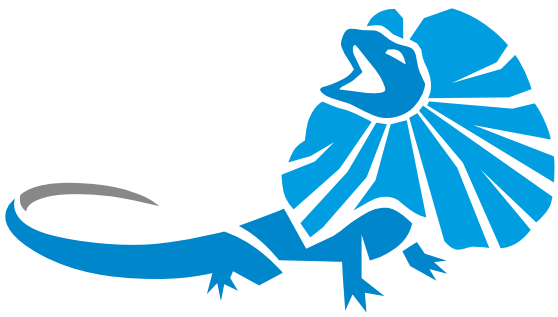
Clinuvel

Annual Report 2006

Nature has provided the Australian Frilled Neck Lizard with the ultimate protection from the harsh sun and UV allowing him to flourish in the most arid landscape on earth.



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Clinuvel Pharmaceuticals Limited & Controlled Entities Annual Report Year Ended 30 June 2006

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Notice of meeting

The Annual General Meeting will be held on:
Friday 3 November, 2006 commencing at 10:00am

Venue: Stamford Plaza Hotel,
111 Little Collins Street, Melbourne Vic 3000
(Edinburgh Room on Level 1)

Company profile

Clinuvel Pharmaceuticals Limited (ASX:CUV) is an Australian biopharmaceutical company focused on developing its leading drug candidate CUV1647 for a range of UV-related skin disorders. Clinuvel's pioneering work aims at preventing the symptoms of diseases related to harmful UV radiation.

CUV1647 provides protection against UV radiation by enhancing the production of eumelanin, the body's natural photoprotective pigment. Increased pigmentation of the skin appears a few days after administration of CUV1647 and may last up to several months. CUV1647 is administered underneath the skin as a biodegradable implant that is approximately the size of a grain of rice.

CUV1647 is being developed to assist in preventing the UV-related skin disorders Actinic Keratosis (AK – precursor to skin cancer), Polymorphic Light Eruption (PLE or PMLE – sun poisoning) and two additional indicators that were announced in August 2006, Erythropoietic Protoporphyria (EPP) and Solar Urticaria (SU).

AK is a pre-cancerous skin growth usually caused by sun exposure, which appears as discrete dry scaly lesions on a background of photoaged skin. AK's are treated by dermatologists and other physicians due to the concern that they may progress to squamous cell carcinomas, a malignant form of skin cancer.

PLE is a common sun induced skin disorder. It consists of a rash that is intensely itchy with red blisters, bumps and patches on sun exposed areas of the skin. PLE can have a significant social impact on sufferers because of their inability to go into bright sunlight in spring and summer.

Erythropoietic Protoporphyria (EPP) is a rare inherited porphyrin metabolism disorder. This disorder causes a chemical known as protoporphyrin IX to accumulate in the skin. When the skin is exposed to the sun, these molecules undergo a chemical reaction that results in swelling, excruciating pain and scarring. The pain is sometimes described as like having hot needles stuck into the skin. The lifelong pain experienced by these patients can be so severe that they require continuous treatment with analgesics to cope with the incessant pain. Typically, these patients become socially isolated because of the lack of an efficacious treatment and their need to continuously avoid sunlight.

Solar Urticaria (SU) is a rare and severe skin disorder with no current cure. Following limited exposure to sunlight, sufferers may develop an itchy or burning redness on exposed skin. More prolonged exposure can result in the development of "wheals" or round red raised areas on the skin. Treatment usually focuses on relieving symptoms, most commonly using antihistamines, with or without systemic steroids. In extreme cases, patients may need to be hospitalised for plasmapheresis (a procedure similar to dialysis where the plasma in their blood is removed and the blood cells are returned to the patient).

Phase I and II human clinical trials using CUV1647 (approximately 200 patients), have demonstrated that the drug is well tolerated and no serious safety concerns have been identified to date.

Clinuvel is preparing to start further Phase II and Phase III clinical trials in Australia, Europe, South Africa and the US. The company remains on target with its clinical trial programme to complete Phase III clinical trials in Europe, Australia and the United States in 2009.

Following completion of the clinical development program, Clinuvel's next steps will be to continue to work with regulators to facilitate the regulatory evaluation and registration process.

Chairman's letter

Dear Shareholder,

The past year has witnessed some marked changes for Clinuvel (CUV) resulting in the establishment of a clear pathway for registration of our lead product CUV1647. In line with implementing these important changes, the company has successfully secured long term institutional funding and support from major European Healthcare Investment funds.

Since my appointment as Chairman of the Board in December last year, we have also appointed our new Chief Executive Officer and Director, Dr Philippe Wolgen who has recently moved to Australia from Europe. Philippe and I have worked closely during the first half of 2006 to implement a programme that will ensure the delivery of key milestones, the first of which we announced in April 2006 indicating that CUV1647 is effective in the treatment of PLE (sun allergy/poisoning).

Earlier in 2006 we took the decision to change the name of the company from Epitan Limited to Clinuvel Pharmaceuticals Limited. This is very much in line with our operation as a biopharmaceutical company focusing on unmet clinical needs for patients.

Our commercial focus and strategy remains the development of pharmaceutical products for protection against the damaging effects of UV radiation. We will achieve this by harnessing the established ability of our drug CUV1647 to increase eumelanin in the skin. I should stress that our aims as a pharmaceutical company must be to introduce the drug for *bone fide* clinical indications through recognised regulatory bodies. The growing incidence of UV-related diseases and their potentially severe clinical consequences highlight the nature of both the clinical and commercial opportunity: melanoma, "132,000" new cases per annum globally, Actinic Keratoses has an incidence of approximately 10% to 15% of the Caucasian population globally and PLE has an incidence of approximately 15% of the Caucasian population globally of which 1% are severe and require treatment. Australia, with its extreme UV exposure levels, provides us with an ideal environment to evaluate formulations that protect against UV radiation and damage.

Our success with PLE has provided the company with an important clinical indication with which to pursue a registration strategy. We remain on target to be in phase III in Europe with this indication in 2007.

Clinuvel is a pioneer in the field of 'pharmaceutically based' protection against UV radiation. I firmly believe that we have the potential for both a challenging and rewarding year ahead, we look forward to sharing our progress and milestone achievements with you through announcements.

I would like to take this opportunity to thank you all for your continued support.

Roger Aston,
Chairman

Managing Director's report

Past year

A new management team was brought on board in early December 2005 giving the company a new direction and focus. Stepping into the role of CEO, I took on the challenge to expedite the advancement of our key innovative product CUV1647. I recognised for the company to be successful in registering CUV1647, our focus must be on a successful development plan and achievable regulatory pathway.

I strongly believe that the strength of a company business lies in the talent of the team. I am confident that the time spent in recruiting the appropriate management and staff over the past year will yield success in the future.

Photo-protection

Worldwide expectations of CUV1647 have been exceedingly high as evidenced by the large number of enquiries regarding the market launch of CUV1647. The interest we see daily from both existing and prospective investors, industry analysts, global fund managers and the media is encouraging. I share the global optimism that CUV1647 is on track for registration. However, although the rewards for a successful drug are great, drug development is often fraught with regulatory and safety challenges, as witnessed recently in clinical trials undertaken by other pharmaceutical companies.

Safety & regulatory pathway

Any development program of a novel systemic drug needs to be sufficiently robust to withstand the scrutiny of regulators; hence, a consistent safety profile of CUV1647 is paramount to effectively navigate through the complex regulatory path to commercialisation. This is my aim with our clinical trial program.

Re-branding

Another major initiative was to rebrand the company to Clinuvel Pharmaceuticals Limited (ASX:CUV). The objective was to focus on the pharmaceutical rather than the cosmetic profile of CUV1647.

New clinical program

Simultaneously, we undertook to reposition Clinuvel by focusing on medical disorders where CUV1647 benefits patients that are most clinically affected by UV radiation. The past year I have worked alongside newly appointed Chief Scientific Officer, Dr H Agersborg in shaping a new clinical program. We have identified four target skin disorders where CUV1647 potentially offers greatest photo-protection against UV radiation:

- Actinic Keratosis (AK), – a pre-malignant skin disorder
- Polymorphous Light Eruption (PLE), sun poisoning
- Erythropoietic Protoporphyria (EPP)
- Solar Urticaria (SU)

Managing Director, Dr Philippe Wolgen

"Since the major known determinant of susceptibility to skin cancer is the quality and amount of natural melanin pigment, it would be quite unexpected if CUV1647 did not enhance skin cancer resistance".

Dr Ervin Epstein, Jr
Clinical Professor, Department of Dermatology
University of California, San Fransisco

New medical protocols for CUV1647 with clear and measurable clinical endpoints were written and filed so that clinical trials in Australia, Europe, South Africa and the United States could begin. Currently, we are engaged in an open label Phase II trial in Switzerland. We have submitted applications to obtain approval to commence AK trials in Melbourne 2007. The business of drug development is critically dependant on the successful execution of clinical trials; as such we have invested particular attention and effort in the design of our medical protocols in order to maximise our chances of clinical success in Australia, Europe, South Africa and the USA. Our clinical team is working diligently to commence the Phase III trials in PLE. Investigators from 12 centres across Europe have agreed to participate in this trial.

Actinic Keratosis

CUV1647 has been demonstrated to have photo-protective effects and it is anticipated that it will prevent or reduce the rate of formation of new Actinic Keratosis lesions. In this program, we focus on two groups of patients:

(i) at highest risk, those patients that have been immune-suppressed (organ transplant patients) for a prolonged period.

(ii) at risk, those that have occupational exposure to high levels of UV radiation (outdoor workers, farmers, sportsmen).

Managing Director's report

"I would anticipate that CUV1647 would convey clinically significant photo-protection in Polymorphous Light Eruption and Actinic Keratosis, and this will be tested in the forthcoming clinical trials."

Dr Lesley Rhodes (President)
Head of Photobiology, Dermatology Centre, University of Manchester, UK

US presence

In anticipation of filing an Investigational New Drug (IND) application in 2007 and running multiple trials in the US, it was imperative to build a strong team in the US. To gain a strategic foothold in the US market, we have secured participation of several leading clinicians from leading research hospitals to conduct our trials. Our commitment to penetrate the world's largest market is further demonstrated by opening of a branch office in San Francisco in Q4 2006.

Intellectual property fortification

We have been able to further strengthen the IP position of Clinuvel by filing for specific clinical applications of CUV1647. Clinuvel has identified new indications for CUV1647 and improved formulations to obtain patent protection.

The road to registering a new drug is an arduous one and requires much patience, not least from shareholders. It is crucial not to underestimate the work that must be undertaken to address the safety of a new compound.

I firmly believe that we have gained a more profound and strategic insight into the potential of CUV1647 during the past year and with it, new indications to administer the drug successfully.

EpiPharm

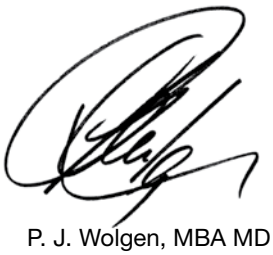
Since we refined the strategy of the company, we needed to concentrate on the development program for CUV1647 and EpiPharm was not central to this. Whilst revenues have grown, EpiPharm as a start-up distribution business has been cash flow negative for a number of years. To achieve the required and expected target, i.e. successful development of CUV1647, I believe that we must allocate our resources exclusivly to our clinical program.

Vision

My objective for the next 12 months is to take significant steps towards registration of CUV1647 by the Therapeutic Goods Administration (TGA) in Australia, European Medicines Agency (EMEA) in Europe and Food and Drug Administration (FDA) in the US.

By continuing our focus on safety we are in a solid position to take CUV1647 to market. Clinuvel has an exciting drug in development. My belief is that with the involvement of key opinion leaders in each medical indication for CUV1647, we have a significant clinical program. We will further expand the global network of experts into dermatology, haematology, and organ transplant medicine.

I would like to take the opportunity to thank all staff for their hard work and all shareholders for their continued support.



P. J. Wolgen, MBA MD
CEO Clinuvel Pharmaceuticals Ltd

Clinical indications for CUV1647

Actinic Keratosis (AK)

In the US, consultations for AKs are the second most common reason for patient visits to dermatologists and treatment of these lesions has become a major part of dermatology practice. The prevalence of AKs varies geographically with the incidence amongst Australians 40 years of age or older reported to be 40-60% compared with approximately 10-20% in the population in Europe and the US.

AKs appear as rough, dry scaly, often hyperkeratotic lesions on a background of photoaged skin and most commonly present on sun-exposed areas such as the face, ears and lateral forearms. Fair skin colour, cumulative sun or UV radiation exposure and age are major risk factors for the development of AKs.

Recently AKs have been demonstrated to be an initial step in a continuum with squamous cell carcinomas (SCC) at the opposite end. Currently there is no available technology that allows distinction between lesions that will regress, remain stable or progress to invasive skin cancers, so the majority of AKs are treated because of the concern that they may progress to invasive SCC, a malignant form of skin cancer. Destructive therapy, predominantly cryosurgery, is the mainstay of treatment. Photodynamic therapy or treatment with topical agents such as 5-fluorouracil, diclofenac, imiquimod or colchicine is also employed.

Highly susceptible subgroups - immune suppressed patients

There is a remarkably high incidence of skin cancer in organ transplant patients, due to the necessary use of immune suppressive medications. It has been found that organ transplant patients are up to 65 times more likely to develop skin cancer than those who have not had an organ transplant. There is a direct correlation between the incidence of skin cancer and the natural pigmentation of an individual's skin. Afro Americans who have undergone organ transplants have a lower incidence of skin cancer than Caucasian organ transplant patients, such findings add to the validation of our approach with CUV1647.

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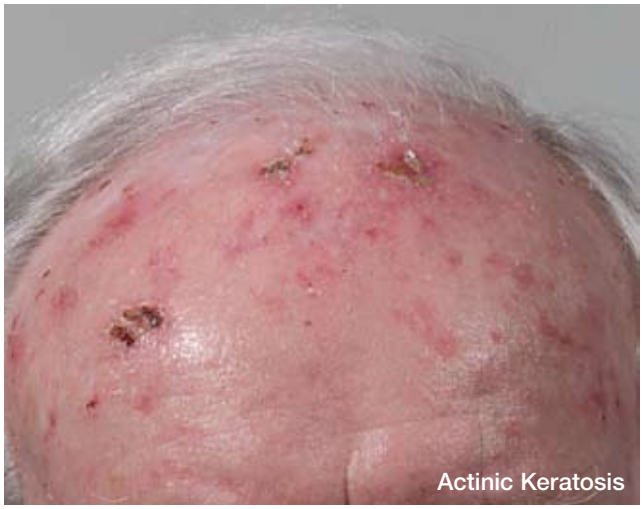


Actinic Keratosis

"Actinic (solar) Keratosis (AK) and squamous cell carcinoma (SCC) are more commonly seen in immune suppressed patients such as renal and heart transplant patients. The use of CUV1647 in such patients to reduce the incidence of these tumours presents an exciting and novel clinical intervention program. The frequency of skin tumours across the world mostly seen in populations with the least amount of skin pigmentation, and the rampant incidence of skin cancer in immune suppressed patients may indicate that CUV1647 could be successful. However in support of evidence based medicine, clinical trials with CUV1647 are needed to determine the optimal timing of treatment to reduce these tumours in organ transplant patients."

Dr. George Varigos
Head of Department of Dermatology Royal Melbourne Hospital, Melbourne, Australia

Polymorphous Light Eruption (PLE)

PLE is the most common photosensitivity and after sunburn is the most common sun-related problem seen by doctors. The incidence has been reported in literature to be approximately 5% in Australia, 10% in the United States, 15% in the United Kingdom and approximately 15% - 20% in the most northerly latitudes of Europe. While it occurs in people with all skin types, it is more common in fair-skinned individuals. Although the disease is regarded to be severely debilitating for patients who suffer from PLE there is a common understanding that only a fraction of patients present to dermatologists for treatment of their symptoms. The main reason for this is the lack of available efficacious therapies other than the administration of high doses of corticosteroids.

Clinical indications for CUV1647

PLE is a distressing seasonal skin condition with episodes most commonly beginning in spring and resolving by late-summer or autumn. Symptoms include non-scarring, itchy or burning, red papules, vesicles or plaques and appears on sun-exposed skin 30 minutes to several hours following exposure to sunlight. Symptoms usually resolve over a period of a few days to a week or two.

