITY/(NET DEFICIENCY)		(1,243,953)	1,702,603

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Issued Capital \$	Accumulated \$	Total \$
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
Shares issued net of costs	101,440	-	101,440
Options exercised net of costs	15,000	-	15,000
Options issued	37,500	-	37,500
Net loss for the period	-	(3,100,496)	(3,100,496)
Balance at 30 June 2008	9,316,692	(10,560,645)	(1,243,953)

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 \$	30 June 2007 \$
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,732,570)	(3,348,071)
Interest received		96,901	119,833
NET CASH FLOWS USED IN OPERATING ACTIVITIES	8a	<u>(2,635,669)</u>	<u>(3,228,238)</u>
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Payment for purchases of plant and equipment		-	(2,090)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>-</u>	<u>(2,090)</u>
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Loans received from other entities		2,000,000	-
Interest paid on loans		(276,957)	-
Proceeds from issues of securities		15,000	2,369,295
Capital raising costs		(10,560)	(123,268)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>1,727,483</u>	<u>2,246,027</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(908,186)	(984,301)
Cash and cash equivalents at the beginning of the year		<u>1,834,660</u>	<u>2,818,961</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u><u>926,474</u></u>	<u><u>1,834,660</u></u>

The accompanying notes form part of these financial statements.

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 requirements of the Corporations Act 2001, Australian Accounting Standards. The financial report complies with the Australian Accounting Standards ("A-IFRS") as issued by the Australian Accounting Standards Board and the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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 2008.

Note 3. Segment Information

Primary Reporting Format - Business Segments

ISF402 - Insulin Sensitizing
CDA1 - Baker IDI Heart &
IM014 - Fusion Biosciences Pty

30 June 2008	ISF402 - Insulin Sensitizing Factor 402	CDA1 - Baker IDI Heart & Diabetes Institute Project	IM014 - Fusion Bioscience s Pty Ltd	Total
Project	\$	\$	\$	\$
Revenue	-	-	-	-
External sales	-	-	-	-
Intersegment sales	-	-	-	-
Unallocated revenue	-	-	-	96,901
Total segment revenue/income	-	-	-	96,901
Segment Result	(1,327,661)	(193,704)	(204,167)	(1,725,532)
Unallocated Revenue	-	-	-	96,901
Unallocated Expenses	-	-	-	(1,471,865)
Income Tax Expense	-	-	-	-
Net Loss	(1,327,661)	(193,704)	(204,167)	(3,100,496)
Segment Assets	-	-	-	-
Unallocated Assets	-	-	-	973,389
Total Assets	-	-	-	973,389
Segment Liabilities	-	-	-	-
Unallocated Liabilities	-	-	-	2,217,342
Total Liabilities	-	-	-	2,217,342

30 June 2007	ISF402 - Insulin Sensitizing Factor 402	CDA1 - Baker IDI Heart & Diabetes Institute Project	IM014 - Fusion Bioscience s Pty Ltd	Total
Project	\$	\$	\$	\$
Revenue	-	-	-	-
External sales	-	-	-	-
Intersegment sales	-	-	-	-
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	182,112
Total Liabilities	-	-	182,112	182,112

Note 4. Contingent Liabilities

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

Note 5. Issued Capital

	30 June 2008		30 June 2007	
	No	\$	No.	\$
<u>Issued Capital</u>				
Fully paid ordinary shares	147,342,117	9,279,192	143,670,019	9,147,752
Listed options over fully paid ordinary shares	87,381,699	-	87,381,699	-
Unlisted options over fully paid ordinary shares	1,250,000	37,500	500,000	15,000
Total issued capital		9,316,692		9,162,752

During the full year ended 30 June 2008, the following movements in equity occurred:

Shares

- * 3,172,098 Ordinary Shares were issued under a convertible loan agreement.
- * 500,000 Ordinary Shares were issued to a consultant as a result of conversion of 500,000 Unlisted Options (DIAAU)

Options

- * 1,000,000 Unlisted Options (DIAAY) were issued under convertible loan agreement.
- * 250,000 Unlisted Options (DIAAU) were issued to a consultant in lieu of consulting services rendered

Note 6. Loss per Share

	30 June 2008	30 June 2007
Basic loss per share (cents)	(2.15)	(2.73)
Diluted loss per share (cents)	(2.15)	(2.73)
	\$	\$
a) Net loss used in the calculation of basic and diluted loss per share	(3,100,496)	(2,846,609)
	No.	No.
b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	144,527,217	104,285,519

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 7. Net Tangible Assets

	<u>30 June 2008</u>	<u>30 June 2007</u>
Net Tangible Assets (\$)	1,243,953	1,702,603
Shares (No.)	147,342,117	143,670,019
Net Tangible Assets (cents)	(0.84)	1.19

Note 8. Cash Flow Reconciliation

	<u>30 June 2008</u>	<u>30 June 2007</u>
(a) Reconciliation of Cash Flow from Operating Activities with Net Loss after Income Tax	\$	\$
Loss for the period	(3,100,496)	(2,846,609)
Add back depreciation expense	1,903	2,231
Add back borrowing costs	394,181	-
Add back equity issued for nil consideration	7,500	41,470
Add back provisions	15,165	12,835
(Increases)/Decreases in accounts receivable	7,047	(415)
(Increases)/Decreases in other current assets	(5,810)	25,877
Increases/(Decreases) in accounts payable	44,841	(463,627)
	<u>(2,635,669)</u>	<u>(3,228,238)</u>

(b) Non-cash Financing and Investing Activities.
See Note 5 for equity issued for nil consideration.

Note 9. Events Subsequent to Reporting Date

Since 30 June 2008, the Company has issued a total of 1,175,899 fully paid shares under the Convertible Loan Agreement.

There has not been any other matter or circumstance, other than that referred to above or in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Note 10. Going Concern

The financial report 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 financial 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 Directors believe the assumption of a going concern basis in the preparation of the financial report is appropriate. The financial report does not include any adjustments in relation to the recoverability or classification or liabilities that might be necessary should the Company not be able to continue as a going concern. The convertible loan is repayable to the holder via shares and/or cash with a maturity of two years. The total available capacity to be drawn down is \$4 million and as at 30 June 2008, approximately \$2 million has been drawn down.

Note 11. Audit

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