



Company Announcement

Friday 29 August 2008
Melbourne, Australia

Appendix 4E – Preliminary Financial Report

This release contains an announcement to the Australian Stock Exchange Limited (ASX) regarding the full year results for Clinuvel Pharmaceuticals Ltd for the year ended 30 June 2008, given in accordance under ASX Listing Rule 4.3A.

Darren Keamy
Company Secretary
Clinuvel Pharmaceuticals Ltd

End

About Clinuvel Pharmaceuticals Limited

Clinuvel Pharmaceuticals Limited (ASX:CUV, XETRA:UR9, ADR:CLVLY) is an Australian biopharmaceutical company developing its photoprotective drug afamelanotide (CUV1647) as a preventative treatment for a range of UV-related skin disorders as well as cancer related treatments.

The five indications are:

Indication	Description	Clinical Trial Status
Erythropoietic Protoporphyrin (EPP)	Absolute sun intolerance	Phase III trials started April 2007
Polymorphic Light Eruption (PLE / PMLE)	Severe sun poisoning	Phase III trials started May 2007
Actinic Keratosis (AK) and Squamous Cell Carcinoma (SCC) in Organ Transplant Recipients (OTR)	Precursor to skin cancer / non-melanoma skin cancer	Phase II trials started October 2007
Solar Urticaria (SU)	Acute anaphylactic reaction to sun	Phase II trials started June 2008
Phototoxicity associated with Photodynamic Therapy (PDT)	Photo-sensitivity associated with cancer treatment (esophagus, gall bladder)	Phase II trials planned to begin 2 nd half 2008

Phase I and II human clinical trials using afamelanotide have demonstrated that the drug is well tolerated and no significant safety concerns have been identified to date. Following successful conclusion of the development program, Clinuvel will work closely with global regulators to facilitate marketing approval of afamelanotide.

For more information contact:

Colin Mackie
Head of Corporate Development
Clinuvel Pharmaceuticals Limited
Tel: +61 3 9660 4900
investorrelations@clinuvel.com

Clinuvel is an Australian biopharmaceutical company focussed on developing its photoprotective drug, afamelanotide, for a range of UV-related skin disorders resulting from exposure of the skin to harmful UV radiation. Pharmaceutical research and development involves long lead times and significant risks. Therefore, while all reasonable efforts have been made by Clinuvel to ensure that there is a reasonable basis for all statements made in this document that relate to prospective events or developments (forward-looking statements), investors should note the following:

- actual results may and often will differ materially from these forward-looking statements;
- no assurances can be given by Clinuvel that any stated objectives, outcomes or timeframes in respect of its development programme for afamelanotide can or will be achieved;
- no assurances can be given by Clinuvel that, even if its development programme for afamelanotide is successful, it will obtain regulatory approval for its pharmaceutical products or that such products, if approved for use, will be successful in the market place.

Level 11 / 330 Collins Street
Melbourne, Victoria 3000
Australia

T +61 3 9660 4900
F +61 3 9660 4999

clinuvel.com

APPENDIX 4E

Preliminary final report

CLINUVEL PHARMACEUTICALS LTD ABN 88 089 644 119

1.	Reporting period: 1 July 2007 to 30 June 2008 Previous corresponding period: 1 July 2006 to 30 June 2007				
2.	Results for announcement to the market.				
			<u>Percentage change to 2007</u>		<u>Amount (AUD)</u>
<u>2.1</u>	Revenues from ordinary activities	<u>Up</u>	68%	<u>To</u>	\$4,297,103
<u>2.2</u>	Loss from ordinary activities after tax attributable to members	<u>Loss has increased</u>	60%	<u>To</u>	(\$14,655,791)
<u>2.3</u>	Net Loss for the period attributable to members	<u>Loss has increased</u>	60%	<u>To</u>	(\$14,655,791)
<u>2.4, 2.5</u>	No dividends have been paid or declared by the entity since the beginning of the current report period. No dividends were paid for the previous corresponding period.				
<u>2.6</u>	Please see section 14 for a brief explanation of the figures reported above.				
<u>3.</u>	Refer to the Attachment to Appendix 4E for the Income Statement together with notes to the statement				
<u>4.</u>	Refer to the Attachment to Appendix 4E for the Balance Sheet together with notes to the statement				
<u>5.</u>	Refer to the Attachment to Appendix 4E for the Cash Flow Statement together with notes to the statement				
<u>6.</u>	No dividend details. Refer to section 2.4				
<u>7.</u>	No dividend reinvestment plan.				
<u>8.</u>	Refer to the Attachment to Appendix 4E for the Statement of Retained Earnings				
<u>9.</u>	Net Tangible Assets per Security for Year Ended 30 June 2008: \$0.17	Net Tangible Assets per Security for Year Ended 30 June 2007: \$0.22			
<u>10.</u>	The control of entities which had control gained or lost: N/A				
<u>11.</u>	No investments in associates and joint ventures				
<u>12.</u>	No other significant information.				
<u>13.</u>	Foreign entities: Clinuvel, Inc (USA) Clinuvel (UK) Ltd (UK)	Australian equivalents of International Financial Reporting Standards (A-IFRS) used			

14. Commentary of Results

Clinuvel Pharmaceuticals Ltd and controlled entities' group result for the year ending 30 June 2008 was a \$14.655 million loss, compared to a \$9.176 million loss for the prior financial year, an increase of 59.7%. The group continues to hold a strong balance sheet, with \$54.970 million in assets compared to only \$3.147 million in liabilities at 30 June 2008. Monthly average cash spend was maintained over the year at \$0.95 million compared to \$0.90 million for 2006/07. The increase in loss reflects the expanding clinical development program, namely the development, production and continuing testing of the afamelanotide (formerly CUV1647) technology. Revenues from interest generated from the group's cash and financial assets earned \$4.297 million for the period, up from \$2.554 million and affecting the group result is a \$2.952 million mark-to-market charge on financial assets held and a \$1.031 million realised loss on financial assets. Basic earnings per share was -\$0.048 (30 June 2007:-\$0.037) on 303,148,665 issued ordinary shares.

The group continued to make significant advances in the development of its photoprotective drug afamelanotide through the year ending 30 June 2008. The significant progression in the development is reflected through the following key highlights:

Development Technology

- * Further demonstration of additional safety profile of afamelanotide through the completion of pharmacokinetic trials
- * Final selection of optimal dosage and delivery vehicle of afamelanotide

Clinical and Regulatory Development

- * Continuing advancement in the two Phase III clinical trials in Erythropoietic Protoporphyrinuria (EPP) and Polymorphic Light Eruption (PLE)
- * Approval and commencement of two Phase II clinical trials in Solar Urticaria (SU) and Actinic Keratosis in organ transplant recipients (AK)
- * Successful validation from international regulatory agencies on the use of afamelanotide across four of the five identified indications
- * Orphan Drug Designations obtained from the EMEA & Swissmedic in March 2008 in relation to (EPP) (followed by the same designation obtained from the FDA in July 2008)
- * The opening of a subsidiary office in Zurich, Switzerland to support the clinical and operational activities in Europe

The group's continuing focus will be on progressing through the clinical and regulatory pathways for each of the five clinical indications. An application to obtain Investigational New Drug status from the US FDA is foreseeable.

