Stirling Products Limited

ABN 32 077 105 429

Appendix 4E - Preliminary Final Report

1. The current reporting period is the year ended 30 June 2010 and the previous corresponding period is for the year ended 30 June 2009.

2. Results for announcement to the market:

	30 June 2010	30 June 2009	% Change
2.1 Revenue from continuing operations	451,063	678,004	(33)
2.2 Loss from continuing operations after income tax expense.	(5,322,624)	(5,084,168)	(5)
2.3 Total loss attributable to members of Stirling Products Limited.	(5,322,624)	(5,084,168)	(5)
2.4 Amount per security and franked amount per security of interim dividend.	No interim dividends have been paid or provided for during the period		
2.5 Record date for determining entitlements to the dividends and payment date.	Not applicable		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	See Operating and Financial Review Report attached.		

3. Income Statement

See 2010 Condensed Consolidated Report attached.

4. Balance Sheet

See 2010 Condensed Consolidated Report attached.

5. Cash Flow Statement

See 2010 Condensed Consolidated Report attached.

6. Dividend Payments

There are no dividend or distribution reinvestment plans in operation.

7. Dividend Reinvestment Plans

There are no dividend or distribution reinvestment plans in operation.

8. Accumulated Losses

See 2010 Condensed Consolidated Statement of Changes in Equity attached.

9. Net Tangible Assets per Security

	30 June 2010	30 June 2009
	Cents	Cents
Net tangible assets per security	0.05	-0.2

10. Gain or Loss of Control Over Entities

There was no loss or gain of control over entities during the year.

On 11 August 2010, the company acquired control of TeleMedCare Holdings Pty Limited.

11. Joint Ventures

The company entered into no Joint Ventures during the year.

12. Other Significant Information

See the Directors' Comments on Results attached.

13. Foreign Entities

Not applicable (all Foreign Entities are consolidated).

14. Commentary on Results for the Year

See the Operating and Financial Review attached.

15. Progress of Audit / Review

The Financial Statements are in the process of being audited.

This Appendix 4E is based on a Financial Report that has not been audited - See the 2010 Annual Financial Report attached.

16. Likely Audit Dispute or Qualification – Accounts Not Audited

The Directors expect the Financial Report to be qualified by the Company's auditors in similar terms to the Qualifications set out in the Independent Review Report on 31 December Half Year Accounts.

17. Audit Dispute or Qualification – Accounts Audited

Not applicable.

CONDENSED CONSOLIDATED REPORT

BALANCE SHEET

AS AT 30 JUNE 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Current Assets			
Cash and cash equivalents		240,736	936,641
Trade and other receivables		221,108	105,349
Inventories		303,276	19,744
Assets held for resale		1,815,769	-
Other		735,652	320,641
Total Current Assets		**3,316,541**	**1,382,375**
Non-Current Assets			
Land and Buildings		1,962,599	-
Other Assets		45,060	-
Plant and equipment		1,997,594	70,582
Intangibles		2,518,361	2,785,026
Total Non-Current Assets		**6,523,614**	**2,855,608**
TOTAL ASSETS		**9,840,155**	**4,237,983**
Current Liabilities			
Trade and other payables		1,146,077	746,127
Borrowings		974,925	504,081
Provisions		44,996	43,056
Total Current Liabilities		**2,165,998**	**1,293,264**
Non-Current Liabilities			
Borrowings		4,040,420	925,040
Provisions		496,105	498,185
Total Non-Current Liabilities		**4,536,525**	**1,423,225**
TOTAL LIABILITIES		**6,702,523**	**2,716,489**
NET ASSETS		**3,137,632**	**1,521,494**
Equity			
Issued capital	1	36,368,241	29,429,479
Reserves		1,625,028	1,625,028
Accumulated losses		(34,855,637)	(29,533,013)
TOTAL EQUITY		**3,137,632**	**1,521,494**

CONDENSED CONSOLIDATED REPORT

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the Year Ended 30 June 2010

	Consolidated	
	2010	2009
	$	$
Net income recognised directly in equity		
Loss for the period	(5,322,624)	(5,084,168)
Total recognised income and expense for the period	(5,322,624)	(5,084,168)
Attributable to:		
Equity holders of the parent	(5,322,624)	(5,084,168)