Treatment is aimed at either preventing or suppressing the disease. Sun avoidance, the use of broad spectrum sunscreens and topical steroids are the first line of therapy used. In more severe cases, phototherapy with or without concomitant systemic steroids is used and in some patients systemic immunosuppressive drugs are employed.

PLE has a considerable impact on the quality of life for many people because of the need to avoid sun exposure during the spring and summer months.

Through the EP005 and EP012 clinical studies, CUV1647 has been shown to offer protection against outbreaks of PLE. If used prophylactically during spring and summer, it should either prevent episodes of PLE or reduce the severity of symptoms experienced by patients.

References

Ling TC, Gibbs NK, Rhodes LE. 'Treatment of Polymorphic Light Eruption'. Photodermatol Photoimmunol Photomed 2003;19:217-27

Tutrone WD, Spann CT, Scheinfeld N, Deleo VA. 'Polymorphic Light Eruption', Dermatologic Therapy 2003;16:28–9

Erythropoietic Protoporphyria (EPP)

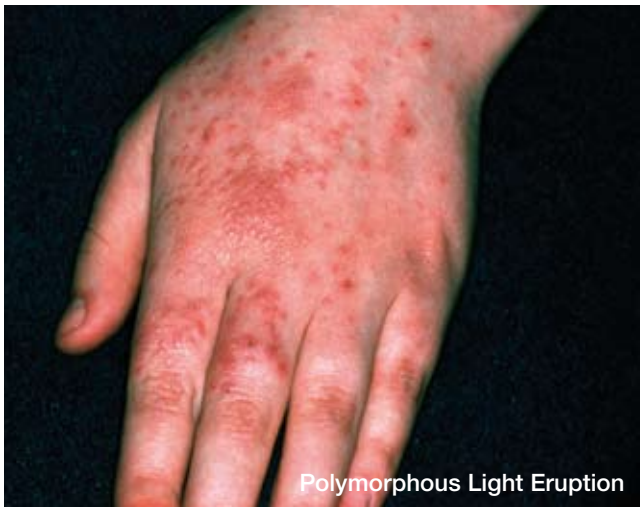
EPP is a rare inherited porphyrin metabolism disorder that affects between one in 200,000 and one in 750,000 people. This disorder causes a chemical known as protoporphyrin IX to accumulate in the skin. When the skin is exposed to the sun, these molecules undergo a chemical reaction that results in swelling, excruciating pain and scarring.

The pain is sometimes described as like having hot needles stuck into the skin. The lifelong pain experienced by these patients can be so severe that they require continuous treatment with analgesics to cope with the incessant pain. Typically, these patients become socially isolated because of the lack of an efficacious treatment and their need to continuously avoid sunlight.

Sun avoidance by remaining indoors or wearing sun protective clothing including cotton gloves and a wide brimmed hat is the first line in EPP management. Drugs such as ß-carotene, cysteine and cimitedine have been used and because the disease is inherited, genetic counselling is recommended.

Since sun avoidance is recommended, patients lead lives where they are in the sun for very limited time. This can prevent normal social activities and the intense pain that is experience interferes with normal daily activities and can prevent adequate sleep.

It is hoped that with regular use of CUV1647, EPP patients will become more resistant to the effects of the sun and be able to lead more normal lives.



Polymorphous Light Eruption

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Todd DJ. 'Clinical Implications of the Molecular Biology of Erythropoietic Protoporphyria', J Eur Acad Dermatol Venerol 1998;11:207-13

Solar Urticaria (SU)

SU is a rare and severe disorder occurring in less than 1% of the population. Following limited exposure to sunlight, sufferers may develop an itchy or burning redness on exposed skin. More prolonged exposure can result in the development of "wheals" or round red raised areas on the skin. These symptoms can also be accompanied by headache, nausea, breathing difficulty or fainting. The symptoms usually develop soon after sun exposure and last anywhere from 30 minutes to 24 hours.

Treatment is usually directed towards relief of symptoms. Most commonly, antihistamines with or without systemic steroids are used. Desensitisation with UV light sources has been used but this carries the risk of provoking symptoms. Immunosuppressants such as cyclosporin and intravenous immunoglobulins have also been used. In extreme cases these patients need to be hospitalised to undergo plasmaphoresis (a procedure similar to dialysis where the plasma in their blood is removed and the blood cells are returned to the patient).

With the use of CUV1647, it is hoped that in at risk patients the incidence and/or severity of attacks of solar urticaria will be significantly reduced.

References

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Ng JHC, Foley PA, Crouch RB, Baker CS. 'Changes of Photosensitivity and Action Spectrum with Time in Solar Urticaria'. Photodermatol Photoimmunol Photomed 2002;18:191-95

Roelandts R. 'Diagnosis and Treatment of Solar Urticaria', Dermatologic Therapy 2003;16:52-56

Review of clinical development program to date

Our lead product CUV1647

Since February 2006, CUV1647 has been used as Clinuvel's proprietary name for [Nle^4, D-Phe^7] α-MSH our synthetic analogue of α-melanocyte stimulating hormone (α-MSH). The change of name emphasised the change of direction in clinical strategy adopted by Clinuvel.

CUV1647 stimulates the body's natural ability to produce eumelanin, the dark pigment of the skin which is known to have photo-protective effects. It does this without the need for exposure to UV radiation.

Work on the development of CUV1647 and the peptide family to which it belongs dates to the mid-1980s when a group of scientists at the University of Arizona were developing more potent and stable forms of α-MSH. After synthesizing hundreds of molecules, the compound which is now known as CUV1647 was selected for further development.

Preliminary clinical trials in the US, carried out under a physician's IND, demonstrated that CUV1647 stimulated eumelanin production in volunteers in the same way as UV radiation naturally increases eumelanin for a similar duration of time. These first clinical results demonstrated CUV1647 as a stable drug candidate that could increase eumelanin production in humans.

In 1999, Epitan Ltd (now Clinuvel Pharmaceutical Limited) licensed the exclusive worldwide rights to develop and commercialise CUV1647 for melanogenesis. The development of CUV1647 has progressed to the point where phase III clinical trials are planned to commence in 2007.

References

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Administration of CUV1647

CUV1647 is released from the bio-resorbable (fully dissolvable) implant over several days and reaches optimal effect after approximately 4 to 5 days in the human body. During the past three years Clinuvel has invested in the development of drug release implants in order to optimise the dosage and efficacy of the drug. Much of this work has been undertaken under contract with US-based partners who specialise in formulation chemistry and process development of controlled release implants.

The implant development has also given rise to further intellectual property which will give Clinuvel market dominance. Clinuvel utilises slow-release implants that provide patients with plasma drug levels for 8-10 days and maintain elevated eumelanin levels for up to 90 days. Through continued product development, we will continue to refine our formulations.

"Solar Urticaria is a severe disease where patients develop an allergy within their skin to daylight. In many cases it is so severe that after a few minutes outside, even in the British winter, the skin becomes intensely itchy and swollen often for several hours. Severe Solar Urticaria is therefore terribly disabling since patients cannot go outside during daylight hours at all. Although treatments do exist, many of the most severely affected patients do not improve with the existing treatments, and face the prospect of a life blighted by this condition which often continues for decades. If CUV1647 did succeed in reducing the severity of the reaction to daylight in such patients by the tanning pigment absorbing some of the light before it reaches deep enough into the skin to cause the reaction, then this would be a major advance for the treatment of this extremely unpleasant disease."

Dr. Robert Sarkany
Head of Department of Dermatology & Photobiology,
St Bartholomeus Hospital, London,

Clinical trial summary 2005-2006

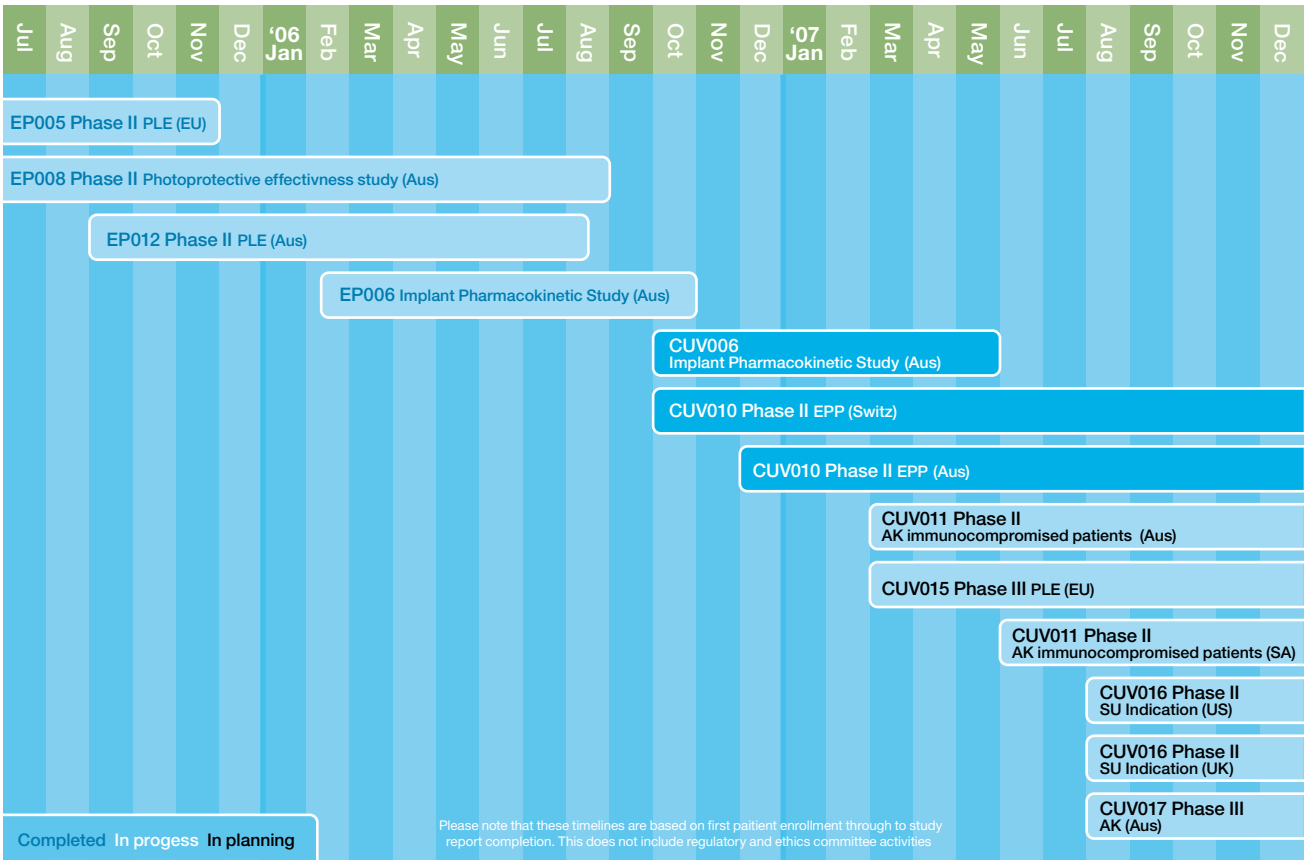
Code	Type of Study	Safety	Patients	Trial Results
EP005	Phase II PLE Proof of Concept	Well tolerated	13 active 5 untreated controls	A trend to improvement of erythema but no overall difference in the intensity of PLE symptoms. A significant increase in melanin density. There were no treatment effects on minimum erythema dose. For IPD, untreated subjects had no measurable change in IPD while half of the subjects receiving the CUV1647 implant had reductions in IPD. No immunomodulatory effect of CUV1647 observed.
EP006	Pharmacokinetic Study Phase I/II		6 active	Results expected at the end of Q4, 2006 University of South Australia, Professor Milne
EP007	Formulation Study Phase I/II to Evaluate Topical Formulation			Results expected in 2007 William Harvey Research Institute, St Bartholomew's & The Royal London School of Medicine and Dentistry, London
EP008	Phase II Photoprotective Efficacy Study	Well tolerated	23 active 22 placebo	Significantly greater increases in melanin density from baseline to day 86. There were significant differences between treatment groups. The erythema dose-response slope at day 30 but not at day 58 or 86. There was a significant difference between treatment groups in the number of subjects with an IPD response at day 86. Thymine dimer formation was also not affected by treatment group in the analysis.
EP012	Phase II PLE safety and efficacy study	Well tolerated	13 active 13 placebo	Significant reduction in the use of systemic steroids as rescue medication. Trend towards fewer PLE episodes. Significantly greater melanin density levels

CUV1647 has and will continue to be tested for efficacy in Polymorphic Light Eruption (PLE), Actinic Keratosis (AK), Erythropoetic Protoporphyria (EPP) and Solar Urticaria (SU). These are all UV-related skin disorders. The patients most prone to develop UV-related skin disorders are often melanin compromised or fair skinned (Fitzpatrick skin type I and II). The administration of CUV1647 aims to prevent the recurrence of the disease, alleviate symptoms or reduce the rate of development.

An important part of Clinuvel's program will be the clinical trials to determine the efficacy of CUV1647 in immune-compromised organ transplant patients. These subjects will be selected from a population of organ transplant patients who are particularly prone to develop actinic keratoses and skin cancer after only minimal exposure to UV radiation.

The clinical trials to date have repeatedly demonstrated a good safety profile for CUV1647. CUV1647 has proven to be most efficacious in fair skinned individuals (Fitzpatrick I and II) as demonstrated in the recent results.

CUV1647 clinical trials



EP008 Photo-protective Phase II efficacy study

In this trial it was once more seen that melanin density increase was most significant in individuals that lacked the natural skin-protectant pigmentation, eumelanin.

EP012, Polymorphous Light Eruption (PLE) Phase II efficacy study

The EP012 Phase II efficacy study conducted at St Vincent's Hospital Melbourne, showed a reduction in the usage of systemic steroid rescue medication (Prednisolone 25mg) in patients that were administered CUV1647. A trend was seen where CUV1647 recipients also experienced fewer PLE episodes than those on placebo. Above all, systemically administered CUV1647 proved to be well tolerated.

CUV006, Implant Human Pharmacokinetic (PK) Study

Following recent advancement in implant technology, Clinuvel will initiate a further study to define the pharmacokinetic release profile of improved implant formulations.

CUV014, Polymorphic Light Eruption (PLE) Phase II/III efficacy study

The interim results of Phase II PLE (St Vincent's Hospital, Melbourne) demonstrated efficacy of CUV1647 in Polymorphic Light Eruption (PLE). The CUV014 Phase II/III trial in Melbourne has been substituted by CUV015 Phase III multicentre European trials; the change in strategy resulted from the ability to recruit more patients from two more European centres to enrol patients in the program.

CUV010, Erythropoietic Protoporphyria (EPP) Phase II pilot efficacy study

Ethical and regulatory approval has been obtained for an open label Phase II study to be conducted in Erythropoietic Protoporphyria (EPP) in Switzerland. This study commenced in September 2006 at Triemli Hospital, Zurich.

CUV011, Actinic Keratosis (AK) Phase II pilot efficacy study

Approval has been received to conduct a pilot study designed to assess the efficacy and safety of multiple implant doses of CUV1647 for the prevention of the formation of Actinic Keratosis in renal transplant patients This study will be conducted at the Royal Melbourne Hospital, Melbourne and is expected to commence in Q1 2007.

CUV015, Polymorphic Light Eruption (PLE) Phase III efficacy study

As indicated under CUV014, a phase III study of multiple doses of CUV1647 in PLE is planned to commence in spring 2007 in Europe. A protocol has been finalized and submissions for ethical and regulatory approval are underway across the EU and 12 study sites have agreed to participate in this trial.

Please note that the clinical trial program presented is subject to changes.

Directors

Dr Roger Aston

Dr Philippe Wolgen

Dr Wayne A. Millen

Dr Helmer P.K. Agersborg

Dr Roger Aston BSc, PhD

Executive Chairman

Dr Aston has more than 20 years experience in the pharmaceutical and biotechnology industries and has been closely involved in organisational re-structuring of companies and in improving effectiveness and productivity. His previous positions include director of Cambridge Antibody Technology Limited (UK), Chairman of Cambridge Drug Discovery Limited (UK) (now BioFocus plc), founder and CEO of Biokine Technology Ltd (UK) prior to its acquisition by the Peptech Group as well as CEO of Peptech Limited, founder and CEO of UK-based pSiMedica Limited, CEO of pSiOncology,Dr Aston is currently Executive Chairman of Clinuvel Limited (ASX:CUV) and consults for BIO-IB Inc. Aspects of his experience include FDA registration and CTX and CTN submissions to European and Australian authorities, clinical trials, global licensing agreements, fundraising through private placements, preparation of prospects for a public offering, and a network of contacts within the pharmaceutical, banking and stock broking sectors.

