

Dia-B Tech Limited

ABN: 49 102 456 048

Appendix 4E Preliminary Financial Report

for the period ending
30 June 2006



Given to ASX under Listing Rule 4.3A

Appendix 4E for the Year Ended 30 June 2006

Results for announcement to the market

Current Reporting Period - Year Ended 30 June 2006
Previous Reporting Period - Year Ended 30 June 2005

Revenue	down	74%	to	172,582
Loss after tax	up	49%	to	(2,299,330)
Net loss for the period	up	49%	to	(2,299,330)

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 2006	2.36
As at 30 June 2005	0.05

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.

COMMENTARY ON RESULTS

Your directors submit the preliminary final report of the company for the year ended 30 June 2006.

Directors

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

Director	Position	Date Appointed
Hon. Dr. Michael RL Wooldridge	Executive Chairman	22/08/2003
Sir K George MM Alberti	Executive Director	22/08/2003
Mr H Neil Hewitt	Executive Director	22/08/2003
Mr Patrick J Volpe	Non-Executive Director	09/10/2002

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.

Current Projects

ISF402 Type 2 Diabetes
CDA1 Diabetes Complications
IM014 Type 2 Diabetes, Traditional Remedy

ISF402

The Company's primary focus has been, and remains so, the clinical development of ISF402, the Company's most advanced project. This peptide focuses on the treatment of type 2 diabetes, and is a naturally occurring oral sensitising agent. This project is moving toward ethics approval prior to commencing Phase 1 human clinical trials in the last quarter of 2006.

CDA1 & IM014

Dia-B has two other projects that are on schedule and continuing to meet milestone targets, but are still in much earlier stages of development.

Review of Operations

ISF402

Work on the major project has continued to move steadily forward.

The Company has continued to find that ISF402 has no toxic effects on animals. Recently announced results of the final animal toxicology studies revealed that there were no adverse clinical signs in all treated animals; organ weights did not show any significant differences between treated and control groups; and histopathological analysis did not reveal any abnormalities related to treatment. The good safety profile of ISF402 allows progress to continue toward ethics approval before the commencement of Phase 1 human clinical trials.

Provisional patent applications were lodged in late 2005 to cover discoveries made by the Dia-B researchers. These provisional applications were further updated in May 2006 to reflect further exciting discoveries about the way ISF402 works.

Dia-B now knows:

- ISF402 has no toxic effect on various animal species
- ISF402 is a naturally occurring pancreatic hormone
- Where ISF402 comes from and how it works
- ISF402 breaks down insulin clusters by removing zinc from the insulin, and
- ISF402 assists the insulin receptors of the body to respond better to remove glucose from the bloodstream.

Interest in the ISF402 project from pharmaceutical companies has been strong. However, most will not pursue projects until they move into late Phase 2 or early Phase 3 stages.

CDA1

This project, in conjunction with the Baker Medical Research Institute, has moved ahead well. The initial research confirmed the CDA1 protein offered the potential for a drug to be developed to prevent the scarring and further kidney and vascular complications caused by diabetes.

Breakthrough research during the year identified another protein found to interact with CDA1. Work continues on proving that CDA1 is an excellent target to reduce scarring, a major aim of the project.

IM014

This project, in conjunction with Fusion Pty Ltd, has progressed better than anticipated. IM014 focuses on the diabetic properties of a species of vine found in the rainforests of the Pacific Islands.

Dia-B researchers have discovered an alkaloid that has similar qualities to the anti-diabetes drug insulin. Synthetic insulin has debilitating effects on a number of human organs when used over a long time.

This natural alternative has been identified, and is a major step forward for the project. There is still further work to do before any provisional patent application can be considered to protect this exciting discovery. Steps are now being taken to source large quantities of the alkaloid, and to commence in vivo animal experiments.

During the year, the Company appointed Professor Paul Zimmet AO and Professor Robert Atkins AM to join Associate Professor Frank Ng on the Scientific Advisory Board. Professor Zimmet, a co-inventor of ISF402 with A/Professor Ng, and Professor Atkins have significant expertise in diabetes and diabetes complications. The SAB meets regularly and are key advisors to the company as we move into human trials, and make critical decisions on the progress of other projects.