15. This report is based on accounts which are currently in the process of being audited.



**3. CLINUVEL PHARMACEUTICALS LTD
A.B.N. 88 089 644 119
AND CONTROLLED ENTITIES
PRELIMINARY FINANCIAL REPORT
YEAR ENDED 30 JUNE 2008**

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

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

**CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenues	2	4,297,103	2,553,901	4,296,376	2,237,822
Total expenses	2	(18,952,894)	(11,730,024)	(18,941,444)	(11,410,952)
Profit (Loss) before income tax expense		(14,655,791)	(9,176,123)	(14,645,068)	(9,173,130)
Income tax expense (benefit)	3	-	-	-	-
Profit (Loss) after income tax expense		(14,655,791)	(9,176,123)	(14,645,068)	(9,173,130)
Net Profit(Loss) for the year		(14,655,791)	(9,176,123)	(14,645,068)	(9,173,130)
Basic earnings per share - cents per share	16	(4.8)	(3.7)		

The accompanying notes form part of these financial statements.

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

CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008

	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
CURRENT ASSETS					
Cash and cash equivalents	17(a)	25,752,193	33,841,849	25,569,158	33,685,891
Other Financial Assets	8	25,048,387	28,511,650	25,048,387	28,511,650
Receivables	4	616,136	241,493	616,136	239,621
Other	5	1,703,396	2,721,627	1,674,347	2,713,557
TOTAL CURRENT ASSETS		<u>53,120,112</u>	<u>65,316,619</u>	<u>52,908,028</u>	<u>65,150,719</u>
NON CURRENT ASSETS					
Receivables	4	-	-	1,390,272	2,244,415
Property, plant and equipment	6	431,034	332,015	372,208	316,094
Intangible assets	7	1,419,612	2,176,111	45,999	55,199
Other financial assets	8	-	-	102,286	172
TOTAL NON CURRENT ASSETS		<u>1,850,646</u>	<u>2,508,126</u>	<u>1,910,765</u>	<u>2,615,880</u>
TOTAL ASSETS		<u>54,970,758</u>	<u>67,824,745</u>	<u>54,818,793</u>	<u>67,766,599</u>
CURRENT LIABILITIES					
Payables	10	2,968,356	2,315,298	2,896,556	2,262,079
Provisions	11	178,576	112,890	168,959	111,126
TOTAL CURRENT LIABILITIES		<u>3,146,932</u>	<u>2,428,188</u>	<u>3,065,515</u>	<u>2,373,205</u>
NON CURRENT LIABILITIES					
Provisions	11	9,310	4,741	9,310	4,741
TOTAL NON CURRENT LIABILITIES		<u>9,310</u>	<u>4,741</u>	<u>9,310</u>	<u>4,741</u>
TOTAL LIABILITIES		<u>3,156,242</u>	<u>2,432,929</u>	<u>3,074,825</u>	<u>2,377,946</u>
NET ASSETS		<u>51,814,516</u>	<u>65,391,816</u>	<u>51,743,968</u>	<u>65,388,653</u>
EQUITY					
Contributed equity	12	113,222,456	112,813,470	113,222,456	112,813,470
Reserves	13	1,763,836	1,644,837	1,679,400	1,638,509
Accumulated losses	14	(63,171,776)	(49,066,491)	(63,157,888)	(49,063,326)
TOTAL EQUITY		<u>51,814,5164</u>	<u>65,391,816</u>	<u>51,743,968</u>	<u>65,388,653</u>

The accompanying notes form part of these financial statements.

CLINUVEL PHARMACEUTICALS LIMITED
A.B.N. 88 089 644 119
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CONSOLIDATED CASH FLOWS STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Refund from ATO		298,507	375,282	298,007	379,131
Receipt from Customers		-	407,826	-	-
Interest received		3,979,879	2,006,309	3,979,514	2,005,612
Payments to suppliers and employees		<u>(11,459,719)</u>	<u>(10,968,231)</u>	<u>(10,565,944)</u>	<u>(9,793,039)</u>
Net cash provided by (used in) operating activities	17(b)	<u>(7,181,333)</u>	<u>(8,178,814)</u>	<u>(6,288,423)</u>	<u>(7,408,296)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(221,106)	(181,108)	(171,486)	(164,121)
Payments for investment securities		(21,965,276)	(26,484,370)	(21,965,276)	(26,484,370)
Payments for subsidiaries		-	-	(102,113)	-
Payments for patents & trademarks		-	-	-	-
Payments for product distribution rights		-	(259,390)	-	-
Funds received for transfer of product distribution rights		-	450,000	-	-
Proceeds from investment securities		<u>21,444,811</u>	<u>-</u>	<u>21,444,811</u>	<u>-</u>
Net cash provided by (used in) investing activities		<u>(741,571)</u>	<u>(26,474,868)</u>	<u>(794,064)</u>	<u>(26,648,491)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans to related parties				(867,491)	(677,301)
Proceeds from issue of ordinary shares		80,000	61,792,528	80,000	61,792,528
Payment of share issue costs		<u>(78,950)</u>	<u>(1,768,669)</u>	<u>(78,950)</u>	<u>(1,768,669)</u>
Net cash provided by (used in) financing activities		<u>1,050</u>	<u>60,023,859</u>	<u>(866,441)</u>	<u>59,346,558</u>
Net increase/(decrease) in cash held		(7,921,854)	25,370,177	(7,948,928)	25,289,774
Cash at beginning of the year		<u>33,841,849</u>	<u>8,605,814</u>	<u>33,685,888</u>	<u>8,530,259</u>
Effects of Exchange Rate changes on foreign currency held		<u>(167,802)</u>	<u>(134,142)</u>	<u>(167,802)</u>	<u>(134,142)</u>
Cash at end of the year	17(a)	<u>25,752,193</u>	<u>33,841,849</u>	<u>25,569,158</u>	<u>33,685,891</u>

The accompanying notes form part of these financial statements.

CLINUVEL PHARMACEUTICALS LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated	
Note	2008	2007
	\$	\$
RETAINED EARNINGS		
Retained earnings at the beginning of period	<u>(49,066,491)</u>	<u>(39,890,368)</u>
Transfer from Share Option Reserve	550,506	0
Net profit/(loss) attributable to members of Clinuvel Pharmaceuticals Ltd	(14,655,791)	(9,176,123)
Retained earnings at the end of period	<u>(63,171,776)</u>	<u>(49,066,491)</u>
RESERVES		
Reserves at the beginning of period	1,644,837	1,153,193
Exchange difference on translating foreign operations	78,108	6,328
Movement in share option reserve	40,891	485,316
Reserves at the end of period	<u>1,763,836</u>	<u>1,644,837</u>
SHARE CAPITAL		
Share capital at the beginning of period	112,813,470	52,726,007
302,148,665 fully paid shares (1 July 2006: 184,979,305)		
Issue of shares via investor share purchase plan		403,916
Issue of shares through institutional placement		30,696,904
Issue of shares via rights issue		30,529,834
Share options exercised and value of exercised options transferred from Share Option Reserve	410,186	225,458
Capital raising costs	(1,200)	(1,768,649)
Share capital at the end of period	<u>113,222,456</u>	<u>112,813,470</u>
303,148,665 fully paid shares		

CLINUVEL PHARMACEUTICALS LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian 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 ('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 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 going concern basis assumes that, if required, 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 or 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 the need to raise additional capital in the coming financial year.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

(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 Note 9 of the Financial Statements.

(c) Income Tax

At present it is uncertain that tax losses can be utilised. Once a position becomes known, tax losses will be brought to account.

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 or substantially 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 for deductible temporary differences and unused tax losses to the extent that it is probable that sufficient unused tax losses and tax offsets can be utilised by future taxable profits. 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

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 giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantially 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 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) Cash and cash equivalents

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.

(e) 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

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 and adjusted if appropriate. An assets carrying amount is written off immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

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

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

Gains and losses on disposal of assets are determined by comparing proceeds upon disposal with the asset's carrying amount. These are included in the income statement.

