

## Appendix 4D

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| <b>CathRx Limited</b><br><b>Half Year Ended 31 December 2009</b><br><b>ABN: 23 089 310 421</b> |
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| <b>Operating Results</b>  |      |     |    | \$        |
|---|------|-----|----|-----------|
| Revenue from operations   | Down | 23% | to | 451,668   |
| Loss after income tax   | Down | 19% | to | 5,785,122 |
| Net loss attributable to members of CathRX                                    | Down | 19% | to | 5,785,122 |
| <b>Dividends and Distributions</b>  |      |     |    |           |
| No dividends were paid or proposed during, or with respect to, the half year. |      |     |    |           |
| <b>Other Disclosures</b>  |      |     |    |           |
| Net tangible assets per share as at 31 December 2009                          | Down | 61% | to | 0.13      |
| Net tangible assets per share as at 31 December 2008                          |      |     |    | 0.34      |

For further information please refer to the attached Half Year Financial Report for the period ended 31 December 2009.



**CATHRX LTD**

**ACN 089 310 421**

**Half-Year Financial Report 31 December 2009**

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## Directors' Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

### Directors

The names of the CathRx's directors in office during the half-year ended 31 December 2009 and until the date of this report are as set out below. Directors were in office for this entire period unless otherwise stated.

Denis Hanley (Non Executive Chairman)  
Andrew Denver  
Jeffrey Goodman, (Chief Executive Officer), appointed 17 February 2010  
Carrie Hillyard  
Jane Wilson  
Neil Anderson (Chief Executive Officer), resigned 17 February 2010

### Review and Results of Operations

CathRx's loss for the half-year ended 31 December 2009 was \$5,785,122 compared to a loss of \$7,100,918 for the corresponding half-year period ended 31 December 2008.

#### *Key milestones during the half year*

- Sales growth in Europe continued with sales in 2H FY 2010 (\$294,408) greater than the whole of FY 2009 (\$124,254).
- CathRx strengthened and widened its distribution network, signing:
  - Pioneer Medical for Germany, Austria and Switzerland;
  - Setfarma for Portugal;
  - Merce V Electromedicina for Spain; and
  - Subito Cardiology for Scandinavia, Central Eastern Europe and Baltic States.
- Changes in key management include the appointment of Amanda Wong as Chief Financial Officer, Roman Greifeneder as Quality Assurance Manager, Lisa Emerson as Regulatory and Clinical Manager.
- Successfully completed a \$6.9 million entitlement offer and placement.
- Received CE Mark approval and first sales for the advanced diagnostic Loop catheter used to diagnose atrial fibrillation.

### Auditor Independence Declaration

The Company has received an independence declaration from our auditors Ernst & Young. A copy of this declaration can be found on page 4 of this financial report.

Signed in accordance with a resolution of the directors of CathRx Ltd.



Jeffrey Goodman  
Director

Sydney, 26 February 2010

## Auditor's Independence Declaration to the Directors of CathRx Ltd

In relation to our review of the financial report of CathRx Ltd for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Gamini Martinus  
Partner  
26 February 2010

## Statement of Comprehensive Profit or Loss

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

|   | <i>Half Year<br/>ended</i> | <i>Half Year<br/>ended</i> |
|---|----------------------------|----------------------------|
| <i>Notes</i>  | <i>31 Dec 2009</i>         | <i>31 Dec 2008</i>         |
|   | \$                         | \$                         |
| Sale of goods   | 294,408                    | 36,772                     |
| <b>Revenue</b>  | <b>294,408</b>             | <b>36,772</b>              |
| Cost of sales   | 262,792                    | 26,077                     |
| <b>Gross Profit</b>   | <b>31,616</b>              | <b>10,695</b>              |
| Other revenue   | 157,260                    | 463,779                    |
| Other income  | -                          | 89,672                     |
| <b>Expenses</b>   |                            |                            |
| Research and development  | (3,799,085)                | (5,181,789)                |
| Sales and marketing   | (789,434)                  | (675,161)                  |
| Administration costs  | (1,385,479)                | (1,808,114)                |
|   | (5,973,998)                | (7,665,064)                |
| <b>Loss before income tax expense</b>                               | <b>(5,785,122)</b>         | <b>(7,100,918)</b>         |
| Income tax expense  | -                          | -                          |
| <b>Net loss from continuing operations after income tax expense</b> | <b>(5,785,122)</b>         | <b>(7,100,918)</b>         |
| Other comprehensive income, net of tax                              | -                          | -                          |
| <b>Total comprehensive loss</b>                                     | <b>(5,785,122)</b>         | <b>(7,100,918)</b>         |
| <b>Loss per share (cents per share)</b>                             |                            |                            |
| -Basic  | (9.8) cents                | (16.7) cents               |
| -Diluted  | (9.8) cents                | (16.7) cents               |

The above statement of comprehensive profit or loss should be read in conjunction with the accompanying notes.