CONDENSED CONSOLIDATED REPORT

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	**2009**
	$	**$**
Continuing operations		
Revenue	220,544	190,845
Cost of goods sold	(42,306)	(124,797)
Gross profit	178,238	66,048
Other income	230,519	487,159
Research and development expenses	(821,205)	(185,694)
Commercialisation expenses	(343,995)	(854,851)
Business development expenses	(1,514,330)	(493,150)
Corporate and administrative expenses	(2,518,516)	(2,015,206)
Finance costs	(17,305)	(159,659)
Impairment of Intangible Assets	(262,500)	(1,654,908)
Impairment of receivables from associates	(253,530)	(273,907)
Loss before income tax expense	**(5,322,624)**	**(5,084,168)**
Income tax expense	-	-
Loss from continuing operations	**(5,322,624)**	**(5,084,168)**

CONDENSED CONSOLIDATED REPORT

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Cash flows from operating activities			
Receipts from customers		250,881	237,381
Payments to suppliers and employees		(4,347,950)	(2,742,039)
Interest received		17,253	17,869
Proceeds from R&D rebate received		-	247,952
Proceeds from grant received		-	162,831
Net cash used in operating activities	2(b)	**(4,079,816)**	**(2,076,006)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		267	-
Purchase of plant and equipment		(2,019,860)	(11,568)
Purchase of Listed Shares		(219,923)	-
Payment of Deposits		(11,699)	-
Receipt of Deposits		-	40,000
Purchase of Property		(3,688,248)	-
Advances to associated entity		(333,530)	(60,207)
Net cash used in investing activities		**(6,272,993)**	**(31,775)**
Cash flows from financing activities			
Proceeds from issue of shares		5,061,551	520,000
Proceeds from issue of options		235,334	1
Proceeds from issue of convertible notes		654,000	1,512,000
Capital raising expenses		(139,965)	(82,352)
Proceeds from borrowings		3,903,570	19,417
Repayment of borrowings		(57,586)	(50,406)
Net cash provided by financing activities		**9,656,904**	**1,918,660**
Net increase/(decrease) in cash and cash equivalents held		(695,905)	(189,121)
Cash and cash equivalents at the beginning of the financial year		936,641	1,125,762
Cash and cash equivalents at the end of the financial year	2(a)	**240,736**	**936,641**

1. ISSUED CAPITAL

(a) Ordinary shares

1,226,683,064 fully paid ordinary shares (2009: 538,340,800)

	2010		2009	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	538,340,800	29,429,479	168,240,798	27,615,330
Issue of shares to Directors (1)	6,000,000	60,000	66,875,000	267,500
Issue of shares for services (1)	57,353,846	858,000	-	-
Issue of shares for assets	17,500,000	262,500	-	-
Issue of shares to placement and Note conversions	578,071,749	5,804,551	303,225,000	1,664,000
Exercise of options	29,416,669	235,334	2	1
Issue costs	-	(281,623)	-	(117,352)
Balance at end of financial year	1,226,683,064	36,368,241	538,340,800	29,429,479

(1) The fair value was determined by reference to the market rate for similar services.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the Company does not have a limited amount of share capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern, as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Group is not subject to any externally imposed capital requirements.

Share options

During the year 146,666,708 unlisted options were issued as free attaching options to the subscribers to the Company's share placements during the year. All of these options are exercisable at $0.008 each on or before 30 June 2015.

As at 30 June 2010, the following options were outstanding:
- 182,250,042 unlisted options exercisable at $0.008 each exercisable by 31 December 2015
- 35,000,000 unlisted options exercisable at $0.008 each exercisable by 31 December 2012

During the year 34,434,994 listed options exercisable at $0.20 each lapsed on 30 June 2015.
During the year options were exercised to acquire 29,416,666 fully paid ordinary shares.

	Consolidated 2010 $	Consolidated 2009 $
2. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	229,508	936,641
Short term deposits	11,228	-
	240,736	936,641
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	240,736	936,641
Bank overdraft	-	-
	240,736	936,641
(b) Reconciliation of loss for the period to net cash flows from operating activities		
Loss for the period	(5,322,624)	(5,084,167)
Depreciation	124,756	174,271
Amortisation	283,969	462,597
Equity settled share-based payments	617,581	7,500
Impairment of Intangible assets	262,500	1,654,908
Impairment gain on receivables	-	(2,577)
Impairment of receivables from associated entity	253,530	273,907
Unwinding of discount on borrowings	-	340,494
Net unrealised foreign exchange gains	(41,693)	(37,957)
Unrealised fair value loss	95,743	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses		
Decrease / (increase) in receivables	(245,510)	(58,267)
(Increase) / decrease in other current assets	(24,693)	-
(Increase) / decrease in inventories	(274,181)	24,841
Increase / (decrease) in payables	196,127	179,215
Increase / (decrease) in provisions	(5,321)	(10,771)
Net cash used in operating activities	(4,079,816)	(2,076,006)

COMMENTS ON RESULTS

Directors

The names of the directors in office during the financial year and until the 30th August 2010 are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Peter Boonen
Mr Gulshan Jugroo
Mr George Karantzias – resigned 11 September 2009
Mr Neil Covey – appointed 11 September 2009
Mr Glyn Tonge – appointed 3 March 2010

Principal Activities

The principal activity of the Group as at the balance date has not changed from the previous financial year.