(f) Investments and Other Financial Assets

The consolidated entity classifies its financial assets into financial assets at fair value through profit and loss and loans and receivables. Financial assets at fair value through profit and loss are held for trading, if the entity does not have a positive intention to hold its investment in the financial asset until maturity (if a fixed maturity) or if it intends to hold the financial asset for an undefined period. Loans and receivables are non-derivate financial assets with fixed payments that are not quoted in an active market. They are included in current assets, except those loans and receivables that are due more than 12 months from reporting date.

(g) 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, and 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 2008 Clinuvel Pharmaceuticals Ltd has yet to demonstrate the satisfaction of all the above criteria to recognise and internally generate an intangible asset from its development activities.

CLINUVEL PHARMACEUTICALS LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (cont'd)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Intangible Assets

Trademarks, Patents and Sub-Licence

Trademarks, patents and licences have a finite useful life and are recorded at cost less accumulated amortisation and impairment losses. 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.

(i) Sub-licence

The sub-licence to develop and commercialise afamelanotide 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 successful commercial development as a pharmaceutical drug.

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 afamelanotide 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.

(i) 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, incurred prior to the end of the financial year but remain unpaid.

(j) 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

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.

(k) Directors' Remuneration

Share Based Payments

Under AASB 2 Share Based Payments, the consolidated entity must determine the fair value of options issued to employees as remuneration and recognise an expense in the Income Statement. This standard is not limited to options and also extends to other forms of equity based remuneration. 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 2008 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. For the 2007/08 year \$776,582 (2007:\$548,917) was recognised as an employment benefit expense and was largely attributable to the issue of new options to directors and executives as approved by shareholders in an Extraordinary General Meeting, held 25 January 2007.

Further information can be found in note 23 to the financial statements.

(l) 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.

(m) 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.

(n) 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.

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

(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 loss 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.

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

(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 prepayments of drug peptide yet to be used in Clinuvel Pharmaceuticals Ltd trial program, prepayments for feasibility study costs for drug delivery systems and prepayments for clinical trial insurances yet to expire, along with other general prepayments. The expenditures represent an unused expense and therefore a decrease in future economic benefit has yet to be incurred.

(v) Foreign Currency Transactions and Balances

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.

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

(w) New Accounting Standards and Interpretations

The following standards have been identified as those which may impact the consolidated entity in the first period of application. They are available for early adoption at 30 June 2008, but have not been adopted in preparing this financial report.

Revised AASB101 Presentation of Financial Statements

This revised Standard introduces a new financial statement titled "Statement of Comprehensive Income". It will not change the recognition, measurement, or disclosure of transactions that are required by other Accounting Standards. The consolidated entity will need to conform to this standard for the reporting period ending 30 June 2010.

AASB8 Operating Segments

Application of this standard may result in different segments or segment results and different types of information reported in segment reporting, but it will not impact the results of the consolidated entity. The consolidated entity will need to conform to this standard for the reporting period ending 30 June 2010.

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FOR THE YEAR ENDED 30 JUNE 2008 (cont'd)

	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
2. PROFIT/(LOSS) FROM CONTINUING OPERATIONS					
(a) Revenues					
Interest revenue – other persons		4,297,103	2,238,876	4,296,376	2,237,822
Sales revenue			283,308	-	-
Gain on disposal of A.C.N. 108 768 896 Pty Ltd assets after providing for impairment 30 June 2006			31,717		
Total revenues		<u>4,297,103</u>	<u>2,553,901</u>	<u>4,296,376</u>	<u>2,237,822</u>
(b) Expenses					
Clinical development costs		1,475,445	990,218	1,469,248	990,218
Drug delivery research costs		4,986,059	2,263,413	4,986,059	2,263,413
Toxicity Studies		828,646	464,610	828,646	464,610
R & D Overheads		1,126,057	751,150	700,399	693,304
Sales & Marketing costs		1,498	419,821	0	0
Business Marketing & Listing		1,413,358	1,235,658	1,413,358	1,198,825
Licenses Patents and trademarks		945,443	957,166	139,359	209,868
General Operations (incl Board)		8,176,388	4,527,155	7,682,741	4,114,310
Doubtful Debt Provision				1,721,634	1,476,404
Impairment Loss		0	120,833	0	0
Total expenses		<u>18,952,894</u>	<u>11,730,024</u>	<u>18,941,444</u>	<u>11,410,952</u>
(c) Profit/(loss) before income tax includes the following specific expenses					
Depreciation		85,265	68,301	85,265	67,235
Amortisation of sub-licence		747,298	747,298	0	0
Amortisation of trademarks		9,200	8,414	9,200	8,414
Amortisation of product distribution rights		0	81,174	0	0
Research & development costs		6,455,307	3,253,631	6,455,307	3,253,631
Doubtful debts – wholly owned subsidiary		0	0	1,732,357	1,476,404
Loss on sale of property, plant and equipment		30,099	(373)	30,099	(373)
Impairment Loss - A.C.N. 108 768 896 Pty Ltd		0	120,833	0	0
Realised loss on disposal of financial assets at fair value through profit and loss		1,031,333		1,031,333	
Net Loss on revaluation of financial assets held at fair value through profit & loss		2,952,395	3,280	2,952,395	3,280
Operating lease expense – minimum lease payments		379,467	797,120	243,609	421,227

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FOR THE YEAR ENDED 30 JUNE 2008 (cont'd)

	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008	2007	2008	2007
		\$	\$	\$	\$
3. INCOME TAX EXPENSE					
(a) The prima facie tax on profit(loss) 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% (2007: 30%)		(4,396,737)	(2,752,837)	(4,393,520)	(2,751,939)
Add:					
Tax effect of					
- non deductible amortisation		2,760	11,274	2,760	2,524
- non deductible shareholder admin		0	(7,700)	0	(7,700)
- capital raising costs		(360)	(530,594)	(360)	(530,594)
- non deductible legal fees		0	(675)	0	0
- Impairment Loss		0	36,250	0	0
- Share Based payments		12,267	145,595	12,267	145,595
- research and development deduction		(110,134)	(244,022)	(110,134)	(244,022)
- (Over)/under provision of income tax in previous years		135,397	(645,084)	135,397	(645,084)
Deferred Tax Assets not brought to account		<u>4,356,807</u>	<u>3,987,793</u>	<u>4,353,590</u>	<u>4,031,221</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(b) Deferred tax assets arising from unconfirmed tax losses and net timing differences not brought to account at balance date as realisation of the benefit is not regarded as probable. The benefits will only be obtained if the conditions set out in note 1(c) occur:					
Tax losses		19,228,663	14,880,457	18,497,106	14,152,116
Net temporary differences		<u>1,181,248</u>	<u>1,172,647</u>	<u>1,608,334</u>	<u>1,599,733</u>
		<u>20,409,911</u>	<u>16,053,104</u>	<u>20,105,439</u>	<u>15,751,849</u>

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.

