



## APPENDIX 4E

### Preliminary final report

Name of entity:	<b>EPITAN LIMITED</b>
ABN:	<b>88 089 644 119</b>
Reporting period:	<b>FINANCIAL YEAR ENDED 30 JUNE 2004</b>
Previous corresponding period:	<b>FINANCIAL YEAR ENDED 30 JUNE 2003</b>

#### **INDEX**

1. Results for announcement to the market
2. Commentary on Results
3. Annual Financial Report for the year ended 30 June 2004 including Directors' Declaration and Independent Audit Report

**Note:** The financial figures provided are in **actual** Australian dollars, unless specified otherwise.

## 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

The results of EpiTan Limited for the year ended 30 June 2004 are as follows:

<b>Revenues and Results from Ordinary Activities:</b>		<b>Change compared to 2003 %</b>	<b>2003 \$</b>
Revenues from ordinary activities	Up	160% to	355,235
Loss from ordinary activities after tax attributable to members	Loss has increased	90% to	(7,589,730)
Net Loss for the period attributable to members	Loss has increased	90% to	(7,589,730)

**Dividends:**

No dividends have been paid or declared by the entity since the beginning of the current report period.

No dividends were paid for the previous corresponding period.

**Brief explanation of figures reported above:**

The loss of the Company for the year ended 30 June 2004 after provision for income tax of nil was \$7,589,730 (\$2003: \$3,976,770). This result has been achieved after fully expensing all clinical development and drug delivery research costs totalling \$5,538,639. Income for the period totalled \$355,235 representing interest income. The company has no borrowing and at 30 June 2004 cash reserves of \$5,480,367.

A full commentary of the results is attached.

## 2. COMMENTARY ON RESULTS

### Highlights for the year

- Phase II clinical trial for sunburn injury completed with results exceeding expectations;
- Phase I/II dose escalation clinical trial for the long acting implant commenced in November 2003;
- Topical formulations of Melanotan in pre-clinical studies;
- Collaborative research agreement signed with Monash University (Melbourne) and the Institute of Medical and Veterinary Science (IMVS) based in Adelaide to fast track development of the topical formulation;
- Signed a collaborative agreement with pSiMedica Limited (UK), to develop a new liquid-based sustained-release formulation for Melanotan incorporating pSivida's BioSilicon™ nanotechnology;
- Additional \$8.9 million capital raised from existing and new shareholders;

- Filed a provisional patent from data obtained in the sunburn injury trial;
- Market capitalisation increased to \$105.2 million (2003: \$24.5 million);
- EpiTan's share price performance was +241% (2003: +145%).

## Financial

At the beginning of the year the consolidated entity's cash resources were \$2,611,853. During the year the consolidated entity spent \$7,944,965 including \$5,538,639 on clinical trials and drug formulation research and development, earned \$355,235 in bank interest and received \$285,351 in GST refunds. During the year a total of \$8,913,516 was raised in fresh capital from the placement of 14,500,000 shares and the exercise of options. At the end of the financial year, the consolidated entity's cash resources amounted to \$5,480,367.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Directors are not aware of any significant events that may have occurred subsequent to balance date, except:

- Two prescription dermatology products, Linotar® and Exorex® were acquired from TransDermal Pharmaceuticals Pty Ltd in July;
- An agreement to in-license Zindaclin® from UK based Strakan International Limited in July;
- A placement of 10,500,000 ordinary shares at \$0.76 each and the granting of 6,667,362 unlisted options with an exercise price of \$1.03 expiring August 2007 was announced on 11 August 2004 to institutional investors pursuant to s.708 of the Corporations Act. Total proceeds amounted to \$7,980,000 before expenses;
- On 12 August the company announced that it had filed a provisional patent the United States Patent and Trademark Office encompassing the discoveries and unexpected results from preliminary data obtained in the recent Melanotan sustained release clinical trial.



Iain Kirkwood  
Company Secretary  
17 August 2004

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES  
FINANCIAL REPORT  
YEAR ENDED  
30 JUNE 2004**

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**INDEX**

Corporate Governance Statement	1
Directors' Report	5
Statement of Financial Performance	12
Statement of Financial Position	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Directors' Declaration	33
Independent Audit Report	34
ASX Disclosures	36

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**CORPORATE GOVERNANCE STATEMENT**

This statement outlines the main corporate governance principles and practices of EpiTan Limited. Unless stated otherwise, directors are of the opinion that these comply, in all material respects with the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" (ASX Principles) released in March 2003.

The Company is committed to the highest standards of corporate governance and a protocol was documented and adopted by the Board in August 2000 in the period leading up to the company's listing on ASX. Corporate governance is regularly reviewed and following the release of ASX Principles, the board has updated the framework of original documentation.

The following 10 sections below summarise EpiTan's compliance with the ASX Principles:

**PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

There is a clear segregation of duties between the Board and management. The Board sets strategic direction and a policy framework which management then work within to manage the day-to-day business.

**PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

The current directors of the company and details of skills, experience, qualifications, tenure and attendances at meetings are included in the section headed 'company particulars'.

Subject to the requirement of the Corporations Act that a public company must have at least three directors (two of whom must be resident in Australia), the Board determines its size and composition.

The Board has a Nomination Committee. It is chaired by Mr McLiesh who is an independent director. The other members of the Nomination Committee comprise the remainder of the board. The Nomination Committee does not have, and does not intend to adopt, any formal guidelines concerning Board size or composition other than to ensure that at all times there are either members of the Board or secondees available to the Board with appropriate industry and financial expertise. Further, as a general rule, appointments will only be made to the Board where appropriate to complement the existing skill base of the Board.

Recommendation 2.1 of the ASX guidelines requires that a majority of the Board should be independent directors. For the purpose of determining independence, the Board has had regard to the ASX guidelines. It has also resolved not to set specific materiality thresholds, preferring instead to consider all relationships on a case by case basis, having regard to the accounting standards' approach to materiality and accepted commercial practice.

While the Board has a policy of complying with Recommendation 2.1 and an expectation that all directors will bring their independent views and judgement to the Board, Mr McLiesh is the only independent director. Therefore, EpiTan does not, at this time, comply with Recommendation 2.1. However, for companies of the current size and status of EpiTan to comply with Recommendation 2.1 is not easy. To do so, EpiTan would either need to add significantly to the number of directors on its Board, which cannot be justified, or ignore the qualifications, specific technical experience and contribution made by two of its directors, Dr Agersborg and Dr Winters, simply because they represent a substantial shareholder of EpiTan. This would be despite the fact that their contributions have been of significant value to EpiTan in its current stage of development. In all the circumstances, EpiTan considers its Board size and composition to be appropriate.

Recommendation 2.2 of the ASX guidelines requires the chairperson be an independent director. Further, Recommendation 2.3 requires that the same individual should not exercise the roles of chairperson and

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**CORPORATE GOVERNANCE STATEMENT**

Chief Executive Officer. The role of Chairman of the Board was assumed by Dr Millen (the Chief Executive Officer) on the resignation of the former (non-executive) incumbent during 2002. Dr Millen is the founder of EpiTan and an entity associated with him continues to be the largest single shareholder of EpiTan. Despite Dr Millen holding both offices, the Board believes that is entirely appropriate for EpiTan given the composition of its Board and its current size, status and circumstances. Further, the Board does not believe that the appointment of, and continued performance by, Dr Millen of the roles of chairperson and Chief Executive Officer has had any adverse effect on the conduct of the affairs of EpiTan or the representation of the interests of the shareholders at Board level.