Dr Philippe Wolgen MBA, MD

Chief Executive Officer, Director

Since holding office as CEO as of November 2005, Dr Wolgen has repositioned Clinuvel and its corporate strategy. Having been recognised for his strategic mindset and meticulous execution in business, Dr Wolgen brought to the company his international finance experience and access to European capital markets, combined with in-depth analysis and expertise of the pharmaceutical and medical world. He has had vast exposure to equity research in the bio-medical industry.

Over the years he has been involved in various generic pharmaceuticals in Europe, start-up companies and the intellectual property rights, licensing issues associated with orthopaedic and craniofacial medical device companies.

Dr Wolgen holds an MBA awarded by each of Columbia University NY and The London Business School, trained as a surgeon Dr Wolgen holds an MD from the University of Utrecht, the Netherlands.

Dr Wolgen is well equipped to communicate to a wide, cross-border pharmaceutical market. His skill set makes him the ideal candidate to lead the company towards the next critical phase of registration of CUV1647 with FDA, TGA and EMEA.

Dr Wayne A. Millen

BSc (Hons) PhD FRACI C CHEM AFAIM

Non-Executive Director

Dr Millen was the founding Managing Director of Epitan Limited (now Clinuvel Pharmaceuticals Limited). He has a PhD in chemistry and biochemistry from the University of Western Australia and is a Chartered Chemist with over 30 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 listed public companies. He has established and managed a number of successful start-up enterprises and brings to the company operational skills embracing corporate, technological and marketing disciplines. Recently Dr Millen stepped down as non executive chairman of EQiTx Limited an ASX listed biotechnology company. Dr Millen is a director of several private companies and is a principal of PharmaBank, an investor incubator group which has a focus on developing medical science technology.

Dr Helmer P.K. Agersborg BSc PhD

Chief Scientific Officer, Director

Dr Agersborg is director of Virxsys Corporation, a gene therapy corporation. He was formerly President of Wyeth-Ayerst Research. During his distinguished 45 years in the pharmaceutical industry, companies under his direction had more than 50 new drug applications approved in the US, countless marketing applications were approved outside the US and innumerable INDs were accepted. Dr Agersborg contributes broad international pharmaceutical development experience at the highest level to the company. Since the change of management in the company in November 2005 Dr Agersborg has served as Chief Scientific Officer. His experience and skills have been fundamental in the repositioning of the company.

Directors

Dr Terry E. Winters

Mr Stanley McLiesh

Dr Terry E. Winters BSc PhD

Non-Executive Director

Dr Winters is a Special Limited Partner of Valley Ventures, a $60 million venture capital fund based in Tempe, Arizona. He is Chairman and CEO of Vital Therapies, a San Diego based biotechnology company developing the first human cell based liver assist device, a Valley portfolio company. He is also a board member of several other private life science companies. He was a founding partner of Columbine Venture Funds in 1983, which raised $125 million in two funds which were invested in life science and technology companies in the South Western USA. Successful companies from the fund have been Orthologic Corp, CollaGenex Pharmaceuticals, Nanophase Technologies, Curis, Neogen (all NASDAQ quoted) and Microgenics. Dr Winters' has been involved in CUV1647 from its inception out of the University of Arizona to the present. He brings experience of the US biopharmaceutical industry and of capital markets to Clinuvel.

Mr Stanley McLiesh BEd

Non-Executive Director

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 through corporatisation to a highly successful listed company. While at CSL, Mr McLiesh brokered numerous in-licensing agreements with international companies enabling CSL to expand into new markets profitably. He has also been closely involved in a number of merger and acquisition negotiations, the establishment of partnerships and collaborative relationships and the negotiation of supply agreements for CSL's export products to international markets. Mr McLiesh was formerly a non executive director of Unilife Medical Solutions Ltd. His considerable experience in the international pharmaceutical industry benefits Clinuvel's international strategies.

Management

Dr Dennis Wright BPharm MSc PhD,

Manager, Clinical Development & Regulatory Affairs

Dr Wright has a broad range of experience in the pharmaceutical industry spanning 25 years. He spent more than 17 years at CSL working predominantly in regulatory affairs with nearly a decade as Regulatory Affairs Manager. During this time Dennis was responsible for the registration of a number of key products in Australia and the management of regulatory strategy for development projects. Most recently he was Global Pharmacovigilance Manager and Regulatory Affairs Manager for the Australian and New Zealand operations of Mayne Pharma (ASX:MAY). He has a Pharmacy degree and post-graduate qualifications from University of Sydney and Health Economics qualifications from Monash University, Melbourne. Dennis is responsible for leading the clinical and regulatory development team and progressing CUV1647 through to regulatory approval in global markets

Davina Gunn BA (Hons)

Manager Investor Relations & Marketing

Ms Gunn was Vice-President, HSBC Securities for four years, based in London and New York. She was initially an analyst then joined the Institutional Equity sales desk advising a wide range of Fund Managers and Hedge Funds across all sectors.

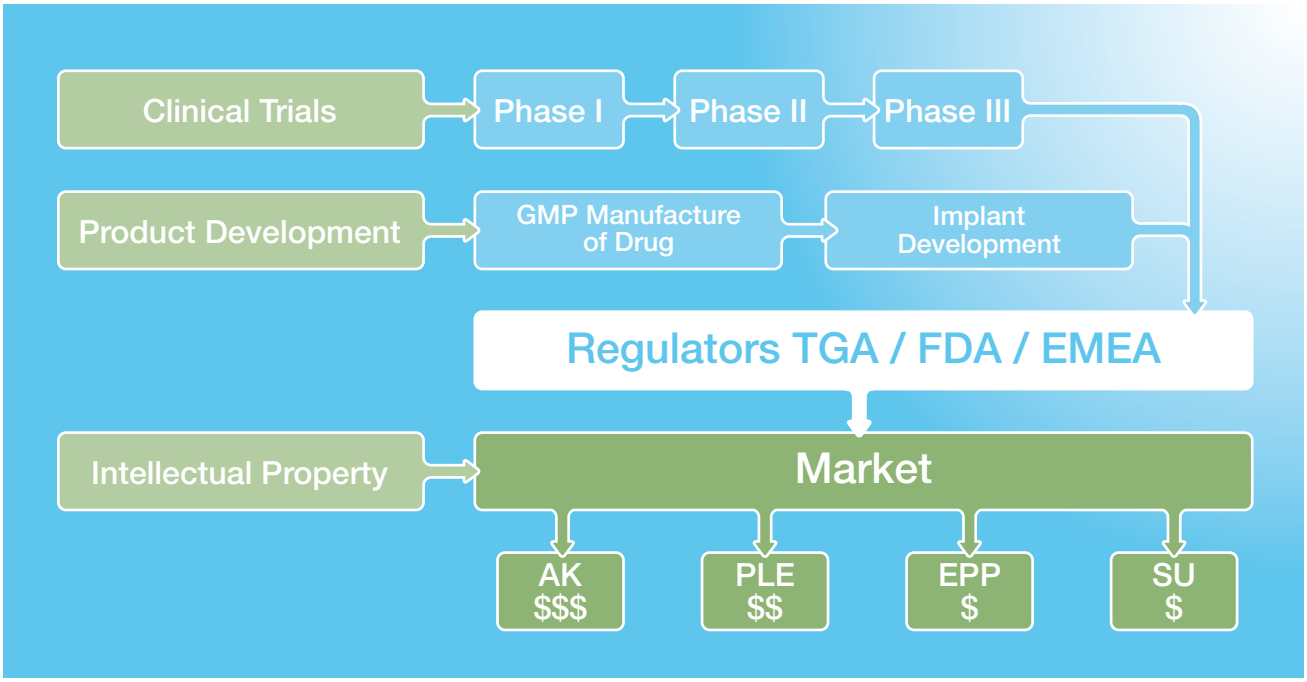
Her experience in the financial markets of Europe, USA and Australia make her well suited to her role in Investor Relations and Marketing.

Darren Keamy B Com CPA

Chief Financial Officer

Mr Keamy is a qualified CPA who joined CUV in November 2005 after working in key management accounting and commercial roles in Amcor Limited over a period of 9 years. He also spent two years working in the UK, gaining experience in financial regulation and control within the banking and retail pharmaceutical industries.

Commercial strategy



Commercial Strategy

During recent months Clinuvel has achieved three principal milestones that have provided the Company with significant clarity as regards the commercialisation strategy of CUV1647.

Firstly, we have successfully demonstrated that our implants, that slowly deliver CUV1647, are effective in the treatment of important clinical conditions (Polymorphic Light Eruption). This was an important clinical milestone as it now provides a pathway for registration and sales. The "darkening of the skin" caused by CUV1647 is not in itself an end-point on which we can achieved pharmaceutical product registration. Based on this success and the mechanisms of action of our drug, we have identified further clinical conditions that could be targeted.

Secondly, we have strengthened our intellectual property position to improve our ability to exclude competition.

Thirdly, we are developing a smaller and more 'user-friendly' implant that should make clinical use of our product easier.

With continued clinical success we will be looking to move into phase III clinical trials in 2007, targeting indications that afflict large proportions of the population. In the case of AKs, some 10-15% of individuals will develop these pre-cancerous lesions during their lifetime.

The markets for our product are substantial and reaching them will require effective delivery of registration trials. As we move forward we will also consider partnering our product in key territories.

EpiPharm's year 2005-6

This was an extremely busy and productive year for EpiPharm. In August 2005 EpiPharm acquired the Australian sales rights for ZORAC® from Allergan Inc. In November 2005 Zindaclin®, a previously in-licensed product, was approved by the Therapeutic Goods Administration in Australia. Also in November 2005 another product was added to the portfolio when EpiPharm acquired the Australian rights to sell Vaniqa® from Shire Pharmaceuticals Group Plc. In December Exorex® was listed on the Pharmaceutical Benefits Scheme (PBS). In April the selling of Zorac and Zindaclin commenced and in May Vaniqa was launched at the Australian College of Dermatology Meeting. Over this time a team of eight sales representatives were recruited, trained and now sell our five dermatology products to specialists, targeted general practitioners and pharmacists Australia wide.

In early September 2006 Clinuvel entered a Heads of Agreement to dispose of its dermatological range of products to Genepharm Australiasia Limited. The sale of this asset is in line with our strategy to focus our business entirely on our lead product CUV1647. Clinuvel hope to close the sale of these assets to Genepharm by the end of September 2006 through an Asset sale Agreement. Our decision to focus entirely on CUV1647 follows our successful phase II results disclosed to the market in April 06 and in August 06 for the use of CUV1647 in Polymorphic Light Eruption (PLE).

Contents

Corporate Governance Statement

Corporate Governance

Clinuvel Pharmaceuticals Limited (formerly epitan limited) corporate governance is the system by which the company is directed and managed. It is the framework within which:

- the Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) board of directors is accountable to shareholders for the performance of the company;
- the company's strategic direction is set;
- the risks of business are identified and managed;
- Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s values and behaviour underpin the way it does business.

This statement outlines the main corporate governance principles and practices of Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) and is organised under headings based on the Australian Stock Exchange Corporate Governance Council's (ASXCGC) 10 Essential Principles of Good Corporate Governance and Best Practice Recommendations, dated 31 March 2003. The company's charters and policies were comprehensively reviewed and updated in April 2005.

Charters and policies referred to are available on Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s internet site (www.clinuvel.com).

The board is accountable to shareholders for the performance of Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s shareholders appoint the company's directors and hold them accountable for the performance of the company.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) has a board of effective composition, size and commitment to discharge its responsibilities and duties (ASXCGC principle 2).

The Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) Board Charter prescribes the structure of the board and its committees, the framework for independence and some obligations of directors.

Corporate Governance Statement

Size and composition of the Board

The board comprises three non-executive directors and three executive directors – the Managing Director, the Chief Scientific Officer and Executive Chairman. Information about directors are on pages 10 and 11.

The board keeps under review the balance of skills and experience of its members, their independence and access to advice and information.

Directors' independence & dealing with conflict of interest

Of the three non-executive directors' only Mr McLeish is considered independent of Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) and its management, having no business or other relationships that could compromise his autonomy as a director. Dr Millen is not deemed to be independent as he is a former Managing Director. Dr Winters is a director of Melanotan Corporation Inc which was until June 2005 a substantial shareholder. Furthermore Melanotan Corporation is the licensor of the Melanotan Technology to Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd). The board's framework for determining director independence is included in the Board Charter. The impact of any past or present relationship with the company on a director's ability to exercise independent judgment is carefully assessed.

If a potential conflict of interest arises, the director concerned does not receive the relevant board papers and leaves the board meeting while the matter is considered. Directors must advise the board immediately of any interests that could potentially conflict with those of Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd).

Directors may obtain independent professional advice at Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s expense on matters arising in the course of their board and committee duties, after obtaining the Chairman's approval. The Board Charter requires all directors to be provided with a copy of such advice and to be notified if the chairman's approval is withheld.

Contracts with Directors

Since the previous year, no director has received or become entitled to receive a benefit because of a contract between any company in the Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) consolidated entity and the director, or a firm of which the director is a member, or an entity in which the director has a substantial financial interest, other than:

- in the case of non-executive directors, remuneration as disclosed on page 42 (note to the financial statements); and
- in the case of the Managing Director (Dr Wolgen), a contract of employment and the shareholder approved options grant.
- in the case of the Chief Scientific Officer (Dr Agersborg), a contract of employment.
- in the case of the Chairman (Dr Aston), an agreement to provide executive consultancy services and the shareholder approved options grant.

Last year, Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) paid $32,893 in license fees to Melanotan Corporation Inc, a company in which Dr Winters and Dr Agersborg are non-executive directors.

Indemnities

A deed has been executed with each Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) director which indemnifies to the extent permitted by law, against:

- certain liabilities arising out of conduct undertaken in good faith in their capacity as an Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) officer; and
- the costs and expenses of defending legal proceedings arising out of conduct undertaken in their capacity as a current or former Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) officer, unless the defence is unsuccessful.

The company has a similar policy covering all employees.

The company has purchased insurance for directors and officers against certain liabilities they may incur in carrying out their duties for the company.

Board Committees

To increase its effectiveness, the board has two committees, each with a charter approved by the board. The Audit and Risk Committee comprises at least three directors (two voting and one non-voting) and is chaired by Dr Winters. The Remuneration and Nomination Committee consists of all the non-executive directors (excluding Dr Winters but including Dr Aston) and is chaired by Mr McLiesh. The Managing Director attends meetings of board committees by invitation. He is not present if this could compromise the objectivity of proceedings. The membership of these committees, the number of meetings held and each director's attendance record last year is shown on page 29.

Election of Directors

The Remuneration and Nomination Committee makes recommendations to the board on the appointment of new directors and criteria for new appointees, focusing on the particular skills and experience most appropriate to the company's business and objectives.

The company aims to have on its board individuals with sound commercial judgment and inquiring minds, able to work cohesively with other directors. Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) seeks a combination of executives experienced in finance, the law and, ideally, the pharmaceutical industry in which Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) participates.

The reputation and ethical standards of appointees must be beyond question. Prospective directors confirm that they will have sufficient time to meet their obligations and that they will keep the company informed of their other commitments.

Non-executive directors are subject to re-election by rotation at least every three years, under the company's constitution. Newly appointed directors must seek re-election at the first general meeting of shareholders following their appointment.

The work of Directors

In addition to attending board and committee meetings, non-executive directors allocate time for strategy and budget sessions and preparation for meetings.

The Chairman commits additional time and meets regularly with the Managing Director to review and business and strategic issues and to agree board meeting agendas.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) actively encourages enhanced board and management effectiveness (ASXCGC principle 8).

The board strives to ensure that directors and key executives have the knowledge and information to operate effectively. The performance of the board is regularly reviewed.

Access to information

Directors receive a comprehensive monthly performance report from the Managing Director – whether or not a board meeting is scheduled – and have unrestricted access to company records and information.