## Statement of Financial Position

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

|                                  | <i>Notes</i> | <i>As at</i><br>31 Dec 2009<br>\$ | <i>As at</i><br>30 Jun 2009<br>\$ |
|----------------------------------|--------------|-----------------------------------|-----------------------------------|
| <b>ASSETS</b>                    |              |                                   |                                   |
| <b>Current assets</b>            |              |                                   |                                   |
| Cash and cash equivalents        | 5            | 5,015,066                         | 6,929,520                         |
| Trade and other receivables      | 6            | 283,253                           | 145,452                           |
| Inventories                      |              | 973,453                           | 955,704                           |
| Other                            |              | 127,261                           | 682,674                           |
| <b>Total current assets</b>      |              | <b>6,399,033</b>                  | <b>8,713,350</b>                  |
| <b>Non-current assets</b>        |              |                                   |                                   |
| Property, plant and equipment    |              | 4,176,158                         | 4,098,221                         |
| Intangible assets                |              | 898,727                           | 994,003                           |
| Other assets                     |              | 412,077                           | 412,077                           |
| <b>Total non-current assets</b>  |              | <b>5,486,962</b>                  | <b>5,504,301</b>                  |
| <b>TOTAL ASSETS</b>              |              | <b>11,885,995</b>                 | <b>14,217,651</b>                 |
| <b>LIABILITIES</b>               |              |                                   |                                   |
| <b>Current liabilities</b>       |              |                                   |                                   |
| Trade and other payables         |              | 1,251,436                         | 1,686,969                         |
| Interest bearing liabilities     |              | 2,714                             | 3,886                             |
| <b>Total current liabilities</b> |              | <b>1,254,150</b>                  | <b>1,690,855</b>                  |
| <b>Non-current liabilities</b>   |              |                                   |                                   |
| Interest bearing liabilities     |              | 23,229                            | 15,183                            |
| Provision                        |              | 257,978                           | 259,066                           |
| <b>Total current liabilities</b> |              | <b>281,207</b>                    | <b>274,249</b>                    |
| <b>TOTAL LIABILITIES</b>         |              | <b>1,535,357</b>                  | <b>1,965,104</b>                  |
| <b>NET ASSETS</b>                |              | <b>10,350,638</b>                 | <b>12,252,547</b>                 |
| <b>EQUITY</b>                    |              |                                   |                                   |
| Contributed equity               | 9            | 48,181,306                        | 44,410,387                        |
| Other reserves                   | 9            | 2,046,441                         | 1,934,147                         |
| Accumulated losses               |              | (39,877,109)                      | (34,091,987)                      |
| <b>TOTAL EQUITY</b>              |              | <b>10,350,638</b>                 | <b>12,252,547</b>                 |

The above statement of financial position should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

|  | <i>Half Year<br/>ended</i> | <i>Half Year<br/>ended</i> |
|--|----------------------------|----------------------------|
| <i>Notes</i>                                       | <i>31 Dec 2009</i>         | <i>31 Dec 2008</i>         |
|  | \$                         | \$                         |
| <b>Cash flows from operating activities</b>        |                            |                            |
| Receipts from customers                            | 196,628                    | -                          |
| Payments to suppliers and employees                | (5,833,332)                | (6,109,936)                |
| Receipt of government grants                       | -                          | 40,000                     |
| Interest received                                  | 116,773                    | 504,617                    |
| <b>Net cash flows used in operating activities</b> | <b>(5,519,931)</b>         | <b>(5,565,319)</b>         |
| <b>Cash flows from investing activities</b>        |                            |                            |
| Purchase of property, plant and equipment          | (118,719)                  | (1,610,086)                |
| Purchase of intangibles                            | (6,304)                    | (100,703)                  |
| <b>Net cash flows used in investing activities</b> | <b>(125,023)</b>           | <b>(1,710,789)</b>         |
| <b>Cash flows from financing activities</b>        |                            |                            |
| Payment of finance lease liabilities               | (2,426)                    | -                          |
| Proceeds from entitlement offer                    | 4,025,824                  | -                          |
| Cost of offer                                      | (292,898)                  | -                          |
| <b>Net cash flows from financing activities</b>    | <b>3,730,500</b>           | <b>-</b>                   |
| Net (decrease) in cash and cash equivalents        | (1,914,454)                | (7,276,108)                |
| Cash and cash equivalents at beginning of period   | 6,929,520                  | 17,580,594                 |
| <b>Cash and cash equivalents at end of period</b>  | <b>5,015,066</b>           | <b>10,304,486</b>          |