Further, to obviate any potential for conflicts of interest, whether actual or perceived, arising from the above Board and management structures, the Board has adopted very strict policies concerning disclosure of interests and conflicts of interest. These policies are in addition to the requirements of the Corporations Act / ASX Listing Rules.

Recommendations 2.4 and 2.5 of the ASX guidelines relate to the establishment of a nomination committee and to reporting to shareholders on matters relevant to Principle 2 of the ASX Corporate Governance guidelines. EpiTan's Nomination Committee and reporting are consistent with those recommendations.

The Board has a policy of enabling directors to seek independent professional advice at the company's expense. This advice, if appropriate, will be shared with other directors. While it is the policy of EpiTan that the Executive Chairman will generally review (in advance) the estimated costs of obtaining this advice, that policy exists to ensure the reasonableness of the cost. It does not exist to impede the seeking of advice.

The Board is currently considering its size and composition and the introduction of a formal performance assessment process for its directors. Further advice on these issues will be communicated to the shareholders as appropriate.

**PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

The Company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity.

The Company intends to maintain a reputation for integrity. The Board has adopted a Code of Ethics which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

A key element of that Code is the requirement that officers and employees act in accordance with the law and with the highest standards of propriety. The Code and its implementation are to be reviewed each year.

**Dealing in Company Shares**

All employees in the Company receive advice regarding the requirements of the Corporations Act 2001 with regard to trading in the shares of the Company. In addition to the requirements of the Corporations Act 2001, the company has a policy that prohibits all Directors and employees from trading in shares in the Company whilst in possession of non-public or "inside" information.

Any transaction conducted by Directors in shares of the Company is notified to the Australian Stock Exchange (ASX). Each Director has entered into an agreement with the Company to provide information to allow the Company to notify the ASX of any share transactions within five business days.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**PRINCIPLE 4 – SAFEGAURD INTEGRITY IN FINANCIAL REPORTING**

The current Board comprises the members of the Audit Committee and the Chairman is Dr Winters. Dr Millen is a non-voting member. The principal functions of the Audit Committee include reviewing and making recommendations to the Board regarding:

- assisting the Board in the discharge of its responsibilities in respect of the preparation of the Company's financial statements and the Company's internal controls;
- recommending to the Board nominees for appointment as external auditors;
- providing a line of communications between the Board and the external auditors; and
- examining the external auditors evaluation of internal controls and management's response.

The Audit Committee meets at least twice per year and the Chief Financial Officer is invited to attend all meetings.

The Audit Committee is responsible for the terms of the appointment. The external auditor is invited to attend all Audit Committee meetings during the year. Although the appointment of the external auditor is reviewed regularly by the Audit Committee, it is anticipated that the audit engagement partner will be rotated every 5 years.

The auditors do not prepare the primary accounting records nor are they involved in Company decision making. The technical expertise of the auditors is called upon from time to time to assist the directors in discharging various statutory responsibilities.

**PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

The Company fully supports the continuous disclosure regime in Australia. Continuous disclosure is a standard agenda item at all Board meetings and the Company makes regular announcements to the market on commercial activities, which may have a material influence on the share price.

Presentations that are made to analysts or investors are posted on the Company's website. If the presentations contain information that has not been in the public domain, and that would have a material effect on the share price, the presentation is sent to the ASX prior to the presentation being made.

All managers in the Company receive advice on continuous disclosure and are aware of the Company's obligations with regard to continuous disclosure.

**PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS**

Communication with shareholders is of critical importance to the Company. The annual report, half-year report and annual general meeting are all important communications forums. The company welcomes questions from shareholders at any time and these are answered within the confines of information that is not market sensitive or already in the public domain. Also, all announcements made by the Company to the ASX (except disclosures of a compliance nature) are posted on the Company's website.

The external auditor attends the annual general meeting and is available to answer any questions with regard to the conduct of the audit and their report.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

The Audit Committee as part of its charter considers the management of risk. The Company has carried out a formal risk review. Risks identified have appropriate actions developed or mitigating circumstances documented. It is the Board's intention that the risk review is formally assessed and updated on an annual basis. The Committee considers on an annual basis the insurance policies the Company has in place. The Chief Financial Officer, on an annual basis, reports on the internal control environment within the company and is responsible for immediately alerting the committee if any material breakdowns in internal control occur.

**PRINCIPLE 8 – ENCOURAGE ENHANCED PERFORMANCE**

The Board will develop during the next financial year a process for the performance evaluation of the Board and its Committees.

**PRINCIPLE 9 – REMUNERATE FAIRLY AND RESPONSIBLY**

The Remuneration and Nomination Committee constitutes the full Board and is chaired by Mr McLiesh. It is responsible for determining the compensation arrangements for directors, the Chief Executive Officer and other executives. This committee is also responsible for the nomination of directors and reviewing the balance, nature and experience required of directors to properly fulfil its duties.

The Committee assesses the appropriateness of the nature and amount of remuneration of these officers at least annually by reference to relevant employment market conditions and by the engagement of a specialist remuneration consultant with experience in the healthcare and biotechnology industries. The overall objective is to ensure the engagement and retention of the highest quality board and executive team for the benefit of all stakeholders.

The Committee, assisted by the external consultants, seeks to link the nature and amount of executive directors and officers compensation to the company's financial and operations performance. All directors and executives are eligible to participate in the company's option plan. In addition, executives may be entitled to annual bonuses payable at the discretion of the Committee for specific performance achievements which have demonstrably contributed to an increase in shareholder value.

**PRINCIPLE 10 – RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS**

The Code of Ethics formally documents the Company's approach to all stakeholders. The company expects all its employees to act with the utmost integrity with all stakeholders. The Company does not make political donations, but does participate in a number of industry bodies that promote and support the industry the company works in.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

The directors of the Board present their report on the company and its controlled entity for the financial year ended 30 June 2004 and the independent Audit Report thereon.

**DIRECTORS**

The names of directors in office at any time during or since the end of the year are set out below. Each director was in office for the whole of the financial year unless stated otherwise:

Dr W.A. Millen (Executive Chairman)  
Dr H.P.K. Agersborg (Deputy Chairman)  
Dr T.E. Winters  
Mr S.R. McLiesh

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**INFORMATION ON DIRECTORS**

**Dr Wayne A. Millen**

Executive Chairman and Managing Director

Age: 63

Qualifications: BSc(Hons) PhD FRACI C CHEM FAus IMM AFAIM

Experience: Dr Millen is the founding Managing Director of EpiTan Limited. He has a PhD in chemistry and biochemistry from the University of Western Australia and is a Chartered Chemist with extensive experience over 35 years operating his own commercial enterprises.

Dr Millen has extensive experience in venture and development capital investment with an emphasis on companies involved in technological innovation and has been the lead investor and strategist in several private and public companies.

He has considerable experience in establishing and managing start-up enterprises and brings to the company operational skills embracing corporate, technological and marketing disciplines.

Interest in shares and options: 17,726,375 ordinary shares.

**Dr Helmer P.K. Agersborg**

Non-Executive Deputy Chairman

Age: 75

Qualifications: BSc PhD

Experience: Dr Agersborg is Chairman and President of MelanoTan Corp, President of Afferon Corp and director of Virxsys Corporation, all pharmaceutical companies. He has been President of Wyeth-Ayerst Research.