All directors have direct access to the Company Secretary who is accountable to the Managing Director and, through the Chairman, the board on all corporate governance matters.

Performance review

The Remuneration and Nomination Committee regularly reviews the composition and performance of the board and its committees.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) promotes timely and balanced disclosure of all material matters concerning the company (ASXCGC principle 5).

Continuous disclosure

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) has a practice of providing relevant and timely information to shareholders, supported by its share market disclosure policy which details comprehensive procedures to ensure compliance with all legal obligations. The policy limits external briefings in the periods between the end of a financial year or half year and the release to the Australian Stock Exchange (ASX) of the relevant results. The Managing Director is responsible for communications with ASX.

Commentary on financial results

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) provides a review of operations and a financial review in this annual report. All announcements to the ASX are made available on the company's internet site.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) respects the rights of shareholders and facilitates the effective exercise of those rights (ASXCGC principle 6).

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) strives to communicate effectively with shareholders about the company's performance, presenting the annual report and other corporate information in clear language, supported where appropriate by descriptive graphs, tables and medical glossaries.

Where practicable, the company uses the latest widely available electronic technology to communicate openly and continually with shareholders – and the stock market in general. Announcements to ASX, significant briefings, notices of meetings and speeches at Annual General Meetings are promptly posted on the company's internet site. Shareholders and other interested parties can receive e-mail advices of links to the newly posted annual report and can lodge proxies electronically for the annual general meeting.

Auditor attends the Annual General Meeting

The external audit firm partner in charge of the Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) audit is available to answer shareholder questions at the company's Annual General Meeting.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s governance structure is designed to promote profit and growth

A key part of Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) directors' responsibility is to ensure the enduring operation of an effective corporate governance structure.

The board prescribes the respective roles and responsibilities of the board and management (ASXCGC principle 1).

The board strives to create shareholder value and ensure that shareholders' funds are prudently safeguarded. Its functions are summarised in the Board Charter.

The board delegates to the Managing Director the authority to manage the company and its businesses within levels of authority specified by the board from time to time.

Letters of appointment

The Managing Director's responsibilities and terms of employment, including termination entitlements, are set out in a formal letter of appointment.

Letters of employment are also prepared for non-executive directors, covering duties, time commitments, induction and the corporate governance framework described on the company's internet site.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined (ASXCGC principle 9).

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s policy is to reward executives with a combination of fixed remuneration and short and long-term incentives structured to drive improvements in shareholder value. Details are contained in the Directors' Report. [Non-executive directors receive no incentive payments. Employees cannot approve their own remuneration, nor that of their direct subordinates.

Corporate Governance Statement

Remuneration & Nomination Committee

The Remuneration and Nomination Committee, comprising all non-executive directors (excluding Dr Winters but including Dr Aston) is chaired by Mr McLiesh. Together with an overview of people issues, particularly succession and development planning, the committee advises the board on remuneration policies and practices, evaluates the performance of the Managing Director against pre-agreed goals and makes recommendations to the board on remuneration for the Managing Director and managers reporting to him. The committee considers independent advice on policies and practices to attract, motivate, reward and retain strong performers.

The committee also considers the board's size and composition, criteria for membership, candidates to fill vacancies and the terms and conditions of their appointment.

Equity based executive remuneration

Options were issued during the year under the Executive Share Option Plan for which amendments were last approved by shareholders in 2000.

Options issued under the Option Plan, are disclosed on page 47 of this report.

The corporate governance structure sets the way risks are identified and managed

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s governance structure is designed to ensure that risks of conducting business are properly managed.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) has a structure to independently verify and safeguard the integrity of the company's financial reporting (ASXCGC principle 4).

Audit & Risk Committee

The Audit and Risk Committee is chaired by Dr Winters who is a non-executive director. The other committee members are executive directors. The external audit firm partner in charge of the Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) audit attends committee meetings by invitation.

The committee advises the board on all aspects of audit, the adequacy of accounting and risk management procedures, systems, controls and financial reporting.

Specific responsibilities include advising the board on the appointment of external auditors (following the procedure in the committee's charter), the yearly audit plan, and the yearly and half yearly financial reports.

The committee seeks to ensure the independence of the external auditor. Non-audit services are performed by other firms. The committee's charter requires that individuals playing a significant role in the Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) audit be rotated every five years. The auditor annually confirms its independence within the meaning of applicable legislation and professional standards.

Financial Report accountability

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s process for approval of financial statements has a long standing requirement that authorisations be given by various levels of management. Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s Managing Director and Chief Financial Officer are required to state to the board, in writing, that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) has a sound system of risk oversight and management and internal control (ASXCGC principle 7).

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) identifies the risks facing its business, assesses the balance of risks and rewards to deliver shareholder value. The directors seek to minimize the impact of risk factors commensurate with the industry sector in which it operates. The risk framework comprises:

a) Business risks
The board regularly reviews Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s businesses to identify and quantify business risks. Risk management is a key element of Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s strategic planning, decision making and execution of strategies. The Group's business exposes it to potential risks which are inherent in the R&D, pre-clinical studies, clinical trials, manufacturing, marketing and use of human therapeutic products.

b) Financial risks
The board has approved principles and policies to manage financial risks of exposures to foreign currencies, and interest rates. Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s policies prohibit speculative transactions. The policies specify who may authorise transactions and segregates duties of those carrying them out.

The company requires access to additional funding periodically to fund development programs. If the company fails to obtain such funding, it may need to delay or scale back the development and commercialization of its products or R&D programs. The funds that the company may need will be determined by numerous factors, some of which are beyond the company's control. Additionally, funds may be necessary due to a number of factors including the following:

- progress of research activities;
- the number and scope of research programs;
- the progress of pre-clinical and clinical development activities;
- the company's ability to establish and maintain current and new R&D and licensing arrangements;
- the company's ability to achieve (or delays in achieving the sales giving rise to) royalty and milestone payments under licensing arrangements;
- the costs involved in enforcing patent claims and other intellectual property rights; and
- the cost requirements and timing of regulatory approvals.

If the company is unable to obtain additional funds on satisfactory terms, it may be required to cease or reduce its operating activities. If the company raises additional funds by selling additional shares, the ownership interests of existing shareholders may be materially diluted. There is no assurance that additional funding will be available to Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) in the future or be secured on acceptable term.

- Financial integrity risks Management has put into practice policies, procedures and controls to ensure the integrity of its accounting and financial reporting to stakeholders.

The board oversees and reviews the effectiveness of the risk management systems implemented by management. The board has assigned responsibility to:

- Audit and Risk Committee – reviews and reports to the board in relation to the company's financial reporting, internal control structure, risk management systems, and the external audit functions.
- Management – manages and reports to the board on business and financial risks and compliance with other legal obligations.

An independent external audit is performed on the annual financial report of Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd).

Risk management accountability

As part of the process of approving the financial statements, the Managing Director provide statements in writing to the board on the quality and effectiveness of the company's risk management and internal compliance and control systems.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) actively promotes ethical and responsible decision making (ASXCGC principle 3).

Ethical behaviour is required of directors, executives and all other employees.

Code of business conduct and ethics

The board has endorsed a Code of Business Conduct and Ethics (available on the company's internet site) that formalises the long standing obligation of all Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) people including directors to behave ethically, act within the law, avoid conflicts of interest and act honestly in all business activities.

Trading in shares

Directors' shareholdings at 30 June 2006 are shown on page 24. The company has a strict share trading policy in place, details of which are included in the Corporate Governance Policy available on the company's internet site. Directors and employees may only buy or sell Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) shares during specified periods. Also, they are prohibited from buying or selling Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) shares at any time if they are aware of any price sensitive information that has not been made public. All Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) share dealings by directors are promptly notified to ASX.

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) recognises its legal and other obligations to all legitimate stakeholders (ASXCGC principle 10).

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd)'s Code of Business Conduct and Ethics reinforces the company's commitment to giving proper regard to the interests of people and organisations dealing with the company. Each Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) person is required to respect and abide by the company's obligations to fellow employees, shareholders, customers, suppliers and communities in which we operate.

Corporate Governance and Disclosure

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) considers that the above corporate governance practices comply with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, taking into account the size and nature of the company.

Directors' Report

The directors of the Board present their report on the company and its controlled entity for the financial year ended 30 June 2006 and the independent Audit Report thereon.

Directors & Executives

The names of directors in office at any time during or since the end of the year are set out below.

Dr W.A. Millen (non-executive - resigned Chairmanship 1 October 2005).

Dr H.P.K. Agersborg (Deputy Chairman, Chief Scientific Officer)

Dr T.E. Winters (non-executive)

Mr S.R. McLiesh (non-executive)

Dr R. Aston (appointed non-executive Chairman 1 October 2005, appointed Executive Chairman 28 November 2005)

Mr I.M. Kirkwood (Managing Director) – resigned 25 November 2005

Dr P.J. Wolgen – (Managing Director) – joined 1 October 2005, appointed Managing Director 25 November 2005.

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

The names of the specified executives in office at any time during or since the end of the year are set out below.

Mr M. Kleinig (Manager Pharmaceutical Development), resigned 6 April 2006

Mr C. Rossidis (General Manager, Epipharm Pty Ltd)

Dr D.J. Wright (Manager Regulatory)

Information on Directors

Dr Wayne A. Millen,

Non-Executive Director. Age: 65. Qualifications: BSc(Hons) PhD FRACI C CHEM FAus IMM AFAIM. Chartered Chemist, founding Managing Director of Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd), Within the past 3 years Dr Millen held the position of Chairman for EQiTX Limited, An ASX-listed company. Dr Millen is a member of the Remuneration and Nomination Committee, and resigned from the position of Chairman for Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) during the year.

Dr Helmer P.K. Agersborg,

Executive Director, Chief Scientific Officer. Age: 77, Qualifications: BSc PhD. 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. Dr Agersborg was appointed Chief Scientific Officer during the year. Prior to the appointment he served as non-executive Director since company formation.

Dr Terry E. Winters,

Non-Executive Director, Chairman of the Audit and Risk Committee. Age: 64. Qualifications: BSc PhD. Director of private US based companies and Special Limited Partner of Valley Ventures, a $60 million venture capital fund based in Scottsdale, Arizona. Dr Winters has served as non-executive Director since company formation.

Mr Stanley Roy McLiesh

Non-Executive Director, Chairman of the Remuneration and Nomination Committee. Age: 69. Qualifications: BEd. Formerly General Manager, Pharmaceuticals at CSL Limited, and non-executive Director of Unilife Medical Solutions Ltd, Mr McLiesh was closely involved in the transition of CSL from government ownership to corporatisation to a highly successful listed company.

Dr Roger Aston

Executive Chairman. Age: 50. Qualifications: BSc PhD. Formerly director of Cambridge Antibody Technology Limited (UK), Chairman of Cambridge Drug Discovery Limited (UK) (now BioFocus plc), founder and CEO of Biokine Technology Ltd (UK) prior to its acquisition by the Peptech Group and CEO of Peptech Limited. Dr Aston is also a founder and CEO of UK-based pSiMedica Limited, and CEO of pSiOncology, the group's joint venture in Singapore. He is an executive director of pSivida (ASX:PSD) and an executive director of Avantogen Limited (ASX:ACT). Dr Aston is a member of the Audit and Risk committee, and the Remuneration and Nomination Committee.

Dr Philippe Wolgen

Managing Director and Chief Executive Officer. Age: 43. Qualifications: MBA, MD. Cranio-facial surgeon, previously involved in bringing medical devices to the market. Joined the Board in October 2005, appointed Chief Executive Officer in November 2005. Non-voting member of the Audit and Risk committee, and the Remuneration and Nomination Committee.

For further information regarding Director's, please refer to pages 10 and 11 of the Annual Report.

Information on company secretary

Mr Darren Keamy

Company Secretary. Age: 33. Qualifications: BComm, CPA. Certified Practicing Accountant, joined Clinuvel Pharmaceuticals Limited (formerly Epitan Ltd) November 2005.

Meeting of directors

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

	Board		Audit & Risk Committee		Remuneration & Nomination Committee	
Director	A	B	A	B	A	B
Dr R. Aston	12*	12*	2	2	3	3
Dr H.P.K. Agersborg	12	12	1	1	2	2
Mr I.M. Kirkwood	4	4	1	1	2	2
Mr S.R. McLiesh	12	12	1	1	3	3
Dr W.A. Millen	12**	12**	1	1	3	3
Dr T.E. Winters	12	12	2	2	2	2
Dr P.J Wolgen	9	9	1	1	1	1

Note: 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. *8 meetings as Chairman **4 meetings as Chairman

Principal activities

The principal activities of the consolidated entity during the financial year was the marketing and distribution of pharmaceutical dermatology products and furthering the development of CUV1647, the consolidated entities leading drug candidate in the field of melanogenesis, the process whereby melanin is produced in the body. There was no significant change in the nature of activities during the financial year.

Operating results

The consolidated loss of the consolidated entity after providing for income tax amounted to $10,768,981 (2005 - loss of $11,916,351).

Dividends paid or recommended

No dividends were paid or declared during the financial year.

Review of operations

A detailed review of operations is set out in detail on pages 7 to 9 of this Annual Report.

Highlights for the year

Financial

At the beginning of the year the consolidated entity's cash resources totalled $4,762,620.

During the year a total of $17,603,258 was raised from the issue of ordinary shares (net of $657,370 in issue expenses).

Expenditures included in the Consolidated Income Statement relating to the consolidated entity's key CUV1647 Project totalled $3,765,035. These include payments for drug supply, development of delivery formulations (principally the sustained release implant) and clinical trials conducted in Australia and Europe. Payments for peptide material yet to be consumed in the CUV1647 drug development program amounted to $2,078,140.

Revenues generated from Epipharm Pty Ltd totalled $754,846 during the year. Inventories of Epipharm Pty Ltd's products held at the end of the year totalled $579,917.

An impairment to the carrying value of the Epipharm Pty Ltd subsidiary resulted in a writedown of inventory and intangibles of $1,228,615.

At the end of the year the consolidated entity's cash resources totalled $8,605,814.

Directors' Report

Significant changes in the state of affairs

The directors are not aware of any matter or circumstance not otherwise dealt with in this report that has significantly or may significantly affect the operations of Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited).

Significant events after the balance date

There has not been any matters, other than reference to the financial statements that has arisen since the end of the financial year, that has affected or could significantly affect, the operations of the consolidated entity, except that:

- On 23 August the company announced that the CEO Dr Philippe Wolgen has entered a pre-emptive rights deed with Weighton Pty Ltd in relation to acquiring shares in Clinuvel Pharmaceuticals Ltd.
- On 28 August the company announced final results from the completion of a Phase II trial conducted at St Vincent's Hospital, Melbourne on Polymorphous Light Eruption (PLE).
- On 29th August the company announced it had sought global protection through the filing a patent application with the Australian Patent Office for the use of CUV1647 to prevent or reduce skin cancer in immune compromised organ transplant patients.
- On 31st August the company announced it had filed a global patent application with the Australian Patent Office for the use of CUV1647 to prevent two types of sunlight-induced skin disorders, Solar Urticaria and Erythropoietic Protoporphyria.
- On 5th September the company announced the commencement of its Phase II open label trial to evaluate the safety and efficacy of subcutaneous implants of CUV1647 in patients with Erythropoietic Protoporphyria (EPP) conducted in Zurich, Switzerland.
- On 12th September the company announced it has entered into a Heads of Agreement with Genepharm Australasia Limited (ASX: GAA) for the sale of its EpiPharm range of dermatology products.

Likely developments and expected results

Information on the expected results of operations and research and development has not been included in this report because the Directors believe it would be unreasonable and speculative to do so.

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.

Directors' and Officers' Emoluments

The following table discloses the remuneration of the directors of the company:

	Salary	Cash Bonus	Super-annuation Contributions	Non-monetary benefits	Options	Other	Total
	$	$	$	$	$	$	$
Dr W.A. Millen	53,516	-	4,816	-	-	-	58,332
Dr H.P.K Agersborg*	195,833	-	-	-	22,684	-	218,517
Dr T.E. Winters	50,000	-	-	-	22,684	-	72,684
Mr S.R. McLiesh	45,872	-	4,128	-	22,684	-	72,684
Mr. I.M. Kirkwood	133,337	25,000	9,125	-	4,147	299,750	471,360
Dr R. Aston**	26,758	-	2,408	-	55,789	-	84,955
Dr P.J. Wolgen	220,577	-	19,102	20,250	58,850	-	318,779
Total	725,893	25,000	39,580	20,250	186,838	299,750	1,297,311

* Dr Agersborg was a non-executive Director until November 30 2005, whereby he took the position of Chief Scientific Officer for the remainder of the year ending 30 June 2006. In doing so he relinquished his right to receive a non-executive Director's fee for the period beyond November 30 2005.

