

# FORM: Half yearly/preliminary final report

Name of issuer

VET BIOTECHNOLOGY LIMITED

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended (‘Current period’)
105 577 017	✓		31 December 2009

## For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

				\$A
Revenue (item 1.1)	down	69%	to	36,869
(Loss) for the period (item 1.9)	up	3%	to	(64,895)
(Loss) for the period attributable to members of the parent (item 1.11)	up	3%	to	(64,895)
<b>Dividends</b>		Current period		Previous corresponding period
Franking rate applicable:		N/A		N/A
<b>Final dividend</b> (preliminary final report only)(item 10.13-10.14)		N/A		N/A
Amount per security				
Franked amount per security				
<b>Interim dividend</b> (Half yearly report only) (item 10.11 – 10.12)		N/A		N/A
Amount per security				
Franked amount per security				
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
N/A				

## Comparison of half-year profits

(Preliminary final statement only)

		Current period - \$A'000	Previous corresponding period - \$A'000
2.1	Consolidated profit (loss) after tax attributable to members reported for the 1st half year (item 1.11 in the half yearly statement)	(64,895)	(62,867)
2.2	Consolidated profit (loss) after tax attributable to members for the 2nd half year	N/A	N/A

## Ratios

		Current period	Previous corresponding period
	<b>Loss before tax / revenue</b>		
8.1	Consolidated profit (loss) before tax (item 1.5) as a percentage of revenue (item 1.1)	(176%)	(53%)
	<b>Loss after tax / equity interests</b>		
8.2	Consolidated (loss) after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 3.37)	(14%)	(19%)

## NTA Backing

(see note 7)

20.1		Current period	Previous corresponding period
	Net tangible asset backing per ordinary security	(1.13) cents/share	(1.66) cents/share

**Compliance statement**

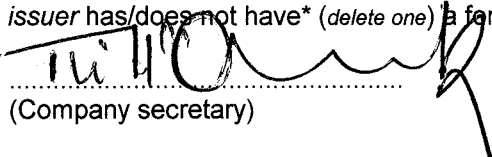
1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

N/A

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does/does not\* (*delete one*) give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:
- |   |  |
|---|--|
| <input type="checkbox"/> The financial statements have been audited.  | <input checked="" type="checkbox"/> The financial statements have been subject to review by a registered auditor (or overseas equivalent). |
| <input type="checkbox"/> The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> The financial statements have <i>not</i> yet been audited or reviewed.  |
5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available\* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)
6. The *issuer* has/does not have\* (*delete one*) a formally constituted audit committee.

Sign here:



(Company secretary)

Date:

16

March

2010

Print name: Tim McCormack

# **Vet Biotechnology**

ACN 105 577 017

Interim Financial Statements  
For the half year ended 31 December 2009

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# Vet Biotechnology Limited

## Director's report For the half year ended 31 December 2009

Your directors submit the interim financial report for the Vet Biotechnology Limited ("Vet") for the half-year ended 31 December 2009. Directors were in office for this entire period unless otherwise stated.

### Directors

The names of directors who held office during or since the end of the six months ended 31 December 2009 are as follows:

- |                             |   |
|-----------------------------|---|
| • Douglas Peter LeMessurier | - Chairman of the Board                 |
| • Michael Derin*            | - Director                              |
| • Ian David Brown           | - Director (Resigned 5 February 2010)   |
| • John PM Cook              | - Director (Appointed 5 February 2010)  |
| • Timothy John McCormack    | - Secretary (Appointed 5 February 2010) |

\*On 5 February 2010, Michael Derin resigned as a Company Secretary but retained his position as a Director of the company.

For other details of the Directors refer to the annual financial statement of the company for the year ended 30 June 2009.

### Principal activities

The principal activities of the company during the financial period were those of a veterinary biotechnology marketer. The company currently sells two products to the market known as Stembank, for the extraction of stemcells from umbilical cords of foals and Regenicell, for the extraction of stemcells from the bone marrow of horses. There were no changes in the nature of the company's principal activities during the six months period.