During his distinguished forty years in the pharmaceutical industry, more than 50 new drug applications were approved in the United States, countless marketing applications were approved outside the United States and innumerable IND's were accepted around the world by companies under his direction.

Dr Agersborg contributes broad international pharmaceutical development experience at the highest level to the company.

Interest in shares and options: 750,000 ordinary shares and 250,000 options to acquire ordinary shares.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT (CONTINUED)**

**INFORMATION ON DIRECTORS (Cont'd)**

**Dr Terry E. Winters**

Non-Executive Director

Age: 62

Qualifications: BSc PhD

Experience: Dr Winters is a director of four private US based companies and a Special Limited Partner of Valley Ventures, a \$50 million venture capital fund based in Scottsdale, Arizona.

In 1983, he co-founded, and is a General Partner of, Columbine Venture Fund which has invested over \$125 million in life science and technology companies in the western USA.

From the Columbine investments, successful companies have been Orthologic Corp, CollaGenex Pharmaceuticals, Nanophase Technologies, Curis, Neogen (all NASDAQ quoted) and Microgenics.

Interest in shares and options: 16,065,415 ordinary shares and 250,000 options to acquire ordinary shares.

**Mr Stanley Roy McLiesh**

Non-Executive Director

Age: 67

Qualifications: BEd

Mr McLiesh has extensive experience in commercialising pharmaceutical products internationally. Formerly General Manager, Pharmaceuticals at CSL Limited, he was closely involved in the transition of CSL from government ownership to corporatisation to a highly successful listed company.

While at CSL, Mr McLiesh brokered numerous in-licensing arrangement with international companies which enabled CSL to expand into new markets profitably. Mr McLiesh has considerable experience in the international pharmaceutical industry.

Interest in shares and options: 1,000,000 options to acquire ordinary shares.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT (CONTINUED)**

**MEETING OF DIRECTORS**

The following table summarises the number of and attendance at all meetings of directors during the financial year.

Director	Board		Audit Committee(1)		Remuneration & Nomination Committee (2)		Other (3)	
	A	B	A	B	A	B	A	B
Dr W.A. Millen	7	7	2	2	3	3	1	1
Dr H.P.K. Agersborg	7	7	2	2	3	3	1	-
Dr T.E. Winters	7	7	2	2	3	3	1	-
Mr S.R. McLiesh	7	7	2	2	3	3	1	1

**Column A** – indicates the number of meetings held during the period the Director was a member of the Board and/or Board Committee.

**Column B** - indicates the number of meetings attended during the period the Director was a member of the Board and/or Board Committee.

1. The Audit Committee is chaired by T.E. Winters. Dr W.A. Millen is a member of the Committee but is not entitled to vote.
2. The Remuneration and Nomination Committee is chaired by Mr S.R McLiesh.
3. Other was a special committee of the Board to approve accounts.

**PRINCIPAL ACTIVITY**

The principal activity of the consolidated entity during the financial year was to further develop, Melanotan, the company's leading drug candidate in the field of melanogenesis, the process whereby melanin is produced in the body.

**OPERATING RESULTS**

The consolidated loss of the consolidated entity after providing for income tax amounted to \$7,589,730 (2003 - \$3,976,770).

**DIVIDENDS PAID OR RECOMMENDED**

No dividends were paid or declared during the financial year.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT (CONTINUED)**

**REVIEW OF OPERATIONS**

The review of operations is set out in detail on pages 12 to 17 of this Annual Report.

**Highlights for the year**

- Phase II clinical trial for sunburn injury completed with results exceeding expectations;
- Phase I/II dose escalation clinical trial for the long acting implant commenced in November 2003;
- Topical formulations of Melanotan in pre-clinical studies;
- Collaborative research agreement signed with Monash University (Melbourne) and the Institute of Medical and Veterinary Science (IMVS) based in Adelaide to fast track development of the topical formulation;
- Signed a collaborative agreement with pSiMedica Limited (UK), to develop a new liquid-based sustained-release formulation for Melanotan incorporating pSivida's BioSilicon™ nanotechnology;
- Additional \$8.9 million capital raised from existing and new shareholders;
- Filed a provisional patent from data obtained in the sunburn injury trial;
- Market capitalisation increased to \$105.2 million (2003: \$24.5 million);
- EpiTan's share price performance was +241% (2003: +145%).

**Financial**

At the beginning of the year the consolidated entity's cash resources were \$2,611,853. During the year the consolidated entity spent \$7,944,965 including \$5,538,639 on clinical trials and drug formulation research and development, earned \$355,235 in bank interest and received \$285,351 in GST refunds. During the year a total of \$8,913,516 was raised in fresh capital from the placement of 14,500,000 shares and the exercise of options. At the end of the financial year, the consolidated entity's cash resources amounted to \$5,480,367.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There have been no significant changes in the state of affairs.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

Directors are not aware of any significant events that may have occurred subsequent to balance date, except:

- A placement of 10,500,000 ordinary shares at \$0.76 each and the granting of 6,667,362 unlisted options with an exercise price of \$1.03 expiring August 2007 was completed on 11 August 2004 to institutional and sophisticated investors pursuant to s.708 of the Corporations Act. Total proceeds amounted to \$7,980,000 before expenses;
- Acquired two prescription dermatology products, Linotar® and Exorex® from TransDermal Pharmaceuticals Pty Ltd in July;
- Entered into an agreement to in-license Zindaclin® from UK based Strakan International Limited on 16 July;
- Filed a provisional patent from data obtained in the sustained release trial in August.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT (CONTINUED)**

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The directors anticipate that the company will continue its clinical trial and drug development program.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS**

The emoluments of each director are as follows:

	<b>Salary</b>	<b>Cash Bonus</b>	<b>Superannuation Contributions</b>	<b>Allowances</b>	<b>Options</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Dr W.A. Millen	229,611	50,000	25,390	12,446	-	317,447
Dr H.P.K Agersborg	36,666	-	-	-	33,638	70,304
Dr T.E. Winters	36,666	-	-	-	33,638	70,304
Mr S.R. McLiesh	37,982	-	3,562	-	62,762	104,306

The emoluments of each executive officer are as follows:

I.M. Kirkwood	97,546	5,000	14,229	-	50,887	167,662
---------------	--------	-------	--------	---	--------	---------

The company has no other executive officers.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows.

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising of their conducts while acting in the capacity of director of the company, other than conduct involving wilful breach of duty in relation to the company. The amount of the premium was \$90,737.

**EMPLOYEES**

The consolidated entity employed 8 employees as at 30 June 2004 (2003: 6 employees).