** Dr Aston was in a non-executive capacity on the Board until December 31 2005, whereby he provided executive consultancy services to the company for the remainder of the year. In doing so he relinquished his right to receive a non-executive Director's fee for the period beyond December 31 2005.

The following table discloses the remuneration of the specified executives of the company:

	Salary	Cash Bonus	Super-annuation Contributions	Non-monetary benefits	Options	Other	Total
	$	$	$	$	$	$	$
Mr. M. Kleinig*	116,877	-	13,602	-	13,688	34,255	178,422
Mr. C. Rossidis	114,604	-	10,314	-	17,058	-	141,976
Dr. D.J. Wright	119,262	-	10,734	-	127,462	-	257,458
Total	350,743	-	34,650	-	158,208	34,255	577,855

*Resigned 6 April 2006

The following table discloses the remuneration of the only other officers of the company and the consolidated entity:

	Salary	Cash Bonus	Super-annuation Contributions	Non-monetary benefits	Options	Total
	$	$	$	$	$	$
D. Iles*	28,278	-	2,472	-	-	30,750
D. Keamy	55,268	-	4,974	-	-	60,242
Total	83,546	-	7,446	-	-	90,992

*Resigned 1 November 2005

Elements of Director & Executive remuneration

Remuneration packages contain the following key elements:

(a) Primary benefits – salary/fees, bonuses and non monetary benefits such as rent assistance and health benefits.

(b) Post-employment benefits – i.e. superannuation.

(c) Equity – share options granted under the executive share option plan as disclosed in financial statements; and

(d) Other benefits.

Indemnification & Insurance of Directors & 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 conduct 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 $99,137.

Employees

The consolidated entity employed 19 employees as at 30 June 2006 (2005: 18 employees).

Directors' benefits & Interest in Contracts

Since the end of the previous financial year other than a contract for consultancy work between the company, Dr Millen and Bellou Management Pty Ltd along with Dr Aston and Newtonmore Biosciences Pty Ltd, 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 Clinuvel Pharmaceuticals Limited (formerly Epitan Limited) or a controlled entity.

Share Options

Share options granted to directors and officers.

During the year the following options were granted to the following directors and executives of the company.

Directors & Executives	Number of Options Granted	Issuing Entity	Number of Ordinary Shares under Option
Dr P.J. Wolgen	2,250,000	Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited)	2,250,000
Dr R. Aston	750,000	Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited)	750,000

Details of unissued shares or interests under options are:

Entity	Number of Shares under Options	Exercise Price	Class	Expiry Date
Clinuvel Pharmaceuticals	800,000	$0.10	Ordinary	22/10/2006
Clinuvel Pharmaceuticals	6,667,362	$1.03	Ordinary	13/08/2007
Clinuvel Pharmaceuticals	2,600,000	$1.08	Ordinary	17/12/2007
Clinuvel Pharmaceuticals	750,000	$0.74	Ordinary	31/12/2007
Clinuvel Pharmaceuticals	1,500,000	$0.50	Ordinary	21/12/2007
Clinuvel Pharmaceuticals	86,660	$0.90	Ordinary	31/12/2007
Clinuvel Pharmaceuticals	125,000	$0.66	Ordinary	01/01/2008
Clinuvel Pharmaceuticals	500,000	$0.16	Ordinary	02/02/2008
Clinuvel Pharmaceuticals	500,000	$0.29	Ordinary	13/06/2008
Clinuvel Pharmaceuticals	300,000	$0.87	Ordinary	18/04/2009
Clinuvel Pharmaceuticals	1,500,000	$0.34	Ordinary	01/11/2009
Clinuvel Pharmaceuticals	500,000	$0.75	Ordinary	28/02/2010

Details of share issued during the financial year as a result of exercise of options are:

Entity	Number of Shares Issued	Amount paid for shares	Class
Clinuvel Pharmaceuticals	750,000	$0.30	Ordinary
Clinuvel Pharmaceuticals	1,000,000	$0.30	Ordinary

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

Value of Options issued to directors and executives	Options Granted	Options Exercised	Options Lapsed	Total Value of Options Granted	(3) Value of options included in remuneration for 2005/06	% of remuneration that is options
	Value at Grant Date	Value at Exercise Date	Value at Lapse Date	(2) Exercised, Lapsed		
Dr R. Aston	144,742			144,742	55,789	65.66%
Dr H.P.K. Agersborg	-	-	-	-	22,684	10.38%
Mr. I.M. Kirkwood	-	-	706,838	706,838	4,147	0.88%
Mr. S.R McLiesh	-	88,638(1)	-	88,638	22,684	31.21%
Dr W.A. Millen	-	-	575,529	575,529	-	0.00%
Dr T.E. Winters	-	-	-	-	22,684	31.21%
Dr P.J. Wolgen	156,396	-	-	156,396	58,850	18.46%
Mr. M. Kleinig	-	-	17,618	17,618	-	0.00%
Mr. D. Iles	-	-	37,444	37,444	-	0.00%
Mr. C. Rossidis	-	-	-	-	-	0.00%
Dr. D.J. Wright	-	-	-	-	-	0.00%

(1) Options exercised during the year were granted on 12 September 2002.

(2) The total value of options granted, exercised and lapsed, is calculated based on the following:

- Fair value of the options at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year; plus
- Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.

(3) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB2 Share Based Payments. This requires the following:

- The value of the options is determined at grant date, and is included in remuneration on a proportionate basis from grant date to vesting date. Where the options immediately vest the full value of the option is recognised in remuneration in the current year.

During the year ended 30 June 2006, 1,750,000 shares were issued as a result of the exercise of unlisted options.

Directors' Report

Directors and Executives shareholdings

The following table sets out each director's relevant interest in shares and options in shares in the company as at the date of this report.

	Ordinary Shares Fully Paid		Options over Ordinary Shares	
Directors	2006	2005	2006	2005
W. A. Millen	5,156,679	11,126,375	-	1,500,000
H.P.K. Agersborg	921,105	1,008,105	250,000	250,000
T. E. Winters	900,000	5,024,533	250,000	250,000
S.R. McLiesh	750,000	-	250,000	1,000,000
R. Aston	75,757	-	750,000	-
P.J. Wolgen	-	-	2,250,000	-

	Ordinary Shares Fully Paid		Options over Ordinary Shares	
Executives	2006	2005	2006	2005
M. Kleinig	-	-	875,000	875,000
C. Rossidis	-	-	500,000	500,000
D. Wright	-	-	500,000	500,000

Auditors' independence declaration

The auditor's independence declaration is included in the Financial Report.

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 pursuant to s.298(2) of The Corporations Act 2001.

Dr P. J. Wolgen
Director

Dated this 13th day of September, 2006.

Consolidated income statement
For the year ended 30 June 2006

	Note	Consolidated		Clinuvel Limited	
		2006 $	2005 $	2006 $	2005 $
Revenues from ordinary activities	2	1,201,802	601,559	446,956	476,937
Total expenses from ordinary activities	2	(11,970,783)	(12,562,910)	(11,215,937)	(12,438,288)
Profit(loss) from ordinary activities before related income tax expense		(10,768,981)	(11,961,351)	(10,768,981)	(11,961,351)
Income tax expense (benefit) relating to ordinary activities	3	-	-	-	-
Profit(loss) from ordinary activities after related income tax expense		(10,768,981)	(11,961,351)	(10,768,981)	(11,961,351)
Net profit(loss)		(10,768,981)	(11,961,351)	(10,768,981)	(11,961,351)
Net profit(loss) attributable to members of Clinuvel Pharmaceuticals (formerly Epitan Limited)		(10,768,981)	(11,961,351)	(10,768,981)	(11,961,351)
Total changes in equity other than those resulting from transactions with owners as owners		(10,768,981)	(11,961,351)	(10,768,981)	(11,961,351)
Basic earnings per share - cents per share	17	(6.7)	(9.5)		

The accompanying notes form part of these financial statements.

Consolidated balance sheet
as at 30 June 2006

	Note	Consolidated		Clinuvel Limited	
		2006 $	2005 $	2006 $	2005 $
Current assets					
Cash assets	18(a)	8,605,814	4,762,620	8,530,259	4,579,971
Inventory	6	579,917	31,873	-	-
Other Financial Assets	9	2,024,000	-	2,024,000	-
Receivables	4	233,224	136,610	94,742	62,314
Other	5	2,473,838	314,403	2,415,439	218,357
Total current assets		13,916,793	5,245,506	13,064,440	4,860,642
Non current assets					
Receivables	4	-	-	3,043,518	4,677,210
Property, plant and equipment	7	222,243	248,863	222,243	248,863
Intangible assets	8	2,931,823	4,561,274	63,614	72,814
Other financial assets	9	-	-	172	172
Total non current assets		3,154,066	4,810,137	3,329,547	4,999,059
Total assets		17,070,859	10,055,643	16,393,987	9,859,701
Current liabilities					
Payables	11	2,993,323	2,484,505	2,355,262	2,307,593
Provisions	12	73,433	92,917	41,599	76,288
Total current liabilities		3,066,756	2,577,422	2,396,861	2,383,881
Non current liabilities					
Provisions	12	15,271	23,959	8,122	21,387
Total non current liabilities		15,271	23,959	8,122	21,387
Total liabilities		3,082,027	2,601,381	2,404,983	2,405,268
Net assets		13,988,832	7,454,262	13,989,004	7,454,433
Equity					
Contributed equity	13	52,726,007	35,122,749	52,726,007	35,122,749
Reserves	14	1,153,193	1,482,900	1,153,193	1,482,900
Accumulated losses	15	(39,890,368)	(29,151,387)	(39,890,196)	(29,151,216)
Total equity		13,988,832	7,454,262	13,989,004	7,454,433

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows
For the year ended 30 June 2006

	Note	Consolidated		Clinuvel Limited	
		2006	2005	2006	2005
		$	$	$	$
Cash flows from operating activities					
Refund from ATO		481,124	468,369	350,861	335,996
Receipt from customers		751,387	64,131	-	-
Interest received		448,766	470,184	448,766	470,184
Payments to suppliers and employees		(13,084,734)	(10,249,040)	(10,423,561)	(8,778,052)
Net cash provided by (used in) operating activities	18(B)	(11,403,457)	(9,246,356)	(9,623,934)	(7,971,872)
Cash flows from investing activities					
Payments for property, plant and equipment		(27,055)	(199,730)	(27,055)	(199,730)
Payments for investment securities		(1,994,000)	-	(1,994,000)	-
Payments for trademarks		-	-	-	-
Payments for patents		-	-	-	-
Payments for product distribution rights		(335,551)	(900,453)	-	-
Net cash provided by (used in) investing activities		(2,356,606)	(1,100,183)	(2,021,055)	(199,730)
Cash flows from financing activities					
Loans to related parties		-	-	(2,007,981)	(2,357,585)
Proceeds from issue of ordinary shares		18,260,627	10,160,000	18,260,627	10,160,000
Payment of share issue costs		(657,370)	(531,208)	(657,370)	(531,208)
Net cash provided by (used in) financing activities		17,603,257	9,628,792	15,595,276	7,271,207
Net increase/(decrease) in cash held		3,843,194	(717,747)	3,950,287	(900,395)
Cash at beginning of the year		4,762,620	5,480,367	4,579,972	5,480,367
Cash at end of the year	18(A)	8,605,814	4,762,620	8,530,259	4,579,972

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 30 June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $
Retained earnings			
Retained earnings at the beginning of period		(29,151,387)	(17,190,036)
Net profit/(loss) attributable to members of Clinuvel Pharmaceuticals Ltd		(10,768,981)	(11,961,351)
Retained earnings at the end of period		(39,920,368)	(29,151,387)
Reserves			
Reserves at the beginning of period		1,482,900	550,580
Exchange difference on translating foreign operations		-	-
Movement in share option reserve		(329,707)	932,320
Reserves at the end of period		1,153,193	1,482,900
Share capital			
Share capital at the beginning of period		35,122,749	25,493,957
128,549,085 Fully paid shares (1 july 2004: 114,449,085)			
Issue of shares via investor share purchase plan		1,416,000	-
Issue of shares through institutional placement		16,319,627	10,060,000
Share options exercised		525,000	100,000
Capital raising costs		(657,370)	(531,208)
Share capital at the end of period			
184,979,305 Fully paid shares		52,726,007	35,122,749
Net profit/(loss) attributable to members of Clinuvel Pharmaceuticals Ltd		(10,768,981)	(11,961,351)
Exchange difference on translating foreign operations		-	-
Total income and expense for period		(10,768,981)	(11,961,351)

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 interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('A-IFRS'). 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 financial statements were authorised for issue by the directors on 13th September 2006.

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

(a) Basis of Accounting

The financial report has been prepared in accordance with the historical cost convention.

The financial statements of the consolidated entity have been prepared on a going concern basis. The consolidated entity's operations are subject to major risks due primarily to the nature of research development and the commercialisation to be undertaken. The risk factors set out may materially impact the financial performance and position of the consolidated entity.

In applying A-IFRS management must make judgement regarding carrying values of assets and liabilities that are not readily apparent from other sources. Assumptions and estimates are based on historical experience and any other factor that are believed reasonable in light of the relevant circumstances. These estimates are reviewed on an ongoing basis and revised in those periods to which the revision directly affects.

All accounting policies are chosen to ensure the resulting financial information satisfies the concepts of relevance and reliability.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 First-time Adoptions of Australian Equivalents to International Financial Reporting Standards, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed further in the Notes to and forming part of the Financial Statements.

The accounting policies set out below have been applied preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements, and in the preparation of opening A-IFRS balance sheet at 1 July 2004, except for the accounting policies in respect to financial instruments. The company has not restated comparative information for investments in financial instruments, as permitted under first-time adoption transitional provisions.

The going concern basis assumes that future capital raisings will be available to enable the consolidated entity to undertake the research, development and commercialisation of its projects and that the subsequent commercialisation of products will be successful. The financial statements take no account of the consequences, if any, of the inability of the consolidated entity to obtain adequate funding nor of the effects of unsuccessful research, development and commercialisation of the consolidated entity projects. The consolidated entity has successfully raised additional working capital in past years and as such the Directors do not envisage any difficulty in raising additional capital in the future.

The entity has elected to early adopt all accounting standards except AASB 7 Financial Instruments Disclosures. There is no impact on the financial performance and position of the entity.

(b) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

A list of controlled entities is contained further to the Notes to and Forming Part of the Financial Statements.

(c) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted of substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and in corresponding tax base of those items.

In principle, deferred tax liabilities are recognised on all taxable differences. Deferred tax assets are recognised to the extent that it is probable that sufficient unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences given rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affect neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability given rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Tax Consolidation

The company and its wholly-owned Australian entities are part of a tax-consolidation group under Australian Taxation law. Clinuvel Pharmaceuticals Ltd (formerly know as Epitan Ltd) is the head entity of the tax-consolidation group.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(d) Inventories

Inventories are valued at the lower of cost or net realisable value. Variable costs are assigned to inventory on hand at an average cost basis. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

(e) Cash

Cash and cash equivalents comprise of cash on hand, at call deposits with banks or financial institutions, bank bills and investments in money market instruments.

(f) Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on diminishing value so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following diminishing value percentages are used in the calculation of depreciation:

- Computers and software 40%
- All other assets 20%

(g) Investments in Floating Rate Notes

Floating rate notes held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

(h) Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, an only if, all of the following is demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probably future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

At 30 June 2006 Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited) has yet to demonstrate the satisfaction of all the above criteria to internally generate an intangible asset from its research and development activities.

(i) Intangible Assets

Trademarks, Patents and Distribution Licences

Trademarks, patents and licences are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the shorter of the relevant agreement or useful life. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Distribution rights are recorded at cost. The carrying value is tested for impairment as part of the annual testing of cash generating units. Distribution rights for products in the pharmaceutical products segment do not get amortised until distribution has taken place in the market. Once products are marketed, amortisation is charged on a straight line basis over the shorter of the relevant agreement or useful life.