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FOR THE YEAR ENDED 30 JUNE 2008 (cont'd)

	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
4. RECEIVABLES					
Current					
Trade debtors		0	1,535	0	0
Accrued income		459,286	188,244	459,286	188,244
Sundry debtors		156,850	51,714	156,850	51,377
		<u>616,136</u>	<u>241,493</u>	<u>616,136</u>	<u>239,621</u>
Non-Current					
Receivable from wholly owned entity					
- Melanotan (Australia) Pty Ltd		-	-	8,070,017	8,011,231
- Provision for non-recovery		-	-	(6,696,404)	(5,890,320)
				<u>1,373,613</u>	<u>2,120,911</u>
- A.C.N. 108 768 896 Pty Ltd		-	-	4,377,496	4,343,613
- Provision for non-recovery		-	-	(4,370,868)	(4,343,613)
		<u>-</u>	<u>-</u>	<u>6,628</u>	<u>0</u>
- Clinuvel, Inc		-	-	1,001,285	428,700
- Provision for Non-Recovery (Clinuvel, Inc)		-	-	(1,001,285)	(305,197)
		<u>-</u>	<u>-</u>	<u>0</u>	<u>123,503</u>
- Clinuvel AG		-	-	202,237	
- Provision for Non-Recovery (Clinuvel AG)		-	-	(192,206)	
		<u>-</u>	<u>-</u>	<u>10,031</u>	
		<u>-</u>	<u>-</u>	<u>1,390,272</u>	<u>2,244,415</u>

There has been no bad debts written off during 2008 or 2007 against the provision for non-recovery.

The Group has recognised a loss of \$1,718,641 (2007: \$1,476,404) in respect of impaired related party receivables. This loss has been included in operating expenses in the income statement.

The carrying amount of receivables is a reasonable approximation of fair value.

5. OTHER ASSETS

Current

Prepayments

- Peptide	1,390,730	1,780,581	1,390,730	1,780,581
- Other	312,666	941,046	283,617	932,976
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,703,396</u>	<u>2,721,627</u>	<u>1,674,347</u>	<u>2,713,557</u>

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FOR THE YEAR ENDED 30 JUNE 2008 (cont'd)

	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008	2007	2008	2007
6. PROPERTY, PLANT AND EQUIPMENT					
Plant & equipment					
At cost		587,575	544,739	554,000	540,335
Less: Accumulated depreciation		(258,469)	(241,282)	(254,102)	(240,843)
		<u>329,106</u>	<u>303,457</u>	<u>299,898</u>	<u>299,492</u>
Furniture and fittings					
At cost		117,889	57,858	84,860	45,275
Less: Accumulated depreciation		(15,961)	(29,300)	(12,550)	(28,673)
		<u>101,928</u>	<u>28,558</u>	<u>72,310</u>	<u>16,602</u>
Total property, plant and equipment		<u>431,034</u>	<u>332,015</u>	<u>372,208</u>	<u>316,094</u>

Movements in Carrying Amounts

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

	Plant & Equipment \$	Furniture and Fittings \$	Total \$
-Consolidated Entity and Parent Entity			
Carrying amount at 1 July 2006	201,860	20,382	222,242
Additions	168,152	12,583	180,735
Disposals	(3,284)	(3,781)	(7,065)
Depreciation written back on disposal	623		623
Depreciation expense	(63,894)	(627)	(64,521)
Carrying amount at 1 July 2007	<u>303,457</u>	<u>28,558</u>	<u>332,015</u>
Additions	118,388	106,795	225,183
Disposals	(75,031)	(45,275)	(120,306)
Depreciation written back on disposal	59,457	28,673	88,130
Depreciations expense	(77,165)	(16,823)	(93,988)
Carrying amount at 30 June 2008	<u>329,106</u>	<u>101,928</u>	<u>431,034</u>

	Plant & Equipment \$	Furniture and Fittings \$	Total \$
-Parent Entity			
Carrying amount at 1 July 2006	201,860	20,383	222,243
Additions	163,748		163,748
Disposals	(3,284)		(3,284)
Depreciation written back on disposal	622		622
Depreciation expense	(63,455)	(3,781)	(67,236)
Carrying amount at 1 July 2007	<u>299,491</u>	<u>16,602</u>	<u>316,093</u>
Additions	88,696	84,860	173,556
Disposals	(75,031)	(45,275)	(120,306)
Depreciation written back on disposal	59,457	28,673	88,130
Depreciations expense	(72,715)	(12,550)	(85,265)
Carrying amount at 30 June 2008	<u>299,898</u>	<u>72,310</u>	<u>372,208</u>

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FOR THE YEAR ENDED 30 JUNE 2008 (cont'd)

	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
7. INTANGIBLE ASSETS					
Sub-licence to develop and commercialise CUV1647 – at cost		7,472,983	7,472,983	-	-
Less: Accumulated amortisation		(6,099,370)	(5,352,072)	-	-
		<u>1,373,613</u>	<u>2,120,911</u>	<u>-</u>	<u>-</u>
Trademarks at cost		68,281	68,281	68,281	68,281
Less: Accumulated amortisation of Trademarks		(34,141)	(27,312)	(34,141)	(27,312)
Patents at cost		23,718	23,718	23,718	23,718
Less: Accumulated amortisation of Patents		(11,859)	(9,487)	(11,859)	(9,487)
		<u>45,999</u>	<u>55,200</u>	<u>45,999</u>	<u>55,200</u>
		<u>1,419,612</u>	<u>2,176,111</u>	<u>45,999</u>	<u>55,200</u>

Movements in Carrying Amounts – Intangible Assets

	Sub-Licence \$	Trademarks & Patents \$	Product Distribution Rights \$	Total \$
-Consolidated Entity				
Carrying amount at 1 July 2006	2,868,209	63,614	-	2,931,823
Additions	-	-	150,000	150,000
Impairment charged to profit	-	-	(120,833)	(120,833)
Amortisation expense	(747,298)	(8,414)	(29,166)	(784,878)
Carrying amount at 1 July 2007	<u>2,120,911</u>	<u>55,200</u>	<u>-</u>	<u>2,176,111</u>
Additions	-	-	-	-
Impairment charged to profit	-	-	-	-
Amortisation expense	(747,298)	(9,201)	-	(756,499)
Carrying amount at 30 June 2008	<u>1,373,613</u>	<u>45,999</u>	<u>-</u>	<u>1,419,612</u>

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7. INTANGIBLE ASSETS (continued)	Sub- Licence	Trademarks & Patents	Product Distribution Rights	Total
	\$	\$	\$	\$
-Parent Entity				
Carrying amount at 1 July 2006	-	63,614	-	63,614
Additions	-	-	-	-
Impairment charged to profit	-	-	-	-
Amortisation expense	-	(8,414)	-	(8,414)
Carrying amount at 1 July 2007	-	55,200	-	55,200
Additions	-	-	-	-
Impairment charged to profit	-	-	-	-
Amortisation expense	-	(9,201)	-	(9,201)
Carrying amount at 30 June 2008	-	45,999	-	45,999

Amortisation expense is included in the line item 'Total expenses' in the Consolidated Income Statement.

Please refer to the Summary of Significant Accounting Policies regarding significant intangible assets.

8. OTHER FINANCIAL ASSETS	Consolidated		Clinuvel Pharmaceuticals Ltd	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Investments comprise:				
Income Securities (at fair value through profit and loss)*	25,048,387	28,511,650	25,048,387	28,511,650
Non-Current				
Shares in unlisted controlled entities at cost	-	-	102,286	173

* The consolidated entity holds listed perpetual floating rate notes (income securities) returning 0.75% - 2.20% above the 90 day bank bill rate with interest paid out quarterly and senior debt securities returning 0.25% to 0.37%, above the 90 day bank bill rate with interest paid out quarterly and maturity dates ranging from 20 to 43 months from reporting date.