**DIRECTORS' BENEFITS AND INTEREST IN CONTRACTS**

Since the end of the pervious financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the financial statements), because of a contract that the director or a firm of which the director is a member, or an entity in which the director has a substantial interest has made with Epitan Limited or a controlled entity.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT (CONTINUED)**

**SHARE OPTIONS**

At the date of this report, unissued ordinary shares of the company under option are:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Options</b>
30 September 2005	\$0.30 / share	141,556
31 March 2006	\$0.30 / share	750,000
3 April 2006	\$0.10 / share	750,000
22 October 2006	\$0.10 / share	1,300,000
1 January 2008	\$0.66 / share	375,000
2 February 2008	\$0.16 / share	750,000
13 June 2008	\$0.29 / share	500,000
18 April 2009	\$0.87 / share	300,000
31 December 2007	\$0.74 / share	750,000

During the year ended 30 June 2004, 8,509,253 shares were issued as a result of the exercise of unlisted options.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors:

---

**W.A. MILLEN  
DIRECTOR**

Dated this 17<sup>th</sup> day of August, 2004.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		EpiTan Limited	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenues from ordinary activities	2	355,235	136,404	355,235	136,404
Total expenses from ordinary activities	2	(7,944,965)	(4,113,174)	(7,944,965)	(4,113,174)
<b>Profit(loss) from ordinary activities before related income tax expense</b>		<u>(7,589,730)</u>	<u>(3,976,770)</u>	<u>(7,589,730)</u>	<u>(3,976,770)</u>
Income tax expense (benefit) relating to ordinary activities	3	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Profit(loss) from ordinary activities after related income tax expense</b>		<u>(7,589,730)</u>	<u>(3,976,770)</u>	<u>(7,589,730)</u>	<u>(3,976,770)</u>
Net profit(loss)		<u>(7,589,730)</u>	<u>(3,976,770)</u>	<u>(7,589,730)</u>	<u>(3,976,770)</u>
<b>Net profit(loss) attributable to members of EpiTan Limited</b>		<u>(7,589,730)</u>	<u>(3,976,770)</u>	<u>(7,589,730)</u>	<u>(3,976,770)</u>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<u>(7,589,730)</u>	<u>(3,976,770)</u>	<u>(7,589,730)</u>	<u>(3,976,770)</u>
Basic earnings per share - cents per share	15	(6.9)	(4.6)		

The accompanying notes form part of these financial statements.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2004**

	Note	Consolidated		EpiTan Limited	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>CURRENT ASSETS</b>					
Cash assets	16(a)	5,480,367	2,611,853	5,480,367	2,611,859
Receivables	4	78,349	30,832	78,349	30,832
Other	5	123,604	105,643	123,604	105,643
<b>TOTAL CURRENT ASSETS</b>		<u>5,682,320</u>	<u>2,748,328</u>	<u>5,682,320</u>	<u>2,748,334</u>
<b>NON CURRENT ASSETS</b>					
Receivables	4	-	-	4,362,805	5,110,098
Property, plant and equipment	6	119,805	147,176	119,805	147,176
Intangible assets	7	4,444,818	5,170,662	82,014	60,560
Other financial assets	8	-	-	170	169
<b>TOTAL NON CURRENT ASSETS</b>		<u>4,564,623</u>	<u>5,317,838</u>	<u>4,564,794</u>	<u>5,318,003</u>
<b>TOTAL ASSETS</b>		<u>10,246,943</u>	<u>8,066,166</u>	<u>10,247,114</u>	<u>8,066,337</u>
<b>CURRENT LIABILITIES</b>					
Payables	10	1,282,558	465,826	1,282,558	465,826
Provisions	11	87,781	69,625	87,781	69,625
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,370,339</u>	<u>535,451</u>	<u>1,370,339</u>	<u>535,451</u>
<b>NON CURRENT LIABILITIES</b>					
Provisions	11	22,103	-	22,103	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>22,103</u>	<u>-</u>	<u>22,103</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>1,392,442</u>	<u>535,451</u>	<u>1,392,442</u>	<u>535,451</u>
<b>NET ASSETS</b>		<u>8,854,501</u>	<u>7,530,715</u>	<u>8,854,672</u>	<u>7,530,886</u>
<b>EQUITY</b>					
Contributed equity	12	25,493,957	16,580,441	25,493,957	16,580,441
Accumulated losses	13	(16,639,456)	(9,049,726)	(16,639,285)	(9,049,555)
<b>TOTAL EQUITY</b>		<u>8,854,501</u>	<u>7,530,715</u>	<u>8,854,672</u>	<u>7,530,886</u>

The accompanying notes form part of these financial statements.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		EpiTan Limited	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Refund from ATO		285,351	140,428	285,351	140,428
Payments to suppliers and employees		(6,632,032)	(3,334,729)	(6,501,164)	(3,248,946)
Interest received		344,180	152,992	344,180	152,992
Net cash provided by (used in) operating activities	16(b)	<u>(6,002,501)</u>	<u>(3,041,309)</u>	<u>(5,871,633)</u>	<u>(2,955,526)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment		(15,254)	(48,727)	(15,254)	(48,727)
Loans to related parties		-	-	(130,874)	(85,769)
Payments for trademarks		(20,714)	(17,012)	(20,714)	(17,012)
Payments for patents		(6,533)	(9,087)	(6,533)	(9,087)
Net cash provided by (used in) investing activities		<u>(42,501)</u>	<u>(74,826)</u>	<u>(173,375)</u>	<u>(160,595)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of ordinary shares		9,793,772	1,197,950	9,793,772	1,197,950
Proceeds from ordinary shares not yet issued		-	118,429	-	118,429
Payment of share issue costs		(880,256)	(2,491)	(880,256)	(2,491)
Net cash provided by (used in) financing activities		<u>8,913,516</u>	<u>1,313,888</u>	<u>8,913,516</u>	<u>1,313,888</u>
Net increase/(decrease) in cash held		2,868,514	(1,802,247)	2,868,508	(1,802,233)
Cash at beginning of the year		<u>2,611,853</u>	<u>4,414,100</u>	<u>2,611,859</u>	<u>4,414,092</u>
Cash at end of the year	16(a)	<u>5,480,367</u>	<u>2,611,853</u>	<u>5,480,367</u>	<u>2,611,859</u>

The accompanying notes form part of these financial statements.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accountancy Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the significant accounting policies adopted by the economic entity in the preparation of the financial report.

**(a) Principles of Consolidation**

The consolidated accounts comprise the accounts of EpiTan Limited and its controlled entities. A controlled entity is any entity controlled by EpiTan Limited. Control exists where EpiTan Limited has the capacity to dominate the decision-making in relation to the financial and operating activities of another entity so that the other entity operates with EpiTan Limited to achieve the objectives of EpiTan Limited. A list of controlled entities is contained in Note 9 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

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.

**(b) Income Tax**

The consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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 tax legislation and the anticipation that the company will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(c) Cash**

For the purpose of the statement of cash flows, cash includes cash on hand, at call deposits with banks or financial institutions, bank bills and negotiable financial instruments.

**(d) Property, Plant and Equipment**

Property, plant and equipment are brought to account at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, 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 which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets is depreciated over the assets' useful lives to the economic entity commencing from the time the asset is held ready for use.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office equipment	20 – 40%
Furniture and fittings	20%

**(e) Investments**

Non-current investments are brought to account at cost or at directors' valuation. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

**(f) Research and Development Expenditure**

Research and development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs. No research and development costs have been deferred during this financial year.

Deferred research and 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.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(g) Intellectual Property**

**(i) Sub-licence**

The sub-licence to develop and commercialise Melanotan has been recorded at cost. Cost is based on the fair value of the consideration given in exchange for the assets.

The consideration given for the acquisition of the sub-licence was the issue of 11,167,000 ordinary shares and attaching options in the company. Hence the cost of the sub-licence has been determined by assessing the fair value of net assets of the economic entity immediately after the sub-licence was acquired. For the purpose of valuing the assets of the company, an independent valuation of the sub-licence was performed. The valuation was based on discounted future cash flows expected to flow from the right to the sub-licence. The valuation was adjusted for the probability of success.

