2011 ANNUAL REPORT

Transforming Catheters

2011 ANNUAL REPORT

www.cathrx.com

CathRx Ltd

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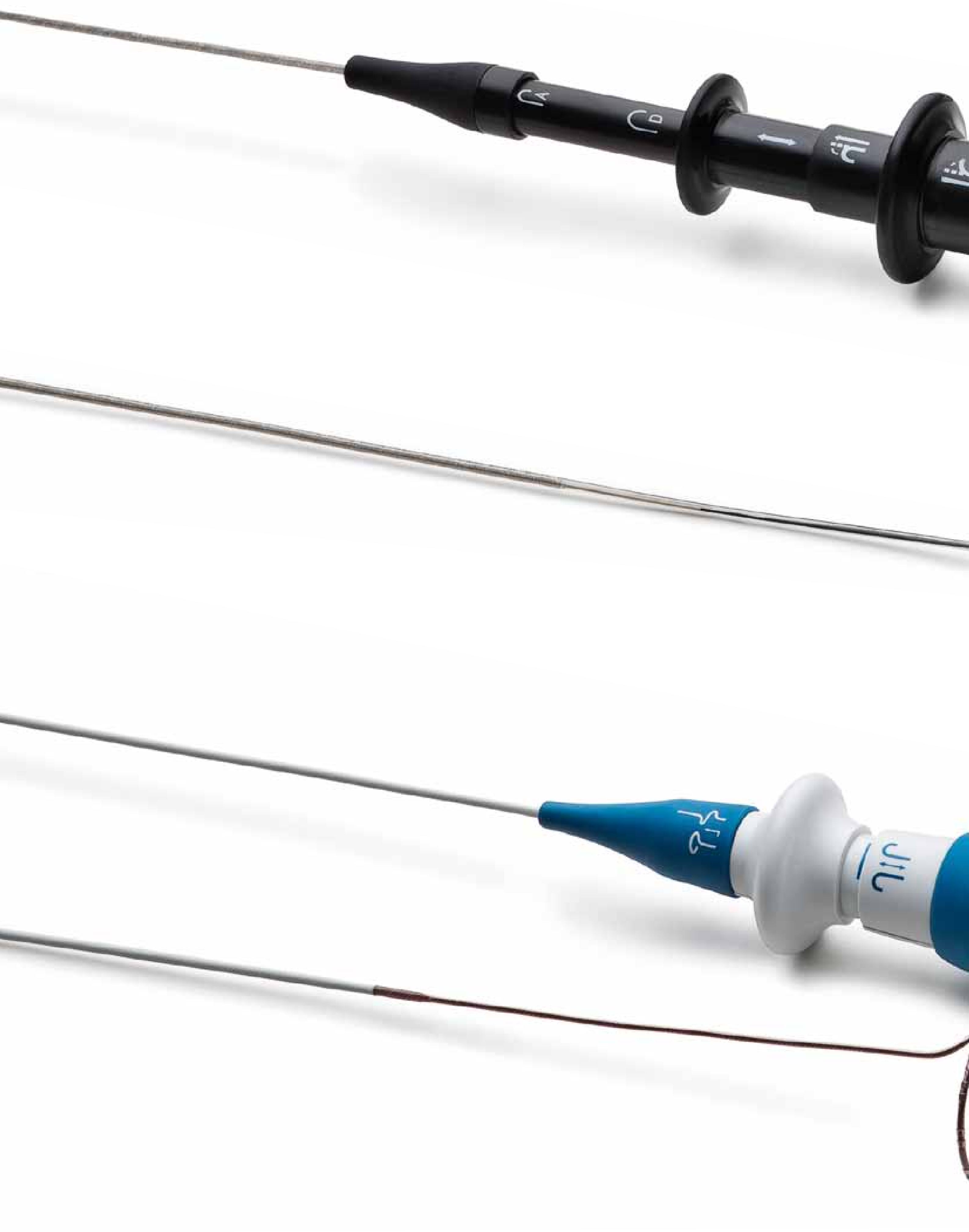
2011 ANNUAL REPORT




CATHRX


CATHRX

CHAIRMAN'S LETTER

Dear Shareholder,

Since the beginning of the calendar year CathRx's business strategy has been to focus on product design and development and to commercialise its technology by partnering with operating businesses better positioned to market the novel modular reprocessable products we have been developing. We appointed Oppenheimer & Co Inc, a New York based investment bank to act as our financial advisor to assist us in identifying transactions with partners to whom the CathRx catheter platform would be of high strategic value and that would generate value for our shareholders.

We consider that the CathRx catheter technology can change the way re-processing businesses currently operate from a cleaning and sterilisation service for single use devices to a model where the partner owns the suite of catheters and provides them on a fee for use basis for each hospital procedure. The new model has the potential to disrupt the existing market by offering devices at lower prices to the existing market, reducing hospital and health care costs and thus with time increasing the CathRx platform market penetration.

In August 2011 we announced that we had signed detailed non binding term sheets with two potential licensees for the development and commercialisation of our novel cardiac catheters. The due diligence process for the transaction is ongoing with both licensees and I will be looking forward to advising shareholders of a completed transaction as soon as possible.

The size of the global cardiac catheter market is expected to grow to over $2 billion by 2016. The CathRx product suite is primarily targeting the fastest growing segments of those markets.

In March we received CE Mark approval for our first generation therapeutic catheter, an irrigated ablation device. This completed our range of first generation devices for Europe.

In July we submitted our Variable Loop advanced diagnostic catheter for CE Mark approval which is based on our next generation catheter platform.

On your behalf, I would like to thank our CEO Jeff Goodman and his hard working team for their efforts during the year. We have made good progress, but there remains more to do.

I would also like to extend my personal gratitude to shareholders for their support as we focus on and develop these new opportunities.

Yours sincerely,

Denis Hanley
Chairman

THE SIZE OF THE GLOBAL CARDIAC CATHETER MARKET IS EXPECTED TO GROW TO OVER $2 BILLION BY 2016. THE CATHRX PRODUCT SUITE IS TARGETING THE FASTEST GROWING SEGMENTS OF THOSE MARKETS.

MODULAR DESIGN

CathRx is the only producer that separates its product into 4 individual components/modules. This makes our catheter systems suitable for disassembly, cleaning and component replacement.

ELECTRODE SHEATH
Re-useable Sheath

1

HANDLE
Re-usable handle / connector

2

PRODUCT DEVELOPMENT AND REGULATORY

CathRx is developing its new generation of cardiac catheters. The new generation platform targets the reprocessing market and is designed to maximise re-manufacturability. In July 2011, CathRx submitted its Variable Loop catheter for CE Mark approval. This is the Company's first device based on this new platform and will be followed by a therapeutic/ablation device.

EXTENSION CABLE
Re-usable (x20 times)

4

CATHRX IS THE ONLY PRODUCER THAT SEPARATES ITS PRODUCT INTO 4 INDIVIDUAL COMPONENTS/MODULES

3

STYLET
Re-usable steering mechanism

CEO'S REPORT

Dear Shareholder,

During 2011, we have continued to focus on developing and commercialising our suite of catheters targeting the highest growth and most profitable segments of that market - irrigated ablation and advanced diagnostics.

In order to fast track our path to market and achieve sustainable revenue growth, we have also been pursuing strategic licensing arrangements with key players in either the re-processing or device segment of the market. At the same time, we have prudently managed our costs in order to extend our cash position.

In March 2011 we received CE Mark approval for our first therapeutic catheter, an irrigated ablation device. The market for irrigated ablation devices is large and growing rapidly. With an estimated market value approaching $300 million, the market for these devices is expected to more than double by 2016.

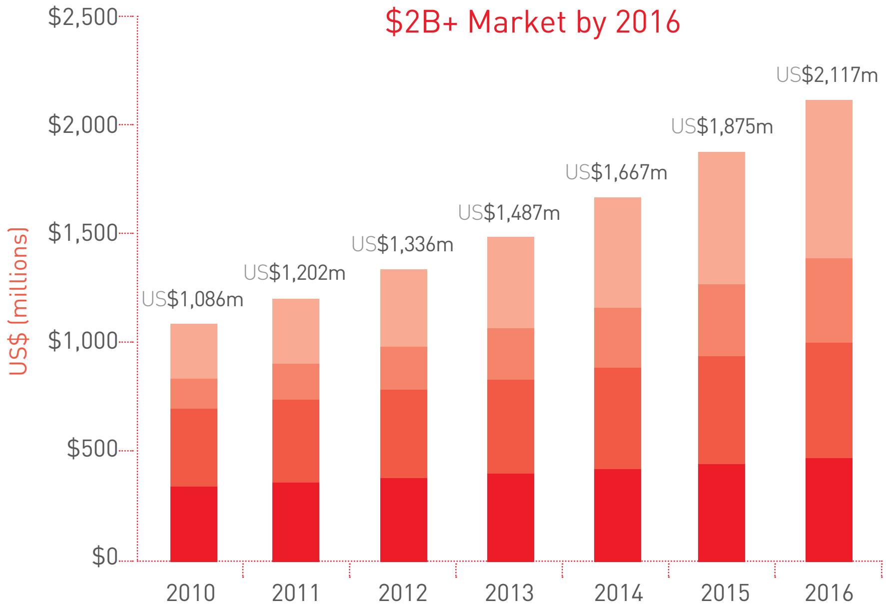
A similar story is unfolding for advanced diagnostics where the market value is estimated to be upwards of $140 million and is expected to triple by 2016. We submitted for CE Mark approval of our Variable Loop advanced diagnostic catheter in July 2011.

GLOBAL CARDIAC CATHETER SUD* MARKET

*Single Use Device

	% CAGR*
Irrigated ablation	19%
Advanced diagnostics	19%
Standard ablation	7%
Conventional diagnostics	12%
Market	12%

*Compound Annual Growth Rate



A PARTNER FOR OUR PATENTED TECHNOLOGY PLATFORM WAS IDENTIFIED AS A KEY OBJECTIVE IN IMPLEMENTING OUR REFOCUSED STRATEGY.

CEO'S REPORT ...CONTINUED

Our overarching aim is to achieve commercial success and sustainable revenues. This has been the key driver behind our pursuit of a partner and the focus of our product suite on modularity thus the ability for our catheters to be re-processed multiple times.

Driven by healthcare cost reductions, the market for re-processing is growing rapidly. Across both the US and Europe large numbers of cardiac catheters are being re-processed. Re-processors operating in those markets today are re-processing what are effectively single use devices for the centres they service.

Our negotiations with potential partners have focused on the significant competitive advantages that we would bring to them. The devices we are developing are designed to be re-processable and are capable of being used multiple times. We consider that our products could achieve large savings which would reduce the cost of ablation procedures for patients and drive demand for the devices and re-processing services. Re-usable devices would allow a re-processor to introduce a new pricing model that has the potential to disrupt the existing market.

In August 2011, we signed detailed non binding term sheets with two potential licensees for the development and commercialisation of re-processable cardiac catheters in Europe. We are currently in the due diligence process with these parties and hope to complete a deal as soon as possible.

Success in Europe with a partner would validate the business model, and we would then hope to attract interest from other parties in other major markets such as the US and Asia.

REVOLUTION IN MEDICAL DEVICES: NEXT STEP – REMANUFACTURING

Single - use (Global) → Reprocessing (US + Germany) → Remanufacturing (Untapped)

→ Capability to drive customer value: large savings

→ Flexibility to control total value chain: competitive

→ Ability to introduce new pricing model: profitability

→ Freedom to attack new markets: geography & product type

CathRx

Designed for Remanufacturing (patented)

It's important to remember that while we have made great strides with our technology during FY2011, with limited financial resources we have had to stay focused and narrow our attention to the areas which would be considered of high value to potential partners. I am pleased that we have continued to advance our device platform but we have done so while prudently managing our cash.

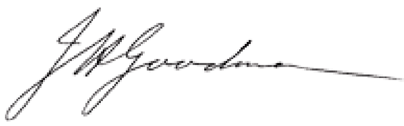
Finally I would like to touch upon the work we continue to do with advanced Atrial Fibrillation cardiac catheter technology. AF is estimated to be the largest growth market in the medical device space for the next 5-7 years. All major industry players have been seeking to position themselves in the market and we believe that a modular, reprocessable advanced AF device would be extremely attractive to them.

In the short term we will focus on securing a licensing transaction and continuing the development of irrigated ablation and advanced diagnostic catheters.

I would like to acknowledge the efforts of all our employees during the FY2011 year and for their commitment to our cause. I would also like to thank our shareholders for their continued support.

I look forward to updating you on our progress in the coming year.

Kind regards,



Jeff Goodman
CEO

BOARD AND MANAGEMENT

The Board Comprises of:

Mr Denis Hanley
Non Executive Chairman

Mr Jeffrey Goodman
Chief Executive Officer

Dr Elizabeth Jane Wilson
Non Executive Director

Dr Michael Hirshorn
Non Executive Director

Dr Colin Adam
Non Executive Director

For details of the CathRx Board of Directors, please refer to the summary in the Directors' Report.

Jeffrey Goodman

B Accounting
Chief Executive Officer and Managing Director

Refer to the summary in the Directors' Report

Gerard (Ged) Wallace

BPharm, DipBusAdmin
President

Ged is responsible for CathRx's worldwide marketing initiatives and business development activities.

With 29 years experience in the healthcare industry, and a successful career in Fortune 500 companies, Ged brings to CathRx expertise in building and managing large global teams and driving global sales. Ged was most recently President of Boston Scientific Corporation Europe, Middle East and Africa, where he was responsible for their total business and significant employee base. Boston Scientific Corporation is one of the world's largest medical devices companies with worldwide sales in excess of US$8 billion and staff totalling 25,000. Prior to this Ged was employed by Baxter International Inc. for 27 years where he became President of Baxter Healthcare, Asia/China.

BOARD AND MANAGEMENT

Amanda Wong
LLB, CPA
Chief Financial Officer

Amanda is the Chief Financial Officer of CathRx and is responsible for the provision of a comprehensive range of financial services to the company. Amanda's experience has been gained both in the Legal/Corporate arenas and also at senior financial advisory levels within the State Government. Most recently as a solicitor at Addisons Lawyers as part of the corporate team completing acquisitions and refinancing activities for businesses/assets and previously at PFM Legal Pty Ltd.