9. INTERESTS IN SUBSIDIARIES

Name of Entity	Country of incorporation	Ownership interest	
		2008	2007
Parent entity			
Clinuvel Pharmaceuticals Ltd	Australia	-	-
Controlled entities			
Melanotan (Australia) Pty Ltd	Australia	100%	100%
A.C.N. 108 768 896 Pty Ltd (formerly EpiPharm Pty Ltd)	Australia	100%	100%
EpiPharm (NZ) Ltd (dissolved)	New Zealand	0%	100%
Clinuvel (UK) Ltd	United Kingdom	100%	100%
Clinuvel, Inc	United States	100%	100%
Clinuvel AG (incorporated 3 March 2008)	Switzerland	100%	0%

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	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
10. PAYABLES					
Current					
Unsecured Trade creditors		733,985	1,597,428	672,457	1,571,024
Sundry creditors and accrued expenses		2,234,371	717,870	2,224,099	691,055
		<u>2,968,356</u>	<u>2,315,298</u>	<u>2,896,556</u>	<u>2,262,079</u>
(a) Aggregate amounts payable to:					
- directors and director-related entities		683	6,705	683	6,705
(b) Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged and included in Trade Creditors:					
- US dollars		1,925,622	-	1,925,622	-
- Euro		157,847	-	157,847	-
- British Pounds		110,544	28,151	110,544	28,151
- Other		27,697	525	27,697	525
		<u>2,221,711</u>	<u>28,676</u>	<u>2,221,711</u>	<u>28,676</u>

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to Note 22

(c) Terms and conditions:

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

	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
11. PROVISIONS					
Current					
Employee benefits		<u>178,576</u>	<u>112,890</u>	<u>178,576</u>	<u>111,126</u>
Non Current					
Employee Benefits		<u>9,310</u>	<u>4,741</u>	<u>9,310</u>	<u>4,741</u>
12. CONTRIBUTED EQUITY					
(a) Issued and paid up capital fully paid ordinary shares 303,148,665 ordinary shares (2007: 302,148,665)		113,222,456	112,813,470	113,222,456	112,813,470

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FOR THE YEAR ENDED 30 JUNE 2008 (cont'd)

12. CONTRIBUTED EQUITY (cont'd)

	2008 – Clinuvel Pharmaceuticals Ltd		2007 – Clinuvel Pharmaceuticals Ltd	
	No	\$	No	\$
(b) Movements in ordinary share capital:				
At the beginning of the financial year	302,148,665	112,813,470	184,979,305	52,726,007
Issued during the year				
- options exercised and valuation transferred from Share Option Reserve	1,000,000	410,186	925,000	225,479
- rights issue			79,298,274	30,529,836
- share purchase plan			377,492	403,916
- private placement			36,568,594	30,696,901
Less: transaction costs	-	(1,200)	-	(1,768,669)
Balance at the end of the financial year:	<u>303,148,665</u>	<u>113,222,456</u>	<u>302,148,665</u>	<u>112,813,470</u>

(c) Share Options

As at 30 June 2008 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
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
31 March 2010	\$0.50/share	1,500,000
9 February 2012	\$0.86/share	15,660,000
3 August 2012	\$0.86/share	110,000
Total		<u>19,570,000</u>

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
9 February 2012	\$0.86 /share	110,000
Total		<u>110,000</u>

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
2 February 2008	\$0.16 /share	500,000
13 June 2008	\$0.29 /share	500,000
Total		<u>1,000,000</u>

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.

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13. RESERVES	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
(a) Share Option Reserve:		1,679,400	1,638,509	1,679,400	1,638,509
(b) Foreign Currency Translation Reserve:		84,436	6,328		
Total Reserves		<u>1,763,836</u>	<u>1,644,837</u>	<u>1,679,400</u>	<u>1,638,509</u>
(a) Share Option Reserve					
Balance at the beginning of period		1,638,509	1,153,193	1,638,509	1,153,193
Share based payment		776,583	563,693	776,583	563,693
Transfer to share capital		(185,186)	(63,604)	(185,186)	(63,604)
Lapsed Options		(550,506)	(14,773)	(550,506)	(14,773)
Reserves at the end of period		<u>1,679,400</u>	<u>1,638,509</u>	<u>1,679,400</u>	<u>1,638,509</u>

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.

(b) Foreign Currency Translation Reserve:	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008 \$	2007 \$	2008 \$	2007 \$
Balance at the beginning of period		0	0	0	0
Translating foreign subsidiary to current rate at Balance Date		84,436	6,328	0	0
Balance at the end of period		84,436	6,328	0	0
14. ACCUMULATED LOSSES					
Accumulated losses at the beginning of the year		(49,066,491)	(39,890,368)	(49,063,326)	(39,890,196)
Transfer from Share Option Reserve of Lapsed & Expired Options		550,506	0	550,506	0
Net loss attributable to the members of Clinuvel Pharmaceuticals Ltd		(14,655,791)	(9,176,123)	(14,645,068)	(9,173,130)
Accumulated losses at the end of the financial year		<u>(63,171,776)</u>	<u>(49,066,491)</u>	<u>(63,157,888)</u>	<u>(49,063,326)</u>

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15. LEASE COMMITMENTS	Consolidated		Clinuvel Pharmaceuticals Ltd	
Operating lease commitments	2008	2007	2008	2007
Non-cancellable operating leases	\$	\$	\$	\$
Contracted for but not capitalised in the accounts:				
Payable				
- not later than 1 year	378,272	358,133	216,678	261,309
- later than 1 year but not later than 5 years	449,959	661,955	404,032	596,510
	<u>828,231</u>	<u>1,020,088</u>	<u>620,710</u>	<u>857,819</u>

16. EARNINGS PER SHARE (EPS)

	Consolidated	
	2008	2007
(a) Basic earnings per share – cents per share	(4.8)	(3.7)
(b) The Weighted Average Number of Ordinary Shares (WANOS) used in the calculation of Basic Earnings Per Share	302,380,172	248,219,988
(c) The numerator used in the calculation of Basic Earnings Per Share.	(14,655,791)	(9,176,123)
(d) Potential Ordinary Shares not considered Dilutive		

As at 30 June 2008 the company had on issue 19,570,000 unlisted options over unissued capital. These options are not considered dilutive as they do not increase the net loss per share.

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	Note	Consolidated		Clinuvel Pharmaceuticals Ltd	
		2008	2007	2008	2007
		\$	\$	\$	\$
17. CASH FLOW INFORMATION					
(a) Reconciliation of Cash					
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		817,459	301,742	662,358	205,973
Cash on hand		300	300	300	300
Deposits on call		9,869,358	33,385,923	9,867,809	33,349,543
Term deposits (security bonds)		15,000,000	0	15,000,000	0
Security Bonds		65,076	153,884	38,691	130,075
		<u>25,752,193</u>	<u>33,841,849</u>	<u>25,569,158</u>	<u>33,685,891</u>
(b) Reconciliation of cash flows from operating activities with operating profit (loss)					
Operating profit (loss) after income tax		(14,655,791)	(9,176,123)	(14,645,068)	(9,173,130)
<u>Non cash flows in operating (loss):</u>					
Depreciation expense		91,978	68,301	85,266	67,325
Accrued income		(271,042)	(171,484)	(271,042)	(171,484)
Exchange Rate Effect on Foreign Currencies Held		167,802	134,142	167,802	134,142
Amortisation expense		756,499	836,886	9,201	8,414
Doubtful debt expense		-	-	1,721,633	1,476,405
Executive share option expense		776,582	548,917	776,582	548,917
WDV of non-current assets sold		30,099	2,662	30,099	2,662
Gain on sale of non-current asset		0	373		373
Realised loss on disposal of financial assets at fair value through profit and loss		1,031,333	-	1,031,333	-
Net Loss on revaluation of financial assets held at fair value		2,952,395	3,280	2,952,395	3,280
Unrealised Loss Foreign Exchange Translation		78,108	6,328		-
Loss on sale of product distribution licenses			701,623	-	-
Impairment Loss – product distribution license			120,833	-	-
July 1 Reversal of Impairment Loss A.C.N. 108768896 Pty Ltd			(1,228,615)	-	-
<u>Changes in assets and liabilities:</u>					
(Increase)/decrease in receivables		41,480	163,215	39,526	26,606
(Increase)/decrease in bonds & deposits		-	40,000	-	-
(Increase)/decrease in inventories		-	604,902	-	-
(Increase)/decrease in prepayments		1,018,242	(287,789)	1,039,215	(298,118)
Increase/(decrease) in payables		730,727	(678,026)	712,232	(93,182)
Increase/(decrease) in provisions		70,255	28,928	62,403	66,144
Net cash used in operating activities		<u>(7,181,333)</u>	<u>(8,178,814)</u>	<u>(6,288,425)</u>	<u>(7,408,296)</u>