The directors have determined that it is appropriate to record the sub-licence at cost rather than revalued to market value at this time.

**(ii) Amortisation of Sub-licence**

The sub-licence to develop and commercialise Melanotan is amortised on a straight-line basis over 10 years. The directors have assessed this to be the period over which the future economic benefits of the sub-licence are expected to be realised. The period approximates the remaining life and likely extensions of the patents subject to the sub-licence.

**(iii) Amortisation of Trademarks**

Trademarks are amortised on a straight line basis over their expected useful lives.

**(h) Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.

**(i) Employee Benefits**

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Liabilities arising in respect of salaries and wages, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amount based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value future cash outflow to be made.

Employee benefits expenses and revenues arising in respect of the following categories; wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits are charged against profits on a net basis in their respective categories.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(i) Employee Benefits (cont'd)**

The value of the employee option scheme described in note 22 is not being charged as an employee benefit expense.

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

**(j) Directors' Remuneration**

Directors' remuneration includes all remuneration in connection with the management of the company and means any money, consideration or benefit. Remuneration includes the value of share options granted. Options over shares have been valued at grant date using an option pricing model in accordance with current ASIC guidance, Australian Exposure Draft ED 108 and International Exposure Draft ED 2. The value of options issued to directors has been included in the determination of directors' remuneration during the period from grant date to vesting date. In accordance with Australian Accounting Standards, share options have not been expensed.

**(k) Revenue**

Interest revenue is recognised on a proportional basis.

**(l) Share Capital**

Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the shares proceeds received.

**(m) Earnings Per Share**

*(i) Basic earnings per share*

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(n) 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.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2004**

**(o) Leases**

Leases payments for operating leases, where substantially all the risks and benefits remain with the lessors, are charged as expenses in the periods in which they are incurred.

**(p) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

**(q) Contributed Equity**

Issued and paid up capital is recognised at the fair value of consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		EpiTan Limited	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES</b>					
<b>(a) Revenues from ordinary activities</b>					
Interest revenue — other persons		355,235	136,404	355,235	136,404
<b>Total revenues</b>		<u>355,235</u>	<u>136,404</u>	<u>355,235</u>	<u>136,404</u>
<b>(b) Expenses from ordinary activities</b>					
Clinical development costs		2,485,534	1,693,328	1,738,236	946,030
Drug delivery research costs		3,053,105	949,439	3,053,105	949,439
Occupancy costs		86,184	75,080	86,184	75,080
Marketing costs		640,549	118,275	640,549	118,275
Finance & administration costs		1,679,593	1,277,052	2,426,891	2,024,350
<b>Total expenses from ordinary activities</b>		<u>7,944,965</u>	<u>4,113,174</u>	<u>7,944,965</u>	<u>4,113,174</u>
<b>(c) Profit/(loss) from ordinary activities before income tax has been determined after:</b>					
Depreciation		37,200	43,086	37,200	43,086
Amortisation of sub-licence		747,298	747,298	-	-
Amortisation of trademarks		5,793	3,873	5,793	3,873
Research & development costs		4,791,341	1,895,496	4,791,341	1,895,496
Doubtful debts – wholly owned subsidiary		-	-	878,166	833,082
Loss on sale of property, plant and equipment		4,862	-	4,862	-
Operating lease expense – minimum lease payments		131,327	83,964	131,327	83,964

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

	Consolidated		EpiTan Limited	
Note	2004	2003	2004	2003
	\$	\$	\$	\$
<b>3. INCOME TAX EXPENSE</b>				
(a) The prima facie tax on profit(loss) from ordinary activities before income tax is reconciled to the income tax expense(benefit) as follows:				
Prima facie tax payable on profit(loss) from ordinary activities before income tax at 30%	(2,276,919)	(1,193,031)	(2,276,919)	(1,193,031)
Add:				
Tax effect of permanent differences				
- non deductible amortisation	1,738	1,162	1,738	1,162
- non deductible legal fees	13,560	-	13,560	-
- research and development deduction	(359,351)	-	(359,351)	-
Write off FITB due to lack of virtual certainty	2,620,972	1,191,869	2,620,972	1,191,869
	-	-	-	-
(b) Future income tax benefits arising from unconfirmed tax losses and net timing differences not brought to account at balance date as realisation of the benefit is not regarded as virtually certain. The benefits will only be obtained if the conditions set out in note 1(b) occur:				
Tax losses	4,292,966	2,086,038	3,685,978	1,928,464
Net timing differences	718,910	618,975	889,890	776,620
	5,011,876	2,705,013	4,575,868	2,705,104

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		EpiTan Limited	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>4. RECEIVABLES</b>					
<b>Current</b>					
Sundry debtors		67,294	30,832	67,294	30,832
Accrued income		11,055	-	11,055	-
		<u>78,349</u>	<u>30,832</u>	<u>78,349</u>	<u>30,832</u>
<b>Non-Current</b>					
Receivable from wholly owned entity	20	-	-	7,740,678	7,609,805
Provision for non-recovery		-	-	(3,377,873)	(2,499,707)
		<u>-</u>	<u>-</u>	<u>4,362,805</u>	<u>5,110,098</u>
<b>5. OTHER ASSETS</b>					
<b>Current</b>					
Prepayments		<u>123,604</u>	<u>105,643</u>	<u>123,604</u>	<u>105,643</u>
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>					
<b>Office equipment</b>					
At cost		183,828	192,483	183,828	192,483
Less: Accumulated depreciation		(113,976)	(95,163)	(113,976)	(95,163)
		<u>69,852</u>	<u>97,320</u>	<u>69,852</u>	<u>97,320</u>
<b>Furniture and fittings</b>					
At cost		87,838	77,358	87,838	77,358
Less: Accumulated depreciation		(37,885)	(27,502)	(37,885)	(27,502)
		<u>49,953</u>	<u>49,856</u>	<u>49,953</u>	<u>49,856</u>
Total property, plant and equipment		<u>119,805</u>	<u>147,176</u>	<u>119,805</u>	<u>147,176</u>

**Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year

	Office Equipment \$	Furniture and Fittings \$	Total \$
<b>Consolidated &amp; EpiTan Limited - 2004</b>			
Carrying amount at the beginning of year	97,320	49,856	147,176
Additions	4,774	10,480	15,254
Disposals	(13,430)	-	(13,430)
Depreciation written back on disposal	8,005	-	8,005
Depreciation expense	(26,817)	(10,383)	(37,200)
Carrying amount at the end of year	<u>69,852</u>	<u>49,953</u>	<u>119,805</u>