Amanda has been a member of CPA Australia since 1996 and was admitted to the Supreme Court of NSW in 2006.

Roman Greifeneder
MBAGradCert, AssocDipIndustrialEng
Director Research & Development and Operations

Roman is the Director Research & Development and Operations for CathRx. Roman has extensive experience in design and operations management, with a focus on new product development and introduction, technology development, technology transfer, manufacturing, engineering, and quality assurance.

Roman has over 17 years of experience in the medical device sector. Before joining CathRx, he served as Vice President of Operations for the international medical device company Ventracor Limited. Prior to that, he was the World Class Manufacturing/Engineering Manager of ResMed Limited, an international designer and manufacturer of medical equipment.

He has a MBA Graduate Certificate in Management from the AGSM of the University of New South Wales, as well as an Associate Diploma in Industrial Engineering and Advanced Certificates in Quality Assurance & Commerce from the Sydney Institute of Technology.

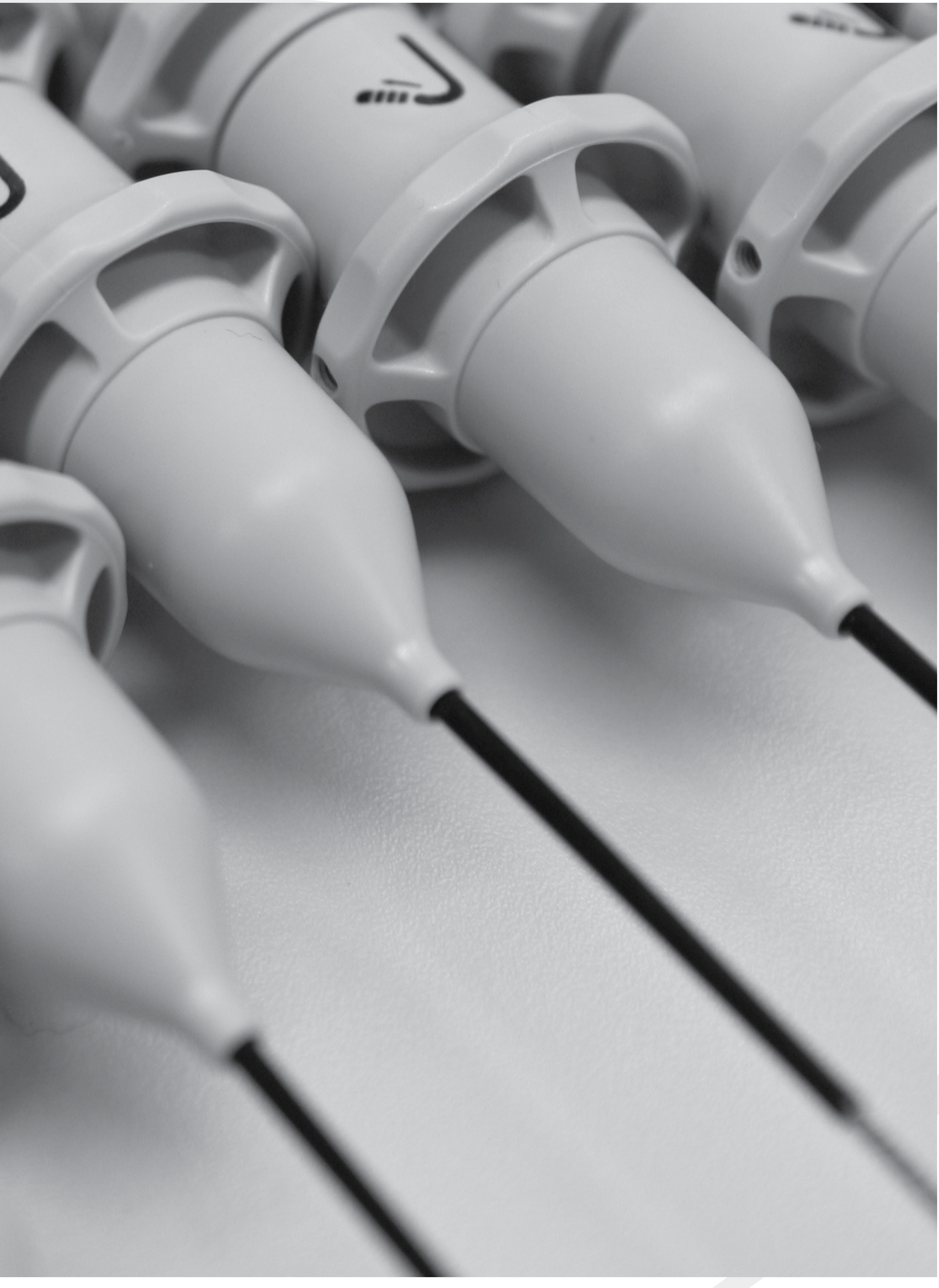
Brian Lee
Director of Technical Services

Brian has 36 years of experience, including several senior roles, in the Medical Devices and Pharmaceutical Industry. Brian was with Baxter Healthcare Pty Ltd for 27 years, and was Managing Director of Baxter Australia and New Zealand. His responsibilities covered all facets of Baxter operations including manufacturing and supervision of some 900 staff. In 2004 Brian spent two years as Director of Medical Specialties Australia serving the last year as CEO.

Brian has been involved with the Medical Industries Association of Australia for many years, and is a Past Chairman of MIAA. This role entailed extensive dealings with Government Ministers and senior staff, both at Federal and State levels.

Brian's other interests have seen him as National President of the Leukaemia Foundation, Board Member of the Parramatta Economic Development Board, Board Member of the ANZAC Medical Research Institute, and also Board Member of the Parramatta Mission. He has a long history with the Australian Hospital Association and the Australian Private Hospitals Association (APHA). In 2004, Brian was honoured with an APHA Individual Achievement Award.

DIRECTORS' REPORT



DIRECTORS' REPORT

Your Directors submit their report on CathRx Ltd ("Company") for the financial year ended 30 June 2011.

DIRECTORS

The names and details of the Company's Directors in office at the date of this report are as follows.

Names, qualifications, experience and special responsibilities

Mr Denis Michael Hanley AM, MBA, FCPA, FAICD Non Executive Chairman	Mr Denis Hanley has been the non executive chairman of the Company since April 2003 and is a member of the Remuneration and Nomination Committee and Audit and Risk Management Committee of the Company. Denis has extensive experience in developing and commercialising new Australian technology including serving for 14 years as chief executive officer of Memtec Ltd. Prior to Memtec Ltd, Denis worked for the international medical company, Baxter Healthcare Corporation, both in the US and as their Australian Managing Director. Denis has also served as a board member and then chairman of the Australian IR&D Board, a member of the Australian Prime Minister's Science and Engineering Council, the Australian Industry & Higher Education Round Table, the Australian Council for the Development of Environmental Opportunity and later as chairman of Judges at the Australian Technology awards from 1999 to 2001. Denis was awarded membership in the Order of Australia and the Clunies Ross medal for his work in commercialising Australian technology. Denis is currently the non executive chairman of Pharmaxis Ltd, where he has served since 24 October 2001 and is a non executive director of Universal Biosensors, Inc., where he has served since 21 September 2001. Denis continues to hold other private and unlisted public company directorships including PFM Cornerstone Limited.

Mr Jeffrey Goodman
B. Accounting
Chief Executive Officer
and Managing Director

Mr Jeffrey Goodman was appointed CEO of CathRx in February 2010 and prior to that, was a non executive director of the Company since 20 March 2008.

Jeffrey has extensive business experience in the pharmaceutical and medical devices industry, particularly in general management, marketing and sales. Jeffrey has successfully managed changing environments, created strategic objectives and managed tactical operations to achieve strategic objectives.

Jeffrey was the Executive Vice President and President of International Boston Scientific Corporation from 1999 to 2008 and was responsible for sales and operations in over 100 countries along with the responsibility for more than 4,000 employees.

Prior to joining Boston Scientific Corporation Jeffrey was employed in a number of positions over a 25 year period by Baxter International, Inc. Jeffrey's last assignment at Baxter was as President, Biotech North America Division. Prior to being assigned to the United States in 1992 as President, Biotech North America Division, Jeff was based in Sydney as the Area Managing Director of Australia and New Zealand and responsible for Baxter's manufacturing, distribution and export operations in both countries.

Jeffrey is a Director of PFM Cornerstone Limited.

Dr Elizabeth (Jane) Wilson
MBBS, MBA, FAICD
Non Executive Director

Dr Jane Wilson has been a non executive director since August 2005 and is chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee.

Jane is a professional company director with a background in medicine, banking and finance with extensive experience in the commercialisation of research in both the agricultural and biotechnology sectors.

Jane is currently the chairman of IMBcom Ltd and a director of Sonic Healthcare Ltd, Universal Biosensors Inc., and Union College. She is also Finance Director of the Winston Churchill Memorial Trust and director of Barambah Wines. She is a member of the University of Queensland Senate, the Senate Finance Committee and the UQ Faculty of Health Sciences Board.

Dr Michael Hirshorn
OAM, MBA, MB, BS, FAICD
Non Executive Director

Dr Michael Hirshorn has been a non executive director since September 2010 and is a member of the Audit and Risk Management Committee.

With qualifications in medicine business and finance, Michael has over thirty years experience in founding, building, managing and investing in international technology companies and has established himself as a leader in the Australian life science venture industry.

Michael has significant international management expertise in all operational areas from manufacturing to research and development, intellectual property, marketing, sales, regulatory affairs, government relations, business development and developing strategic alliances with major multinationals. Michael also has over ten years of experience as a venture capital and private equity investor.

During his career Michael played a major role in the commercial development of Cochlear Limited, including a period as CEO, and was a founding director of Resmed Inc. He also spent some time in product development of cardiac pacemaker leads. He is a founder and Director of Four Hats Capital and is a Director of Biotron Limited, TGR Pty Limited, LBT Innovations Limited and Dynamic Hearing Pty Limited.

Michael is a member of the AVCAL Council and has served on numerous Government advisory committees including working groups of the Prime Ministers Science Engineering and Innovation Committee. In 2004 Michael was awarded an Order of Australia Medal for commercializing medical technology.

Dr Colin Adam
BE (Met), PhD
Non Executive Director

Dr. Colin Adam has been a non executive director since September 2010 and is chairman of the Remuneration and Nomination Committee.

Colin has extensive project management experience in the commercialization of technologies and research and development in the life sciences industry.

Colin's career has included technology management positions within the US aerospace industry as Program Manager in advanced alloy development for Pratt & Whitney Aircraft in Florida and as Manager of the Materials Laboratory for Allied Corporation in New Jersey.

During 2000, Colin was the Acting Chief Executive of the CSIRO. Prior to that, Colin was Deputy Chief Executive directly responsible for all the CSIRO's commercial activity. Colin has also served as a member of the Commonwealth Government's Industry Research and Development Board, the Australian Prime Minister's Science Engineering and Innovation Council and the Victorian Premier's Science, Engineering and Technology Taskforce.

Colin is a director and founder of PFM Cornerstone Limited and a non executive director of Universal Biosensors, Inc.

RETIREMENT OF DIRECTORS

During the financial year the following directors retired:

- Mr Andrew Denver (13 September 2010)

COMPANY SECRETARY

Mr Cameron David Billingsley BA, LLB (Hons) Company Secretary	Mr Cameron Billingsley has been company secretary of the Company since August 2005 and has been involved with the Company since January 2003. Cameron is a corporate and commercial lawyer and founder of PFM Legal Pty Ltd, a company established to provide company secretarial and legal services to Australian technology companies.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of the Company are:

Director[1]	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Denis Hanley[1]	9,033,806	150,000
Dr Jane Wilson	3,418,630	75,000
Mr Jeffrey Goodman[1]	1,175,255	1,050,000
Dr Colin Adam[1]	1,500,000	–
Dr Michael Hirshorn	80,000	–

Note 1: Mr Denis Hanley, Mr Jeffrey Goodman and Dr Colin Adam are directors of PFM Cornerstone Limited, a public company which holds 24,343,610 shares in the Company. Mr Denis Hanley and Dr Colin Adam who are also shareholders of PFM Cornerstone Limited each hold less than 3% of the issued share capital of PFM Cornerstone Limited.

LOSS PER SHARE

	2011 Cents	2010 Cents
Basic (loss) per share	(6.2)	(13.7)
Diluted (loss) per share	(6.2)	(13.7)

The weighted average number of ordinary shares outstanding used to calculate the basic and diluted loss per share was 143,246,836 (2010: 77,164,083).

DIVIDENDS

No dividends were paid during the financial year and the directors have not recommended the payment of any dividends.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year ended 30 June 2011 were the research, development and commercialisation of innovative catheter devices for the re-processable devices market. During the financial year, the Company focussed on securing a technology deal in relation to its re-processable catheter platform. There have been no further significant changes in the principal activities of the Company.

OPERATING AND FINANCIAL REVIEW

Review and results of operations

During the financial year ended 30 June 2011, the Company focused its activities on developing its new generation of cardiac catheters designed to maximize re-manufacturability and progressed towards a technology licensing deal. At the date of this report, the Company remains in negotiations with potential partners for rights to the Company's technology platform.

Following the completion of an Entitlement Offer in April 2010, the Company completed a Placement which was completed on 2 July 2010 with the issue and allotment of 1,061,502 new fully paid ordinary shares, raising $169,840. The funds allowed the Company to focus its activities on the re-processable medical devices market, expand its range of re-processable catheter devices, enhance the modular manufacturing platform and fund general working capital expenses.

In March 2011, the Company received CE Marking for its first generation irrigated ablation catheter coupled with the Company's patented variable deflectable stylet. The irrigated ablation catheter is the first catheter in the Company's therapeutic catheter range designed for use in the treatment of cardiac arrhythmias.

On 13 September 2010, the Company announced the appointment of Dr Colin Adam and Dr Michael Hirshorn as non executive directors and the retirement of Mr Andrew Denver.

