

DIA-B TECH LIMITED
ABN: 49 102 456 048

APPENDIX 4E
PRELIMINARY FINANCIAL REPORT
given to ASX under listing rule 4.3A
for the year ending 30 June 2005

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities	up	530.20%	to	672,162
Loss from ordinary activities after tax attributable to members	up	128.00%	to	(997,786)
Net loss for the period attributable to members	up	128.00%	to	(997,786)
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend		n/a		n/a
Previous corresponding period		n/a		n/a
<p>[†]Record date for determining entitlements to the dividend, (in the case of a trust, distribution) n/a</p> <p>Explanation of the above information:</p> <p>The loss by the Company for the year ended 30 June 2005 after the provision of income tax of nil was \$997,786 (2004: \$438,121). This result has been achieved after fully expensing all research, development and patent costs, amounting to \$1,014,769. Income for the period totalled \$672,162, including interest income of \$138,476. The company has no borrowings.</p>				

COMMENTARY OF RESULTS

Your directors submit the preliminary financial report of the economic entity for the year ended 30 June 2005.

Directors

The names of directors who held office during or since the end of the year:

Hon. M Wooldridge	Non-Executive Chairman	Appointed 22 August 2003
Sir. G Alberti	Non-Executive Director	Appointed 22 August 2003
Mr N Hewitt	Non-Executive Director	Appointed 22 August 2003
Mr P Volpe	Non-Executive Director	Appointed 9 October 2002

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.

The Company's primary focus has been, and remains even more so, the clinical development of ISF402, Dia-B's most advanced project. This peptide focuses on the treatment of Type 2 diabetes, and is a naturally occurring oral insulin sensitizing agent. This project is on schedule to advance to Phase 1 human clinical trials in the first half of 2006.

Dia-B has three other projects, Bafilomycin, CDA1 and IM014 that are all on schedule and meeting milestone targets, but are in much earlier stage of development.

Review of operations

During the year, the company raised \$6 million before costs through an IPO, and listed on the Australian Stock Exchange on 24 January 2005.

The Company is disappointed in the market reaction subsequent to listing, but notes that all four projects are achieving milestones and are on schedule. Three projects remain at relatively early stages of discovery and research.

The three appointments to the Scientific Advisory Board are significant to the future of Dia-B. Professors Paul Zimmet, Frank Ng and Robert Atkins bring wide scientific and medical experience to the Company. They cover off all the required areas of expertise that Dia-B needs, and Frank Ng, in particular, has considerable and recent experience in advancing projects to clinical human trials.

Work on the major project, ISF402, has been significant and in late August resulted in the lodgement of a Provisional Patent Application to cover an exciting discovery where ISF402 interacts with zinc ions. This mode of action may differentiate ISF402 from that of existing drugs that are used in the treatment of diabetes, opening the way to new therapeutic approaches to Type 2 diabetes.

In the IPO prospectus, the Company forecast that ISF402 would move to Phase 1 human clinical trials within 12 to 15 months. That timetable will be achieved, with final animal toxicology studies about to commence in the last quarter of 2005, followed by the regulatory process through to clinical trials. The Company has appointed Clinical Trials Victoria to oversee this process.

Initial interest in the ISF402 project from pharmaceutical companies has been strong, and the Company expects to execute several Confidentiality Agreements in the next few weeks now that the recent zinc Patent Application has been lodged. Whilst these will be early stage discussions, the Company expects that there will be competition among the pharmaceutical companies to enter formal negotiations.

Current Projects

ISF402 – Type 2 diabetes

Bafilomycin – food toxin screening kit

CDA1 – diabetes complications

IM014 – Type 2 diabetes, traditional remedy

Strategic Overview

Dia-B's corporate strategy for the next two years is to:

- Continue the development of ISF402 through animal toxicology and human trials;
- Look to partner this project with global pharmaceutical companies;
- Critically evaluate and progress other existing projects;
- Look for opportunities to build a concentrated mass of projects to minimize risk.