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

		Consolidated		EpiTan Limited	
Note	2004	2003	2004	2003	
	\$	\$	\$	\$	
<b>7. INTANGIBLE ASSETS</b>					
Sub-licence to develop and commercialise Melanotan -- at cost	7,472,983	7,472,983	-	-	
Less: Accumulated amortisation	<u>(3,110,179)</u>	<u>(2,362,881)</u>	-	-	
	4,362,804	5,110,102	-	-	
Trademarks at cost	68,281	47,567	68,281	47,567	
Less: Accumulated amortisation	<u>(9,985)</u>	<u>(4,192)</u>	<u>(9,985)</u>	<u>(4,192)</u>	
	58,296	43,375	58,296	43,375	
Patents at cost	<u>23,718</u>	<u>17,185</u>	<u>23,718</u>	<u>17,185</u>	
	<u>4,444,818</u>	<u>5,170,662</u>	<u>82,014</u>	<u>60,560</u>	
<b>8. OTHER FINANCIAL ASSETS</b>					
<b>Non-Current</b>					
Investments at cost comprise:					
Shares in unlisted controlled entities	9	-	-	170	169
<b>9. INTERESTS IN SUBSIDIARIES</b>					
Melanotan (Australia) Pty Ltd Incorporated in Australia. Percentage of equity interest held by the consolidated entity: 100% (2003: 100%) EpiTan Pharmaceuticals Pty Ltd. Incorporated in Australia. Percentage of equity interest held by the consolidated entity 100% (2003: 0%)					
<b>10. PAYABLES</b>					
<b>Current</b>					
Trade creditors	1,179,726	235,929	1,179,726	235,929	
Sundry creditors and accrued expenses	102,832	111,468	102,832	111,468	
Ordinary shares yet to be issued	-	118,429	-	118,429	
	<u>1,282,558</u>	<u>465,826</u>	<u>1,282,558</u>	<u>465,826</u>	
(a) Aggregate amounts payable to:					
- directors and director-related entities	46,610	47,401	46,610	47,401	
(b) Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged:					
- Swedish krone	-	14,423	-	14,423	
- US dollars	596,048	96,991	596,048	96,991	
- Euro	83,846	-	83,846	-	
- British Pounds	77,120	-	77,120	-	
(c) Terms and conditions:					
Trade and sundry creditors are non-interest bearing and normally settled on 30 day terms.					

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		EpiTan Limited	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>11. PROVISIONS</b>					
<b>Current</b>					
Employee benefits		87,781	69,625	87,781	69,625
<b>Non Current</b>					
Employee Benefits		22,103	-	22,103	-
<b>12. CONTRIBUTED EQUITY</b>					
(a) Issued and paid up capital					
fully paid ordinary shares		25,493,957	16,580,441	25,493,957	16,580,441
114,449,085 fully paid ordinary shares (2003: 91,439,832)		<u>25,493,957</u>	<u>16,580,441</u>	<u>25,493,957</u>	<u>16,580,441</u>
		<b>2004</b>		<b>2003</b>	
(b) Movements in shares on issue		<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
At the beginning of the financial year		91,439,832	16,580,441	86,414,254	15,382,490
Issued during the year					
- options exercised		8,509,253	2,398,772	5,025,578	1,197,951
- placement		14,500,000	7,395,000	-	-
Less: transaction costs		-	(880,256)	-	-
		<u>114,449,085</u>	<u>25,493,957</u>	<u>91,439,832</u>	<u>16,580,441</u>

- (c) Share Options  
As at 30 June 2004 the following share options existed which if exercised, would result in the issue of fully paid ordinary shares.

Expiry Date	Exercise Price	Number of Options
30 September 2005	\$0.30 / share	141,556
31 March 2006	\$0.30 / share	750,000
3 April 2006	\$0.10 / share	750,000
22 October 2006	\$0.10 / share	1,300,000
31 December 2007	\$0.74 / share	750,000
1 January 2008	\$0.66 / share	375,000
2 February 2008	\$0.16 / share	750,000
13 June 2008	\$0.29 / share	500,000
18 April 2009	\$0.87 / share	300,000

During the year the following share options were issued which if exercised, would result in the issue of fully paid ordinary shares.

Expiry Date	Exercise Price	Number of Options
31 December 2007	\$0.74 / share	750,000
1 January 2008	\$0.66 / share	375,000
13 June 2008	\$0.29 / share	500,000
18 April 2009	\$0.87 / share	300,000

- (d) Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		EpiTan Limited	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>13. ACCUMULATED LOSSES</b>					
Accumulated losses at the beginning of the year		(9,049,726)	(5,072,956)	(9,049,555)	(5,072,785)
Net loss attributable to the members of EpiTan Limited		<u>(7,589,730)</u>	<u>(3,976,770)</u>	<u>(7,589,730)</u>	<u>(3,976,770)</u>
Accumulated losses at the end of the financial year		<u><u>(16,639,456)</u></u>	<u><u>(9,049,726)</u></u>	<u><u>(16,639,285)</u></u>	<u><u>(9,049,555)</u></u>
<b>14. LEASE COMMITMENTS</b>					
<b>Operating lease commitments</b>					
Non-cancellable operating leases Contracted for but not capitalised in the accounts:					
Payable					
- not later than 1 year		117,578	90,354	117,578	90,354
- later than 1 year but not later than 5 years		<u>67,297</u>	<u>150,590</u>	<u>67,297</u>	<u>150,590</u>
		<u><u>184,875</u></u>	<u><u>240,944</u></u>	<u><u>184,875</u></u>	<u><u>240,944</u></u>
<b>15. EARNINGS PER SHARE (EPS)</b>					
		Consolidated			
		2004	2003		
(a) Basic earnings per share – cents per share		(6.9)	(4.6)		
(b) The Weighted Average Number of Ordinary Shares (WANOS) used in the calculation of Basic Earnings Per Share		109,469,542	86,923,303		
(c) The numerator used in the calculation of Basic Earnings Per Share.		(7,589,730)	(3,976,770)		
(d) Potential Ordinary Shares not considered Dilutive					
As at 30 June 2004 the company had on issue 5,616,556 unlisted options over unissued capital. The details of which are included in Notes 12(c) and 22(b). These options are not considered dilutive as they do not increase the net loss per share.					

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		EpiTan Limited	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>16. CASH FLOW INFORMATION</b>					
(a) Reconciliation of Cash					
For the purposes of the Statement of Cash Flows, cash includes cash on hand and with banks and in investments in money market instruments					
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:					
Cash at bank		168,028	1,134,008	168,028	1,134,014
Cash on hand		3,018	31	3,018	31
Bank bills & income security notes		3,994,000	-	3,994,000	-
Deposits on call		1,315,321	1,477,814	1,315,321	1,477,814
		<u>5,480,367</u>	<u>2,611,853</u>	<u>5,480,367</u>	<u>2,611,859</u>
(b) Reconciliation of cash flows from operating activities with operating profit (loss)					
Operating profit (loss) after income tax		(7,589,730)	(3,976,770)	(7,589,730)	(3,976,770)
Non cash flows in operating (loss):					
Depreciation expense		37,200	43,086	37,200	43,086
Amortisation expense		753,091	751,171	5,793	3,873
Doubtful debt expense		-	-	878,166	833,082
Loss of sales on non-current assets		4,862	-	4,862	-
Changes in assets and liabilities:					
(Increase)/decrease in receivables		(47,517)	(1,230)	(47,517)	(1,230)
(Increase)/decrease in prepayments		(17,961)	(66,252)	(17,961)	(66,252)
Increase/(decrease) in payables		817,295	193,015	817,295	193,014
Increase/(decrease) in provisions		40,259	15,671	40,259	15,671
Net cash used in operating activities		<u>(6,002,501)</u>	<u>(3,041,309)</u>	<u>(5,871,633)</u>	<u>(2,955,526)</u>

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**17. DIRECTORS AND EXECUTIVES' DISCLOSURES (CONTINUED)**

As required by AASB 1046 details of directors and specified executives remuneration is detailed below.