The Group remains focused on and during the course of the year has expanded its interests in the pharmaceutical, animal health and healthcare industries. The Group's activities are positioned for production and sales of OTC products and contract manufacture of pharmaceuticals. The Company continues its initiatives with regard to the development and commercialisation of a range of metabolic modifiers that redirect energy from fat production to protein (meat), while improving the feed efficiency of animal production. Stirling also has a potential obesity drug candidate for humans that the Company is positioning for development over the course of the next 8 months. Post balance date and following the acquisition of a controlling interest in a remote e-health monitoring business, the Company is also progessing this business interest.

Significant Changes in the State of Affairs

The significant changes in the state of affairs of the Group during the year were:

- On 30 August 2009, Units 16 and 17 at 16 O'Connell Street, Sydney were acquired for the amount of $1,600,000.
- On 22 October 2009, the joint venture with Zodiac Capital Limited finalised an agreement with Sheiman Ultrasonic Research Foundation Pty Limited to commercialise a patented high-density aerosol drug delivery platform.
- On 27 October 2009, a share purchase plan was completed raising working capital in the amount of $1,621,550 through the issue of 162,155,000 ordinary fully paid shares at $0.01 each.
- On 18 November 2009, an agreement was entered into with Biotech Ltd of Nigeria to trial ImmunoXel in patients with TB and TB/HIV infections.
- On 23 December 2009, an agreement was entered into with Cipla Limited of India to manufacture the company's products.
- On 22 January 2010, a share placement was completed raising $2,000,001 in working capital through the issue of 166,666,750 ordinary fully paid shares at $0.012 each together with 83,333,375 options to acquire ordinary fully paid shares at $0.008 each on or before 31 December 2015.
- On 24 February 2010, received ethics approval for a multicentre clinical study of ImmunoXel in Ukraine.
- On 26 February 2010, a share placement was completed raising $1,400,000 in working capital through the issue of 116,666,666 ordinary fully paid shares at $0.012 each together with 58,333,333 options to acquire ordinary fully paid shares at $0.008 each on or before 31 December 2015.
- On 3 March 2010, settled the acquisition of a pharmaceutical manufacturing facility in Cape Breton, Canada.
- On 15 March 2010, launch of Stirling Health at the Australian Pharmacy Professional Conference and Trade Exhibition.
- On 11 May 2010, an agreement was entered into with Island Abbey Foods Limited of Prince Edward Island, Canada to further develop the company's botanical products.
- On 25 May 2010, entered into partnership with Kidney Health Australia to develop new products for kidney patients to be marketed through pharmacies.

Financial Review

The total loss of the Group attributable to members for the year ended 30 June 2010 was $5,322,624 (2009: $5,084,168).

The Company undertook to raise additional funds to allow it to continue with its objectives of developing and commercialising its products. During the year the Company issued 688,342,264 shares and 878,000 convertible notes to raise $7,220,385 in working capital. .

Overall, there was a net decrease in cash held by the Group during the year of $695,905 (2009: net decrease $189,121). At 30 June 2010, the Group had cash assets of $240,736 (2009: $936,641).

Post balance date, to supplement working capital, the Company has advised of funding commitments totalling $3.9 million and the intented sale of freehold properties that the Company owns at 16 O'Connell Street, Sydney.

Review of Operations

During the year, the Company has progressed substantially to emerge as a growing and integrated, global healthcare group.

The Company's Board and key management now comprises of industry proven senior executives and consultants who have collective and successful track records with companies including Pfizer, Bayer, Innovex, Cochlear, ResiMed and AstraZeneca and IMS Health.

The Group has acquired a high-tech pharmaceutical plant in Canada. The replacement value of this recently completed and fully fitted and functional facility is estimated at over $25 million on which there is liability of C$3.35 million which is being paid off at C$25,000 per month with the balance outstanding due for repayment by 2013. No interest is payable.

Following the appointment of an already established and proven national pharmacy sales team last March, the Company has established the 'Stirling Health' brand as a pharmacy only brand. A number of unique product lines will be progressively added to the range and introduced to pharmacy shelves during the course of the coming year.