(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 consolidated 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 revalue 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 consolidated 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.

(j) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(l) Directors' Remuneration

Share Based Payments

Under AASB 2 Share Based Payments, the consolidated entity must determine the fair value of options issued to emplyees 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. The fair value of options is measured by the use of the Black Scholes binominal model. It is determined at grant date and expensed on a straight-line basis over the vesting period. For the full year reporting period ending 30 June 2006 the fair value options is required to be shown as an expense to the entity together with comparative information for the same period in the preceding reporting period. Due to the expiration and cessation of option rights to former Directors and employees the expense returned a gain of $329,707 for the 2005/06 full financial year.

(m) Revenue

Interest

Interest revenue is recognised on a proportional basis that takes into account the effective yield on the financial asset.

Sale of Goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the Buyer the significant risks and rewards of ownership of the goods.

(n) 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.

(o) 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.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the costs of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(q) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specified to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or less immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(r) Leases

Lease 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.

(s) Comparatives

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

(t) Provisions

Provisions are recognised when a present obligation to the future sacrifice of economic benefits becomes probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(u) Other Current Assets

Other current assets comprise bonds and deposits along with prepayments for production of drug delivery devices and drug peptide yet to be used in Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) trial program. The expenditures represent an unused expense and therefore a decrease in future economic benefit has yet to be incurred.

(v) Foreign Currency Transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise as defined in AASB 121: The Effects of Changes in Foreign Exchange Rates.

(w) Change In Accounting Policy

Other Assets

In the 2004/05 financial year expenditures incurred in the purchase of drug peptide and production of drug delivery materials (implants) were treated as a decrease in economic benefit regardless of their application or non-application in clinical trials and consequently written to the profit and loss as an expense from ordinary activities. It is the view of company management that it is more relevant to consider the purchase of drug peptide and drug delivery materials yet to be used in Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited) clinical trial program as a future economic benefit. Therefore the cost of unused drug peptide and drug delivery materials for the year ending 30 June 2006 is classified as a prepayment in the Balance Sheet, in contrast to prior periods where the cost was immediately expensed to the profit and loss. The effect of this change in policy has been to reduce the current year loss by $2,078,140.

	Consolidated		Clinuvel Limited	
	2006	2005	2006	2005
	$	$	$	$
2. Profit/(Loss) From Ordinary Activities				
(a) Revenues from ordinary activities				
Interest revenue – other persons	446,956	476,937	446,956	476,937
Sales revenue	754,846	124,622	-	-
Total revenues	1,201,802	601,559	446,956	476,937
(b) Expenses from ordinary activities				
Clinical development costs	1,088,304	3,025,805	1,088,304	3,025,805
Drug delivery research costs	2,676,731	2,194,863	2,676,731	2,194,863
Sales & Marketing costs	1,079,743	883,841	-	-
Business development & funding	235,517	1,349,720	235,517	1,349,720
Shareholder administration and statutory	1,356,687	1,196,251	1,356,687	1,196,251
Licenses, Patents and trademarks	1,018,253	1,014,206	130,011	137,299
Payroll & staff expenses (excl Scientific)	1,725,603	2,127,162	982,721	1,718.302
Administration expenses	1,561,330	771,063	1,104,288	772,870
Doubtful Debt Provision	-	-	3,641,678	2,043,178
Impairment Loss	1,228,615	-	-	-
Total expenses from ordinary activities	11,970,783	12,562,910	11,215,937	12,438,288
(c) Profit/(loss) from ordinary activities before income tax has been determined after charging:				
Depreciation	48,560	39,850	48,560	39,850
Amortisation of sub-licence	747,298	747,297	-	-
Amortisation of trademarks	9,200	9,200	9,200	9,200
Amortisation of product distribution rights	109,615	27,500	-	-
Research & development costs	3,765,035	5,220,668	3,765,035	5,220,668
Doubtful debts – wholly owned subsidiary	-	-	3,641,678	2,043,178
Loss on sale of property, plant and equipment	15,114	30,823	15,114	30,823
Operating lease expense – minimum lease payments	345,585	266,321	340,847	261,584
Impairment Loss	1,228,615	-	-	-

	Consolidated		Clinuvel Limited	
	2006	2005	2006	2005
	$	$	$	$
3. Income Tax Expense				
(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%	(3,230,694)	(3,588,405)	(3,230,694)	(3,588,405)
Add:				
Tax effect of				
- non deductible amortisation	35,645	11,010	2,760	2,760
- non deductible shareholder admin	-	39,583	-	39,583
- capital raising costs	(197,210)	(148,211)	(197,210)	(148,211)
- non deductible legal fees	-	36,611	-	6,023
- share based payments	(98,912)	279,696	(98,912)	279,696
- Impairment Loss	368,585	-	-	-
- research and development deduction	(282,378)	(279,652)	(282,378)	(279,652)
Deferred tax assets not brought to account	3,404,965	3,649,368	3,806,434	3,688,207
	-	-	-	-
(b) Deferred tax assets arising from unconfirmed tax losses and net temporary differences not brought to account at balance date as realisation of the benefit is not regarded as probable. The benefits will only be obtained if the conditions set out in note 1(c) occur:				
Tax losses	10,933,905	7,672,663	10,148,256	6,141,680
Net temporary differences	1,132,303	988,581	1,572,371	1,772,514
	12,066,208	8,661,244	11,720,628	7,914,194

The tax rate used in this report is the corporate tax rate of 30%. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated		Clinuvel Limited	
	2006 $	2005 $	2006 $	2005 $
4. Receivables				
Current				
Trade debtors	136,928	68,896	16,456	2,479
Accrued income	16,760	17,808	16,760	17,808
Sundry debtors	79,536	49,906	61,526	42,027
	233,224	136,610	94,742	62,314
Non-Current				
Receivable from wholly owned entity		-		
- Melanotan (Australia) Pty Ltd	-	-	8,011,231	7,870,285
- Provision for non-recovery	-	-	(5,143,022)	(4,254,780)
	-	-	2,868,209	3,615,505
- EpiPharm Pty Ltd	-	-	4,095,012	2,227,976
- Provision for non-recovery	-	-	(3,919,703)	(1,166,271)
	-	-	175,309	1,061,705
	-	-	3,043,518	4,677,210

The average collection period on sales of goods is 60 days.
No interest is charged on trade receivables.

5. Inventory				
Inventory of Stock	604,902	31,873	-	-
Less: Impairment of Inventory	(24,985)	-	-	-
	579,917	31,873	-	-
6. Other Assets				
Current				
Prepayments				
- Peptide	2,078,140	-	2,078,140	-
- Drug delivery materials	-	-	-	-
- Other	355,698	267,895	337,299	217,586
Bonds & deposits	40,000	46,508	-	771
	2,473,838	314,403	2,415,439	218,357
7. Property, Plant And Equipment				
Plant & equipment				
At cost	379,871	375,861	379,871	375,861
Less: Accumulated depreciation	(178,011)	(142,446)	(178,011)	(142,446)
	201,860	233,415	201,860	233,415
Furniture and fittings				
At cost	45,275	37,345	45,275	37,345
Less: Accumulated depreciation	(24,892)	(21,897)	(24,892)	(21,897)
	20,383	15,448	20,383	15,448
Total property, plant and equipment	222,243	248,863	222,243	248,863

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

	Plant & Equipment	Furniture & Fittings	Total
	$	$	$
Consolidated Entity and Parent Entity			
Carrying amount at 1 July 2004	69,852	49,953	119,805
Additions	202,436	-	202,436
Disposals	(10,408)	(50,496)	(60,904)
Depreciation written back on disposal	6,775	20,601	27,376
Depreciation expense	(35,240)	(4,610)	(39,850)
Carrying amount at 1 July 2005	233,415	15,448	248,863
Additions	19,124	7,931	27,055
Disposals	(15,114)	-	(15,114)
Depreciation written back on disposal	9,999	-	9,999
Depreciations expense	(45,564)	(2,996)	(48,560)
Carrying amount at 30 June 2006	201,860	20,383	222,243

	Consolidated		Clinuvel Limited	
	2006	2005	2006	2005
	$	$	$	$
8. Intangible Assets				
Sub-licence to develop and commercialise CUV1647 – at cost	7,472,983	7,472,983	-	-
Less: Accumulated amortisation	(4,604,774)	(3,857,476)	-	-
	2,868,209	3,615,507	-	-
Trademarks at cost	68,281	68,281	68,281	68,281
Patents at cost	23,718	23,718	23,718	23,718
Less: Accumulated amortisation of Trademarks and Patents	(28,385)	(19,185)	(28,385)	(19,185)
	63,614	72,814	63,614	72,814
Product distribution licences at cost	1,340,745	900,453	-	-
Less: Accumulated amortisation	(137,115)	(27,500)	-	-
Less: Impairment of intangables	-	872,953	-	-
	(1,203,630)	-	-	-
	2,931,823	4,561,274	63,614	72,814

Movements in Carrying Amounts – Intangible Assets

	Sub-Licence	Trademarks & Patents	Product Distribution Rights	Total
	$	$	$	$
Consolidated Entity				
Carrying amount at 1 July 2004	4,362,804	82,014	-	4,444,818
Additions	-	-	900,453	900,453
Impairment charged to profit	-	-	-	-
Amortisation expense	(747,297)	(9,200)	(27,500)	(783,997)
Carrying amount at 1 July 2005	3,615,507	72,814	872,953	4,561,274
Additions	-	-	440,292	440,292
Impairment charged to profit	-	-	(1,203,630)	(1,203,630)
Amortisation expense	(747,298)	(9,200)	(109,615)	(866,113)
Carrying amount at 30 June 2006	2,868,209	63,614	0	2,931,823
Parent Entity				
Carrying amount at 1 July 2004	-	82,014	-	82,014
Additions	-	-	-	-
Impairment charged to profit	-	-	-	-
Amortisation expense	-	(9,200)	-	(9,200)
Carrying amount at 1 July 2005	-	72,814	-	72,814
Additions	-	-	-	-
Impairment charged to profit	-	-	-	-
Amortisation expense	-	(9,200)	-	(9,200)
Carrying amount at 30 June 2006	-	63,614	-	63,614

Amortisation expense is included in the line item 'Total expenses from ordinary activities' in the Consolidated Income Statement. Please refer to the Summary of Significant Accounting Policies regarding significant intangible assets.

9. Other Financial Assets

	Consolidated		Clinuvel Pharmaceuticals Ltd	
	2006	2005	2006	2005
	$	$	$	$
Current:				
Income Securities (at fair value)*	2,024,000	-	2,024,000	-
Non-Current:				
Shares in unlisted controlled entities	-	-	172	172

The consolidated entity holds listed perpetual floating rate notes (income securities) returning 1.25% above the 90 day bank bill rate with interest paid out quarterly.

10. Interests In Subsidiaries

Name of Entity	Country of incorporation	Ownership interest	
Parent Entity		2006	2005
Clinuvel Pharmaceuticals Ltd*	Australia	-	-
Controlled entities			
Melanotan (Australia) Pty Ltd	Australia	100%	100%
EpiPharm Pty Ltd	Australia	100%	100%
EpiPharm (NZ) Ltd	New Zealand	100%	100%
Epitan (UK) Ltd	United Kingdom	100%	100%

* During the year Epitan Ltd changed its name to Clinuvel Pharmaceuticals Ltd

11. Payables

	Consolidated		Clinuvel Limited	
	2006 $	2005 $	2006 $	2005 $
Current				
Trade creditors	2,535,195	2,345,935	2,031,228	2,183,857
Sundry creditors and accrued expenses	458,128	138,570	324,034	123,736
	2,993,323	2,484,505	2,355,262	2,307,593
(a) Aggregate amounts payable to:				
- directors and director-related entities	6,061	62,500	6,061	62,500
(b) Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged:				
- US dollars	456,996	586,445	184,775	582,149
- Euro	1,264,116	517,575	1,264,116	517,575
- British Pounds	136,028	193,098	136,028	193,098
- Other	122	-	122	-
	1,857,262	1,297,118	1,585,042	1,292,822

(c) Terms and conditions:

Trade and sundry creditors are non-interest bearing and normally settled on 30 day terms.

12. Provisions

	Consolidated		Clinuvel Limited	
	2006 $	2005 $	2006 $	2005 $
Current				
Employee benefits	73,433	92,917	41,599	76,288
Non Current				
Employee Benefits	15,271	23,959	8,122	21,387

13. Contributed Equity

	Consolidated		Clinuvel Limited	
	2006 $	2005 $	2006 $	2005 $
(a) Issued and paid up capital				
184,979,305 fully paid ordinary shares (2005: 128,549,085)	52,726,007	35,122,749	52,726,007	35,122,749

	2006 Clinuvel Limited		2005 Clinuvel Limited	
(b) Movements in shares on issue	No.	$	No.	$
At the beginning of the financial year	128,549,085	35,122,749	114,449,085	25,493,957
During the year:				
- options exercised	1,750,000	525,000	1,000,000	100,000
- placement	54,680,220	17,735,628	13,100,000	10,060,000
Less: transaction costs	-	(657,370)	-	(531,208)
At the end of the year	184,979,305	52,726,007	128,549,085	35,122,749

(c) Share Options

As at 30 June 2006 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
22 October 2006	$0.10 /share	750,000
22 October 2006	$0.10 /share	50,000
13 August 2007	$1.03 /share	6,667,362
17 December 2007	$1.08 /share	2,600,000
31 December 2007	$0.50 /share	1,500,000
31 December 2007	$0.90 /share	86,660
31 December 2007	$0.74 /share	750,000
01 January 2008	$0.66 /share	125,000
02 February 2008	$0.16 /share	500,000
13 June 2008	$0.29 /share	500,000
18 April 2009	$0.87 /share	300,000
1 November 2009	$0.34 /share	1,500,000
28 February 2010	$0.75 /share	500,000
Total		15,829,022

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	$0.34 /share	1,500,000
1 November 2009	$0.50 /share	1,500,000
Total		3,000,000

During the year the following share options were issued and exercised, resulting in the issue of fully paid shares.

Expiry Date	Exercise Price	Number of Options
12 July 2008	$0.30 /share	1,000,000
Total		1,000,000

During the year the following share options issued in prior years were exercised, resulting in the issue of fully paid shares.

Expiry Date	Exercise Price	Number of Options
31 March 2006	$0.30 /share	750,000
Total		750,000

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.

14. Reserves

	Consolidated		Clinuvel Limited	
	2006 $	2005 $	2006 $	2005 $
Share Option Reserve:	1,153,193	1,482,900	1,153,193	1,482,900
Balance at the beginning of period	1,482,900	550,580	1,482,900	550,580
Share based payment	409,549	949,309	409,549	949,309
Transfer to share capital	(86,493)	(16,989)	(86,493)	(16,989)
Lapsed Options	(652,763)	-	(652,763)	-
Reserves at the end of period	1,153,193	1,482,900	1,153,193	1,482,900

The executive share option reserve arises on the grant of share options to executive and directors under the executive share option scheme. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

15. Accumulated Losses

Accumulated losses at the beginning of the year	(29,151,387)	(17,190,036)	(29,151,215)	(17,189,864)
Impact of adoption of AASB139 Financial Instruments: Recognition and Measurement	30,000	-	30,000	-
Net loss attributable to the members of Clinuvel Pharmaceuticals Ltd	(10,768,981)	(11,961,351)	(10,768,981)	(11,961,351)
Accumulated losses at the end of the financial year	(39,890,368)	(29,151,387)	(39,890,196)	(29,151,215)

16. Lease Commitments

Operating lease commitments: Non-cancellable operating leases contracted for but not capitalised in the accounts:

Payable				
- not later than 1 year	524,891	622,574	303,704	416,097
- later than 1 year but not later than 5 years	271,259	860,816	47,703	450,154
	796,150	1,483,390	351,407	866,251

17. Earnings Per Share (Eps)

	Consolidated	
	2006	2005
(a) Basic earnings per share – cents per share	(6.7)	(9.5)
(b) The Weighted Average Number of Ordinary Shares (WANOS) used in the calculation of Basic Earnings Per Share	160,469,915	125,730,455
(c) The numerator used in the calculation of Basic Earnings Per Share.	(10,768,981)	(11,961,351)

(d) Potential Ordinary Shares not considered Dilutive

As at 30 June 2006 the company had on issue 15,829,022 unlisted options over unissued capital. These options are not considered dilutive as they do not increase the net loss per share.