### Financial performance

The losses for the company after providing for income tax during the six months period was \$64,895 [2008: (\$62,867)].

### Review of Operations

Vet Biotechnology Ltd (VBT) has suffered declining sales from \$118,552 in the corresponding half year ending 31 December 2008 to \$36,869 for the half year ending 31 December 2009. This is a direct result of the global financial crisis and the decision by Medvet Science Pty Ltd ("Medvet") to cease manufacturing the company's veterinary products.

The dependence of the company on Medvet as its sole manufacturer has resulted in a significant interruption to the company's business operations. The sourcing of a new contract manufacturer is critical for the company's survival and growth prospects.

With an improving market for the company's products the Directors have decided to investigate the expansion of the product range and continue to outsource its accounting, administration, production and marketing functions in order to reduce its operational costs. These strategies have assisted the company to survive and have sufficient time to rebuild. Despite the challenges faced by the company it managed to raise \$60,600 in additional capital during the period in a challenging capital raising environment.

*Review of operations continued*

The Directors are continuing in their endeavors to locate the most suitable and reliable manufacturer who can partner with the company.

**Issued shares during the half year period**

During the six months period, the company issued fully paid ordinary shares to the following shareholders:

<b>Fully paid ordinary shares issuance</b>	<b>Number</b>	<b>\$</b>
Capital issued as at 30 June 2009	36,579,801	2,377,234
<b>Shares issued @ \$0.02:</b>		
Ordinary shares	3,030,000	60,600
<b>Total share issuance during the six months*</b>	<b>3,030,000</b>	<b>60,600</b>
<b>Capital issued as at 31 December 2009</b>	<b>39,609,801</b>	<b>2,437,834</b>

A total of 3,030,000 fully paid ordinary shares at \$0.02 per share were issued during the six months period with no attaching options.

**Events subsequent to balance date**

Subsequent to the balance date, the company raised further capital of \$6,900 to be issued at \$0.02 per share.

The Directors are not aware of any other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in the financial period subsequent to 31 December 2009 not otherwise disclosed in this report.

**Going concern**

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis which contemplates the continuation of normal business activity and the realisation of assets and settlement of liabilities in the normal course of operations.

As at 31 December 2009, the company's current liabilities exceeded current assets by \$49,673. Hence, there remains uncertainty about the company's ability to continue as a going concern.

The Directors are confident that the company's funding requirements in the foreseeable future can be met and that sales of the company's products will resume. The directors regularly monitor funding requirements along with the company's assets, liabilities and operational activities to ensure that the company is a going concern.

*Going concern continued*

A revision of the company's strategy may result in realising assets or raising capital. Such changes may possibly include the realisation of assets or settling liabilities other than in the normal course of business at amounts that may be different to those in the financial report. Since 30 June 2009, the company has raised \$60,600 through the issuance of 3,030,000 shares at an issue price of \$0.02 per share.

The ability of the company to continue as a going concern remains dependent on the following:

1. The company's ability to secure additional funds through the issue of shares without which the company will not be able to support itself;
2. The company's ability to generate operating cash flows through the resumption in sales of its existing services and new channels in the equine community;
3. Douglas Peter LeMessurier will not call upon the loan of \$350,000 and other loans from the entities associated to him prior to 31 December 2011;
4. The company's ability to reduce operational costs in order to manage cash flow and working capital; and
5. A continued financial support from the Directors by providing additional finance and guarantees as required of at least twelve (12) months from the date this report is signed.

For this reason the company will continue to adopt the going concern basis in the preparation of the accounts.

**Lead auditor's independence declaration**

The auditor's independence declaration for the interim period ended 31 December 2009 is included in the Interim Financial Report and follows behind the directors' report.

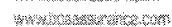
Signed in accordance with a resolution of the Board of Directors.