PHARMACEUTICAL

Overview

After the recent settlement and acquisition of the Company's flagship pharmaceutical manufacturing facility in Cape Breton, Canada, the Division's focus, following relicensing expected in September/October 2010, is on the establishment of profitable operations and the continued build-up of capabilities and sales.

Manufacturing

CANADA - Cape Breton, Nova Scotia: The Company's freehold facility of over 4,300 square metres on 20,000 square metres of land is a near new state-of the art pharmaceutical plant. Having formally taken possession of the plant in May this year, a Plant Manager, QA/QC, CFO, Sales Director and a number of support staff who are now working at completion of all re-licensing requirements have been engaged. As at balance date, 18 people are employed at the plant with a further approximate 20 people to be employed and trained in manufacturing operations commencing in early September 2010. Over time, employee number will scale up to an approximate 120 people.

The Company is required by Canada Health to re-test and re-validate each piece of plant, equipment and process as well as to document the same together with the Standard Operating Procedures for each single function of operations and maintenance. This mandatory regulatory compliance requirement comprises extensive and complex processes that apply to all cGMP pharmaceutical manufacturers and over 175 SOP have been fully re-documented and implemented. The Company, as at balance date, is awaiting inspection (and licensing) by Canada Health, which is expected no later than October 2010. Final licensing is subject to Canada Health's approval of the Plant and Operations

The plant will commence operations pending Canda Health's approval in late September 2010 and commercial production will immediately follow. Initially production will be limited, as all new employees will need to be trained in all facets of compliance and work as applicable to a highly regulated work environment.

The annual cost base of running the plant on an annualised basis with full employment (120+ employees) is circa $8.3 million. This excludes cost of materials, which is dependent upon products being manufactured. Through the scale up period, costs with 30 employees will be circa $3.75 million and with 60 employees $4.53 million.

Gross margins on manufacturing will range between 37% and 55% and at full capacity on an annualised basis; we will be seeking to achieve an average of over 40%. On a fully deployed basis this is projected to be within the $13-16.5 million range. With a 60 employees base we expect margins to be between $5.5-11 million and with a 30 employees base, to be between $2-3 million. The Plant is expected to be fully deployed, under current configuration and capacity by June 2012.

As plant energy costs are high, we are also actively investigating the funding for the purchase and installation of a 1 MW wind turbine for our power generation. Legislation has recently been passed in Nova Scotia that would allow us to sell all generated power to the grid and then use power from the grid on a credit/debit basis. Capital costs of approx $2.75 million would see us having free energy ongoing and this would add an approx $1,000,000 directly to annual net profits which would more than justify the Capital expenditure as well as address our environmental commitment.

Sales

Sales management and oversight globally has been centralised under the guidance of our Sales & Marketing Director, Neil Covey (ex Bayer).

The Company's national Australian pharmacy marketing team is headed by ex Pfizer and Innovex National Manager, Michael Elliott. Our North American Sales initiatives are headed by multi-awarded Wayne Miller, who in the USA has previously negotiated national product distribution deals with corporations including, CVS, Rite Aid, Walgreens and WalMart as well as through 26,000 stores in North America.

AUSTRALIA: The overall positioning of the Company's pharmacy only brand, 'Stirling Health', is progressing well with sales since our first month of operations in April 2010 steadily increasing as the Company's product lines are expanded with our own products that are currently in production under the 'Stirling Health' brand. These products are further complemented by third party sales and/or marketing arrangements that the Company has in place with partners including Aden+Anais, RoseHip Vital, AstraZeneca, Kidney Health and others that are in process of appointment.

The Company is aiming to achieve gross sales of around $1 million monthly by the end of December 2010 and will be aiming to double this during the course of the following calendar year. Expected gross profit margin on sales is expected to exceed the 40% level, especially as we start to factor in our own 'Stirling Health' brand products.

NORTH AMERICA: Although North American sales of our supplement range were expected to commence by end of June 2010, these have been delayed to March 2011 due to very recent changes in both the US and Canadian regulatory regimes governing the manufacture and marketing of dietary supplements. Overall product composition is currently being addressed in order to ensure compliance and sales of these products are expected to commence in the coming quarter.

Aside from the supplements range, the coming year will also see the establishment of the 'Stirling Health' branded products through North American outlets and the sale of our supplements into other geographic regions

Products

AIDS, TB and Influenza Trials

Clinical trials of the Company's joint ventured botanical, ImmunoXel, are underway in Nigeria and the Ukraine and have already promising signs of expected positive results, as has been the case in similar earlier trials. Formal results are expected to be available during the course of the coming year and will be submitted for peer review and publication.