The above cash flow statement should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

|  | <i>Contributed<br/>Equity</i> | <i>Accumulated<br/>Losses</i> | <i>Other<br/>Reserves</i> | <i>Total</i> |
|--|-------------------------------|-------------------------------|---------------------------|--------------|
|  | \$                            | \$                            | \$                        | \$           |
| <b>At 1 July 2009</b>                        | 44,410,387                    | (34,091,987)                  | 1,934,147                 | 12,252,547   |
| Loss for the period                          | -                             | (5,785,122)                   | -                         | (5,785,122)  |
| Other Comprehensive income                   |                               | -                             |                           | -            |
| Total comprehensive income<br>for the period | -                             | (5,785,122)                   | -                         | (5,785,122)  |
| Equity Transactions:                         |                               |                               |                           |              |
| Cost of share-based<br>payment               | -                             | -                             | 112,294                   | 112,294      |
| Proceeds from issue of<br>shares             | 37,993                        | -                             | -                         | 37,993       |
| Proceeds from entitlement<br>offer           | 4,025,823                     | -                             | -                         | 4,025,823    |
| Cost of offer                                | (292,898)                     | -                             | -                         | (292,898)    |
| Exercise of options                          | -                             | -                             | -                         | -            |
| <b>At 31 December 2009</b>                   | 48,181,305                    | (39,877,109)                  | 2,046,441                 | 10,350,637   |
| <b>At 1 July 2008</b>                        | 41,694,551                    | (20,693,702)                  | 1,382,569                 | 22,383,418   |
| Loss for the period                          | -                             | (7,100,918)                   | -                         | (7,100,918)  |
| Other Comprehensive income                   | -                             | -                             | -                         | -            |
| Total comprehensive income<br>for the period | -                             | (7,100,918)                   | -                         | (7,100,918)  |
| Equity Transactions:                         |                               |                               |                           |              |
| Cost of share-based<br>payment               | -                             | -                             | 406,945                   | 406,945      |
| Cost of issue of shares                      | -                             | -                             | -                         | -            |
| Issue of shares                              | -                             | -                             | -                         | -            |
| Exercise of options                          | -                             | -                             | -                         | -            |
| <b>At 31 December 2008</b>                   | 41,694,551                    | (27,794,620)                  | 1,789,514                 | 15,689,445   |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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### 1 CORPORATE INFORMATION

The financial report of CathRx Ltd (the Company) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on. CathRx Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are described in note 3.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of CathRx Ltd as at 30 June 2009.

Except as set out in note 2(b) below, the accounting policies and methods of computation are the same as those adopted in the most recent financial report.

It is also recommended that the half-year financial report be considered together with any public announcements made by CathRx Ltd during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

#### (a) Basis of preparation

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The half-year financial report is presented in Australian dollars and has been prepared on a historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

## Notes to the Financial Statements

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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#### (b) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial years except as follows:

The Company has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2009.

- AASB 2 *Share-based Payment* effective 1 July 2009
- AASB 8 *Operating Segments* effective 1 July 2009
- AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 July 2009

#### **AASB 2 Share-based Payment**

AASB 2 clarifies the definition of 'vesting conditions' and introduces the term 'non-vesting conditions'. The amended standard also clarifies the accounting for forfeitures and cancellations.

#### **AASB 8 Operating Segments**

AASB 8 replaced AASB 114 *Segment Reporting* upon its effective date. The company concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114.

#### **AASB 101 Presentation of Financial Statements**

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The company has elected to present comprehensive income in one statement.

The following amending standards have also been adopted from 1 July 2009:

AASB 2009-7 and AASB 2008-1 Amendments to Australian Accounting Standards – The amendments are editorial amendments to AASB 7, AASB 107, AASB 112, AASB 136, AASB 139 and AASB Interpretation 17 that have no major impact on the requirements of the amended pronouncements.

Certain Australian Accounting Standards and interpretations have recently been issued or amended but not yet effective and have not been adopted by the Company for the reporting period. The directors have not yet assessed the impact of these new or amended standards (to the extent relevant to the Company) and interpretations.