**Peter LeMessurier**  
Chairman

Dated this 12th of March 2010





Liability is limited by the Accountants  
Scheme approved under the Professional  
Standards Act 1984 (NSW).

# Vet Biotechnology Limited

## Interim Financial Statements

Reference numbers indicate the corresponding Notes to the Interim Financial Statements. The Interim Financial Statements are unaudited. The Interim Financial Statements have been reviewed by the company's auditors and their review report is presented on page 15.

### Condensed income statement for the six month ended 31 December 2009 I in AUD

	Six months ended 31 December	
	2009	2008
<b>Sales</b>	<b>36,869</b>	<b>118,552</b>
Disbursements and other income	2,767	115,529
Cost of sales	(18,168)	(92,128)
Operating expenses	(86,363)	(204,820)
<b>Loss before income tax</b>	<b>(64,895)</b>	<b>(62,867)</b>
Income taxes	-	-
Loss after income tax	(64,895)	(62,867)
<b>Loss attributable to Vet shareholders</b>	<b>(64,895)</b>	<b>(62,867)</b>

### Earnings per share (EPS) for the six months ended 31 December

<b>Cents per share</b>	<b>2009</b>	<b>2008</b>
Basic (loss) per share	(0.0033)	(0.00198)
Diluted (loss) per share	(0.0033)	(0.00198)

## Condensed statement of financial position as at 31 December 2009

I in AUD

	NOTE	31 December 2009	30 June 2009
<b>Current assets</b>			
Cash and cash equivalents		36	5,362
Trade and other receivables		-	20,878
Other current assets		8,451	8,146
<b>Total current assets</b>		<b>8,487</b>	<b>34,386</b>
<b>Non-current assets</b>			
Property, plant and equipment		1,072	1,477
Intangible assets		-	-
<b>Total non-current assets</b>		<b>1,072</b>	<b>1,477</b>
<b>Total assets</b>		<b>9,559</b>	<b>35,863</b>
<b>Current liabilities</b>			
Trade and other payables		50,059	82,579
Financial liabilities		8,101	8,101
<b>Total current liabilities</b>		<b>58,160</b>	<b>90,680</b>
<b>Non-current liabilities</b>			
Financial liabilities	10	401,511	391,000
<b>Total non-current liabilities</b>		<b>401,511</b>	<b>391,000</b>
<b>Total liabilities</b>		<b>459,671</b>	<b>481,680</b>
<b>Net liabilities</b>		<b>(450,112)</b>	<b>(445,817)</b>
<b>Equity</b>			
Issued capital	7	2,198,824	2,138,224
Option reserves		134,728	134,728
Retained losses		(2,783,664)	(2,718,769)
<b>Total equity</b>		<b>(450,112)</b>	<b>(445,817)</b>

## Vet Biotechnology Limited condensed statement changes in equity

I in AUD

	Share capital	Option reserve	Retained losses	Total
<b>Six months ended 31 December 2008</b>				
<b>At 1 July 2008</b>	<b>2,019,911</b>	<b>134,728</b>	<b>(2,454,083)</b>	<b>(299,444)</b>
Shares issued during the period	37,500	-	-	37,500
Losses attributable to Vet shareholders	-	-	(62,867)	(62,867)
<b>At 31 December 2008</b>	<b>2,057,411</b>	<b>134,728</b>	<b>(2,516,950)</b>	<b>(324,811)</b>
<b>Six months ended 31 December 2009</b>				
<b>At 1 July 2009</b>	<b>2,138,224</b>	<b>134,728</b>	<b>(2,718,769)</b>	<b>(445,817)</b>
Shares issued during the period	60,600	-	-	60,600
Losses attributable to Vet shareholders	-	-	(64,895)	(64,895)
<b>At 31 December 2009</b>	<b>2,198,824</b>	<b>134,728</b>	<b>(2,783,664)</b>	<b>(450,112)</b>