18. Cash Flow Information

	Consolidated		Clinuvel Limited	
	2006 $	2005 $	2006 $	2005 $
(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	424,164	667,146	348,609	484,497
Cash on hand	4,235	3,403	4,235	3,403
Deposits on call	7,657,340	1,447,996	7,657,340	1,447,996
Bank bills & income security notes	0	1,994,000	0	1,994,000
Term deposits (security bonds)	520,075	650,075	520,075	650,075
	8,605,814	4,762,620	8,530,259	4,579,972
(b) Reconciliation of cash flows from operating activities with operating profit (loss)				
Operating profit (loss) after income tax	(10,768,981)	(11,961,351)	(10,768,981)	(11,961,351)
Non cash flows in operating (loss):				
Depreciation expense	38,561	39,850	38,561	39,850
Accrued income	1,048	(6,753)	1,048	(6,753)
Amortisation expense	866,113	783,997	9,200	9,200
Doubtful debt expense	-	-	3,641,675	2,043,178
Impairment Loss	1,228,615	-	-	-
Executive share option expense	(329,707)	932,320	(329,707)	932,320
Loss on sales on non-current assets	15,114	30,823	15,114	30,823
Changes in assets and liabilities:				
(Increase)/decrease in receivables	(97,662)	(51,508)	(33,476)	22,785
(Increase)/decrease in bonds & deposits	6,508	(46,508)	771	(771)
(Increase)/decrease in inventories	(573,027)	(31,875)	-	-
(Increase)/decrease in prepayments	(2,165,943)	(144,291)	(2,197,853)	(93,980)
Increase/(decrease) in payables	508,818	1,201,948	47,666	1,024,987
- adjust for non-cash movement in payables	(104,741)	-	-	-
Increase/(decrease) in provisions	(28,173)	6,992	(47,952)	(12,259)
Net cash used in operating activities	(11,403,457)	(9,246,356)	(9,623,934)	(7,971,872)

19. Directors and Executives' Disclosures

Remuneration of specified directors and specified executives

Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and executives. The Remuneration and Nomination Committee obtains independent data to assess the appropriateness of remuneration packages, given trends in comparative companies. The Committee reviews the remuneration of directors and management annually.

Under the Company's Constitution, the maximum aggregate remuneration available for division among the non-executive directors is to be determined by the shareholders in a general meeting. The maximum aggregate is currently fixed at $400,000. This amount (or some part of it) is to be divided among the non-executive directors as determined by the Board.

Non-Executive Directors' base fees are presently $50,000 per annum. The Chairman receives $75,000 per annum when in a non-executive capacity. The Chairman's executive role is for a 12 month term, whereby the Company reserves the right to extend the term for another 12 month period. The Chief Scientific Officer received $225,000 for a fixed 9 month term. These services provided are considered appropriate given their skills, qualifications and experience. Directors' fees cover all main Board activities and membership of the Remuneration and Nomination and Audit and Risk committees.

Executive remuneration is reviewed annually by the Remuneration and Nomination Committee and approved by the Board. Remuneration packages include a balance between a fixed base component and an incentive component, with incentive payments being based, a meeting pre-specified performance targets.

The incentive component of executive remuneration is divided into the following two elements:

- Short-term performance based remunerations, generally cash payment up to a fixed percentage of base salary
- Long-term performance based remuneration, generally based upon the issue of options to acquire shares in the Company. Options are issued under the company's Share Option Plan.

The following table provides details of all directors of the Company ("specified directors") and the nature and amount of the elements of their remuneration and other compensation for the year ended 30 June 2005.

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 1st February 2006 and continues until such time the Chief Executive Officer's employment is terminated in accordance with the terms of the employment agreement.

The specified directors of Clinuvel Pharmaceuticals Limited (formerly Epitan Ltd) during the year were:

Dr W.A. Millen (Non-Executive – resigned Chairman 1 October 2005)

Dr H.P.K. Agersborg (Deputy Chairman, Chief Scientific Officer)

Dr T.E. Winters (Non-Executive)

Mr S.R. McLiesh (Non-Executive)

Dr R. Aston (appointed non-executive Chairman 1 October 2005, appointed Executive Chairman 28 November 2005)

Mr I.M.Kirkwood (Managing Director) – resigned 25 November 2005

Dr P.J. Wolgen (Managing Director) – joined 1 October 2005, appointed Managing Director 25 November 2005.

The specified executives of Clinuvel Pharmaceuticals Limited (formerly Epitan Ltd) during the year were:

Mr. M. Kleinig - Manager Pharmaceutical Development (resigned 6 April 2006)
Mr. C. Rossidis – General Manager Epipharm Pty Ltd
Dr. D. J. Wright – Manager Regulatory

19. Directors And Executives' Disclosures (Cont'd)

Remuneration of Specified Directors	Primary Salaries & Fees	Bonus	Non-monetary benefits	Post Employment Super	Post Employment Other	Equity Options	Total
W.A. Millen	53,516	-	-	4,816	-	-	58,332
H.P.K. Agersborg	195,833	-	-	-	-	22,684	218,517
T.E. Winters	50,000	-	-	-	-	22,684	72,684
S.R. McLiesh	45,872	-	-	4,128	-	22,684	72,684
I.M. Kirkwood	133,337	25,000	-	9,125	299,750	4,147	471,360
R. Aston	26,758	-	-	2,408	-	55,789	84,955
P.J Wolgen	220,577	-	20,250	19,102	-	58,850	318,779
Total	752,893	25,000	20,250	39,580	299,750	186,838	1,297,311
Remuneration of Specified Executives							
M. Kleinig	116,877	-	-	13,602	34,255	13,688	178,422
C. Rossidis	114,604	-	-	10,314	-	17,058	141,976
D.J. Wright	119,262	-	-	10,734	-	127,462	257,458
Total	350,743	-	-	34,650	34,255	158,208	577,855

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
H.P.K Agersborg	167,500						
T.E. Winters	167,500						
S.R. McLiesh	167,500						
I.M. Kirkwood	333,000						
R. Aston	-	750,000	31 Oct '05	$0.35	$0.34	31 Oct 06	1 Nov 09
P.J. Wolgen	-	750,000	31 Oct 05	$0.35	$0.34	31 Oct 06	1 Nov 09
P.J. Wolgen	-	1,500,000	23 Feb 06	$0.32	$0.50	23 Feb 07	31 Dec 07

Shares issued on exercise of remuneration options

Specified Directors	Shares issued Number	Paid $ per share
W.A. Millen	-	-
H.P.K. Agersborg	-	-
T.E. Winters	-	-
S.R. McLiesh	750,000	$0.30
I.M. Kirkwood	-	-
R. Aston	-	-
P.J Wolgen	-	-

20. Auditors' Remuneration

	Consolidated 2006 $	Consolidated 2005 $	Clinuvel Limited 2006 $	Clinuvel Limited 2005 $
Amounts received or due and receivable by William Buck for:				
- audit services and review	38,000	37,000	38,000	37,000
- other services	0	2,650	0	2,650
	38,000	39,650	38,000	39,650

21. Related Party Disclosures

Directors

The directors of Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited) during the financial year were: W. A. Millen, H. P. K. Agersborg, T. E. Winters, S.R. McLiesh R. Aston, I.M. Kirkwood and P.J. Wolgen

Wholly-owned group transactions

Loans
The loan receivable by Clinuvel Pharmaceuticals Ltd (formerly 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 Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited) to the extent that a deficiency in net assets exists in Melanotan (Australia) Pty Ltd.

The loan receivable by Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited) from EpiPharm Pty Ltd is non-interest bearing. Repayment of the loan will commence as EpiPharm's cash flow allows. A provision for non-recovery has been raised in the accounts of Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited) to the extent that a deficiency in net assets exists in EpiPharm Pty Ltd. The loan to EpiPharm Pty Ltd as at 30 June 2006 is $4,095,012 (2005: $2,227,976)

Director related and key management personnel transactions and entities

The following transactions and relationships were in existence as at 30 June 2006 between directors of the Company and their related entities.

Sub-lease between the Company and Weighton Pty Ltd

("Weighton")
The company had entered into a sub-lease agreement for level 10, 52 Collins Street, Melbourne with Weighton Pty Ltd. Dr Millen is a director of Weighton Pty Ltd. The lease was guaranteed by Dr Millen and was on the same commercial terms as the head lease. The sub-lease expired on 28 February 2006 - $16,456 remains outstanding to the consolidated entity.

Consultancy payments to Bellou Management Pty Ltd

Under the terms of a consultancy agreement entered into between the company and Dr Millen the company paid $100,000 to Dr Millen over the 12 months following his resignation as Managing Director in January 2005. The payments were made to Dr Millen's management company Bellou Management Pty Ltd with $58,333 paid during 2006. (2005: $41,666)

Common directors of the company & Melanotan Corporation (Inc)

Two of the non-executive directors of the company, Dr Helmer Agersborg and Dr Terence Winters, also hold directorships with Melanotan Corporation Inc. Melanotan Corporation Inc granted an exclusive sub licence for the Melanotan technology to Melanotan Australia Pty Ltd. One of the terms of this agreement is the payment of royalties to Melanotan Corporation Inc of 3.5% of the net selling price upon commercialisation of the technology.

Consultancy payments to Newtonmore Biosciences Pty Ltd

Under the terms of a consultancy agreement entered into between Dr Aston and the consolidated entity, the consolidated entity is to pay Dr Aston for the provision of consultancy services in lieu of non-executive Chairman fees. The payments are made to Dr Aston's management company Newtonmore Bioscience Pty Ltd with $89,363 paid during 2006.

Equity instruments of directors

Interests at balance date

Interests in equity instruments of Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited) held by directors of the reporting entity and their director-related entities:

	Ordinary Shares Fully Paid		Options over Ordinary Shares	
Directors	2006 Number	2005 Number	2006 Number	2005 Number
W. A. Millen	5,156,679	11,126,375	-	1,500,000
H.P.K. Agersborg	921,105	1,008,105	250,000	250,000
T. E. Winters	900,000	5,024,533	250,000	250,000
S.R. McLiesh	750,000	-	250,000	1,000,000
R. Aston	71,757	-	750,000	-
P.J. Wolgen	-	-	2,250,000	-
Executives				
M. Kleinig	-	-	875,000	875,000
C. Rossidis	-	-	500,000	500,000
D. Wright	-	-	500,000	500,000

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.

22. Segment Information

The consolidated entity operates in the biotechnology and in the pharmaceutical products industries. The consolidated entity operates predominantly in Australia.

Segment Revenue & Results	Biotechnology		Pharmaceutical Products		Consolidated	
Revenues	2006	2005	2006	2005	2006	2005
Interest Revenue (unallocated)	-	-	-	-	446,956	476,937
Sales	-	-	754,846	124,622	754,846	124,622
Total Revenue	-	-	754,846	124,622	1,201,802	601,559
Results	(8,015,545)	(10,795,081)	(2,753,436)	(1,166,270)	(10,768,981)	(11,961,351)
Segment Assets & Liabilities						
Assets						
Current assets	13,064,440	4,860,672	852,353	384,836	13,916,793	5,245,506
Non-current assets	3,154,066	3,937,155	-	872,982	3,154,066	4,810,137
Total assets	16,218,506	8,797,827	852,353	1,257,818	17,070,859	10,055,645
Liabilities						
Current Liabilities	2,396,861	2,383,879	669,895	193,543	3,066,756	2,577,422
Non-current liabilities						
- Provisions	8,122	21,390	7,149	2,569	15,271	23,959
Equity	13,813,523	6,392,558	175,309	1,061,706	13,988,832	7,454,262
Total Liabilities & Equity	16,218,506	8,797,827	852,353	1,257,818	17,070,859	10,055,643

23. Financial Instruments

(a) Interest rate risk

The consolidated 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	
	2006 %	2005 %	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
(i) Financial Assets								
Cash at bank, deposits & income securities	5.82	5.75	80,770	187,876	10,549,045	4,574,744	10,629,815	4,762,620
Receivables	n/a	n/a	233,224	136,610	-	-	233,224	136,610
Total			313,994	324,486	10,549,045	4,574,744	10,863,039	4,899,230
(ii) Financial Liabilities								
Payables	n/a	n/a	2,993,323	2,484,505	-	-	2,993,323	2,484,505
Total			2,993,323	2,484,505	-	-	2,993,323	2,484,505

(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

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheets and notes to the Financial Report.

The economic entity does not have any material credit risk exposure to any single debtor or economic entity of debtors under financial instruments entered into by the economic entity.

24. Employee Benefits

	Consolidated		Clinuvel Limited	
	2006 $	2005 $	2006 $	2005 $
(a) The aggregate employee benefit liability is comprised of:				
- Provision for annual leave	73,433	92,917	41,599	76,288
- Provision for long service leave	15,271	23,959	15,271	21,389
- Accrued wages, salaries and on costs	43,715	28,437	31,936	24,412
	132,419	145,313	88,806	122,089

(b) Employee Option Plan

The consolidated entity has ownership based scheme for key management personnel and select consultants (including Executive Directors) of the company. Each share option converts to one ordinary share of the consolidated entity. The options are issued for nil consideration. There are no voting rights attached to the option and they can be exercised any time from the date of vesting to the date of expiry. They are non-transferable and not listed on the ASX.

The number of options granted is subject to approval by the Remuneration & Nomination Committee and by shareholders at general meetings. Each series of options have specific terms and conditions, from 12 month restriction periods for the number of options to vest to the satisfaction of performance objectives set by the directors of the consolidated entity.

The following share based payment arrangements were in existence at 30 June 2006:

Options Series		Number	Grant date	Expiry Date	Exercise Price	Fair value at Grant Date
Issued	22/03/2002	50,000	22/03/2002	22/10/2006	$0.10	$0.08
Issued	23/10/2001	750,000	23/10/2001	22/10/2006	$0.10	$0.07
Issued	10/11/2003	750,000	10/11/2003	31/12/2007	$0.74	$0.51
Issued	23/02/2006	1,500,000	23/02/2006	31/12/2007	$0.50	$0.01
Issued	01/01/2005	86,660	01/01/2005	31/12/2007	$0.90	$0.58
Issued	01/01/2004	125,000	01/01/2004	01/01/2008	$0.66	$0.44
Issued	13/03/2003	500,00	13/03/2003	02/02/2008	$0.16	$0.10
Issued	25/07/2003	500,000	25/07/2003	13/06/2008	$0.29	$0.27
Issued	19/04/2004	300,000	19/04/2004	18/04/2009	$0.87	$0.57
Issued	31/10/2005	1,500,000	31/10/2005	01/11/2009	$0.34	$0.19
Issued	01/03/2005	500,000	01/03/2005	28/02/2010	$0.75	$0.52

No share options were granted to executives during the year, only to Executive Directors, therefore no weighted average fair value of executive share options exists.

Options were priced using the Black Scholes Binominal option pricing model. The expected life used in the model is assumed to be the midpoint between the vesting date and exercise date. Expected volatility of each share option is based on the historical share price for the same length of time for the expected life of the options. It is assumed that the consolidated entity will not pay any dividends during the life of the option, and the risk free rate used in the option pricing model is assumed to be the zero coupon interest rate on valuation date.

24. Employee Benefits (Cont'd)

Black Scholes Binominal Model Inputs	R.Aston	P.J.Wolgen October 05 Options	P.J.Wolgen February 06 Options
Grant Date Share Price	$0.34	$0.34	$0.32
Exercise Price	$0.34	$0.34	$0.34
Historical Volatility			
Tranche 1	72%	72%	25%
Tranche 2	77%	77%	25%
Tranche 3	86%	86%	25%
Option Life			
Tranche 1	3 years	3 years	22 months
Tranche 2	3 years	3 years	22 months
Tranche 3	3 years	3 years	22 months
Risk Free Interest Rate			
Tranche 1	5.68%	5.68%	5.58%
Tranche 2	5.69%	5.69%	5.62%
Tranche 3	5.72%	5.72%	5.67%

	2006		2005	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of year	4,600,000	$0.50	3,675,00	$0.26
- granted	-	-	1,675,000	$0.86
- forfeited	(1,838,340)	$0.66	-	-
- exercised	-	-	(750,000)	$0.10
Balance at end of year	2,761,660	$0.40	4,600,000	$0.50
Exercisable at end of year	1,908,332	$0.32	1,766,666	$0.18

The share options for executives outstanding at the end of the financial year had an exercise price of $0.40 and an average remaining contractual life of 463 days.