**The specified directors of EpiTan Limited during the year were:**

W.A. Millen  
H.P.K. Agersborg  
T.E. Winters  
S.R. McLiesh

**The specified executives of EpiTan Limited during the year were:**

I.M. Kirkwood (Chief Financial Officer and Company Secretary)  
EpiTan Limited has no other specified executives.

**Remuneration of Directors**  
**Specified Directors**

	Primary Salaries & Fees	Bonus	Non-monetary benefits	Post Employment		Equity Options	Total
				Super	Other		
W.A. Millen	229,611	50,000	12,446	25,390	-	-	317,447
H.P.K. Agersborg	36,666	-	-	-	-	33,638	70,304
T.E. Winters	36,666	-	-	-	-	33,638	70,304
S.R. McLiesh	37,982	-	-	3,562	-	62,762	104,306
<b>Total</b>	<b>340,925</b>	<b>50,000</b>	<b>12,446</b>	<b>28,952</b>	<b>-</b>	<b>130,038</b>	<b>562,361</b>

**Remuneration of Executives**  
**Specified Executives**

	Primary Salaries & Fees	Bonus	Non-monetary benefits	Post Employment		Equity Options	Total
				Super	Other		
I.M. Kirkwood	97,546	5,000	-	14,229	-	50,887	167,662

(1) Mr I. Kirkwood is Chief Financial Officer and Company Secretary. Mr Kirkwood was granted options as part of a remuneration review in January 2004.

(2) **Remuneration Policy**

The Remuneration and Nomination Committee of the Board of Directors of Epitan Limited assesses the appropriateness of the nature and amount of remuneration of Directors and officers at least annually by reference to relevant employment market conditions and by the engagement of a specialist remuneration consultant with experience in the healthcare and biotechnology industries. The overall objective is to ensure the engagement and retention of the highest quality board and executive team for the benefit of all stakeholders.

The Committee, assisted by the external consultant, seeks to link the nature and amount of compensation to the company's financial and operational performance. All directors and executives are eligible to participate in the company's Option Plan. In addition, executives may be entitled to annual bonuses payable at the discretion of the Committee for specific performance achievements which have demonstrably contributed to an increase in shareholder value.

The Committee has determined that an employment agreement be entered into with the Chief Executive Officer and with no other executives. The current employment agreement with the CEO commenced on the 1<sup>st</sup> February 2000 and continues for 5 years. The agreement has a 6 month notice period and provides for payment of an amount in lieu of notice for that period.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

(3) **Remuneration options: Granted and vested during the year**

Specified Directors	Vested Number	Granted Number	Grant Date	Value per option at grant date	Exercise Price per share	First Exercise Date	Last Exercise Date
W.A. Millen	-	-	-	-	-	-	-
H.P.K. Agersborg	750,000	250,000	10 November 2003	0.51	0.735	10 November 2004	31 December 2007
T.E. Winters	750,000	250,000	10 November 2003	0.51	0.735	10 November 2004	31 December 2007
S.R. McLiesh	187,500	250,000	10 November 2003	0.51	0.735	10 November 2004	31 December 2007
Specified Executives							
I.M. Kirkwood	250,000	125,000	1 January 2004	0.44	0.655	1 January 2006	1 January 2008

**Shares issued on exercise of remuneration options**

Specified Directors	Shares issued Number	Paid \$ per share
H.P.K. Agersborg	750,000	0.30
T.E. Winters	750,000	0.30

**18. AUDITORS' REMUNERATION**

Amounts received or due and receivable by William Buck for:

- audit services and review	24,040	20,000	24,040	20,000
- other services	13,691	29,642	13,691	29,642
	<u>37,731</u>	<u>49,642</u>	<u>37,731</u>	<u>49,642</u>

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**19. RELATED PARTY DISCLOSURES**

**Directors**

The directors of EpiTan Limited during the financial year were:

W. A. Millen  
H. P. K. Agersborg  
T. E. Winters  
S.R. McLiesh

**Wholly-owned group transactions**

**Loans**

The loan receivable by EpiTan Limited from Melanotan (Australia) Pty Ltd is non-interest bearing. Repayment of the loan will commence upon commercialisation of the company's drug candidate. A provision for non-recovery has been raised in the accounts of EpiTan Limited to the extent that a deficiency in net assets exists in Melanotan (Australia) Pty Ltd.

**Equity instruments of directors**

*Interests at balance date*

Interests in equity instruments of EpiTan Limited held by directors of the reporting entity and their director-related entities:

	<b>Ordinary Shares</b>		<b>Options over</b>	
	<b>Fully Paid</b>		<b>Ordinary Shares</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
W. A. Millen	17,726,375	19,706,144	-	-
H.P.K. Agersborg	750,000	-	250,000	750,000
T. E. Winters	16,065,415	15,315,415	250,000	750,000
S.R. McLiesh	-	-	1,000,000	750,000

During the year HPK Agersborg and TE Winters each converted 750,000 options into ordinary shares. At the 2003 AGM shareholders agreed to issue 250,000 options to each non-executive director.

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**20. SEGMENT INFORMATION**

The economic entity operates solely in the biotechnology industry. The economic entity operates predominantly in Australia.

**21. FINANCIAL INSTRUMENTS**

(a) Interest rate risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	Weighted Average Effective Interest Rate		Non-Interest Bearing		Balances Subject to a Floating Interest Rate		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	%	%	\$	\$	\$	\$	\$	\$
<b>(i) Financial Assets</b>								
Cash at bank, deposits & income securities	5.8	4.1	171,046	31	5,309,322	2,611,822	5,480,367	2,611,853
Receivables	N/A	N/A	78,349	30,832	-	-	78,349	30,832
<b>Total</b>			<b>249,395</b>	<b>30,863</b>	<b>5,309,322</b>	<b>2,611,822</b>	<b>5,558,716</b>	<b>2,642,685</b>
<b>(ii) Financial Liabilities</b>								
Payables	N/A	N/A	1,282,558	465,826	-	-	1,282,558	465,826
<b>Total</b>			<b>1,282,558</b>	<b>465,826</b>	<b>-</b>	<b>-</b>	<b>1,282,558</b>	<b>465,826</b>

(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values.

(c) Credit risk exposures

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

**22. EMPLOYEE BENEFITS**

	Consolidated		EpiTan Limited	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) The aggregate employee benefit liability is comprised of:				
- Provisions	109,884	69,625	109,884	69,625
- Accrued wages, salaries and on costs	12,526	78,168	12,526	78,168
	<u>122,410</u>	<u>147,793</u>	<u>122,410</u>	<u>147,793</u>

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**EMPLOYEE BENEFITS (CON'T)**

(b) Employee Option Plan

An employee option plan has been established where directors, staff and consultants are issued with options over the ordinary shares of EpiTan Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of EpiTan Limited. The options are issued for a term of 5 years, however this does vary for the various plan participants. The options cannot be transferred and will not be quoted on the ASX. There are currently three directors, five staff and three consultants eligible for this scheme.