Likely developments

In the 2005/2006 financial year, Dia-B expects to:

- Commence a Phase 1 human clinical trial for ISF402;
- Apply for Ausindustry grant assistance for the Phase 1 trial of ISF402;
- Undertake significant negotiations with interested pharmaceutical companies for the ISF402 peptide;
- Progress the provisional patent application recently lodged for the new discovery of action whereby ISF402 interacts with zinc ions;
- Progress and critically evaluate the three other projects;
- Examine other business and project opportunities.

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.



Hon. M Wooldridge
Non-Executive Chairman

Dated this 13th day of September 2005

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	COMPANY	
	2005 \$	2004 \$
REVENUES FROM ORDINARY ACTIVITIES	672,162	106,658
Depreciation & Amortisation	(17,628)	-
Research & Development	(993,377)	(411,061)
Directors & Employees	(149,905)	-
Professional & Consulting Fees	(318,933)	(101,856)
Patents	(21,392)	-
Travel & Marketing	(53,880)	(9,884)
Compliance	(55,296)	(14,783)
Other expenses from ordinary activities	(59,537)	(7,195)
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(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	(997,786)	(438,121)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	-	-
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(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	(997,786)	(438,121)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	(997,786)	(438,121)
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BASIC EARNINGS PER SHARE	6	(0.84)
(cents per share)	(1.32)	(0.84)
DILUTED EARNINGS PER SHARE	6	(0.84)
(cents per share)	(1.32)	(0.84)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	COMPANY	
	2005	2004
	\$	\$
CURRENT ASSETS		
Cash assets	4,062,927	225,845
Receivables	578,050	25,316
Other	3,439	-
	4,644,416	251,161
NON-CURRENT ASSETS		
Plant & Equipment	5,475	-
Intangible assets	543,115	-
	548,590	-
TOTAL ASSETS	5,193,006	251,161
CURRENT LIABILITIES		
Payables	88,859	519,470
TOTAL CURRENT LIABILITIES	88,859	519,470
TOTAL LIABILITIES	88,859	519,470
NET ASSETS	5,104,147	(268,309)
EQUITY		
Contributed equity	6,875,242	505,000
Accumulated losses	7 (1,771,095)	(773,309)
TOTAL EQUITY	5,104,147	(268,309)

The accompanying notes form part of these financial statements.

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2005

	COMPANY	
	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,834,827)	(339,582)
Interest received	138,476	834
Research & Development tax offset	-	105,824
	(1,696,351)	(232,924)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of plant and equipment	(6,218)	-
	(6,218)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	6,160,000	205,000
Payment of share issue costs	(625,349)	-
Loan from related party	5,000	356,999
Loan repaid to related party	-	(137,000)
Other	-	20,000
	5,539,651	444,999
NET CASH FLOWS FROM FINANCING ACTIVITIES		
NET INCREASE/(DECREASE) IN CASH HELD	3,837,082	212,075
Opening cash brought forward	225,845	13,770
	4,062,927	225,845
CLOSING CASH CARRIED FORWARD	4,062,927	225,845

The accompanying notes form part of these financial statements.

NOTES TO ACCOUNTS

Note 1. Basis of Preparation

It is recommended that this Financial Report be read in conjunction with the Annual Financial Report for the year ended 30 June 2004 and any public announcements made by Dia-B Tech Limited during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the Company and are consistent with those applied in the 30 June 2004 Annual Report.

The Company is currently preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Company's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards have been considered where applicable.

At this stage, the directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of the AIFRS are:

Impairment of Assets

The Company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Share based Payments

Current Company policy is to expense any share-based payments made in connection for services received. The introduction of the new standard AASB 2: Share-based Payments will require the company to also expense any options granted to employees, consultants and directors.

Income Tax

Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than effects of the timing and permanent differences between taxable income and accounting profit.

The financial effect on the change in the Company's accounting policies on conversion to AIFRS is believed to be as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work being undertaken by the economic entity's accounting team.