FINANCIAL HIGHLIGHTS

	Year ended 30 June 2011	Year ended 30 June 2010
	$	$
Revenue and income		
Sales revenue	24,622	478,508
Cost of sales	19,569	395,497
Gross Profit	5,053	83,011
Other revenue	466,888	277,216
Other income (grant income)	286,218	-
Expenses		
Research and development	(6,516,001)	(6,715,333)
Sales and marketing	(710,424)	(1,303,529)
Administration costs	(2,479,712)	(2,898,272)
Total expenses	(9,706,137)	(10,917,134)
Net loss	(8,947,978)	(10,556,907)
Cash, commercial bills and term deposits	4,758,761	11,446,145
Net assets	**8,201,351**	**16,654,818**

Interest received (other revenue)

The Company commenced the financial year starting 1 July 2010 with $11,446,145 in cash and finished the year with $4,758,761. Invested funds during the financial year were higher than the prior year, leading to an increase in the total interest received when compared to the prior year.

Grant income (other revenue)

The Company received $286,218 in grant income in relation to the Export Marketing and Development Grant. The grant income was in relation to two financial years.

Research and development

The research and development costs reflect patenting costs, product development and product testing, clinical trial, lab consumables and prototype components.

Sales and marketing

Sales and marketing costs have decreased with the revision of the Company's commercialisation strategy which was revised last financial year.

General administration

During the financial year ended 30 June 2011, administration costs reduced compared to the prior year due to the amended business strategy and subsequent restructure of the Company which occurred early in the 2010 calendar year. The 30 June 2011 financial year sees the full impact of this restructure.

Operating results

The Company's operating loss after income tax for the year ended 30 June 2011 was $8,947,978 (2010: operating loss of $10,556,907).

The Company ended the financial year with $4,758,761 in cash at bank and term deposits. In the year ended 30 June 2011, the net cash flows used in operating activities were $6,712,130 compared with $10,113,005 for the year ended 30 June 2010.

Risk Management

The Company takes a proactive approach to risk which is management's responsibility. The board of directors of the Company ("Board") is responsible for overseeing the Company's risk management. The Board has delegated certain financial risk management responsibilities to the Audit and Risk Management Committee governed by a charter which is available on the Company's website.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, the Company focussed on securing a technology deal in relation to its re-processable catheter platform.

There were no other significant changes to the state of affairs of the Company.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 14 July 2011, the Company announced that it had submitted an application for CE Marking of its Variable Loop Catheter. Designed for the treatment of atrial fibrillation, the Variable Loop Catheter will be the first catheter in the Company's next generation device range.

In August 2011, the Company announced that it had entered into detailed term sheets with two prospective licensees for the development and commercialisation of innovative cardiac catheters in Europe. At the date of this report, the Company is still in negotiations for the purpose of entering into a definitive commercial agreement.

There has otherwise not been any matter or circumstance, other than as may be referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect:

- the operations of the Company in future financial years;
- the results of those operations in future financial years; or
- the state of affairs of the Company in the future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Over the financial year ending 30 June 2012, the Company will:

- seek to enter into an agreement with a partner for the Company's technology platform;
- focus its activities on the re-processable medical devices market;
- expand its range of re-processable catheter devices;
- enhance the modular manufacturing platform; and
- undertake clinical evaluations.

ENVIRONMENTAL REGULATIONS

The Company is subject to a range of environmental regulations in respect of its activities. There have been no known material breaches of any environmental regulations that apply to the Company. The Company has a licence under the Radiation Control Act 1990 (NSW) to enable the Company to use certain laboratory equipment.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has entered into deeds of access, indemnity and insurance with each current director, the company secretary and the chief financial officer of the Company. The deeds provide the relevant officer with:

- rights of access to certain Board papers of the Company during the period while the relevant officer is or was an officer of the Company and for a period of seven years after they cease to be an officer;
- subject to the limitations set out in the Corporations Act 2001, the Company indemnifies the relevant officer against any liability incurred whilst acting in their capacity as an officer of the Company; and
- the requirement for the Company to use its best endeavours to maintain directors' and officers' insurance for the officer.

During the financial year, the Company paid insurance premiums in respect of a contract, insuring all the directors, the company secretary and chief financial officer against liability whilst acting in their capacity as a director or officer (as applicable) of the Company. In the event of a claim, the policy provides for the Company to pay a deductible amount up to $25,000. In accordance with the terms of the insurance policy and commercial practice, the amount of the premium has not been disclosed.

No liability has arisen under these indemnities at the date of this report. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers of the Company other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the Corporations Act 2001.

SHARE OPTIONS

Unissued Shares

At the date of this report, there were 5,583,367 unissued ordinary shares under options (5,611,700 at the reporting date).

An option-holder may only participate in new issues of shares by the Company if the relevant options have been exercised and a share allotted before the books closing date for determining entitlements to the new issue of shares.

Shares issued as a result of the exercise of options

On 23 July 2010, 497,640 new shares were issued upon exercise of employee share options and the payment of $0.097 per share. The closing share price of the Company's shares on 23 July 2010 was $0.20.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors, the company secretary and the senior executives of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

This information has been audited as required by section 308(3C) of the Corporations Act 2001.

Details of Key Management Personnel (including the five highest paid Executives of the company)

Directors

Mr Denis Hanley	Non Executive Chairman
Mr Jeffrey Goodman	Chief Executive Officer
Dr Elizabeth (Jane) Wilson	Non Executive Director
Dr Colin Adam[1]	Non Executive Director
Dr Michael Hirshorn[2]	Non Executive Director

Executives

Mr Gerard Wallace	President
Ms Amanda Wong	Chief Financial Officer
Mr Roman Greifeneder	Director Research & Development and Operations
Mr Brian Lee[3]	Director Technical Services

[1] Dr Colin Adam was appointed on 13 September 2010.

[2] Dr Michael Hirshorn was appointed on 13 September 2010.

[3] Mr Brian Lee was appointed on 9 August 2010.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for, amongst other things:

- assessing and reviewing on behalf of the Board the appropriateness of the nature and amount of compensation of the directors and key executives on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of high quality directors and executives and ensuring that directors and executives are being rewarded commensurate with their responsibilities;
- determining with the Board, appropriate performance targets for key executives; and
- determining and reviewing the Company's recruitment, retention and termination policies and procedures for senior executives generally.

The Remuneration and Nomination Committee has processes in place to review the performance of the Board and senior executives of the Company.

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. In order to attract, motivate and retain highly skilled directors and executives, the Company embodies the following principles in its remuneration framework:

- provide competitive remuneration to attract, motivate and retain high calibre directors and executives with appropriate skills and experience;
- remunerate with a mix of short and long term components;
- remunerate executives according to individual performance and pre-determined benchmarks through cash bonuses; and
- link executive remuneration to shareholder value through options.

Remuneration Structure

The structure of non executive director and executive remuneration is separate and distinct.

Non Executive Director Remuneration

Objective

The Board seeks to set compensation for non executive directors at a level that provides the Company with the ability to attract and retain directors of the highest calibre which have relevant industry skills and experiences, whilst incurring a cost that is acceptable to shareholders.

Structure

The constitution of the Company and the Listing Rules of the Australian Securities Exchange ("ASX") specify that the aggregate remuneration of non executive directors shall be determined from time to time by shareholders at general meeting. An amount not exceeding the amount determined is then divided between the non executive directors as agreed. This can take the form of a salary or a fixed sum for attendance at each meeting of the directors or both. The shareholders of the Company have approved an aggregate remuneration of $450,000 per annum. All share and share options issued to non executive directors require separate approval at a general meeting of shareholders of the Company.

The amount of aggregate remuneration payable to non executive directors and the manner in which it is apportioned is determined by the Remuneration and Nomination Committee and the Board and reviewed annually. The Company currently relies on internal surveying of prevailing market conditions, however, the Remuneration and Nomination Committee and the Board may consider advice from external consultants as well as the fees paid to non executive directors of comparable companies when undertaking the annual review process.

Non executive remuneration currently comprises of:

- a base fee for serving as a director is currently $125,000 per annum for the chairman and $70,000 for other non executive directors;
- an additional fee for directors serving on committees, currently $5,000 per annum;
- statutory superannuation for the independent non executive directors, currently 9% of the base fee; and
- a small allowance for administrative expenses incured in performing duties.

Termination and cash bonus payments do not apply to non executive directors.

There is no long term incentive plan.

Executive Director and Executive Remuneration

Objective

The Company aims to reward the executive director and executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward the executive director and executives for the achievement of Company, business unit and individual performance which are measured against appropriate benchmarks set by the Board of the Company;
- align the interests of the executive director and executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Structure

The nature and amount of executive compensation is approved by the Remuneration and Nomination Committee and the Board. The remuneration payable to executives and senior management is reviewed annually. The Remuneration and Nomination Committee and the Board may consider advice from external consultants when undertaking the annual review process. The Company currently relies on internal surveying of prevailing market conditions and has from time to time engaged executive recruitment firms who make recommendations. The Company enters into either employment or consulting agreements with each of its key executives and senior managers.

Executive remuneration typically comprises of:

- a base salary which is to be reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of Company-wide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices. Certain executives have the ability to receive their salary in a variety of forms including cash and fringe benefits. It is intended that the manner of payment is flexible without creating additional cost for the Company;
- statutory superannuation, currently 9% of base salary and cash bonus;
- a variable compensation component comprising a cash bonus payable annually dependent on the achievement of key performance indicators approved by the Remuneration and Nomination Committee. The objective of the bonus plan is to link the achievement of the Company's operational key performance indicators with the compensation received by the executives charged with meeting those key performance indicators. Typical key performance indicators include measures of contribution to product research and development, risk management, product management, and leadership/team contribution. On an annual basis (expected to be November) following consideration of performance against key performance indicators, the Remuneration and Nomination Committee determines whether any bonuses are payable. Bonus payments are expected to be made in December of each year. The Remuneration and Nomination Committee has not, at the date of this report, considered whether any bonuses will be paid in respect of the financial year ended 30 June 2011; and

- options granted under the Company's employee option plan. The objective of the employee option plan is to reward executives in a manner that aligns this element of compensation with the creation of shareholder wealth. Options vest in December over three years but are not currently contingent on the achievement of other specific key performance indicators. There is no long term incentive plan.

Employment and Consulting Services Agreements

Each of Jeff Goodman, Gerard Wallace, Amanda Wong, Roman Greifeneder and Brian Lee are employees of the Company and each has entered into an employment contract with the Company.

The key employees of the Company listed above have employment agreements on substantially the same terms which include:

- normal statutory entitlements;
- entitlement to participate in the Company's employee option plan;
- typical confidentiality and intellectual property provisions intended to protect the Company's intellectual property rights and other proprietary information; and
- the following notice periods and 'non-compete' clauses:

Employee	Notice period	Non-compete period
Jeff Goodman	3 months	3 months
Gerard Wallace	3 months	6 months
Amanda Wong	4 weeks	3 months
Roman Greifeneder	4 weeks	3 months
Brian Lee	4 weeks	3 months

Employee	Annual Salary Including Superannuation
Jeff Goodman	$250,000
Gerard Wallace	€218,000
Amanda Wong	$174,400
Roman Greifeneder	$178,033
Brian Lee	$123,286

The maximum bonus pool for the above executive director and executives are $295,403 with the minimum being zero if no performance conditions are met.

Termination Payments

The employment contracts for each of the above employees of the Company can be terminated immediately by the Company for serious misconduct or with the notice period set out above, without cause. During such notice periods, the employee is entitled to receive base salary and any other benefits. Upon termination, the employee is also entitled to payment of any accrued entitlements payable at law.

Consultants

Mr Cameron Billingsley is engaged as Company Secretary by way of a services agreement between the Company and PFM Legal Pty Ltd ("PFM Legal"). In addition, PFM Legal provides legal services to the Company. PFM Legal charges for these services at the usual hourly rates depending on the relevant PFM Legal employee undertaking the services. The Remuneration and Nomination Committee has resolved that Mr Billingsley is entitled to participate in the Company's employee option plan. The engagement of PFM Legal may be terminated at any time without additional payments required to be made.

Compensation of Key Management Personnel

Compensation of Key Management Personnel including the five highest paid executives of the company for the year ended 30 June 2011:

	Short Term Benefits			Post-Employment Benefits		Long Term Benefits	Share-Based Payments			
	Cash Salary and Fees $	Cash Bonus $	Non-monetary Benefits $	Superannuation $	Retirement Benefits $	Long Service Leave $	Options $	Shares $	Total $	% Performance Related
Directors										
Denis Hanley	127,400	-	-	11,250	-	-	-	-	138,650	-
Jeffrey Goodman	229,358	-	-	20,642	-	925	135,003	-	385,928	-
Jane Wilson	77,400	-	-	6,750	-	-	-	-	84,150	-
Colin Adam[1]	50,379	-	-	17,434	-	-	-		67,813	
Michael Hirshorn[2]	62,379	-	-	5,434	-	-	-	-	67,813	-
Andrew Denver[3]	15,057	-	-	1,355	-	-	-	-	16,412	
Total Directors	**561,973**	**-**	**-**	**62,865**	**-**	**925**	**135,003**	**-**	**760,766**	**-**
Executives										
Gerard Wallace	285,095	-	-	25,659	-	4,079	57,719	-	372,552	-
Roman Greifeneder	163,333	-	-	14,700	-	871	22,590	-	201,494	-
Amanda Wong	160,000	-	-	14,400	-	873	22,590	-	197,863	-
Brian Lee[4]	113,106	-	-	10,180	-	182	19,955	-	143,423	-
Total Executives	**721,534**	**-**	**-**	**64,939**	**-**	**6,005**	**122,854**	**-**	**915,332**	**-**
TOTAL	**1,283,507**	**-**	**-**	**127,804**	**-**	**6,930**	**257,857**	**-**	**1,676,098**	**-**

Notes:

1. Dr Colin Adam was appointed non executive director on 13 September 2010.
2. Dr Michael Hirshorn was appointed non executive director on 13 September 2010.
3. Mr Andrew Denver resigned as non-executive director on 13 September 2010.
4. Mr Brian Lee was appointed 9 August 2010.