ImmunoXel formulation is currently under review and over the next six months potential manufacture at our Canadian production facility is being explored in order that product manufacture can be cGMP assured together with product consistency, compliance and security of supply.

In order for ImmunoXel ultimately to be readily accepted as an immunomodulator being used in conjunction with particularly TB and AIDS drug treatments, then production at a recognized cGMP facility would be paramount.

Obesity Drug Candidate

With regard to the use of R-Salbutamol as an obesity drug candidate, early trials in beagle dogs have demonstrated that weight loss of 2-3% of body weight per week is achievable without side effect. The Company has recently been approached with regard to the establishment of a small proof of concept clinical trial in humans, which is currently being assessed. Ultimately it is expected that a major pharmaceutical partner will be sought to progress the drug's potential in partnership with Stirling. If successful, this potential drug would represent a major blockbuster drug development.

Inhalation Drug Delivery Platform

Most of the world's major pharmaceutical companies are all facing dramatic loss of revenues as their respective blockbuster products come off patent after an extraordinary eight-year end of product patent cycle period. Many of these companies

have been actively exploring pulmonary delivery of drugs as one of the options to patent extension and despite the hundreds of millions spent, they have not been regarded as successful.

The Company's joint venture device, in its desktop configuration, has been fully proven and currently we have the major design works providing for the device miniaturization to portable handheld devices, are well underway. The first pre-production portable devices are scheduled for completion by end 2010 and for demonstration in Q1 2011.

Pulmonary delivery of drugs has long been acknowledged as a more efficient way of drug and vaccine delivery, however development of an optimal pulmonary delivery device has to date eluded the industry despite the many hundreds of millions having been spent on delivery device development.

The Joint Venture device and patents demonstrably address the shortcomings that industry has encountered. This places the Company's device is a very unique position that is unprecedented within the industry, as it has already demonstrated that it can provide for improved delivery of existing blockbusters – thereby enhancing the respective products and potentially retaining their premium blockbuster value.

Animal Health

Prior to the change of management of the Company last year, the Company was engaged in a number of trials to establish R-Salbutamol as an animal growth promoter. R-Salbutamol is the world's only patented single enantiomer beta-agonist and the Company owns the patented rights to the product for animal growth promotion.

In May 2009, we negotiated a joint venture of the animal growth promotion product for Africa was entered into with Johannesburg based Animate Animal Health. This joint venture is headed up by Dr Hinner Koster, multi-awarded for his works within the animal feed and science industry in South Africa and an adjunct extraordinary Professor at Kansas State University and by Dr Hugo Hattingh a 30 year veteran of the intensive animal feed industry.

The terms of the joint venture provide for Animate to fund the ongoing trial requirements through to regulatory product approval. Following extensive investigative and preparatory works, a major regulatory trial in 800 head of cattle is currently underway. Subject to trial success and to subsequent regulatory approval in South Africa, commercially available product in South Africa and other parts of Africa, may be possible during the course of coming year 2012.

R-Salbutamol works purely as a metabolic (switch) modifier and has a very short half-life with no, or negligible, residue when fed to animals in feedlots or poultry in the weeks before slaughter, and further, as it has been used in humans for treatment of respiratory disease for over 30 years. As a growth promoter, R-Salbutamol in trials has been shown to be more effective than the human antibiotics and steroid products that are predominantly used within the meat production industry. These products are believed to leave residuals in the meats that may place consumers at risk through the build up resistance to these antibiotics.

Post Balance Date Events

- On 15 July 2010 received patent for R-Salbutamol as a method of decreasing fat deposits in animals.
- On 10 August 2010 received 18-month private funding facility of $2,100,000.
- On 11 August 2010 acquired 65% of TeleMedCare Holdings Pty Limited.
- On 17 August 2010 received the UK Government approval to join its centralised procurement agency to supply products to UK government departments.

Contingent liabilities

The company is defending a claim for CAN$248,000 for consulting fees and royalties made during the course of the 2009 financial year in regard to Stirling Animal Health Inc. This claim is contested as it relates to a contract entered into by previous management that was not completed, as the conditions precedent in the contract were not met by the other parties. Although there has been no progress with regards to any litigation by the claimants, it is not possible to express a view about the probability of any requirement for settlement or any quantification for a likely amount should settlement be made.

The company has finalised a negotiated settlement of a $38,000 prior year contingent liability arising through the termination of the Company's Perth Office lease in 2009.

Future Developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.