Information with respect to the number of options granted under the employee option scheme is as follows:

	2004		2003	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of year	6,714,895	\$0.20	5,385,937	\$0.20
- granted	1,925,000	\$0.63	1,650,000	\$0.22
- forfeited	-	-	(321,042)	\$0.30
- exercised	<u>(3,023,339)</u>	<u>\$0.25</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>5,616,556</u>	<u>\$0.32</u>	<u>6,714,895</u>	<u>\$0.20</u>
Exercisable at end of year	<u>2,487,500</u>	<u>\$0.17</u>	<u>3,200,277</u>	<u>\$0.19</u>

The following table summarises information about options outstanding and exercisable at 30 June 2004.

Exercise price	Expiry date	Number of options :	
		Outstanding	Exercisable
\$0.30	30 September 2005	141,556	
\$0.30	31 March 2006	750,000	187,500
\$0.10	3 April 2006	750,000	750,000
\$0.10	22 October 2006	1,300,000	1,300,000
\$0.74	31 December 2007	750,000	-
\$0.66	1 January 2008	375,000	250,000
\$0.16	2 February 2008	750,000	-
\$0.29	13 June 2008	500,000	-
\$0.87	18 April 2009	<u>300,000</u>	<u>-</u>
		<u>5,616,556</u>	<u>2,487,500</u>

**23. SUBSEQUENT EVENTS**

The following events have occurred subsequent to balance date and, given their nature, have not been adjusted for in the financial report.

- **Capital raising**

On 11 August 2004 EpiTan Limited issued 10,500,000 ordinary shares at \$0.76 each to two European based fund managers raising \$7,980,000 before costs.

At the same time EpiTan issued to the same two institutions 6,667,362 options exercisable at \$1.03 each at any time over the next three years (ending date being August 2007). The options were issued for nil consideration.

- Acquired two prescription dermatology products, Linotar® and Exorex® from TransDermal Pharmaceuticals Pty Ltd in July.
- Entered into an agreement to in-license Zindaclin® from UK based Strakan International Limited in July.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)**

**24. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS**

EpiTan Limited has reviewed its accounting policies and financial reporting in light of the transition from current Australian Standards to Australia Equivalents of International Financial Reporting Standards (IFRS). Set out below are the key areas where accounting policies will change and may have an impact on the financial report of EpiTan Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

*Impairment of Assets*

Under the Australian equivalent of IAS 36 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of the net selling price and its value in use. This will result in a change in the entity's accounting policy which determines the recoverable amount of an asset will be recognised sooner and that the amount of write downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impractical because the conditions under which impairment will be assessed are not yet known.

*Intangible Assets*

Under the Australian equivalent to IAS 38 *Intangible Assets*, costs incurred in the research phase of the development of an internally generated intangible must be expensed. This will result in a change in the group's current accounting policy which allows for the capitalization of costs incurred in the research phase of an internally generated intangible asset where future benefits are expected beyond reasonable doubt. Under the new policy, all research costs will be written off as incurred. As the entity has not capitalised any research costs to date, there will be no adjustment required upon adoption of this policy.

*Share Based Payments*

Under AASB 2 *Share Based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impractical as the details of future equity based remuneration plans are not known.

*Income Taxes*

Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognized in either the Statement of Financial Position or a tax based balance sheet. As the entity has significant tax losses at 30 June 2004, reliable estimation of the future financial effects of this change in accounting policy is impractical.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

In the opinion of the directors:

1. the financial statements and notes, of the company and of the consolidated entity, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date;
  - (b) complying with Accounting Standards and the Corporations Regulations 2001; and
2. 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.

---

W.A.MILLEN  
DIRECTOR

Dated this 17<sup>th</sup> day of August, 2004.

**EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDIT REPORT**



**Independent audit report to members of  
EpiTan Limited & controlled entities  
ABN 88 089 644 119**

**Scope**

*The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both EpiTan Limited (the company) and EpiTan Limited and controlled entities (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit approach*

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included;

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

(1 of 2)

EPITAN LIMITED  
A.B.N. 88 089 644 119  
AND CONTROLLED ENTITIES

INDEPENDENT AUDIT REPORT



**Independence**

In conducting our audit, we followed applicable independence requirements of Australian accounting ethical pronouncements and the *Corporations Act 2001*.

**Audit opinion**

In our opinion, the financial report of EpiTan Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) gives a true and fair view of EpiTan Limited's and the consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

  
\_\_\_\_\_  
William Buck  
Chartered Accountants

  
\_\_\_\_\_  
K W Glynn  
Partner

Dated this 17<sup>th</sup> day of August 2004  
Melbourne, Australia.

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**ADDITIONAL INFORMATION REQUIRED BY THE AUSTRALIAN STOCK EXCHANGE**

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows. The information is current at 30 July 2004.

**1. Shareholding**

(a) Distribution of Shareholders Number

<b>Category (size of Holding)</b>	<b>Ordinary Shares</b>
1 – 1,000	362
1,001 – 5,000	1,384
5,001 – 10,000	846
10,001 – 100,000	987
100,001 – and over	92
	3,671

(b) The number of shareholdings held in less than marketable parcels is 62 for ordinary shares.

(c) The names of the substantial shareholders listed in the holding company's register as at 30 July 2004 are:

Weighton Pty Ltd  
MelanoTan Corporation USA  
Merrill Lynch (Australia)

(d) Voting Rights

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(e) 20 Largest Shareholders – Ordinary Shares

	<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
1.	Weighton Pty Ltd	17,716,375	15.48
2.	MelanoTan Corporation USA	15,165,415	13.25
3.	Merrill Lynch (Australia) Nominees Pty Ltd	4,586,138	4.01
4.	ANZ Nominees Limited	3,863,950	3.38
5.	Chartport Financial Services Pty Ltd	3,312,805	2.89
6.	Citicorp Nominees Pty Limited	2,899,894	2.53
7.	National Nominees Limited	2,502,946	2.19
8.	Westpac Custodian Nominees Limited	1,250,884	1.09
9.	Grunwald Design International Pty Ltd	854,332	0.75
10.	Dr Helmer Agersborg	750,000	0.66
11.	Mr Terrance Edwin Winters & Mrs Eileen Young Winters	750,000	0.66

**EPITAN LIMITED**  
**A.B.N. 88 089 644 119**  
**AND CONTROLLED ENTITIES**

**ADDITIONAL INFORMATION REQUIRED BY THE AUSTRALIAN STOCK EXCHANGE**

(e) 20 Largest Shareholders – Ordinary Shares (Cont)

<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
12. Mr Doug McLachlan & Mrs Wendy McLachlan	680,000	0.59
13. JFR Investments Pty Ltd	663,228	0.58
14. Mr Paul Joseph Pomeranke	538,500	0.47
15. Mr Cheng Han	531,690	0.46
16. Mr Trent Sheldon Redding	505,600	0.44
17. Lippo Securities Nominees	505,000	0.44
18. Chartport Pty Ltd	500,000	0.44
19. Seawise Nominees Pty Ltd	434,503	0.38
20. Manikato Financial Services	420,000	0.37
	<hr/> <b>58,431,260</b>	<b>51.06</b> <hr/>

**2. Company Secretary**

The name of the company secretary is Mr Iain Kirkwood.

**3. Registered Office**

The address of the principal registered office in Australia is Level 10, 52 Collins Street, Melbourne, Victoria, 3000, Telephone (03) 9662 4688.

**4. Register of Securities**

Computershare Investor Services Pty Ltd  
Level 12, 565 Bourke Street  
Melbourne Vic 3000

**5. Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited (ASX code: EPT).

**6. Restricted Securities**

Restricted securities on issue at 30 June 2004: Nil