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18. KEY MANAGEMENT PERSONNEL DISCLOSURES

The specified directors of Clinuvel Pharmaceuticals Limited during the year were:

Dr H.P.K. Agersborg (Deputy Chairman, Chief Scientific Officer)
 Mr S.R. McLiesh (Non-Executive)
 Mrs B.M. Shanahan (Non-Executive, Chair since 6 December 2007)
 Dr R. Aston (Executive Chair until 6 December 2007, non-Executive Director thereafter)
 Dr P.J. Wolgen (Managing Director)
 Mr. L.J. Wood (Non-Executive, joined Board 11 July 2008)

The key management personnel of Clinuvel Pharmaceuticals Limited during the year were:

Dr D. J. Wright (VP – Scientific Affairs)
 Mr. C. H. Mackie (Head of Corporate Development)
 Mr D. M. Keamy (Chief Financial Officer, Company Secretary)

Key Management Personnel Compensation

	Consolidated		Clinuvel Pharmaceuticals Ltd	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits:	1,543,428	1,546,738	1,543,428	1,546,738
Post-employment benefits	50,488	35,315	50,488	35,315
Long-term benefits	0	0	0	0
Termination benefits	0	33,333	0	33,333
Share-based payments	518,363	449,736	518,363	449,736
	<u>2,112,279</u>	<u>2,065,122</u>	<u>2,112,279</u>	<u>2,065,122</u>

Remuneration option holdings of Key Management Personnel – 2008

	Balance at start of Year	Granted as compensation	Exercised	Lapsed and Expired	Balance at end of Year	Vested and exercisable	Unvested
Directors							
H.P.K. Agersborg	2,750,000	-	-	(750,000)	2,000,000	1,500,000	500,000
S.R. McLiesh	1,100,000	-	-	(450,000)	650,000	450,000	200,000
R. Aston	2,750,000	-	-	(300,000)	2,450,000	1,800,000	650,000
P.J. Wolgen	11,250,000	-	-	(2,000,000)	9,250,000	8,000,000	1,250,000
B. M. Shanahan	850,000	-	-	-	850,000	566,667	283,333
Executives							
D.J. Wright	1,800,000	-	-	(200,000)	1,600,000	947,911	652,089
D.M. Keamy	800,000	-	-	(100,000)	700,000	277,083	422,917

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18. DIRECTORS AND EXECUTIVES' DISCLOSURES (cont'd)

Remuneration option holdings of Key Management Personnel – 2007

	Balance at start of Year	Granted as compensation	Exercised	Other Changes	Balance at end of Year	Vested and exercisable	Unvested
Directors							
H.P.K. Agersborg	250,000	2,500,000	-	-	2,750,000	1,250,000	1,500,000
S.R. McLiesh	250,000	850,000	-	-	1,100,000	575,000	525,000
R. Aston	750,000	2,000,000	-	-	2,750,000	1,050,000	1,700,000
P.J. Wolgen	2,250,000	9,000,000	-	-	11,250,000	5,000,000	6,250,000
B. M. Shanahan	-	850,000	-	-	850,000	283,333	566,667
T.E. Winters	250,000	2,000,000	-	(800,000)	1,450,000	1,050,000	400,000
					-	-	-
Executives							
D.J. Wright	500,000	1,300,000	-	-	1,800,000	602,917	1,197,083
D.M. Keamy	-	800,000	-	-	800,000	152,083	647,916

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.

	Ordinary Shares – 2008				Ordinary Shares - 2007			
	Balance at start of year	Rec'd upon option exercise	Purchases	Balance at end of year	Balance at start of year	Rec'd upon option exercise	Purchases	Balance at end of year
Directors								
H.P.K. Agersborg	921,105	-	-	921,105	921,105	-	-	921,105
S.R. McLiesh	760,000	-	-	760,000	750,000	-	10,000	760,000
R. Aston	108,224	-	-	108,224	71,757	-	36,467	108,224
P.J. Wolgen	-	-	95,000	95,000	-	-	-	-
B. M. Shanahan	420,071	-	-	420,071	420,071	-	-	420,071
	-	-	-	-	-	-	-	-
Executives								
D.J. Wright	-	-	-	-	-	-	-	-
D.M. Keamy	1,600	-	-	1,600	1,600	-	-	1,600

Consolidated

Clinuvel Pharmaceuticals Ltd

2008
\$

2007
\$

2008
\$

2007
\$

19. AUDITORS' REMUNERATION

Amounts received or due and receivable by Grant

Thonton for:

- audit services and review
- other services

	44,818	43,450	44,818	43,450
	0	0	0	0
	44,818	43,450	44,818	43,450

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**20. RELATED PARTY
DISCLOSURES**

Directors

The directors of Clinuvel Pharmaceuticals Ltd during the financial year were:

H. P. K. Agersborg, S.R. McLiesh, R. Aston, P.J. Wolgen, B.M. Shanahan

Wholly-owned group transactions

Loans

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

The loan receivable by Clinuvel Pharmaceuticals Ltd from A.C.N. 108 768 896 Pty Ltd is non-interest bearing. A provision for non-recovery has been raised in the accounts of Clinuvel Pharmaceuticals Ltd to the extent that a deficiency in net assets exists in A.C.N. 108 768 896 Pty Ltd. The loan to A.C.N. 108 768 896 Pty Ltd as at 30 June 2008 is \$4,377,496 (2006: \$4,343,613).

The loan receivable by Clinuvel Pharmaceuticals Ltd from Clinuvel, Inc 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 to the extent that a deficiency in net assets exists in Clinuvel, Inc. The loan to Clinuvel, Inc as at 30 June 2008 is \$1,001,285 (2007: \$428,700).

The loan receivable by Clinuvel Pharmaceuticals Ltd from Clinuvel AG 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 to the extent that a deficiency in net assets exists in Clinuvel AG. The loan to Clinuvel AG as at 30 June 2008 is \$202,237.

Director related and key management personnel transactions and entities

The following transactions and relationships were in existence as at 30 June 2008 between directors of the Company and their related entities.

Common directors of the company and Melanotan Corporation (Inc)

A director of the company, Dr Helmer Agersborg, also holds a directorship with Melanotan Corporation Inc. Melanotan Corporation Inc granted an exclusive sub licence for the afamelanotide 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. Melanotan Corporation Inc is in the process of being dissolved.

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 paid Dr Aston for the provision of consultancy services in lieu of non-executive Chairman fees from July 1 to December 31 2007. The payments were made to Dr Aston's management company Newtonmore Bioscience Pty Ltd with \$50,000 paid during 2007/08 (2006/07: \$165,404 [12 months]).