Compensation of Key Management Personnel

Compensation of Key Management Personnel including the five highest paid executives of the company for the year ended 30 June 2010:

	Short Term Benefits			Post-Employment Benefits		Long Term Benefits	Share-Based Payments			
	Cash Salary and Fees $	Cash Bonus $	Non-monetary Benefits $	Superannuation $	Retirement Benefits $	Long Service Leave $	Options $	Shares [10] $	Total $	% Performance Related
Directors										
Denis Hanley	84,933	-	-	7,500	-	-	6,955	-	99,388	-
Neil Anderson[1]	273,196	-	-	18,513	-	42,058	6,955	-	340,722	-
Andrew Denver	51,600	-	-	4,500	-	-	3,478	-	59,578	-
Carrie Hillyard[2]	52,500	-	-	-	-	-	3,478	-	55,978	-
Jane Wilson	51,600	-	-	4,500	-	-	3,478	-	59,578	-
Jeffrey Goodman[3]	131,094	-	-	11,467	-	742	9,432	-	152,735	-
Total Directors	**644,923**	**-**	**-**	**46,480**	**-**	**42,800**	**33,776**	**-**	**767,979**	**-**
Executives										
Gerard Wallace	377,198	-	-	33,948	-	1,035	117,127	1,000	530,308	-
Simon Chiu[4]	82,157	-	-	5,902	-	-	-	-	88,059	-
Greg Rogers	165,000	-	-	14,850	-	434	19,799	1,000	201,083	-
Nerida Hunt[5]	59,282	-	-	4,752	-	-	-	-	64,034	-
Ross Matthews[6]	157,577	-	-	12,227	-	-	2,782	1,000	173,586	-
Lisa Emerson[7]	109,436	-	-	9,849	-	173	14,006	-	133,464	-
Amanda Wong[8]	124,923	-	-	11,243	-	180	14,006	-	150,352	-
Roman Greifeneder[9]	82,744	-	-	7,447	-	126	14,006	-	104,323	-
Total Executives	**1,158,317**	**-**	**-**	**100,218**	**-**	**1,948**	**181,726**	**3,000**	**1,445,209**	**-**
TOTAL	**1,803,240**	**-**	**-**	**146,698**	**-**	**44,748**	**215,502**	**3,000**	**2,213,188**	**-**

Notes:

1. Mr Neil Anderson resigned as Chief Executive Officer and Managing Director of the company on 17 February 2010. The Cash Salary and Fees include amounts paid as unused leave entitlements.
2. Dr Carrie Hillyard resigned as a non executive director of the company on 19 April 2010. Cash salary and fees were paid to entities associated with Dr Hillyard. CM Capital Investments Pty Ltd as trustee of the CM Capital Venture Trust No.3 and CM Capital Investments Pty Ltd (CM3A) as general partner of the Australia Venture Capital Fund L.P in lieu of Dr Hillyard.
3. Mr Jeffrey Goodman was appointed Chief Executive Officer on 18 February 2010.
4. Mr Simon Chiu resigned as Chief Financial Officer on 21 September 2009.
5. Ms Nerida Hunt left the Company on 4 September 2009.
6. Mr Ross Matthews left the Company on 25 May 2010.
7. Ms Lisa Emerson was appointed on 1 September 2009 and left the Company on 25 August 2010.
8. Ms Amanda Wong was appointed on 21 September 2009.
9. Mr Roman Greifeneder was appointed on 16 November 2009.
10. On 18 December 2009, fully paid ordinary shares were issued to qualifying employees of the company under the Employee Share Plan. The shares have the same terms of issue as our existing ordinary shares, but are not able to be traded until the earlier of three years from the date on which the shares are issued or the date the relevant employee ceases to be an employee of the Company.

Options granted and vested for the period ended 30 June 2011

During the financial year ended 30 June 2011, options were granted to key executives as disclosed above. The options are granted for nil consideration. Details of the options over ordinary shares in the Company granted as remuneration to directors and the other specified key executives of the Company are set out below. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at an exercise price determined on the date of grant. The contractual life of each option granted is typically ten years. No option holder has any right under the option to participate in any other issues of shares of the Company or any other entity without first having exercised the options.

30 June 2011	Granted during the year ended 30 June 2011			Terms and Conditions for each grant				
	No.	Grant date	Vested as at 30 June 2011 No.	Fair value per option at grant date $	Exercise price per option ($)	Expiry date	First exercise date	Last exercise date
Directors								
Denis Hanley	-	-	-	-	-	-	-	-
Jeffrey Goodman	1,000,000	01/09/10	1,000,000	0.13	0.16	31/08/20	01/09/10	31/08/20
Jane Wilson	-	-	-	-	-	-	-	-
Colin Adam[1]	-	-	-	-	-	-	-	-
Michael Hirshorn[2]	-	-	-	-	-	-	-	-
Andrew Denver[3]	-	-	-	-	-	-	-	-
Total Directors	**1,000,000**		**1,000,000**					
Executives								
Gerard Wallace	500,000	18/08/10	-	0.10	0.179	17/08/20	31/12/11	17/08/20
Roman Greifeneder	-	-	-	-	-	-	-	-
Amanda Wong	-	-	-	-	-	-	-	-
Brian Lee[4]	500,000	18/08/10	-	0.10	0.179	17/08/20	31/12/11	17/04/20
Total Executives	**1,000,000**		**-**					
TOTAL	**2,000,000**		**1,000,000**					

Notes:

1. Dr Colin Adam was appointed 13 September 2010.
2. Dr Michael Hirshorn was appointed 13 September 2010.
3. Mr Andrew Denver resigned as non-executive director on 13 September 2010.
4. Mr Brian Lee was appointed 9 August 2010.

Options granted and vested for the period ended 30 June 2010

30 June 2010	Granted during the year ended 30 June 2010			Terms and Conditions for each grant				
	No.	Grant date	Vested as at 30 June 2011 No.	Fair value per option at grant date $	Exercise price per option ($)	Expiry date	First exercise date	Last exercise date
Directors								
Denis Hanley	-	-	-	-	-	-	-	-
Jeffrey Goodman	-	-	-	-	-	-	-	-
Jane Wilson	-	-	-	-	-	-	-	-
Colin Adam[1]	-	-	-	-	-	-	-	-
Michael Hirshorn[2]	-	-	-	-	-	-	-	-
Andrew Denver[3]	-	-	-	-	-	-	-	-
Total Directors	**-**		**-**					
Executives								
Gerard Wallace	100,000	28/04/10	-	0.09	0.164	27/04/20	31/12/10	27/04/20
Roman Greifeneder	50,000	18/11/09	-	0.42	0.657	17/11/19	31/12/10	17/11/19
	450,000	28/04/10	-	0.09	0.164	27/04/20	31/12/10	27/04/20
Amanda Wong	50,000	18/11/09	-	0.42	0.657	17/11/19	31/12/10	17/11/19
	450,000	28/04/10	-	0.09	0.164	27/04/20	31/12/10	27/04/20
Brian Lee[4]	-	-	-	-	-	-	-	-
Total Executives	**1,100,000**		**-**					
TOTAL	**1,100,000**		**-**					

Notes:

1. Dr Colin Adam was appointed 13 September 2010.
2. Dr Michael Hirshorn was appointed 13 September 2010.
3. Mr Andrew Denver resigned as non-executive director on 13 September 2010.
4. Mr Brian Lee was appointed 9 August 2010.

Options granted as part of remuneration

30 June 2011	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total value of options granted, exercised and lapsed during the year	% Remuneration consisting of options for the year
Jeffrey Goodman	160,000	-	-	160,000	34.98
Gerard Wallace	89,500	-	-	89,500	15.49
Brian Lee	89,500	-	-	89,500	13.91

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

No executives or directors exercised any compensation options during the period.

Meetings of Directors

The number of meetings of the Board and of each Board committee held during the year ended 30 June 2011 and the numbers of meetings attended by each director were as follows:

Director	Board		Remuneration and Nomination Committee		Audit and Risk Management Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr Denis Hanley	12	12	3	3	6	6
Mr Jeffrey Goodman	12	12	-	-	-	-
Dr Jane Wilson	12	12	3	1	6	6
Dr Colin Adam*	10	10	2	2	-	-
Dr Michael Hirshorn*	10	10	-	-	4	4
Mr Andrew Denver**	2	2	1	1	2	2

* Dr Colin Adam and Dr Michael Hirshorn were appointed non executive directors on 13 September 2010.

** Mr Andrew Denver resigned as non executive director on 13 September 2010.

Committee Membership

The Company has established an Audit and Risk Management Committee and a Remuneration and Nomination Committee, the members of which are:

Audit and Risk Management Committee	Remuneration and Nomination Committee
Dr Elizabeth (Jane) Wilson (Chairman)	Dr Colin Adam (Chairman)*
Mr Denis Hanley	Mr Denis Hanley
Dr Michael Hirshorn**	Dr Elizabeth (Jane) Wilson

* Dr Colin Adam was appointed non executive director on 13 September 2010, and replaced Mr Andrew Denver as Chairman of the Remuneration and Nomination Committee.

** Dr Michael Hirshorn was appointed non executive director on 13 September 2010, and replaced Mr Andrew Denver as a member of the Audit and Risk Management Committee.

The charters for the Audit and risk Management Committee and Remuneration and Nomination Committee are available on the Company's website.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Auditor Independence

The directors have received an independence declaration from the Company's auditor, Ernst & Young, which is included at page 92.

Non-Audit Services

The following non-audit services were provided by the Company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services during the year by Ernst & Young is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non audit services:

	2011 $	2010 $
Tax services	7,500	15,000
Other services	6,060	-
Total	**13,560**	**15,000**

Signed in accordance with a resolution of the directors.

Jeffrey Goodman, Chief Executive Officer
Sydney, 23 September 2011

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The principal features of CathRx's corporate governance regime are summarized in this section, following the primary headings used in the Revised Corporate Governance Principles and Recommendations with 2010 Amendments (second edition) issued by ASX Limited's Corporate Governance Council ("ASX Governance Principles").

Further details on corporate governance matters are available on CathRx's website www.cathrx.com and elsewhere in this annual report.

Principle 1 – Lay solid foundations for management and oversight

The Board's responsibilities include:

- overall responsibility for oversight of the Company and its corporate governance, including control and accountability systems;
- reviewing and providing input into the Company's strategic direction and policies in conjunction with senior management;
- reviewing and approving performance objectives, business plans and budgets for the Company;
- monitoring financial performance and reporting including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- approving and monitoring major capital expenditures and acquisitions and divestments;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- appointing, removing and monitoring the performance of the Chief Executive Officer, Chief Financial Officer and Company Secretary;
- determining remuneration policies applicable to the Board and senior management;
- monitoring the performance of senior management and the implementation of strategy; and
- ensuring Board committees are appropriately constituted and performing their functions.

The Chief Executive Officer and senior management responsibilities include:

- developing corporate strategy, performance objectives, business plans and budgets for review by the Board;
- developing and implementing appropriate policies and procedures for the management of the Company;
- day to day management of the Company's affairs and the implementation of corporate strategies and policy initiatives.

The Board regularly reviews the respective roles and the allocation of responsibilities between the Board and management as the Company grows, and will update and/or affirm the allocation of roles and responsibilities described above.

The performance of senior management is reviewed regularly against both measurable and qualitative performance indicators. The performance criteria against which senior management are assessed are aligned with the financial and non-financial objectives of the Company which are reviewed and approved annually by the Remuneration and Nomination Committee. In or about November each year, the Remuneration and Nomination Committee conducts performance evaluations of the Chief Executive Officer's performance against specific and measurable qualitative and quantitative performance criteria. The Remuneration and Nomination Committee also reviews and evaluates the other members of senior management based on recommendations put forward by the Chief Executive Officer.

Principle 2 – Structure the Board to add value

The Board currently consists of 4 non executive directors and one executive Director. Mr Denis Hanley is the non executive chairman.

The revised ASX Corporate Governance Principles and Recommendations include guidelines for determination of whether a director should be considered independent for purpose of the ASX Listing Rules. Under these guidelines Dr Jane Wilson and Dr Michael Hirshorn are regarded as independent directors of the Company. Mr Jeffrey Goodman is not an independent director because he is an executive of the Company and a director of PFM Cornerstone Limited which holds a substantial interest in the Company. Mr Denis Hanley and Dr Colin Adam are not regarded as independent directors for the purposes of the ASX Corporate Governance Principles, because they are both directors and securityholders of PFM Cornerstone Limited which holds a substantial interest in the Company. Although the Company does not consider the substantial interest held by PFM Cornerstone Limited would interfere with the ability of these directors to exercise independent judgment in carrying out their responsibilities as directors and therefore considers them to be independent, for the purposes of the ASX Corporate Governance Principles, they may not be regarded as independent directors of the Company. As a result, the Company does not comply with the recommendation that the Board have a majority of independent directors and that the chairman of the Company be an independent director.

Name	Experience	Initially Appointed
Mr Jeffrey Goodman – Executive director	Extensive business experience in the pharmaceutical and medical devices industry, particularly in general management, marketing and sales.	20 March 2008 (Non executive director) 18 February 2010 (Executive director)
Mr Denis Hanley – Non executive Chairman	Extensive experience in building Australian technology based corporations.	3 April 2003
Dr Jane Wilson – Non executive director	A professional company Director with a background in medicine, banking and finance and extensive experience in the commercialisation of research in both the agricultural and biotechnology sectors.	10 August 2005
Dr Colin Adam – Non executive director	Extensive project management experience in the commercialization of technologies and research and development in the life sciences industry.	13 September 2010
Dr Michael Hirshorn – Non executive director	Qualifications in medicine, business and finance with extensive experience in founding, building, managing and investing in international technology companies.	13 September 2010

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. The Board regularly considers the composition and performance of the directors and the committees of the Board to ensure that they maximise their effectiveness and contribution to the Company. The Company considers that its Board membership is appropriate given the Company's current stage of development. Not less than annually, the Board undertakes a review of its performance and mix of skills to ensure that they are appropriate to allow the Board to maximise its effectiveness and its contribution to the Company. These reviews are undertaken through a formal one on one basis between the chairman and each Board member and also through discussion and analysis at a Board level.