Strategic Overview

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

- Continue the development of ISF402 through Phase 1 & 2 human clinical trials
- Look to partner this project with global pharmaceutical companies at an appropriate stage
- Critically evaluate and progress other existing projects
- Look for opportunities to build a larger mass of projects to minimise risk.

Likely Developments

In the 2006/2007 financial year, Dia-B expects to:

- Commence a Phase 1 human clinical trial for ISF402
- Raise sufficient funds to ensure the completion of the Phase 1 trial for ISF402. The Company has announced a capital raising, with an initial private placement to raise \$719,000 with the placement of approximately 14 million ordinary shares at 5 cents, with a free attaching option exercisable at 20 cents on or before 31 December 2010. The Company will propose a Security Purchase Plan to its members to raise up to a further \$1,650,000 through the offer of \$5,000 of ordinary shares at 5 cents each to each member, subject to the Listing Rules of the ASX.
- Apply for grant assistance for the Phase 1b trial of ISF402
- Continue to look for opportunities to partner with interested pharmaceutical companies for the ISF402 peptide
- Progress and critically evaluate other existing projects as they complete their initial two year commitments
- 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. Dr. Michael Wooldridge
Non-Executive Chairman

INCOME STATEMENT

for the year ended 30 June 2006

	Note	2006 \$	COMPANY	2005 \$
REVENUE		172,582		672,162
Cost of Goods Sold		-		-
Administration	8	(192,923)		(770,654)
Employment & Consulting		(475,569)		(427,640)
Patents		(44,008)		(21,392)
Research & Development Expenses		(1,759,412)		(993,377)
		<hr/>		<hr/>
(LOSS) BEFORE INCOME TAX EXPENSE		(2,299,330)		(1,540,901)
		<hr/>		<hr/>
(LOSS) FOR THE YEAR		(2,299,330)		(1,540,901)
		<hr/>		<hr/>
NET (LOSS) ATTRIBUTABLE TO MEMBERS OF THE COMPANY		(2,299,330)		(1,540,901)
		<hr/> <hr/>		<hr/> <hr/>
BASIC EARNINGS PER SHARE				
(cents per share)		(2.40)		(2.04)
DILUTED EARNINGS PER SHARE				
(cents per share)		(2.40)		(2.04)

The accompanying notes form part of these financial statements.

BALANCE SHEET

as at 30 June 2006

	2006 \$	COMPANY 2005 \$
CURRENT ASSETS		
Cash and Cash Equivalents	2,818,961	4,062,927
Trade and Other Receivables	42,891	578,050
Other Current Assets	29,158	3,439
	2,891,010	4,644,416
TOTAL CURRENT ASSETS		
NON-CURRENT ASSETS		
Property, Plant and Equipment	3,610	5,475
	3,610	5,475
TOTAL NON-CURRENT ASSETS		
	2,894,620	4,649,891
TOTAL ASSETS		
CURRENT LIABILITIES		
Trade and Other Payables	632,905	88,859
	632,905	88,859
TOTAL CURRENT LIABILITIES		
	632,905	88,859
TOTAL LIABILITIES		
	2,261,715	4,561,032
NET ASSETS		
EQUITY		
Issued Capital	6,875,255	6,875,242
Accumulated Losses	(4,613,540)	(2,314,210)
	2,261,715	4,561,032
Total Company Interest	2,261,715	4,561,032
	2,261,715	4,561,032
TOTAL EQUITY		
	2,261,715	4,561,032

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2006

	Contributed Equity \$	COMPANY Accumulated losses \$	Total \$
Balance at 1.7.2004	505,000	(773,309)	(268,309)
Equity issued during the half year	6,370,242	-	6,370,242
Profit/(loss) attributable to members of the company	-	(1,540,901)	(1,540,901)
Balance at 30.06.2005	6,875,242	(2,314,210)	4,561,032
Equity issued during the half year	13	-	13
Profit/(loss) attributable to members of the company	-	(2,299,330)	(2,299,330)
Balance at 30.06.2006	6,875,255	(4,613,540)	2,261,715