#### (c) Going concern

The Company's financial statements have been prepared and presented on a basis assuming it continues as a going concern. The Company has continued to incur losses and net cash outflows from operating activities as disclosed in the income statement and cash flow statement respectively. The ability of the Company to continue as a going concern is contingent upon the Company generating sufficient funds to cover costs by securing additional capital within the next few months. The directors believe there is no reason to doubt that these funds will become available in order to fund the Company's business plan.

The Company will continue to develop and commercialise its products for the established cardiac catheter market, and will actively manage its cash flows and revise its development strategy in order to continue as a going concern.

## **Notes to the Financial Statements**

### **FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

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If the Company is unable to obtain such funding of an amount and timing necessary to meet its future operational plans the Company may be unable to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company cease as a going concern.

#### **(d) Revenue recognition**

Revenue from the sale of goods is recognised when there is persuasive evidence, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed which is usually at time of dispatch from the Company (for shipped goods this is the bill of lading date).

### **3 SEGMENT INFORMATION**

#### **Business segments**

CathRx Ltd has identified its operating segment based on the internal reports that are reviewed and used by the executive management team in assessing performance.

CathRx Ltd operates predominately in one segment being the medical device industry and it manufactures in Australia and sells to its distributors.

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

|   | <i>Half year ended</i><br>31 Dec 2009 | <i>Half year ended</i><br>31 Dec 2008 |
|---|---------------------------------------|---------------------------------------|
|   | \$                                    | \$                                    |
| <b>4 REVENUE, INCOME AND EXPENSES</b>     |                                       |                                       |
| <b>Revenue, Income and Expenses</b>       |                                       |                                       |
| <b>(i) Other revenue and other income</b> |                                       |                                       |
| Finance revenue (interest income)         | 121,896                               | 463,779                               |
| Government grants income                  | -                                     | 89,672                                |
| Rental income                             | 35,364                                | -                                     |
|   | <u>157,260</u>                        | <u>553,451</u>                        |
| <b>(ii) Expenses</b>                      |                                       |                                       |
| Amortisation                              | 101,580                               | 68,498                                |
| Depreciation                              | 509,747                               | 615,900                               |
| Employee benefits                         | 2,870,536                             | 3,776,279                             |
| Expense of share-based payments           | 112,294                               | 406,945                               |
| Write-down of inventory                   | (65,566)                              | 162,841                               |

## 5 CASH AND CASH EQUIVALENTS

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

|                          | <i>As at</i><br>31 Dec 2009 | <i>As at</i><br>30 Jun 2009 |
|--------------------------|-----------------------------|-----------------------------|
|                          | \$                          | \$                          |
| Cash at bank and in hand | 160,073                     | 3,247,676                   |
| Short-term deposits      | 4,854,993                   | 3,681,844                   |
|                          | <u>5,015,066</u>            | <u>6,929,520</u>            |

## 6 TRADE AND OTHER RECEIVABLES

|                                   | <i>As at</i><br>31 Dec 2009 | <i>As at</i><br>30 Jun 2009 |
|-----------------------------------|-----------------------------|-----------------------------|
|                                   | \$                          | \$                          |
| Trade receivables                 | 188,736                     | 45,870                      |
| Goods and services tax            | 94,333                      | 89,676                      |
| Other                             | 9,906                       | 9,906                       |
| Allowance for impairment loss (a) | (9,722)                     | -                           |
|                                   | <u>283,253</u>              | <u>145,452</u>              |

## Notes to the Financial Statements

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

#### 6 TRADE AND OTHER RECEIVABLES CONTINUED

##### (a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss has been recognised after a trade receivable exceeding 180 days was identified as being impaired. The following table illustrates the movements in the provision for impairment loss.

|                              | <i>As at</i><br>31 Dec 2009<br>\$ | <i>As at</i><br>30 Jun 2009<br>\$ |
|------------------------------|-----------------------------------|-----------------------------------|
| Balance as at 1 July         | -                                 | -                                 |
| Impairment loss charged      | 19,123                            | -                                 |
| Foreign exchange translation | (458)                             | -                                 |
| Amount written off           | (8,943)                           | -                                 |
|                              | 9,722                             | -                                 |