The following table summarises information about options outstanding and exercisable at 30 June 2006.

Executive Share Options Exercised by Executives during the Financial Year ending 30 June 2006.

2006 Options Series	Number	Exercise Date	Share Price at Exercise Date
Issued 12/09/2002	750,000	31/03/2006	$0.39

25. Assets Pledge As Security

Term deposits held as security for bank guarantees:

Amount	Ending security date	In favour of	Purpose
130,075	2 December 2007	Overland Properties Pty Ltd	Rental security bond for Level 13, 1 Collins Street Melbourne
390,000	7 June 2008	Key Equipment Finance Pty Ltd	CRM Computer system (EpiPharm Pty Ltd)
520,075			

26. Commitments Of Expenditure

Australian dollar equivalents of commitments for expenditure. Foreign currency amounts are unhedged.

	Consolidated	Clinuvel Limited	Consolidated	Clinuvel Limited
	2006	2006	2005	2005
(a) Capital expenditure commitments				
AU Dollars	150,000	-	-	-
US Dollars	-	-	-	-
Euro	-	-	80,645	-
British Pounds	-	-	-	-
Total	150,000	-	80,645	-
(b) Research & development commitments				
AU Dollars	492,992	492,992	651,779	651,779
US Dollars	-	-	1,190,231	1,056,897
Euro	1,284,027	1,284,027	2,482,584	2,482,584
British Pounds	74,092	74,092	136,310	136,310
Total	1,851,111	1,851,111	4,460,904	4,327,570
(c) Other expenditure commitments				
AU Dollars	464,608	70,000	83,250	60,000
US Dollars	71,304	71,304	-	-
Euro	-	48,387	48,387	-
British Pounds	-	119,048	119,048	-
Total	535,912	141,304	250,685	227,435
Total	2,537,023	1,992,415	4,792,234	4,555,005

27. Subsequent Events

There has not been any matters, other than reference to the financial statements that has arisen since the end of the financial year, that has affected or could significantly affect, the operations of the consolidated entity, except that:

- On 23 August the company announced that the CEO Dr Philippe Wolgen has entered a pre-emptive rights deed with Weighton Pty Ltd in relation to acquiring shares in Clinuvel Pharmaceuticals Ltd.
- On 28 August the company announced final results from the completion of a Phase II trial conducted at St Vincent's Hospital, Melbourne on Polymorphous Light Eruption (PLE).
- On 29th August the company announced it had sought global protection through the filing a patent application with the Australian Patent Office for the use of CUV1647 to prevent or reduce skin cancer in immune compromised organ transplant patients.
- On 31st August the company announced it had filed a global patent application with the Australian Patent Office for the use of CUV1647 to prevent two types of sunlight-induced skin disorders, Solar Urticaria and Erythropoietic Protoporphyria.
- On 5th September the company announced the commencement of its Phase II open label trial to evaluate the safety and efficacy of subcutaneous implants of CUV1647 in patients with Erythropoietic Protoporphyria (EPP) conducted in Zurich, Switzerland.
- On 12th September the company announced it has entered into a Heads of Agreement with Genepharm Australasia Limited (ASX: GAA) for the sale of its EpiPharm range of dermatology products.

28. Impact Of Adopting AASB Equivalents to IASB Standards

Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) has reviewed its accounting policies and financial reporting in light of the transition from current Australian Standards to Australian Equivalents of International Financial Reporting Standards (A-IFRS). Set out below are the key areas where accounting policies will change and may have an impact on the consolidated financial report of Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd).

Impairment of Assets

Under AASB136 '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 consolidated 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.

Intangible Assets

Under the AASB138 '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 consolidated current accounting policy which allows for the capitalization of costs incurred in the research phase of an internally generated intangible asset were future benefits are expected beyond reasonable doubt. Under the new policy, all research costs will be written off as incurred. As the consolidated entity has not capitalised any research and development costs to date, the adjustment to the consolidated entity is expected to be $nil.

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 Consolidated Income Statement. 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 July 2006. For the financial year ended 30 June 2005 the fair value of options is required to be shown as an expense to the company together with comparative information for 2005. Based upon options outstanding as at 1 July 2004 the adjustment to retained earnings was $550,580 and for the 2005 financial year the adjustment was $932,320.

Income Taxes

Under AASB12 'Income Taxes', the consolidated entity 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 accounting balance sheet or a tax based balance sheet. As the consolidated entity has significant tax losses at 30 June 2006, expected adjustment to the consolidated entity is $nil.

International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, with 1 July 2004 as the date of transition, except for financial instruments where the date of transition is 1 July 2005. An explanation of how the transition from old policies to A-IFRS has affected the financial statements is set out in the following tables and notes.

Note: Only the Equity section of the condensed balance sheet is shown in the section for Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards. The impact of adoption International Financial Reporting Standards on the balance sheet for Clinuvel Pharmaceuticals Ltd (formerly Epitan Ltd) in retrospective periods lies only in the equity section.

28. Impact Of Adopting AASB Equivalents to IASB Standards (Cont'd)

Effect of A-IFRS on the Consolidated Income Statement for the financial year ended 30 June 2005

	Previous GAAP 30 06 2005	Transition Effects to A-IFRS	A-IFRS 30 06 2005
Revenues from ordinary activities	601,559	-	601,559
Total expenses from ordinary activities	(11,630,590)	(932,320)	(12,562,910)
Profit(Loss) from ordinary activities before related income tax expenses	(11,029,031)	(932,320)	(11,961,351)
Income tax expenses (benefits) relating to ordinary activities	(11,029,031)	(932,320)	(11,961,351)
Profit(Loss) from ordinary activities after related income tax expenses	(11,029,031)	(932,320)	(11,961,351)
Net Profit(Loss)	(11,029,031)	(932,320)	(11,961,351)
Net Profit(Loss) attributable to members of Clinuvel Pharmaceuticals Ltd	(11,029,031)	(932,320)	(11,961,351)
Total changes in equity other than those resulting from transactions with owner s as owners	(11,029,031)	(932,320)	(11,961,351)

Effect of A-IFRS on the Consolidated Balance Sheet for financial year ended 30 June 2005

	Previous GAAP 1 July 04	Transition Effects to A-IFRS	A-IFRS 1 July 04	Previous GAAP 30 June 05	Transition Effects to A-IFRS	A-IFRS 30 June 05
Share Capital	25,493,957	-	25,493,957	35,122,749	-	35,122,749
General Reserve	-	550,580	550,580	-	1,482,900	1,482,900
Retained Earnings	(16,639,456)	(550,580)	(17,190,036)	(27,668,487)	(1,482,900)	(29,151,387)
Total	8,854,501	-	8,854,501	7,454,262	-	7,454,262

29. Additional Company Information

Clinuvel Pharmaceuticals Ltd (formerly Epitan Limited) is a listed public company incorporated and operating in Australia.

The Registered office is:

Level 13, 1 Collins Street, Melbourne, Victoria 3000, Australia

Ph: (03) 9660 4900

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 2005 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.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

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

Dr P. J. Wolgen
Director

Dated this 13th day of September, 2006.

Independent Audit Report

William Buck
Business Advisors
Chartered Accountants

Independent audit report to members of

Clinuvel Pharmaceuticals Limited

(Formerly Epitan Limited)

Scope

The financial report and directors' responsibility

The financial report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and the consolidated statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Clinuvel Pharmaceuticals Limited (formerly Epitan Limited) (the company) and Clinuvel Pharmaceuticals Limited (formerly Epitan Limited) (the consolidated entity), for the year ended 30 June 2006. 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.

Level 2, 215 Spring Street, Melbourne VIC 3000 • GPO Box 4984WW, Melbourne VIC 3001 • DX39320 Port Melbourne
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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 Clinuvel Pharmaceuticals Limited (formerly Epitan Limited) is in accordance with:

- The Corporations Act 2001, including:
  - Giving a true and fair view of Clinuvel Pharmaceuticals Limited (formerly Epitan Limited) and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - Complying with Accounting Standards in Australia and the Corporations Regulations 2001;and
- Other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As detailed in Note 1(a) to the financial report, the ability of the company and consolidated entity to continue as a going concern is dependent upon its ability to raise sufficient further capital to finance the research and development of its drug candidate CUV1647. The directors are confident that the company and consolidated entity will continue as a going concern and will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

William Buck
Chartered Accountants

Ken Glynn
Partner

Dated this 13 day of September 2006.
Melbourne, Australia.

William Buck

Independent Audit Declaration

William Buck
Business Advisors
Chartered Accountants

Auditor's Independence Declaration to the directors of Clinuvel Pharmaceuticals Limited (formerly Epitan Limited)

I declare that, to the best of my knowledge and belief, in relation to our audit of Clinuvel Pharmaceuticals Limited (formerly Epitan Limited) for the year ended 30 June 2006 there have been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and

(ii) No contraventions of any applicable code of professional conduct.

William Buck
Chartered Accountants

Ken Glynn
Lead Audit Partner

Dated this 13 day of September 2006.
Melbourne, Australia.

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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 31 August 2006.

1. Shareholding

(a) Distribution of Shareholders Number

Category (size of holding)	Total Holders
1 - 1,000	332
1,001 - 5,000	1,170
5,001 - 10,000	708
10,001 - 100,000	1,076
100,001 - 9,999,999,999	124
Total	3,411

(b) The number of shareholdings held in less than marketable parcels is 435 for ordinary shares.

(c) The names of the substantial shareholders listed in the holding company's register as at 31 August 2006 are:
ANZ Nominees Limited Cash Income A/C

(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

	Name	Number of Ordinary Fully Paid Shares Held	% Held of issued Ordinary Capital
1	ANZ Nominees Limited	52,030,520	28.12
2	Westpac Custodian Nominees Limited	16,550,987	8.95
3	Merrill Lynch (Australia) Nominees Pty Limited	12,970,361	7.01
4	Kaupthing Bank Luxembourg	7,932,801	4.29
5	Citicorp Nominees Pty Limited	5,610,211	3.03
6	Weighton Pty Ltd	5,131,527	2.77
7	Loughran & Co	4,893,884	2.64
8	National Nominees	3,519,715	1.90
9	UBS AG H Tamsen	1,924,995	1.04
10	Competitive Technologies	1,913,032	1.03
11	Chartport Financial Services Pty Ltd	1,362,705	0.74
12	Mr Robert Thomas	1,069,867	0.58
13	Mac Eugene Hadley Hadley Family	819,867	0.44
14	Mr Norman Levine	819,867	0.44
15	Grunwald Design International Pty Ltd	819,665	0.44
16	Lippo Securities Nominees (BVI) Ltd	790,000	0.43
17	Dr Helmer P K Agersborg	750,000	0.41
18	Stanley Roy Mcliesh	750,000	0.41
19	Mr Terence Edwin Winters & Mrs Eileen Young Winters	750,000	0.41
20	Mr Damien Wayne Millen	673,485	0.36

Additional Information
Required By The Australian Stock Exchange

2. Company Secretary

The name of the company secretary is Darren Keamy

3. Registered Office

The address of the principal registered office in Australia is
Level 13 1 Collins Street,
Melbourne, Victoria 3000, Australia.
Telephone (03) 9660 4900.

4. Register of Securities

Computershare Investor Services Pty Ltd,
Level 12 565 Bourke Street,
Melbourne, Victoria 3000, Australia.

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: CUV).

6. Restricted Securities

Restricted securities on issue at 30 June 2006: Nil

Corporate directory

Registered Office

Level 13, 1 Collins Street,
Melbourne Victoria 3000 Australia
Telephone +61 3 9660 4900
Facsimile +61 3 9660 4999
Email mail@clinuvel.com
www.clinuvel.com

Glossary

alpha-Melanocyte Stimulating Hormone or α-MSH
a peptide hormone which stimulates the production of eumelanin in the skin (melanogenesis).

EMEA
European Medicines Agency: decentralised body of the European Union regulating medical drugs and devices.

Eumelanin
melanin comes in two types: eumelanin (dark brown to black) and phaeomelanin (red to yellow). α-MSH acts specifically to stimulate eumelanin synthesis.

FDA
Food and Drug Administration, USA's regulatory agency for food, medical drugs and devices.

Fitzpatrick I and II
categorises according to the person's sun-reactive skin type Fitzpatrick I - Very white or freckled, always burns, Fitzpatrick II - White, usually burns.

Immunocompromised
reduced immunity as a result of the use of drugs to suppress organ transplant rejection.

Immunomodulatory
changes to the level of a person's immunity.

IPD or Immediate Pigmenting Dose
the amount of UV required to stimulate immediate colour change.

Melanin
the dark pigment synthesised by melanocytes; responsible for skin pigmentation.

Melanocytes
the cells in the skin that produce melanin.

Melanogenesis
the process whereby melanin is produced in the body.

PBS
Australian Pharmaceutical Benefits Scheme.

Phase I
the first trials of a new drug candidate in people. Phase I trials are designed to evaluate how a new drug candidate should be administered, to identify the highest tolerable dose and to evaluate the way the body absorbs, metabolises and eliminates the drug.

Phase II
a Phase II trial is designed to continue to test the safety of the drug candidate, and begins to evaluate whether and how well the new drug candidate works (efficacy). Phase II trials often involve larger numbers of patients.

Phase III
an advanced-stage clinical trial that should conclusively show how well a therapy based on a drug candidate works. Phase III trials can be longer and typically much larger than Phase II trials, and frequently involve multiple test sites. Their goal is the statistical measurement of how well a therapy clinically improves the health of patients undergoing treatment.

Pharmacodynamics
is the study of the time course of a drug's actions in the body.

Photodermatoses
diseases in which skin changes, e.g. rashes, are induced by exposure to UV radiation.

Photo-protection
Protection against damage caused by the sun and ultraviolet radiation.

Pharmacokinetics
is the study of the time course of absorption, distribution and excretion of a drug in the body.

Subcutaneous
beneath the skin.

Sustained release
process whereby the drug is released from a formulation over a period of time.

Thymine dimers
Changes to DNA that are characteristic of UV damage.

TGA
Therapeutic Goods Administration, Australia's regulatory agency for medical drugs and devices.

Topical
cream, gel or spray applied to the skin.

Transdermal
also known as transdermic, percutaneous, transcutaneous, through the unbroken skin; refers to medications applied directly to the skin (creams, ointments or sprays) or in release forms (patches).

UV
ultraviolet - refers to particular colours of light which are so blue that they cannot be seen by the human eye. UV light reacts with human skin to cause suntans and sunburns. Repeated sunburn injury is a known precursor to skin cancer. UV light consists of UV-A, UV-B and UV-C (UV-C does not penetrate the atmosphere).

Corporate Directory

Directors and Executives

Executive Chairman:Dr Roger Aston
Non-Executive Directors: Stanley McLiesh, Dr Terry Winters, Dr Wayne Millen
Managing Director and Chief Executive Officer: Dr Philippe Wolgen
Chief Scientific Officer, Director: Dr Helmer P.K Agersborg
Manager Regulatory Affairs: Dr Dennis Wright
Manager Pharmaceutical Products: Chris Rossidis
Manager Investor Relations and Marketing: Davina Gunn
Group Accountant and Company Secretary: Darren Keamy

Australian Stock Exchange

The company's shares are quoted on the official list of the Australian Stock Exchange:
ASX Code: CUV

The company's shares are also quoted on other international exchanges as follows:
Germany: Frankfurt and Xetra: UR9
USA: Level 1 American Depositary Receipt Code: CLVLY
ADR Custodian: Bank of New York

Share Registry:

Computershare
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067, Australia
Tel: +61 3 9415 4000

Auditor

William Buck
Level 2 215 Spring Street
Melbourne, Victoria 3000, Australia

Banker

National Australia Bank
Western Branch, 460 Collins Street
Melbourne, Victoria 3000, Australia

Lawyers

Australia – Minter Ellison
Rialto Towers
Level 16 525 Collins Street
Melbourne, Victoria 3000, Australia

Notes

Registered Office
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