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21. 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	
	2008	2007	2008	2007	2008	2007
Revenues						
Interest Revenue (unallocated)	-	-	-	-	4,297,103	2,238,876
Sales	-	-	-	283,308	-	283,308
Gain on Business Disposal after Impairment	-	-	-	31,717	-	31,717
Total Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>315,025</u>	<u>4,297,103</u>	<u>2,553,901</u>
Results	<u>(14,628,536)</u>	<u>(8,444,024)</u>	<u>(27,255)</u>	<u>(732,099)</u>	<u>(14,655,791)</u>	<u>(9,176,123)</u>

Segment Assets & Liabilities	Biotechnology		Pharmaceutical Products		Consolidated	
	2008	2007	2008	2007	2007	2007
Current assets	52,986,541	65,277,634	11,401	38,984	52,997,942	65,316,619
Non-current assets	1,914,836	2,508,127	-	-	1,914,835	2,508,126
Total assets	<u>54,901,377</u>	<u>67,785,761</u>	<u>11,401</u>	<u>38,984</u>	<u>54,912,777</u>	<u>67,824,745</u>
Liabilities						
Current Liabilities	3,085,434	2,389,204	4,773	38,984	3,090,207	2,428,188
Non-current liabilities - Provisions	9,310	4,741	-	-	9,310	4,741
Total Liabilities	<u>3,094,744</u>	<u>2,393,945</u>	<u>4,773</u>	<u>38,984</u>	<u>3,099,517</u>	<u>2,432,929</u>

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22. FINANCIAL INSTRUMENTS

Clinuvel Pharmaceuticals Ltd and consolidated entities have exposure to the following risks from its use in financial instruments:

- **Market Risk**
- **Credit Risk**
- **Liquidity Risk**

The Board of directors oversees and reviews the effectiveness of the risk management systems implemented by management. The Board has assigned responsibility to the Audit and Risk committee to review and report back to the Board in relation to the company's risk management systems.

Market Risk

Market risk is the risk of changes in market prices such as foreign exchange purchases, interest rates and equity prices will affect the value of the consolidated entity's financial instruments. The objective to manage market risk is to ensure exposures are contained within acceptable parameters, to minimise costs and to stabilize existing assets.

Foreign Currency risk

The consolidated entity is exposed to foreign currency risk on future commercial transactions and recognised assets and liabilities that are denominated in a currency other than the functional currency of each of the group's entities, primarily U.S. dollars (USD), Euros (EUR) and Swiss Francs (CHF). The parent entity is exposed to the risk of its cash flows being adversely affected by movements in exchange rates that will increase the Australian dollar value of foreign currency payables.

The consolidated entity's policy of managing foreign currency risk is to purchase foreign currencies equivalent to the cash outflow projected over minimum 30 days by the placement of market orders or forward exchange contracts to achieve a target rate of exchange, with protection floors in the event of a depreciating Australian dollar exchange rate, to run for the time between recognizing the exposure and the time of payment. In the event of an appreciating Australian dollar, the amount of foreign currency held is minimised at a level to only meet short term obligations in order to maximize gains in an appreciating Australian currency. Clinuvel does not engage in speculative transactions in its management of foreign currency risk. No forward exchange contracts had been entered into as at 30 June 2008 and as at 30 June 2007.

The consolidated entities exposure to foreign currency risk at 30 June 2008:

	Consolidated			Consolidated		
	2008			2007		
	Cash & Cash Equivalent	Trade & Other Payables	Total	Cash & Cash Equivalent	Trade & Other Payables	Total
USD	78,423	(1,548,046)	(1,469,623)	1,166,988	(1,121,282)	45,706
EUR	95,034	(239,821)	(144,787)	119,796	(75,763)	44,033
CHF	92,988	(67,806)	25,182		(2,615)	(2,615)
GBP		(53,382)	(53,382)		(11,925)	(11,925)
DKK		(1,943)	(1,943)		(659)	(659)
SEK		(24,000)	(24,000)			

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22. FINANCIAL INSTRUMENTS (Continued)

	Clinuvel Pharmaceuticals Ltd			Clinuvel Pharmaceuticals Ltd		
	2008			2007		
	Cash & Cash Equivalent s	Trade & Other Payables	Total	Cash & Cash Equivalents	Trade & Other Payables	Total
USD	30,086	(1,533,681)	(1,503,595)	1,083,790	(1,121,282)	(37,492)
EUR	95,034	(234,905)	(139,871)	119,796	(75,763)	44,033
CHF	0	(22,622)	(22,622)		(2,615)	(2,615)
GBP	0	(53,382)	(53,382)		(11,925)	(11,925)
DKK	0	(1,943)	(1,943)		(659)	(659)
SEK	0	(24,000)	(24,000)			

Sensitivity Analysis

During the financial year the company had a principal foreign currency transaction risk exposure to the U.S. dollar. Assuming all other variables remain constant, an appreciation in the Australian dollar is advantageous to the consolidated entity as foreign currencies are required to be purchased from Australian dollars to pay for a key component of the clinical program.

For the consolidated entity, a 5% appreciation of the Australian dollar against the U.S. currency would have increased profit and loss and equity by \$76,336 for the year ended 30 June 2008 (a loss of \$31,619 would have occurred for the corresponding period in the prior year), on the basis that all other variables remain constant. 5% is considered representative of the market volatility in the Australian/US dollar rate for the period.

For the consolidated entity, a 5% depreciation of the Australian dollar against the U.S. currency would have an equal but opposite effect to the above, on the basis that all other variables remain constant.

For Clinuvel Pharmaceuticals Ltd, a 5% appreciation of the Australian dollar against the U.S. currency would have increased profit and loss and equity by \$78,101 for the year ended 30 June 2008 (a loss of \$26,718 would have occurred for the corresponding period in the prior year), on the basis that all other variables remain constant. 5% is considered a reflection of the market volatility in the Australian/US dollar rate for the period.

For Clinuvel Pharmaceuticals Ltd, a 5% depreciation of the Australian dollar against the U.S. currency would have an equal but opposite effect to the above, on the basis that all other variables remain constant.

The Group's exposure to other foreign currency movements is not considered material.

Interest rate risk

The consolidated entity holds floating interest bearing assets therefore exposure to interest rate risk exists. It does not hold interest bearing liabilities.

The consolidated entity currently finances its operations through reserves of cash and liquid resources and does not have a borrowing requirement. In order to be protected from, and to take advantage of, interest rate movements it is the consolidated entity's policy to place cash into deposits and other financial assets at both fixed and variable (floating) rates. The Board monitors the movements in interest rates in combination with current cash requirements to ensure the mix and level of fixed and floating returns is in the best interests of the consolidated entity.

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22. FINANCIAL INSTRUMENTS (Continued)

Sensitivity Analysis

For the consolidated entity, at 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates (a movement considered reflective of the level of recent interest rate movements), with effect from the beginning of the year, profit and equity would be \$592,772 higher/lower (2007: \$347,113 higher/lower) This analysis assumes all other variables are held constant.

For Clinuvel Pharmaceuticals Ltd, at 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates (a movement considered reflective of the level of recent interest rate movements), with effect from the beginning of the year, profit and equity would be \$587,137 higher/lower (2007: \$346,949 higher/lower) This analysis assumes all other variables are held constant.

Price Risk

Clinuvel Pharmaceuticals Ltd and its consolidated entities are exposed to price risk in its investments in income securities classified in the balance sheet as held for trading. Diversification of its investments is used to manage price risk. Neither the consolidated entity nor the parent are exposed to commodity price risk

Sensitivity Analysis

At 30 June 2008, if the weighted average of the market-acknowledged benchmarks of the investments in income securities increased/decreased by 7.6% assuming all other variables constant and the investments in securities moving in correlation with the indexes, the impact on profit and equity is:

	Consolidated			Clinuvel Pharmaceuticals Ltd		
	2008		2007	2008		2007
	\$		\$	\$		\$
Market-acknowledged weighted average benchmarks	2,369,982		1,548,121	2,369,982		1,548,121

The price risk for unlisted income securities is included in the sensitivity analysis due to higher than normal market volatility for most of the financial year.