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 30 June 2006

	2006 \$	COMPANY 2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,416,166)	(1,834,827)
Interest and other items of similar nature received	172,582	138,476
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(1,243,584)	(1,696,351)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchases of property, plant and equipment	(395)	(6,218)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(395)	(6,218)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of securities (shares, options, etc.)	13	6,160,000
Capital raising costs	-	(625,349)
Proceeds from borrowings	-	5,000
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	13	5,539,651
NET INCREASE/(DECREASE) IN CASH HELD	(1,243,966)	3,837,082
Cash at beginning of period	4,062,927	225,845
CLOSING CASH BALANCE	2,818,961	4,062,927

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

Note 1. Basis of Preparation

The financial statements contained within this report are general purpose financial reports prepared in accordance with the requirements for the Corporations Act 2001, Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The Company has prepared its financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Company's accounts resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of the Company to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report.

Accounting Policies

a) Income Tax

The charge for current income tax expenses is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially 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 assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Computer Equipment	33%
Office Equipment	20%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount would otherwise be greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

d) Intangibles

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 15 to 20 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

f) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

g) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Payables to related parties are carried at the principle amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

h) Earnings per share

Basic earnings per share is determined by dividing the result from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

j) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Note 2. First-time adoption of Australian Equivalents to International Financial Reporting Standards

Reconciliation of Equity at 1 July 2004	Company			
	Note	Previous GAAP at 1 July 2004 \$	Adjustments on introduction of Australian equivalents to IFRS \$	Australian equivalents to IFRS at 1 July 2004 \$
CURRENT ASSETS				
Cash and Cash Equivalents		225,845	-	225,845
Trade and Other Receivables		25,316	-	25,316
TOTAL CURRENT ASSETS		251,161	-	251,161
TOTAL ASSETS		251,161	-	251,161
CURRENT LIABILITIES				
Trade and Other Payables		519,470	-	519,470
TOTAL CURRENT LIABILITIES		519,470	-	519,470
TOTAL LIABILITIES		519,470	-	519,470
NET ASSETS		(268,309)	-	(268,309)
EQUITY				
Issued Capital		505,000	-	505,000
Accumulated Losses	2a	(773,309)	-	(773,309)
Total company interest in equity		(268,309)	-	(268,309)
TOTAL EQUITY		(268,309)	-	(268,309)

Company

Reconciliation of Equity at 30 June 2005	Note	Previous GAAP at 30 June 2005 \$	Adjustments on introduction of Australian equivalents to IFRS \$	Australian equivalents to IFRS at 30 June 2005 \$
CURRENT ASSETS				
Cash and Cash Equivalents		4,062,927	-	4,062,927
Trade and Other Receivables		578,050	-	578,050
Other Current Assets		3,439	-	3,439
TOTAL CURRENT ASSETS		4,644,416	-	4,644,416
NON-CURRENT ASSETS				
Property, Plant and Equipment		5,475	-	5,475
Intangible Assets		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				
Trade and Other 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				
Issued Capital		6,875,242	-	6,875,242
Accumulated Losses	2a	(1,771,095)	(543,115)	(2,314,210)
Total company interest in equity		5,104,147	(543,115)	4,561,032
TOTAL EQUITY		5,104,147	(543,115)	4,561,032

Reconciliation of Profit or Loss for the full year to 30 June 2005	Note	Company		
		Previous GAAP \$	Adjustments on introduction of Australian equivalents to IFRS \$	Australian equivalents to IFRS \$
REVENUE		672,162	-	672,162
Cost of Goods Sold		-	-	-
Administration	8	(227,539)	(543,115)	(770,654)
Employment & Consulting	9	(427,640)	-	(427,640)
Patents		(21,392)	-	(21,392)
Research & Development Expenses		(993,377)	-	(993,377)
(LOSS) BEFORE INCOME TAX EXPENSE		(997,786)	(543,115)	(1,540,901)
INCOME TAX EXPENSE		-	-	-
(LOSS) FOR THE YEAR		(997,786)	(543,115)	(1,540,901)

Notes to the reconciliation of equity and profit and loss at 1 July 2004 and 30 June 2005

	Company	
	01-Jul-04 \$	30-Jun-05 \$
2a) Profit & Loss Reconciliation		
Under AASB 136: Impairment of Assets, Intangible assets are subject to annual impairment testing. Following the impairment testing of all intangible assets, full provision has been made.		
Impairment of assets for ISF402 and Bafilomycin Projects	-	560,000
Write-back of amortisation upon impairment of assets	-	(16,885)
	-	543,115

Note 3. Dividends

The Company resolved not to declare any dividends for the year ended 30 June 2006.