#### 7 DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during the half year.

#### 8 SHARE BASED PAYMENT PLANS / TRANSACTIONS

The following table illustrates the number and weighted average exercise prices (WAEP) and movements in share options issued during the half-year:

|  | Half-year to<br>Dec-09<br>No. | Half-year to<br>Dec-09<br>WAEP (\$) | Year to<br>Jun-09<br>No. | Year to<br>Jun-09<br>WAEP (\$) |
|--|-------------------------------|-------------------------------------|--------------------------|--------------------------------|
| Outstanding at the beginning of the period | 3,827,394                     | 0.93                                | 4,007,287                | 1.01                           |
| Options granted during the period          | 215,000                       | 0.69                                | 209,500                  | 0.83                           |
| Options exercised during the period        | -                             | -                                   | -                        | -                              |
| Options forfeited during the period        | (156,252)                     | (1.66)                              | (389,393)                | (1.76)                         |
| Outstanding at the end of the period       | 3,886,142                     | 0.89                                | 3,827,394                | 0.93                           |

The following table lists the inputs to the model used for the half year ended 31 December.

|                                 | 2009  | 2008  |
|---------------------------------|-------|-------|
| Dividend yield (%)              | 0.00  | 0.00  |
| Expected volatility (%)         | 57.00 | 50.89 |
| Risk-free interest rate (%)     | 5.47  | 5.45  |
| Expected life of option (years) | 6.00  | 6.00  |
| Option exercise price (\$)      | 0.69  | 0.91  |

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

### 9 CONTRIBUTED EQUITY

|                                       | <i>As at</i><br><i>31 Dec 2009</i> | <i>As at</i><br><i>30 Jun 2009</i> |
|---------------------------------------|------------------------------------|------------------------------------|
|                                       | \$                                 | \$                                 |
| Ordinary shares issued and fully paid | 48,181,306                         | 44,410,387                         |
| Other reserves                        | 2,046,441                          | 1,934,147                          |
|                                       | <u>50,227,747</u>                  | <u>46,344,534</u>                  |

#### *Movement in ordinary shares on issue*

|                                 | \$                |
|---------------------------------|-------------------|
| At 1 July 2009                  | <u>44,410,387</u> |
| Proceeds from issue of shares   | 37,993            |
| Proceeds from entitlement offer | 4,025,824         |
| Cost of entitlement             | (292,898)         |
| At 31 December 2009             | <u>48,181,306</u> |

#### *Movement in other reserves*

|                             | \$               |
|-----------------------------|------------------|
| At 1 July 2009              | <u>1,934,147</u> |
| Cost of share based payment | 112,294          |
| At 31 December 2009         | <u>2,046,441</u> |

#### *Movement in ordinary shares on issue*

|                          | #                 |
|--------------------------|-------------------|
| At 1 July 2009           | <u>48,867,486</u> |
| Issue of ordinary shares | 21,301,734        |
| Issue of employee share  | 60,306            |
| At 31 December 2009      | <u>70,229,526</u> |

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

### 10 COMMITMENTS AND CONTINGENCIES

The company has entered into a lease agreement for the lease of its premises. The lease agreement has a remaining term of up to eight years (from the end of the half year ended 31 December 2009) and requires the Company to pay license fees of \$580,000 in total on an annual basis. In addition, outgoings may also be payable.

The future minimum commitments payable under the non-cancellable lease agreement as at 31 December are as follows:

|   | 2009      | 2008      |
|---|-----------|-----------|
|   | \$        | \$        |
| Within one year                             | 640,926   | 646,811   |
| After one year but not more than five years | 2,543,453 | 2,526,289 |
| More than five years                        | 1,887,203 | 2,517,714 |
|   | 5,071,582 | 5,690,814 |

Additionally, the Company has entered into contracts for the purchase of capital equipment which are paid in instalments.

The future minimum commitments payable under the purchase of capital equipment as at 31 December are as follows:

|                 | 2009 | 2008    |
|-----------------|------|---------|
|                 | \$   | \$      |
| Within one year | -    | 470,900 |

### 11 EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events since the balance sheet date.

## Directors' Declaration

In accordance with a resolution of the directors of CathRx Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the entity are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date.
  - (ii) Complying with Accounting Standards AASB134 Interim Financial Reporting.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Jeffrey Goodman  
Director

Sydney, 26 February 2010

To the members of CathRx Ltd

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CathRx Ltd, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

### Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CathRx Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CathRx Ltd is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Significant Uncertainty Regarding Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter:

As described in note 2(c) to the financial report, there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due, and realise its assets and extinguish its liabilities in the course of normal business and at amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that might be necessary should the company not be able to continue as a going concern.



Ernst & Young



Gamini Martinus  
Partner  
Sydney  
26 February 2010