The Board has established a Remuneration and Nomination Committee which operates under a Remuneration and Nomination Committee charter approved by the Board. The charter is available on the Company's website. At the date of this report, the Remuneration and Nomination Committee comprises of:

Name	Meetings Held	Meetings Attended
Dr Colin Adam (Chairman)*	2	2
Mr Denis Hanley	3	3
Dr Elizabeth (Jane) Wilson	3	1

* Dr Colin Adam was appointed non executive director on 13 September 2011 and replaced Mr Andrew Denver as Chairman of the Remuneration and Nomination Committee.

The composition of the Remuneration and Nomination Committee does not comply with the recommendations in the ASX Corporate Governance Principles that the Remuneration and Nomination Committee to have a majority of independent directors and that the chairman of the Remuneration and Nomination Committee be an independent director. The Company considers that its Remuneration and Nomination Committee membership is appropriate given the Company's current stage of development. For a full discussion of the Company's remuneration philosophy and framework for the year ended 30 June 2011, please refer to the Remuneration Report.

The Board has an agreed procedure for directors and Board committees to obtain independent professional advice at the Company's expense. Additionally, all directors have access to the Company Secretary at any time.

The Company has not yet determined the mix of diversity that the Company is seeking to achieve but will do so in the context of implementing a diversity policy.

Principle 3 – Promote ethical and responsible decision making

The Company has adopted a Code of Conduct applicable to directors, senior managers and other employees. The Company has also adopted a Securities Trading Policy. Both the code of conduct and the securities trading policy are available on the Company's website.

The Company is aware of the importance of implementing, maintaining and notifying the market of any policy and any associated measurable objectives governing the diversity of its workforce. The Company notes that, whilst diversity relating to gender, age, ethnicity, culture or background, skill, experience and perspective are factors considered in the nomination process, the Company does not at present have a formal policy relating to diversity. The Company intends to develop a diversity policy and conduct a review of gender diversity within the Company in consultation with the Remuneration and Nomination Committee. The Remuneration and Nomination Committee will annually report to the Board the relative proportion of women and men in the workforce at all levels within the Company and the Remuneration and Nomination Committee charter will be updated to reflect this requirement. Currently women represent 31% of the overall workforce, 33% of the Executives and 20% of the Board.

Principle 4 – Safeguard integrity in financial reporting

The Board has established an Audit and Risk Management Committee, which operates under a charter approved by the Board. The charter is available on the Company's website. The Audit and Risk Management Committee has been established to review the integrity of the Company's financial reports. The primary objective of the Audit and Risk Management Committee is to assist the Board to fulfil its responsibilities relating to accounting and reporting practices of the Company, including, the Company's annual and half-year financial statements and all other financial information released by the Company. At the date of this report, the Audit and Risk Management Committee comprises of:

Name	Qualifications	Meetings Held	Meetings Attended
Dr Elizabeth (Jane) Wilson (Chairman)	MBBS, MBA, FAICD	6	6
Mr Denis Hanley	AM, MBA, FCPA, FAICD	6	6
Dr Michael Hirshorn*	BSc (Hons), MBA, FAICD	4	4

* Dr Michael Hirshorn was appointed non executive director on 13 September 2011 and replaced Mr Andrew Denver as a member of the Audit and Risk Management Committee.

The composition of the Audit and Risk Management Committee has a majority of independent non executive directors and an independent chairman which complies with the recommendations in the ASX Corporate Governance Principles.

The Audit and Risk Management Committee is responsible for recommending the appointment and reviewing the performance of the external auditors of the Company. The lead audit partner will be required to rotate off the audit duties for the Company after their involvement for a maximum of five years.

The Board will regularly review the performance and composition of the Audit and Risk Management Committee.

Principle 5 – Make timely and balanced disclosure

The Company has adopted a Continuous Disclosure and Shareholder Communication Policy which is available on the Company's website. The policy describes the processes implemented by the Company to assist the Company in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules. Furthermore, the Board has established a disclosure committee to assist the Company in complying with its disclosure obligations. The disclosure committee comprises of the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary.

Principle 6 – Respect the rights of shareholders

The Company has adopted the Continuous Disclosure and Shareholder Communication Policy referred to above. The Company also provides shareholders with audio and written investor updates and utilises its website to disclose relevant information about the Company. The Company requires that the auditors of the Company attend the Company's annual general meeting and respond to questions that shareholders may have. Shareholders are encouraged to attend and ask questions at general meetings of the Company.

Principle 7 – Recognise and manage risk

The Audit and Risk Management Committee provides guidance on the structure and operation of risk management processes and is responsible for reviewing the Company's internal controls and management of financial risk. The Audit and Risk Management charter is available on the Company's website.

The Board is responsible for reviewing the Company's general management of risk and reviews the effectiveness of the Company's risk management systems. Management, through the Chief Executive Officer, is responsible for designing, implementing and reporting on the adequacy of the company's risk management and internal control system. Management have adopted policies and procedures to ensure that the Company's material business risks are identified and that controls are adequate, in place, and functioning effectively.

The Company's risk management matrixes are updated with comprehensive reviews each time there is a material change to the Company's business and at other scheduled times each year. Strategic and operational risks are reviewed at least annually by all operating divisions as part of the Company's annual strategic planning, business planning, forecasting and budgeting process. To assist the Board and Audit and Risk Management Committee to monitor and manage the Company's material business risks and mitigation processes, management provides regular reports in respect of operations and the financial position of the Company to the Board.

The Chief Executive Officer and Chief Financial Officer must provide a statement to the Board that the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance.

Principle 8 – Remunerate fairly and responsibly

The Board has established a Remuneration and Nomination Committee, which operates under a charter approved by the Board. For information in relation to the composition and structure of the Remuneration and Nomination Committee and the extent to which it complies with the Corporate Governance Principles, please refer to *Principle 2 – Structure the Board to add value*. For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and key management, please refer to the Remuneration Report.

Executives of the Company are remunerated by way of fixed salary, variable bonus payments and equity. Non executive directors are paid by way of fixed fee and are not entitled to bonus payments. Non executive directors have been granted options upon their appointment. Any such grant of options is subject to approval of shareholders of the Company in accordance with the requirements of the ASX Listing Rules. The Company does not operate any schemes for retirement benefits, other than statutory superannuation for non executive directors.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME OR LOSS

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Year ended 30 June 2011 $	Year ended 30 June 2010 $
Continuing Operations			
Sale of goods	4	24,622	478,508
Revenue		24,622	478,508
Cost of sales		19,569	395,497
Gross Profit		5,053	83,011
Other revenue	5a	466,888	277,216
Other income	5a	286,218	-
Expenses			
Research and development		(6,516,001)	(6,715,333)
Sales and marketing		(710,424)	(1,303,529)
Administration costs		(2,479,712)	(2,898,272)
		(9,706,137)	(10,917,134)
Loss before income tax expense		(8,947,978)	(10,556,907)
Income tax expense	6	-	-
Net loss from continuing operations after income tax expense		(8,947,978)	(10,556,907)
Other comprehensive income, net of tax		-	-
Total comprehensive loss		(8,947,978)	(10,556,907)
Loss per share (cents per share)			
- Basic		(6.2) cents	(13.7) cents
- Diluted		(6.2) cents	(13.7) cents

The above Statement of Comprehensive Income or Loss should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	As at 30 June 2011 $	As at 30 June 2010 $
ASSETS			
Current assets			
Cash and cash equivalents	8	4,758,761	11,446,145
Trade and other receivables	9	180,484	337,507
Inventories	10	982,235	1,343,407
Other current assets	11	110,388	245,229
Total current assets		6,031,868	13,372,288
Non-current assets			
Property, plant and equipment	12	2,778,243	3,672,074
Intangible assets	13	618,739	811,791
Other non-current assets	14	412,077	412,077
Total non-current assets		3,809,059	4,895,942
TOTAL ASSETS		9,840,927	18,268,230
LIABILITIES			
Current liabilities			
Trade and other payables	15	1,219,811	1,210,632
Provisions	16	149,000	149,000
Interest bearing liabilities	17	6,805	5,982
Total current liabilities		1,375,616	1,365,614
Non-current liabilities			
Interest bearing liabilities	17	10,441	17,246
Provisions	16	253,519	230,552
Total current liabilities		263,960	247,798
TOTAL LIABILITIES		1,639,576	1,613,412
NET ASSETS		8,201,351	16,654,818
EQUITY			
Contributed equity	19(a)	59,429,233	59,211,122
Other reserves	20(b)	2,368,990	2,092,590
Accumulated losses	20(a)	(53,596,872)	(44,648,894)
TOTAL EQUITY		8,201,351	16,654,818

The above statement of Financial Position should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Year ended 30 June 2011 $	Year ended 30 June 2010 $
Cash flows from operating activities			
Receipts from customers		177,819	295,718
Payments to suppliers and employees (inclusive of GST)		(7,649,665)	(10,684,015)
Receipt of government grants		286,218	-
Receipt of other income (inclusive of GST)		32,139	52,865
Interest received		441,359	222,427
Net cash flows used in operating activities	8	(6,712,130)	(10,113,005)
Cash flows from investing activities			
Purchase of property, plant and equipment		(164,561)	(206,076)
Purchase of intangibles		(8,850)	(19,173)
Net cash flows used in investing activities		(173,411)	(225,249)
Cash flows from financing activities			
Payment of finance lease liabilities		(19,954)	(8,226)
Proceeds from issue of shares	19(a)	169,840	15,464,424
Cost of offer		-	(601,319)
Proceeds from exercise of options	19(a)	48,271	-
Net cash flows from financing activities		198,157	14,854,879
Net increase/(decrease) in cash and cash equivalents		(6,687,384)	4,516,625
Cash and cash equivalents at beginning of year		11,446,145	6,929,520
Cash and cash equivalents at end of year	8	4,758,761	11,446,145

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Contributed Equity $	Accumulated Losses $	Other Reserves $	Total $
At 1 July 2009	44,410,387	(34,091,987)	1,934,147	12,252,547
Loss for the year	-	(10,556,907)	-	(10,556,907)
Total comprehensive income for the year	-	(10,556,907)	-	(10,556,907)
Equity Transactions:				
Cost of share-based payments	-	-	158,443	158,443
Proceeds from issue of shares	15,464,424	-	-	15,464,424
Cost of offer	(701,681)	-	-	(701,681)
Employee share plan - share issue	37,992	-	-	37,992
At 30 June 2010	59,211,122	(44,648,894)	2,092,590	16,654,818
At 1 July 2010	59,211,122	(44,648,894)	2,092,590	16,654,818
Loss for the year	-	(8,947,978)	-	(8,947,978)
Total comprehensive income for the year	-	(8,947,978)	-	(8,947,978)
Equity Transactions:				
Cost of share-based payments	-	-	276,400	276,400
Proceeds from issue of shares	169,840	-	-	169,840
Cost of offer	-	-	-	-
Proceeds from exercise of options	48,271	-	-	48,271
At 30 June 2011	59,429,233	(53,596,872)	2,368,990	8,201,351

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The financial report of CathRx Ltd (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors of the Company on 23 September 2011. The Company is a public company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Company is involved in the research, development and commercialisation of innovative cardiac catheter devices for use in the diagnosis and treatment of cardiac arrhythmias.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

The following amending standards have also been adopted from 1 July 2010:

AASB 2009-5 Amendments to Australian Accounting Standards – the amendments are editorial amendments to AASB 5, AASB 8, AASB 101, AASB 107, AASB 117, AASB 118, AASB 136 and AASB 139. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes. The Company has assessed the amendments and has concluded that these have no major impact on the requirements of the amended pronouncements.

AASB 2009-5 Amendments to Australian Accounting Standards – Classification of Rights issues (AASB 132) – the amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. The Company has assessed the amendments and has concluded that these 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 Statement of Comprehensive Income or Loss and the statement of cash flows, respectively. The Company will require revenue or capital to continue operating at the current level.

In August 2011, the Company announced that it had entered into detailed term sheets with two prospective licensees for the development and commercialisation of innovative cardiac catheters in Europe. The ability of the Company to continue as a going concern is contingent upon the Company successfully entering into a definitive commercial agreement and fulfilling the terms of that agreement.

If the Company is unable to enter into a definitive commercial agreement, 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) Summary of significant accounting policies

(i) Derivative financial instruments and hedging

The company uses derivative financial instruments (foreign exchange contracts) to hedge its risks associated with foreign currency. These are initially recognised at fair value on the date on which the contract is entered into and subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

(ii) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and short term deposits as defined above.

(iii) Trade and other receivables

Trade receivables which generally have up to 60 day terms are recognised at fair value.

Other receivables, which generally have 30-90 days terms, are initially recognised at fair value.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the company will not be able to collect the debt.

(iv) Inventories

Inventories include raw materials and work in progress that are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials.

Finished goods and work in progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(vi) Loss per share

Basic loss per share is calculated as net loss attributable to the members adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non discretionary changes in revenues and expenses during the period that would result from the dilution of potential ordinary shares,
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Note that, had the dilutive shares been factored, this could have reduced the net loss per share.

(vii) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are, measured at their nominal amounts. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits, specifically long service leave, expected to be settled later than twelve months from the reporting date are measured at the present value of estimated future cash flows to be made for those benefits.

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

(viii) Foreign currency

(i) Functional and presentation currency
Both the functional and presentation currency of the Company is in Australian dollars (A$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange gains and losses are recognised in profit and loss in the period in which they arise.

(ix) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Deferred revenue is recognised when the grant revenue received in advance is greater than the expenditure claimed.

(x) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Refer to Note 6.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income or Loss.

(xi) Intangibles

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see Note (xviii) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Company's intangible assets is as follows:

Patents

Useful lives

Finite

Amortisation method used

Amortised over the period of expected future benefit from the related project on a straight-line basis

Internally generated or acquired

Acquired

Impairment testing

Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year end

Expected amortisation period

Assessed as having a useful life of 10 years

Capitalised Software

Useful lives

Finite

Amortisation method used

Amortised over the period of expected future benefit from the related project on a straight-line basis

Internally generated or acquired

Acquired

Impairment testing

Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year end

Expected amortisation period

Assessed as having a useful life of 5 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

(xii) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income or Loss on a straight-line basis over the lease term.

Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Leases where the lessee substantially obtains all the risks and benefits incidental to ownership of the leased item are classified as finance leases. At inception of the lease, the fair value of the asset is capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(xiii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xiv) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis for all property, plant and equipment.

Major useful lives are:

Plant and equipment	1 to 10 years
Leasehold improvements	lease term
Leased office equipment	4 years

Depreciation expense is classified within research and development and general administration costs based on the nature and use of the asset being depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(xv) Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(xvi) Other assets

Security deposit – is initially recognised at fair value, subsequent to initial recognition is carried at amortised cost. This is held on deposit by the Company's bank which accrues interest on a six monthly term.

(xvii) Interest bearing liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Where borrowings are required to be paid within 12 months of balance date, these are classified as current. For borrowings greater than 12 months, these are classified as non-current.

(xviii) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other cash generating units. Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(xix) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
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 or free on board for certain sales.

Interest income
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(xx) Share-based payment transactions

The Company operates an employee option plan ("Employee Option Plan") pursuant to which the Company provides benefits to employees, including directors and certain consultants of the Company, in the form of equity based transactions ("equity settled transactions").

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model. Further details are given in Note 18.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting period").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects: (i) the extent to which the vesting period has expired; and (ii) the best estimate opinion of the directors of the Company of the number of equity instruments that will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of loss per share.

(xxi) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost, whether or not billed to the entity, which is the fair value of the consideration to be paid in the future for goods and services received.

(xxii) Significant accounting judgements, estimates and assumptions

In applying the accounting policies of the Company, management continually evaluates judgements, estimates and assumptions based on experience and other factors. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgement, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(a) Impairment of non financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. These include product and manufacturing performance, technology, economic and political environments and future product expectations. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(b) Share based payments

The Company measures the cost of equity settled transactions with employees by reference to fair value of the equity instruments at the date on which they are granted. The fair value is determined by using the binomial model with the assumptions detailed in Note 18. The accounting estimates and assumptions relating to equity settled share based payments may impact expenses and equity.

(c) Estimation of useful lives of assets

The estimation of useful lives of assets has been based on industry standards and tax depreciation rates. Adjustments to useful life are made when considered necessary. This includes a change in the useful life of leasehold improvements at Homebush Bay. Depreciation charges are included in Note 5(c).

(d) Make good provisions

A provision has been made for the anticipated costs of future restoration of leased manufacturing premises. The provision includes future cost estimates associated with demolishing production offices, inventory and receiving areas. The provision is periodically reviewed and updated based on the facts and circumstances available at the time.

(e) Unfavourable contract provisions

A provision has been made for the excess and unutilised warehouse space under the Company's lease of its premises. Information regarding the Company's lease commitments is set out in Note 21.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise receivables, payables, finance leases, derivatives, cash and short term deposits. The Company manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Company's treasury policy. The objective of the policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

Primary responsibility for identification and control of financial risks rest with the Audit and Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including interest rate risk and future cash flow forecast projections.

The Company enters into derivative transactions (foreign exchange contracts), principally to manage its foreign currency risk associated with its operations. The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk and liquidity risk.

Risk exposures and responses

Interest rate risk

The Company's exposure to market interest rates primarily involves the Company's cash and term deposits.

At balance date, the Company had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	2011	**2010**
	$	$
Financial Assets		
Cash and cash equivalents	4,758,761	11,446,145
Other assets	412,077	412,077
	5,170,838	11,858,222

The Company constantly analyses its interest rate exposure. Consideration is given to variable interest rates by making the most effective use of funds in the highest possible interest rate but at the lowest risk.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss (Higher)/lower		**Equity (Higher)/lower**	
	2011	2010	2011	2010
	$	$	$	$
+1% (100 basis points)	(51,708)	(118,581)	-	-
-.5% (50 basis points)	25,854	59,291	-	-

The movement in losses is due to higher/lower interest rates from cash balances.

Foreign currency risk

The Company has transactional currency exposures. Such exposure arises from purchases in currencies other than the functional currency. The Company may enter into a foreign exchange contract when there is a firm commitment to purchase goods or services from overseas.

At 30 June 2011, the company had the following exposure to foreign currency:

	2011	2010
	$	$
Financial Assets		
Trade and other receivables	88,576	227,423
	88,576	227,423
Financial Liabilities		
Trade and other payables	99,201	42,007
	99,201	42,007
	(10,625)	185,416

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

At 30 June 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss (Higher)/lower		Equity (Higher)/lower	
	2011	2010	2011	2010
	$	$	$	$
AUD/EUR +10%	(7,372)	(20,719)	-	-
AUD/EUR -5%	4,268	11,996	-	-
AUD/JPY +10%	6,247	-	-	-
AUD/JPY -5%	(3,617)	-	-	-
AUD/GBP +10%	-	289	-	-
AUD/GBP -5%	-	(167)	-	-
AUD/USD +10%	2,091	(4,151)	-	-
AUD/USD -5%	(1,211)	2,403	-	-

The movement in losses are due to higher/lower exchange rate movements.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding for meeting its operating costs and maximising financing revenue through at call bank deposits in line with budget requirements. The Company's policy is to minimise its forward commitments in achieving this objective.

All liquid assets are represented by cash and cash equivalents, other current assets and other receivables. All liquid liabilities contractual maturities are represented by trade and other payables.

The contractual maturity amounts are the current carrying value. The company monitors its liquidity by reviewing a 12 month rolling forecast in conjunction with its overall strategy.

Maturity analysis of financial liabilities

	‹6 months $	6-12 months $	1-5 years $	›5 years $	Total $
Financial Liabilities					
Trade and other payables	207,094	-	-	-	207,094
Finance lease	4,321	4,321	11,563	-	20,205
	211,415	4,321	11,563	-	227,299

The table above also reflects all contractually fixed payables for settlements resulting from recognised financial liabilities.

Credit risk

The Company's exposure to credit risk is reflected in the value recorded in Trade and other Receivables. Distributors who wish to trade on credit terms are subject to verification procedures. The other receivables balance relates to GST and payroll tax receivable from the Australian Taxation Office and the Office of State Revenue respectively.

The Company constantly monitors its concentration of financial assets comprising of cash and cash equivalents and other assets to minimise risk of default by investing in credit worthy institutions.

Fair value

Other non-current asset of $412,077 is carried at amortised cost and based on the value of the security guarantee held by the bank in relation to the Homebush lease. The carrying value approximates the fair value.

4. SEGMENT INFORMATION

Operating segments

The Company is an Australian company listed on the Australian Securities Exchange (ASX code: CXD) and manufactures and develops its cardiac catheters at Homebush Bay in NSW, where all of its non-current assets are located.

Based upon the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources, the Company has identified its operating segments. Management has identified that the Company has one operating segment which is defined by the products sold to its distributors.

The Company's operating and reportable segments are the same. Related financial information is reported to the Chief Executive Officer on at least a monthly basis. Total segment revenue, net loss, assets and liabilities are the same as that disclosed in the financial report.

For the financial year ended 30 June 2011, the two largest distributors account for 63% and 22% respectively of total external revenue. Revenue is attributed to geographic location as follows:

	2011 $	2010 $
Europe	5,320	421,327
Other foreign locations	19,302	57,181
Total revenue	24,622	478,508

5. REVENUES AND EXPENSES

		Notes	2011 $	2010 $
	Revenue and expenses from operations			
(a)	**Sales revenue**			
	Sales revenue		24,622	478,508
	Total sales revenue		24,622	478,508
	Other revenue			
	Finance revenue (interest income)		437,979	231,489
	Other		28,909	45,727
	Total other revenue		466,888	277,216
	Other income			
	Government grants		286,218	-
	Total other income		286,218	-
(b)	**Employee benefits expense**			
	Wages and salaries		3,451,541	4,728,280
	Superannuation expense		263,803	385,347
	Workers' compensation costs		45,085	71,544
	Share-based payments expense	20(b)	276,400	158,443
	Total employee benefits expense		4,036,829	5,343,614
(c)	**Depreciation & amortisation expense**			
	Plant and equipment		846,538	842,900
	Leasehold improvements		203,847	221,014
	Leased office equipment		8,007	6,990
	Patents		45,000	45,375
	Capitalised software		156,902	156,010
	Total depreciation and amortisation expense		1,260,294	1,272,289
(d)	**Premises licence fee and lease payments**			
	Minimum premises licence fee and operating lease payments		801,688	801,688
	Total premises licence fee and lease payments		801,688	801,688

5. REVENUES AND EXPENSES (cont.)

		Notes	2011	2010
			$	$
(e)	**Finance costs**			
	Finance charges payable under finance lease		2,960	3,085
	Total finance charges payable under finance lease		2,960	3,085
(f)	**Unfavourable contract**			
	Unfavourable contract expense for excess warehouse space		149,000	149,000
	Total unfavourable contract expense for excess warehouse space		149,000	149,000
(g)	**Exchange (gain)/loss**			
	Foreign exchange (gain)/ loss		(65,424)	58,125
	Total foreign exchange (gain)/loss		(65,424)	58,125

Information regarding the unfavourable contract is set out in Note 16(b).

6. INCOME TAX

		2011 $	2010 $
	Income tax expense reported in the Statement of Comprehensive Income or Loss	-	-
	The major components of income tax expense are:		
(a)	**Statement of Comprehensive Income or Loss**		
	Current income tax		
	Current income tax charge	-	-
	Deferred income tax		
	Relating to origination and reversal of temporary differences	-	-
	Temporary differences not recognised as an asset	-	-
	Income tax expense reported in the Statement of Comprehensive Income or Loss	-	-

(b) A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax:

	2011	2010
Accounting loss before income tax	(8,947,978)	(10,556,907)
At the Company's statutory income tax rate of 30%	(2,684,394)	(3,167,072)
Increase in tax expense due to:		
Share option expense	82,920	47,537
R&D	(270,000)	(709,192)
Non-deductible expenses	106,868	185,670
Other	11,920	(22,277)
Adjustment in respect of current income tax of prior years	(230,314)	(65,095)
	(2,983,000)	(3,730,429)
Deferred tax assets not brought to account	2,983,000	3,730,429
Income tax expense reported in the Statement of Comprehensive Income or Loss	-	-

As at 30 June 2011, the Company has total tax losses which do not expire totalling $56,140,028 (2010: $46,231,878).

As at 30 June 2011 there is an unrecognised deferred tax asset arising from temporary differences of $753,528 (2010: $783,069).

There are $nil (2010: $nil) dividends on ordinary shares declared or paid during the year.

As at 30 June 2011 there is $nil (2010: $nil) franking credits available for future reporting periods.

7. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted loss per share computations:

	2011 $	2010 $
Net loss attributable to ordinary equity holders	(8,947,978)	(10,556,907)

	2011 No.	2010 No.
Weighted average number of ordinary shares for basic loss per share	143,246,836	77,164,083
Weighted average number of ordinary shares for effect of dilution	143,246,836	77,164,083

Share options totalling 5,611,700 are not included in the weighted average number of ordinary shares noted above as they are not dilutive in nature.

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2011 $	2010 $
Cash at bank and in hand	363,917	888,223
Short-term deposits	4,394,844	10,557,922
	4,758,761	11,446,145

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates of weight average effective interest rate of 4.60% (2010: 4.33%).

Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following:

	2011 $	2010 $
Cash at bank and cash in hand	363,917	888,223
Short-term deposits	4,394,844	10,557,922
	4,758,761	11,446,145
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net loss	(8,947,978)	(10,556,907)
Adjustments for:		
Depreciation/amortisation	1,260,295	1,272,289
Share based payments expensed	276,400	158,443
Write-off of non-current assets		30,283
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	136,780	(192,055)
(Increase)/decrease in inventory	351,969	(387,703)
(Increase)/decrease in other assets	134,841	18,858
Increase/(decrease) in trade and other payables	52,596	(576,699)
Increase/(decrease) in provisions	22,967	120,486
Net cash used in operating activities	(6,712,130)	(10,113,005)
(b) Non cash financing and investing activities		
Share based payments	276,400	158,443
Employee share plan	-	37,992
Acquisition of assets by means of finance leases	9,300	9,300

9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Trade receivables	92,576	232,461
Goods and services tax	78,002	95,140
Other	9,906	9,906
	180,484	337,507

Goods and services tax receivable does not contain impaired assets and are not passed due. It is expected this will be received when due and is non interest bearing.

(a) Aging analysis

At 30 June 2011, the aging analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days	90+ days
2011	92,576	2,100	1,900	6,214	82,362
2010	232,461	103,829	1,900	-	126,732

Receivables past due date but not considered impaired are $92,268 (2010: $126,732).

(b) Fair Value

Due to the short term nature of these receivables, their carrying value approximates the fair value.

10. CURRENT ASSETS – INVENTORIES

	2011 $	2010 $
Raw materials - at lower of cost or net realisable value	829,271	1,059,533
Work in progress - at lower of cost or net realisable value	8,147	50,376
Finished goods - at lower of cost or net realisable value	144,817	233,498
	982,235	1,343,407

Approximately $315,920 of raw materials was written off during the financial year.

11. OTHER CURRENT ASSETS

	2011 $	2010 $
Prepayments	100,397	231,857
Interest accrued	9,991	13,372
	110,388	245,229

12. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the period.