Note 4. Segment Information**a) Industrial Segments
2006**

	ISF402 Project 2006	Bafilomycin Project 2006	CDA 1 Project 2006	IM 014 Project 2006	Company 2006
Revenue					
External Sales	-	-	-	-	-
Unallocated Revenue					172,582
<hr/>					
Total Revenue					172,582
<hr/>					
Result					
Segment Result	(1,179,567)	(88,246)	(216,599)	(275,000)	(1,759,412)
Unallocated Revenue					172,582
Unallocated Result					(712,500)
Income Tax Expense					-
<hr/>					
Net Loss					(2,299,330)
<hr/>					
Assets					
Segment Assets	14,703	-	-	-	14,703
Unallocated Assets					2,879,917
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Total Assets					2,894,620
<hr/>					
Liabilities					
Segment Liabilities	(563,567)	-	-	-	(563,567)
Unallocated Liabilities					1,196,472
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Total Liabilities					632,905
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Other					
Depreciation & Amortisation of Segment Assets	-	-	-	-	-

2005

	ISF402 Project 2005	Bafilomycin Project 2005	CDA 1 Project 2005	IM 014 Project 2005	Company 2005
Revenue					
External Sales	-	-	-	-	-
Unallocated Revenue					672,162
Total Revenue					672,162
Result					
Segment Result	(672,248)	(118,934)	(52,195)	(150,000)	(993,377)
Unallocated Revenue					672,162
Unallocated Result					(1,219,686)
Net Loss					(1,540,901)
Assets					
Segment Assets	-	-	-	-	-
Unallocated Assets					4,649,891
Total Assets					4,649,891
Liabilities					
Segment Liabilities	-	-	-	-	-
Unallocated Liabilities					88,859
Total Liabilities					88,859
Other					
Depreciation & Amortisation of Segment Assets	-	-	-	-	-

b) Geographical Segments

The company operated in one geographical location, being Australia in financial years 2005 & 2006

c) The economic entity serviced income from medical research and investments.

Note 5. Contingent Liabilities

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

Note 6. Contributed Equity

	30 June 2006		30 June 2005	
	No.	\$	No.	\$
<u>Issued and Paid Up Capital</u>				
Fully Paid Ordinary Shares	95,905,976	6,875,255	95,905,910	6,875,242
Options over Fully Paid Ordinary Shares	72,995,799	-	72,995,865	-
Total Contributed Equity	168,901,775	6,875,255	168,901,775	6,875,242

During the 12 months ending 30 June 2006, the following movements in equity occurred:

Shares

Issue of 66 Shares as a result of Options exercised

Options

Exercise of 66 DIAO Options exercisable at \$0.20 each on or before 31st December 2010

Note 7. Events Subsequent to Reporting Date

▪ The compound ISF402 moved a step closer to human clinical trials after the successful completion of trials on animals. Dia-B is now clear to apply of human ethics approval to commence Phase 1 human trials in the last quarter of 2006. (See ASX Announcement lodged on 31 August 2006.)

▪ Placement to raise \$719,294.80

The Company Announced a placement of up to 14,385,896 Ordinary Shares @ \$0.05 per share with a free attaching option exercisable at \$0.20 on or before 31st December 2010. The proposed placement will raise up to \$719,294.80. (See ASX Announcement lodged on 1 September 2006.)

▪ Security Purchase Plan (SPP) to raise up to \$1,650,000

The Company announced that each member will be offered up to \$5,000 under a SPP. The SPP will offer each member shares at \$0.05 per ordinary share. If fully subscribed, the SPP will raise up to \$1,650,000. (See ASX Announcement lodged on 1 September 2006.)

Note 8. Significant Expenses

The administration classification contains the following significant expenses

	COMPANY	
	2006 \$	2005 \$
Depreciation of Non-Current Assets	(2,260)	(743)
Impairment of R&D Assets	-	(560,000)

Note 9. Audit

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