Credit Risk

Credit risk arises from the potential failure of counterparties to meet their contractual obligations, resulting in a loss to the consolidated entity.

Credit risk in relation to the consolidated entity is the cash and cash equivalents deposited with banks and investments in securities. Exposure to credit risk is limited to the investing of surplus cash in a range of senior debt securities and listed floating rate notes issued by counterparties deemed creditworthy by ratings agencies (majority A rated minimum) and/or ASX Top 50. Portfolio managers engaged in the management of the investments in securities on behalf of Clinuvel continually assess the credit worthiness of the counterparties who report to Clinuvel of any change in credit risk.

The maximum credit exposure is the carrying value of the cash and cash equivalents deposited with banks and investments in securities.

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22. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

Liquidity risk is the risk the consolidated entity will not be able to meet its financial obligations when they fall due. It is the policy of the consolidated entity to ensure there is sufficient liquidity to meet its liabilities when due without incurring unnecessary loss or damage. The consolidated entity holds cash and instruments in liquid markets. It does not hold financing facilities, overdrafts or borrowings.

The consolidated entity manages its liquidity needs by carefully identifying expected operational expenses by month and ensuring sufficient cash is on hand, across appropriate currencies, in the day-to-day bank accounts for a minimum 30 day period. When further liquidity is required the consolidated entity draws down on its cash under management and/or projects future liquidation of its investments in securities to service future liquidity needs.

The following is the contractual maturities of financial liabilities as at 30 June 2008.

	Consolidated		Clinuvel Pharmaceuticals Ltd	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade and Other Payables				
Carrying Amount	3,331,954	2,315,298	3,260,154	2,262,080
6 months or less	3,331,954	2,315,298	3,260,154	2,262,080
Greater than six months	0	0	0	0
Total	3,331,954	2,315,298	3,260,154	2,262,080

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at reporting date. The quoted market price for the consolidated entity is the bid price. For longer term debt instruments held by the consolidated entity, dealer quotes are used to determine fair value.

The carrying value of trade payables are assumed to approximate their fair values due to their short-term nature.

Capital Risk Management

Clinuvel Pharmaceuticals Ltd's equity is limited to shareholder contributions. Its capital management objectives is limited to ensuring the equity available to the company will allow it to continue as a going concern and to realise adequate shareholder return by progressing in its developmental research of afamelanotide and achieving eventual commercialization.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (cont'd)

23. EMPLOYEE BENEFITS

	Consolidated		Clinuvel Pharamceuticals Ltd	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) The aggregate employee benefit liability is comprised of :				
- Provision for annual leave	178,576	112,890	168,959	111,125
- Provision for long service leave	9,310	4,741	9,310	4,741
- Accrued FBT & Superannuation	24,756	45,415	32,561	45,415
	222,642	163,046	210,830	161,281

(b) Share Based Payments

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 monthly restriction periods over 48 months, and 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 2008:

Options Series	Number	Grant date	Expiry Date	Exercise Price	Fair value at Grant Date
Issued 10/11/2003	750,000	10/11/2003	31/12/2007	\$0.74	\$0.51
Issued 01/01/2004	125,000	01/01/2004	01/01/2008	\$0.66	\$0.44
Issued 01/01/2005	86,660	01/01/2005	31/12/2007	\$0.90	\$0.58
Issued 13/03/2003	500,000	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
Issued 23/02/2006	1,500,000	23/02/2006	31/03/2010	\$0.50	\$0.01
Issued 09/02/2007	19,210,000	09/02/2007	09/02/2012	\$0.86	\$0.22
Issued 03/08/2007	110,000	03/08/2007	03/08/2012	\$0.86	\$0.21

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23. EMPLOYEE BENEFITS (Continued)

Option holdings of All Issued Options- 2008

Options Series	Balance at start of Year	Granted as compensation	Exercised	Other Changes	Balance at end of Year	Vested and exercisable	Unvested
Issued 10/11/2003	750,000	-	-	(750,000)	-	-	-
Issued 01/01/2004	125,000	-	-	(125,000)-	-	-	-
Issued 01/01/2005	86,660	-	-	(86,660)-	-	-	-
Issued 13/03/2003	500,000	-	(500,000)	-	-	-	-
Issued 25/07/2003	500,000	-	(500,000)	-	-	-	-
Issued 19/04/2004	300,000	-	-	-	300,000	300,000	-
Issued 23/02/2006	1,500,000	-	-	-	1,500,000	750,000	750,000
Issued 01/03/2005	500,000	-	-	-	500,000	330,000	170,000
Issued 31/10/2005	1,500,000	-	-	-	1,500,000	500,000	1,000,000
Issued 09/02/2007	19,210,000	-	-	(3,500,000)	15,660,000	8,446,458	7,213,542
Issued 03/08/2007	-	110,000	-	-	110,000	110,000	-

The weighted average fair value of the options granted during the financial year was \$0.35.

Options were priced using the Black Scholes Binominal option pricing model. The expected life used in the model is assumed to be between the vesting date and exercise date. Expected volatility of each share option is based on the historical share price for the same 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 options. The risk free rate used in the option pricing model is assumed to be the zero coupon interest rate on valuation date.

Black Scholes Binominal Model Inputs

**Options Issued
& granted 3
Aug 2007**

Grant Date Share Price	\$0.79
Exercise Price	\$0.86
Grant Date	3 August 2007
Expiry Date	3 August 2012
Historical Volatility (weighted average)	24.7%
Option Life (weighted average)	2.7 years
Risk Free Interest Rate	6.40%

	2008		2007	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of year	4,821,660	\$0.71	2,886,660	\$0.41
- granted	110,000	\$0.86	2,810,000	\$0.86
- forfeited	(661,660)	\$0.85	-	-
- exercised	(1,000,000)	\$0.23	(875,000)	\$0.18
Balance at end of year	<u>3,270,000</u>	<u>\$0.79</u>	<u>4,821,660</u>	<u>\$0.71</u>
Exercisable at end of year	<u>1,826,458</u>	<u>\$0.78</u>	<u>2,458,327</u>	<u>\$0.58</u>

The share options for executives outstanding at the end of the financial year had an exercise price of \$0.79 and an average remaining contractual life of 920 days.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (cont'd)

24. COMMITMENTS OF EXPENDITURE

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

	Consolidated 2008	Clinuvel Pharmaceuticals Ltd 2008	Consolidated 2007	Clinuvel Pharmaceuticals Ltd 2007
(b) Research commitments				
AU Dollars	76,921	76,921	-	-
US Dollars	363,599	363,599	385,590	385,590
Euro	1,230,315	1,230,315	1,188,401	1,188,401
British Pounds	24,535	24,535	77,904	77,904
Total	1,695,369	1,695,369	1,651,895	1,651,895
(c) Other expenditure commitments				
AU Dollars	30,000	30,000	49,500	49,500
US Dollars	-	-	-	-
Euro	-	-	-	-
British Pounds	-	-	-	-
Total	30,000	30,000	535,912	535,912
Total	1,725,369	1,725,369	1,701,395	1,701,395

25. SUBSEQUENT EVENTS

There have not been any matters financial in nature, 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.

28. ADDITIONAL COMPANY INFORMATION

Clinuvel Pharmaceuticals Ltd is a listed public company incorporated and operating in Australia.

The Registered office is:

Level 11,
330 Collins Street
Melbourne VIC 3000

Ph: (03) 9660 4900