	Plant and equipment $	Office equipment under lease $	Leasehold improvements $	Total $
Year ended 30 June 2011				
As at 1 July 2010, net of accumulated depreciation and impairment	2,009,532	19,651	1,642,891	3,672,074
Additions	164,561	-	-	164,561
Disposals	-	-	-	-
Impairment	-	-	-	-
Depreciation charge for the year	(846,538)	(8,007)	(203,847)	(1,058,392)
At 30 June 2011, net of accumulated depreciation and impairment	1,327,555	11,644	1,439,044	2,778,243
At 1 July 2010				
Cost	4,862,428	32,027	2,718,830	7,613,285
Disposals	(1,951)	-	-	(1,951)
Accumulated depreciation and impairment	(2,850,945)	(12,376)	(1,075,939)	(3,939,260)
Net carrying amount	2,009,532	19,651	1,642,891	3,672,074
At 30 June 2011				
Cost	5,025,038	32,027	2,718,830	7,775,895
Disposals	-	-	-	-
Accumulated depreciation and impairment	(3,697,483)	(20,383)	(1,279,786)	(4,997,652)
Net carrying amount	1,327,555	11,644	1,439,044	2,778,243
Year ended 30 June 2010				
As at 1 July 2009, net of accumulated depreciation and impairment	2,224,532	17,341	1,856,348	4,098,221
Additions	658,183	9,300	7,557	675,040
Disposals	(1,951)	-	-	(1,951)
Impairment	(28,332)	-	-	(28,332)
Depreciation charge for the year	(842,900)	(6,990)	(221,014)	(1,070,904)
At 30 June 2010, net of accumulated depreciation and impairment	2,009,532	19,651	1,642,891	3,672,074
At 1 July 2009				
Cost	4,232,380	22,727	2,711,273	6,966,380
Disposals	(28,135)	-	-	(28,135)
Accumulated depreciation and impairment	(1,979,713)	(5,386)	(854,925)	(2,840,024)
Net carrying amount	2,224,532	17,341	1,856,348	4,098,221

	Plant and equipment $	Office equipment under lease $	Leasehold improvements $	Total $
At 30 June 2010				
Cost	4,862,428	32,027	2,718,830	7,613,285
Disposals	(1,951)	-	-	(1,951)
Accumulated depreciation and impairment	(2,850,945)	(12,376)	(1,075,939)	(3,939,260)
Net carrying amount	2,009,532	19,651	1,642,891	3,672,074

There was no impairment loss recognised in the 30 June 2011 financial year. The impairment loss of $28,332 recognised in the financial year ended 30 June 2010 is in relation to plant and equipment no longer required for the Company's operations. This amount has been recognised in the Statement of Comprehensive Income or Loss as "Administration costs".

13. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Patents $	Capitalised software $	Total $
Year ended 30 June 2011			
As at 1 July 2010, net of accumulated amortisation and impairment	330,229	481,562	811,791
Additions		8,850	8,850
Amortisation	(45,000)	(156,902)	(201,902)
At 30 June 2011, net of accumulated amortisation and impairment	285,229	333,510	618,739
At 1 July 2010			
Cost	450,000	782,386	1,232,386
Accumulated amortisation and impairment	(119,771)	(300,824)	(420,595)
Net carrying amount	330,229	481,562	811,791
At 30 June 2011			
Cost	450,000	791,236	1,241,236
Accumulated amortisation and impairment	(164,771)	(457,726)	(622,497)
Net carrying amount	285,229	333,510	618,739
Year ended 30 June 2010			
As at 1 July 2009, net of accumulated amortisation and impairment	375,604	618,399	994,003
Additions	-	19,173	19,173
Amortisation	(45,375)	(156,010)	(201,385)
At 30 June 2010, net of accumulated amortisation and impairment	330,229	481,562	811,791
At 1 July 2009			
Cost	450,000	763,213	1,213,213
Accumulated amortisation and impairment	(74,396)	(144,814)	(219,210)
Net carrying amount	375,604	618,399	994,003
At 30 June 2010			
Cost	450,000	782,386	1,232,386
Accumulated amortisation and impairment	(119,771)	(300,824)	(420,595)
Net carrying amount	330,229	481,562	811,791

No intangible assets are impaired.

14. OTHER NON-CURRENT ASSETS

	2011 $	2010 $
Security deposit for premises	412,077	412,077
	412,077	412,077

The security deposit is for the lease of the Company's Homebush premises. This is held on deposit by the Company's bank which accrues interest on a six monthly term.

Fair Value

The carrying value approximates the fair value.

15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2011 $	2010 $
Trade payables	176,574	167,744
Accrued expenses	590,287	590,186
Leasehold incentive	131,578	151,821
PAYG tax	58,374	49,369
Payroll tax	11,406	6,725
Superannuation	23,021	20,316
Employee benefits	221,072	207,699
Other	7,499	16,772
	1,219,811	1,210,632

There are no balances greater than 90 days past due.

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value and non interest bearing.

(b) Interest rate, foreign exchange, and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3.

16. NON-CURRENT LIABILITIES – PROVISIONS

	2011 $	2010 $
Current		
Unfavourable contract	149,000	149,000
	149,000	149,000
Non-Current	53,519	30,552
Long service leave	200,000	200,000
Make good provision	253,519	230,552

(a) Movement in non-current provisions

Movements in the make good provision and unfavourable contract provision during the financial year are set out below:

	Make good $	Unfavourable contract $	Total $
Year ended 30 June 2011			
As at 1 July 2010	200,000	149,000	349,000
Arising during the year	-	-	-
At 30 June 2011	200,000	149,000	349,000

(b) Nature and timing of provisions

Make good provision

In accordance with the lease agreement at Homebush, the Company must restore the leased premises to its original condition at the end of the lease term in 2017. The company provided $200,000 in respect of its obligation to remove leasehold improvements from the leased premises.

Long service leave provision

Refer to Note 2(d)(vii) for the relevant accounting policy and a discussion of the significant estimation and assumptions applied in the measurement of this provision.

Unfavourable contract provision

In accordance with AASB 137, the Company has recognised its unfavourable contract as a liability. The liability has been recognised to reflect the excess and unutilised warehouse space under the Company's lease of its premises. Information regarding the Company's lease commitments is set out in Note 21.

17. CURRENT & NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	2011 $	2010 $
Current		
Obligations under finance leases and hire purchase contracts	6,805	5,982
	6,805	5,982
Non-Current		
Obligations under finance leases and hire purchase contracts	10,441	17,246
	10,441	17,246

Fair values

The carrying amount of the Company's current and non-current interest bearing obligations approximate their fair value.

18. SHARE BASED PAYMENT PLANS/TRANSACTIONS

Employee Option Plan

The Company adopted the Employee Option Plan in 2003 which was amended in 2005. Pursuant to the Employee Option Plan the Company may, at the discretion of the Board or a committee appointed by the Board to administer the Employee Option Plan, grant options to purchase ordinary shares, to directors, employees, advisors and consultants of the Company. The options are issued for a term stated in the notice of grant of options for a period not exceeding 10 years from the date of the grant. The options cannot be transferred and will not be quoted on the Australian Securities Exchange. Vesting requirements are set out in the notice of grant of options and are determined at the discretion of the Board or a committee appointed by the Board. Employee options typically vest on 31 December each year, over 3 years, with the first tranche typically vesting in December of the year of grant, and the second tranche and third tranche vesting in December of the second and third year after grant, respectively. The vesting of options granted in 2003 and 2004 accelerated on the closing of the initial public offering of the Company's ordinary shares in accordance with the terms of the Employee Option Plan so that those options are all fully vested. The exercise price is based on the five day average of the share price up to the date of the grant.

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

	2011 No.	**2011** WAEP ($)	**2010** No.	**2010** WAEP ($)
Outstanding at the beginning of the year	5,554,350	0.62	3,827,394	0.93
Options granted during the year	2,320,000	0.18	2,125,000	0.21
Options exercised during the year	(497,640)	(0.10)	-	-
Options forfeited during the year	(1,765,010)	(0.42)	(398,044)	(1.40)
Outstanding at the end of the year	5,611,700	0.47	5,554,350	0.62

3,533,364 options were exercisable at 30 June 2011 (2010: 3,038,340).

As at 30 June 2011, the weighted average exercise price is $0.47 (2010: $0.62). The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 7.65 years (2010: 7.02 years). The range of exercise prices for options outstanding as at the year ended 30 June 2011 was $0.097 - $2.627 (2010: $0.16 - $2.74).

The weighted average fair value of options granted during the year was $0.12 (2010: $0.19).

The fair value of the equity-settled share options granted under the option is estimated as at the date of grant using a binomial model taking into account the terms upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2011 and 30 June 2010:

	2011	2010
Dividend yield (%)	0.00	0.00
Expected volatility (%)	57.00	57.00
Risk-free interest rate (%)	5.26	5.76
Expected life of option (years)	6.0	6.0
Option exercise price ($)	0.18	0.21

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

On 23 July 2010, 497,640 new shares were issued upon exercise of employee share options and the payment of $0.097 per share. The closing share price of the Company's shares on 23 July 2010 was $0.20.

19. CONTRIBUTED EQUITY

(a) Ordinary shares

	2011 $	2010 $
Ordinary shares		
Issued and fully paid	59,429,233	59,211,122

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

Movement in ordinary shares on issue	$
At 1 July 2009	44,410,387
Proceeds from issue of shares	15,464,424
Cost of offer	(701,681)
Cost of issue of employee shares	37,992
As at 30 June 2010	59,211,122
Proceeds from issue of shares	169,840
Proceeds from exercise of options	48,271
As at 30 June 2011	59,429,233

Movement in ordinary shares on issue	No.
At 1 July 2009	48,867,486
Issue of ordinary shares (Rights Issue % Placements)	92,792,986
Issue of employee shares	60,306
At 30 June 2010	141,720,778
Issue of ordinary shares (Placement)	1,061,502
Issue of shares upon exercise of options	497,640
At 30 June 2011	143,279,920

(b) 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. Management are constantly monitoring the capital structure and raising capital as and when needed.

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

20. ACCUMULATED LOSSES AND RESERVES

(a) Movements in accumulated losses were as follows:

	2011 $	2010 $
Balance 1 July	(44,648,894)	(34,091,987)
Net loss for the year	(8,947,978)	(10,556,907)
Balance 30 June	(53,596,872)	(44,648,894)

(b) Other reserves

Share based payments

	Employee equity benefits reserve $
As at 1 July 2009	1,934,147
Share-based payments	158,443
At 30 June 2010	2,092,590
Share-based payments	276,400
At 30 June 2011	2,368,990

(c) Nature and purpose of reserves

Employee equity benefits reserve
The reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 18 for further details of the Employee Option Plan pursuant to which equity benefits are provided to employees and directors.

21. COMMITMENTS AND CONTINGENCIES

Leasing commitments

Operating lease commitments

The Company has entered into licence/lease agreements for the lease of its premises. The licence/lease agreements have a remaining term of up to six years and six months (from the end of the financial year ended 30 June 2011) and require the Company to pay Homebush licence fees of $644,920 in total on an annual basis. In addition, outgoings may also be payable.

The future minimum commitments payable under these non-cancellable licence/lease agreements as at 30 June 2011 are as follows:

	2011 $	2010 $
Within one year	656,206	636,791
After one year but not more than five years	2,621,013	2,539,945
More than five years	1,175,753	1,928,765
	4,452,972	5,105,501

Finance lease commitments

The Company has entered into a finance lease arrangement of some office equipment over a 5 years term.

	2011 $	2010 $
Within one year	8,642	8,642
After one year but not more than five years	11,563	20,205
Total minimum lease payments	20,205	28,847
Less amounts representing finance charges	(2,960)	(5,619)
	17,245	23,228

22. RELATED PARTY TRANSACTIONS

2010 renounceable rights issue

Wilson HTM Corporate Finance Ltd acted as manager of the Company's rights issue carried out in March and completed in April 2010. Wilson HTM Investment Group Ltd, the parent company of the Wilson HTM Corporate Finance Ltd, is a public company whose shares are traded on the Australian Securities Exchange. Certain Directors, officers and employees of the Company and their affiliates hold shares in Wilson HTM Investment Group Ltd. Dr Jane Wilson is the spouse of Mr Steven Wilson who is an executive officer and substantial shareholder of Wilson HTM Investment Group Ltd. Wilson HTM Corporate Finance Ltd was paid $203,891 (exclusive of GST) in connection with the rights issue.

There are no other related party transactions other those disclosed in Note 25 Key Management Personnel.

23. EVENTS OCCURRING AFTER THE BALANCE DATE

On 14 July, the Company announced that it had submitted an application for CE Marking of its Variable Loop Catheter. Designed for the treatment of atrial fibrillation, the Variable Loop Catheter will be the first catheter in the Company's next generation device range.

In August 2011, the Company announced that it had entered into detailed term sheets with two prospective licensees for the development and commercialisation of innovative cardiac catheters in Europe. At the date of this report, the Company is still in negotiations for the purpose of entering into a definitive commercial agreement.

There has otherwise not been any matter or circumstance, other than as may be referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect:

- the operations of the Company in future financial years;
- the results of those operations in future financial years; or
- the state of affairs of the Company in the future financial years.

24. AUDITORS' REMUNERATION

The auditor of the Company is Ernst & Young.

	2011 $	2010 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit or review of the financial report of the entity	148,443	124,799
Total audit related	148,443	124,799
Other services in relation to the entity		
- Tax services	7,500	15,000
- Other services	6,060	-
Total other services	13,560	15,000
Total auditor's remuneration	162,003	139,799

25. KEY MANAGEMENT PERSONNEL

The names and details of Key Management Personnel can be found in the audited remuneration report.

(a) Compensation of Key Management Personnel

	2011 $	2010 $
Short term benefits	1,283,507	1,803,240
Post employment benefits	127,804	146,698
Long term benefits	6,930	44,748
Share-based payments	257,857	218,502
	1,676,098	2,213,188

(b) Option holdings of Key Management Personnel as at 30 June 2011

	Balance at beginning of period 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other [1] No.	Balance at 30 June 2011	Not Exercisable	Vested at 30 June 2011 Exercisable	Total
Directors								
Denis Hanley	179,168	-	-	(29,168)	150,000	-	150,000	150,000
Jeffrey Goodman	50,000	1,000,000	-	-	1,050,000	-	1,050,000	1,050,000
Jane Wilson	75,000	-	-	-	75,000	-	75,000	75,000
Colin Adam[2]	-	-	-	-	-	-	-	-
Michael Hirshorn[3]	-	-	-	-	-	-	-	-
Andrew Denver[4]	104,168	-	-	(29,168)	-	-	75,000	75,000
Total Directors	**408,336**	**1,000,000**	**-**	**(58,336)**	**1,350,000**	**-**	**1,350,000**	**1,350,000**
Executives								
Gerard Wallace	1,100,000	500,000	-	-	1,600,000	566,667	1,033,333	1,600,000
Amanda Wong	500,000	-	-	-	500,000	333,333	166,667	500,000
Roman Greifeneder	500,000	-	-	-	500,000	333,333	166,667	500,000
Brian Lee[5]	-	500,000	-	-	500,000	500,000	-	500,000
Total Executives	**2,100,000**	**1,000,000**	**-**	**-**	**3,100,000**	**1,733,333**	**1,366,667**	**3,100,000**
Total	**2,508,336**	**2,000,000**	**-**	**(58,336)**	**4,450,000**	**1,733,333**	**2,716,667**	**4,450,000**

Notes:

[1] The column Net Other Change excludes options granted as part of key personnel remuneration, but includes forfeited options.