	Company		
	Closing balance at 30/06/05 under current AGAAP \$	Changes under AIFRS \$	IFRS Adjusted closing balance at 30/06/05 \$
Balance Sheet			
Current Assets			
Cash	4,062,927	-	4,062,927
Receivables	578,050	-	578,050
Other	3,439	-	3,439
Total Current Assets	4,644,416	-	4,644,416
Non-Current Assets			
Property, Plant & Equipment	5,475	-	5,475
Intangibles	543,115	(543,115)	-
Total Non-Current Assets	548,590	(543,115)	5,475
Total Assets	5,193,006	(543,115)	4,649,891
Current Liabilities			
Payables	88,859	-	88,859
Total Current Liabilities	88,859	-	88,859
Total Liabilities	88,859	-	88,859
Net Assets	5,104,147	(543,115)	4,561,032
Equity			
Contributed Equity	6,875,242	-	6,875,242
Prior Year Accumulated Profit/(Loss)	(773,309)	-	(773,309)
Current Year Accumulated Profit/(Loss)	(997,786)	(543,115)	(1,540,901)
Total Equity	5,104,147	(543,115)	4,561,032
Income Statement			
Revenue	672,162	-	672,162
Expenses	1,669,948	-	1,669,948
Current Year Losses	(997,786)	-	(997,786)
<i>Adjustments</i>			
a) Write-back of Amortisation and Impairment of Assets for ISF402 and Bafilomycin Projects	-	543,115	543,115
	(997,786)	543,115	(454,671)

Note 2. Segment Information

a) Primary Segments – R&D Project

	Total Revenue		Operating Profit (Loss) after tax		Total Assets	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
ISF402 Project	-	-	(672,248)	(411,061)	271,558	-
Bafilomycin Project	-	-	(118,934)	-	271,558	-
CDA 1 Project	-	-	(52,195)	-	-	-
ID 042 Project	-	-	(150,000)	-	-	-
Unallocated	672,162	106,658	(4,409)	(27,060)	4,649,890	251,161
	<u>672,162</u>	<u>106,658</u>	<u>(997,786)</u>	<u>(438,121)</u>	<u>5,193,006</u>	<u>251,161</u>

b) Secondary Segments – The Company only operates within one geographical location within Australia.

c) The Company derived income from Research & Development rebates and investments

Note 3. Events Subsequent to Reporting Date

No other events have occurred after reporting date that have not been disclosed elsewhere in the Appendix 4E.

Note 4. Audit

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

Note 5. Net Tangible Assets

	2005	2004
Net Assets	4,948,971	(268,309)
Intangible Assets	(543,115)	-
Net Tangible Assets	<u>4,405,856</u>	<u>(268,309)</u>
Number of Shares on Issue	95,905,910	57,550,000
Net Tangible Asset Backing	5.00	(0.47)

Note 6. Earnings Per Share

	2005 Cents	2004 Cents
Basic earnings/(loss) per share	(1.32)	(0.84)
Diluted earnings/(loss) per share	(1.32)	(0.84)
The following reflects the income and share data used in the calculations of basic and diluted earnings/loss per share. Net loss used in calculation of basic & diluted EPS.	(997,786)	(438,121)
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings/(loss) per share	75,410,966	52,185,616

Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

The options on issue do not have the effect to dilute the earnings per share. Therefore they have been excluded from the calculation of diluted earnings per share.

Note 7. Accumulated Losses

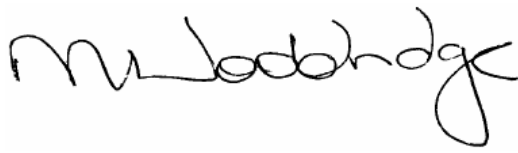
	2005 \$	2004 \$
Balance at beginning of year	(773,309)	(335,188)
Net loss for the period	(997,786)	(438,121)
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Total Accumulated Losses	(1,771,095)	(773,309)
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DIRECTORS DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes as set out on pages 2 to 11, are in accordance with the Corporations Act 2001:
 - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the Company;
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'M Wooldridge', written in a cursive style.

Hon. M Wooldridge
Non-Executive Chairman

Dated this 13th day of September 2005