[2] Dr Colin Adam was appointed as non executive director on 13 September 2010.

[3] Dr Michael Hirshorn was appointed as non executive director on 13 September 2010.

[4] Mr Andrew Denver resigned as non-executive director on 13 September 2010.

[5] Mr Brian Lee was appointed on 9 August 2010.

(b) Option holdings of Key Management Personnel as at 30 June 2010

	Balance at beginning of period 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other [1] No.	Balance at 30 June 2010	Not Exercisable	Vested at 30 June 2010 Exercisable	Total
Directors								
Denis Hanley	179,168	-	-	-	179,168	-	179,168	179,168
Andrew Denver[10]	104,168	-	-	-	104,168	-	104,168	104,168
Jeffrey Goodman	50,000	-	-	-	50,000	16,667	33,333	50,000
Jane Wilson	75,000	-	-	-	75,000	-	75,000	75,000
Carrie Hillyard[2]	241,668	-	-	-	241,668	-	241,668	241,668
Neil Anderson[3]	664,308	-	-	-	664,308	-	664,308	664,308
Total Directors	**1,314,312**	**-**	**-**	**-**	**1,314,312**	**16,667**	**1,297,645**	**1,314,312**
Executives								
Gerard Wallace	1,000,000	100,000	-	-	1,100,000	433,334	666,666	1,100,000
Simon Chiu[4]	73,750	-	-	(73,750)	-	-	-	-
Greg Rogers	50,000	450,000	-	-	500,000	483,334	16,666	500,000
Nerida Hunt[5]	70,000	-	-	(70,000)	-	-	-	-
Lisa Emerson[6]	-	500,000	-	-	500,000	500,000	-	500,000
Amanda Wong[7]	-	500,000	-	-	500,000	500,000	-	500,000
Roman Greifeneder[8]	-	500,000	-	-	500,000	500,000	-	500,000
Total Executives	**1,193,750**	**2,050,000**	**-**	**(143,750)**	**3,100,000**	**2,416,668**	**683,332**	**3,100,000**
Total	**2,508,062**	**2,050,000**	**-**	**(143,750)**	**4,414,312**	**2,433,335**	**1,980,977**	**4,414,312**

Notes:

[1] The column Net Other Change excludes options granted as part of key personnel remuneration, but includes forfeited options.

[2] On 19 April 2010, Dr Carrie Hillyard retired as non executive director. Dr Carrie Hillyard is a director of CM Capital Investments Pty Ltd. CM Capital Investments Pty Ltd as manager of CM Capital Investment Trust No.3 holds 187,018 options. CM Capital Investments Pty Ltd (CM3A), in its capacity as general partner of the Australia Venture Capital Fund LP, of which CM Capital Investments Pty Ltd is a special limited partner holds 54,650 options.

[3] Mr Neil Anderson resigned as Chief Executive Officer and Managing Director of the company on 17 February 2010.

[4] Mr Simon Chiu resigned as Chief Financial Officer on 21 September 2009.

[5] Ms Nerida Hunt left the Company on 4 September 2009.

[6] Ms Lisa Emerson was appointed on 1 September 2009 and left the Company on 25 August 2010.

[7] Ms Amanda Wong was appointed on 21 September 2009.

[8] Mr Roman Greifeneder was appointed on 16 November 2009.

[9] Mr Ross Matthews and Mr Evan Chong are no longer classified as Key Management Personnel so have not been included in the above table.

[10] On 13 September 2010, Mr Andrew Denver retired as non executive director.

(c) Shareholdings of Key Management Personnel as at 30 June 2011

Shares held in CathRx Ltd

30 June 2011 Ordinary shares	Balance of ordinary shares at1 July 2010 No.	Net change other No.	Balance of ordinary shares at 30 June 2011 No.
Directors			
Denis Hanley[1]	8,383,806	650,000	9,033,806
Jane Wilson	3,418,630	-	3,418,630
Jeffrey Goodman[1]	925,000	250,255	1,175,255
Colin Adam[1] [2]	1,360,000	140,000	1,500,000
Michael Hirshorn[3]	-	80,000	80,000
Andrew Denver[4]	1,737,500	-	1,737,500
Total Directors	**15,824,936**	**1,120,255**	**16,945,191**
Executives			
Gerard Wallace	605,174	-	605,174
Amanda Wong	66,500	-	66,500
Roman Greifeneder	-	-	-
Brian Lee[5]	-	-	-
Total Executives	**671,674**	**-**	**671,674**
Total	**16,496,610**	**1,120,255**	**17,616,865**

Notes:

[1] Mr Denis Hanley, Mr Jeffrey Goodman and Dr Colin Adam are directors of PFM Cornerstone Limited, a public company which holds 24,343,610 shares in the Company.

[2] Dr Colin Adam was appointed as non executive director on 13 September 2010.

[3] Dr Michael Hirshorn was appointed as non executive director on 13 September 2010.

[4] Mr Andrew Denver resigned as non-executive director on 13 September 2010.

[5] Mr Brian Lee was appointed on 9 August 2010.

(c) Shareholdings of Key Management Personnel as at 30 June 2010

Shares held in CathRx Ltd

30 June 2010 Ordinary shares	Balance of ordinary shares at1 July 2009 No.	Net change other No.	Balance of ordinary shares at 30 June 2010 No.
Directors			
Denis Hanley[1]	1,455,219	6,928,587	8,383,806
Neil Anderson[3]	4,151,200	376,969	4,528,169
Andrew Denver[1]	537,500	1,200,000	1,737,500
Carrie Hillyard[2]	13,741,626	555,675	14,297,301
Jane Wilson	579,800	2,838,830	3,418,630
Jeffrey Goodman[1]	100,000	825,000	925,000
Total Directors	**20,565,345**	**12,725,061**	**33,290,406**
Executives			
Gerard Wallace	-	605,174	605,174
Simon Chiu[4]	197,748	-	197,748
Greg Rogers	-	1,587	1,587
Nerida Hunt[5]	-	-	-
Lisa Emerson[6]	-	-	-
Amanda Wong[7]	-	66,500	66,500
Roman Greifeneder[8]	-	-	-
Total Executives	**197,748**	**673,261**	**871,009**
Total	**20,763,093**	**13,398,322**	**34,161,415**

Notes:

(1) Mr Denis Hanley, Mr Andrew Denver and Mr Jeffrey Goodman are directors of PFM Cornerstone Limited, a public company which holds 24,341, 610 shares in the Company.

(2) On 19 April 2010, Dr Carrie Hillyard retired as non executive director. Dr Carrie Hillyard is a director of CM Capital Investments Pty Ltd. CM Capital Investments Pty Ltd as manager of CM Capital Investment Trust No.3 holds 8,585,214 shares. CIBC Australia VC Fund LLC, in its capacity as general partner of the Australia Venture Capital Fund LP, of which CM Capital Investments Pty Ltd is a special limited partner holds 2,672,305 shares. CM Capital acts as an investment manager for two other entities which collectively have interests in 3,039,782 shares.

(3) Mr Neil Anderson resigned as Chief Executive Officer and Managing Director of the company on 17 February 2010. Neil Anderson & Evan Chong are potential beneficiaries under a trust which holds 4,201,369 ordinary shares. All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(4) Mr Simon Chiu resigned as Chief Financial Officer on 21 September 2009.

(5) Ms Nerida Hunt left the Company on 4 September 2009.

(6) Ms Lisa Emerson was appointed on 1 September 2009 and left the Company on 25 August 2010.

(7) Ms Amanda Wong was appointed on 21 September 2009.

(8) Mr Roman Greifeneder was appointed on 16 November 2009.

(9) Mr Ross Matthews and Mr Evan Chong are no longer classified as Key Management Personnel so have not been included in the above table.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

For further information in relation to directors and key management remuneration and equity-holdings, refer to the Remuneration Report.

(d) Other transactions and balances with Key Management Personnel

Purchases

During the financial year there were no transactions with key management personnel other than those disclosed in Note 22 and as set out below.

Related Party Transactions

Cameron Billingsley is associated with PFM Legal Pty Ltd which provides company secretarial, general counsel and administrative services to the Company. In the financial year ended 30 June 2011, PFM Legal Pty Ltd was paid approximately $97,227(exclusive of GST) (2010: $198,747) in connection with legal and administrative services provided to the Company. At 30 June 2011 $1,950 (2010: $18,951) was owing to PFM Legal Pty Limited. Cameron Billingsley holds 6,000 shares and 50,000 employee options over shares with an expiry date of 25 August 2015 as well as 10,000 options with an expiry date of 22 August 2017. Cameron Billingsley is also a potential beneficiary under a trust that holds 406,500 shares.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

   (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company are in accordance with the *Corporations Act 2001*, including:

      (i) Giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date.

      (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

   (b) The financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2.

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

On behalf of the Board

Jeffrey Goodman
Director and Chief Executive Officer

Sydney, 23 September 2011

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Auditor's Independence Declaration to the Directors of CathRx Ltd

In relation to our review of the financial report of CathRx Limited for the year ended 30 June 2011, 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

Colleen Hosking
Partner
Sydney

23 September 2011

Liability limited by a scheme approved under
Professional Standards Legislation

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Independent auditor's report to the members of CathRx Limited

Report on the Financial Report

We have audited the accompanying financial report of CathRx Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met 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. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Auditor's Opinion
In our opinion:

1. the financial report of CathRx Limited is in accordance with the *Corporations Act 2001*, including:
   - (i) giving a true and fair view of the financial position of CathRx Limited at 30 June 2011 and of its performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(c) in the financial report, which indicates that 'the company has incurred losses and net cash outflows from operating activities as disclosed in the Statement of Comprehensive Income or Loss and the Statement of Cash Flows, respectively' and that 'if the Company is unable to enter into a definitive commercial agreement, the company may be unable to continue as a going concern'. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion the Remuneration Report of CathRx Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

C. M. Hosking

Colleen Hosking
Partner
Sydney

23 September 2011

ADDITIONAL INFORMATION

Additional information required by the Listing Rules of the Australian Securities Exchange, and not shown elsewhere in this annual report is as follows. The information is current as at 6 September 2011.

DISTRIBUTION OF EQUITY SECURITIES

As at 6 September 2011 there were:

- 143,279,920 fully paid ordinary shares on issue in the capital of the Company held by 685 shareholders. At a general meeting, all shareholders present (in person or by proxy) have one vote on a show of hands. If a poll is validly called, all shareholders present (or by direct vote if applicable), have one vote per share held; and
- 5,583,367 options over ordinary shares in the capital of the Company held by 38 option holders. There are no voting rights attaching to the options.

HOLDING RANGES

Holdings Ranges	Number of ordinary shareholders	Number of option holders
1 - 1,000	49	0
1,001 - 5,000	188	3
5,001 - 10,000	81	7
10,001 - 100,000	255	20
100,001 and above	112	8
Totals	**685**	**38**

As at 6 September 2011 there were 174 shareholders with less than a marketable parcel of ordinary shares.

ADDITIONAL INFORMATION

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Shareholder name	Ordinary shares Number	%
PFM Cornerstone Limited	24,343,610	16.990%
UBS Nominees Pty Ltd	18,000,000	12.563%
KFT Investments Pty Ltd	7,250,000	5.060%
Mr Denis Michael Hanley	6,805,648	4.750%
Litster & Associates Pty Ltd	5,053,880	3.527%
AMC Technologies Pty Limited	4,201,369	2.932%
Link Traders (Aust) Pty Limited	3,580,000	2.499%
Earlston Nominees Pty Ltd	3,178,630	2.218%
Powers Pty Ltd	3,134,828	2.188%
Rojo Green Pty Limited	2,896,410	2.022%
Ginga Pty Ltd	2,888,000	2.016%
Willben Pty Ltd	2,400,000	1.675%
Denis Hanley Superannuation Fund Pty Ltd	2,163,058	1.510%
Citicorp Nominees Pty Limited	2,121,528	1.481%
Mr Christopher J La Croix & Mrs Kathleen M La Croix	2,000,000	1.396%
Mr John Rives & Ms Venita Hudson	1,732,500	1.209%
UBS Wealth Management Australia Nominees Pty Ltd	1,593,000	1.112%
J P Morgan Nominees Australia Limited	1,374,100	0.959%
Skylyx Pty Ltd	1,336,964	0.933%
G O Drew Pty Ltd	1,250,000	0.872%

SUBSTANTIAL SHAREHOLDERS

Ordinary shareholders	Number of ordinary shares in which they have disclosed a relevant interest	%
*KFT Investments Pty Ltd	31,593,610	22.050
PFM Cornerstone Limited	24,343,610	16.990
UBS Nominees Pty Ltd	18,000,000	12.563

*KFT Investments Pty Ltd is the registered holder of 7,250,000 ordinary shares in CathRx Ltd. KFT Investments Pty Ltd is a shareholder in PFM Cornerstone Limited and is deemed to hold a relevant interest in PFM Cornerstone Limited through the operation of section 608(3) of the Corporations Act 2001.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mr Denis Hanley (Chairman
Mr Jeffrey Goodman (CEO)
Dr Jane Wilson
Dr Colin Adam
Dr Michael Hirshorn

COMPANY SECRETARY

Mr Cameron Billingsley

REGISTERED OFFICE

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AUDITOR

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SHARE REGISTER

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