## Vet Biotechnology Limited condensed statement of cash flow

I in AUD

	Six months ended 31 December	
	2009	2008
<b>Cash flows from operating activities</b>		
Receipts from customers	38,361	126,628
Interest received	49	6
Payments to suppliers	(114,847)	(179,418)
<b>Net cash (used) in operating activities</b>	<b>(76,437)</b>	<b>(52,784)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(1,262)
Payments for intangible assets	-	(559)
<b>Net cash (used) in investing activities</b>	<b>-</b>	<b>(1,821)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loan	10,511	-
Proceeds from issuance of shares	60,600	37,500
<b>Net cash provided by financing activities</b>	<b>71,111</b>	<b>37,500</b>
Net (decrease) in cash and cash equivalents	(5,326)	(17,105)
Cash at the beginning of the period	5,362	21,050
<b>Cash at the end of the period</b>	<b>36</b>	<b>3,945</b>

# Notes to the Vet Biotechnology Limited Interim Financial Statements

Reference numbers indicate the corresponding Notes to the Interim Financial Statements. The Interim Financial Statements are unaudited. The Interim Financial Statements have been reviewed by the company's auditors and their review report is presented on page 15.

## 1. Accounting policies

### The reporting entity

These financial statements are the unaudited interim financial statements (hereafter 'the Interim Financial Statements') of Vet biotechnology Limited; a company domiciled in Australia, for the six-month period ended 31 December 2009 (hereafter 'the interim period'). They are prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001. These Interim Financial Statements should be read in conjunction with the Financial Statements for the year ended 30 June 2009 (hereafter 'the Annual Financial Statements'), as they provide an update of previously reported information. The annual financial statements were approved for issue by the Board of Directors in September 2009.

### Basis of preparation of financial statements

The Interim Financial Statements have been prepared in accordance with the accounting policies and methods of computation set out in the Annual Financial Statements. The presentation of the Interim Financial Statement is consistent with the Annual Financial Statements, except on accounting terminologies as permitted by AASB 101. Where necessary, comparative information has been reclassified or expanded from the previously reported Interim Financial Statements to take into account any presentational changes made in the Annual Financial Statements or in these Interim Financial Statements.

### Estimates and Judgments

The preparation of the Interim Financial Statements requires management to make estimates and assumptions that affects the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities, if any, at the date of the Interim Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgments at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The company operates in an industry where significant seasonal or cyclical variations in total sales are generally not experienced during the interim financial year.

Timing differences due to income tax are not recognised and are based upon the best estimate for the full financial year.

### Going concern

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis which contemplates the continuation of normal business activity and the realisation of assets and settlement of liabilities in the normal course of operations.

As at 31 December 2009, the company's current liabilities exceeded current assets by \$49,673. Hence, there remains uncertainty about the company's ability to continue as a going concern.

### Going concern continued

The Directors are confident that the company's funding requirements in the foreseeable future can be met and that sales of the company's products will resume. The directors regularly monitor funding requirements along with the company's assets, liabilities and operational activities to ensure that the company is a going concern.

A revision of the company's strategy may result in realising assets or raising capital. Such changes may possibly include the realisation of assets or settling liabilities other than in the normal course of business at amounts that may be different to those in the financial report. Since 30 June 2009, the company has raised \$60,600 through the issuance of 3,030,000 shares at an issue price of \$0.02 per share.

The ability of the company to continue as a going concern remains dependent on the following:

1. The company's ability to secure additional funds through the issue of shares without which the company will not be able to support itself;
2. The company's ability to generate operating cash flows through the resumption in sales of its existing services and new channels in the equine community;
3. Douglas Peter LeMessurier will not call upon the loan of \$350,000 and other loans from the entities associated to him prior to 31 December 2011;
4. The company's ability to reduce operational costs in order to manage cash flow and working capital; and
5. A continued financial support from the Directors by providing additional finance and guarantees as required of at least twelve (12) months from the date this report is signed.

For this reason the company will continue to adopt the going concern basis in the preparation of the accounts.

## 2. Operating segment information

### Business segments information I in AUD

<b>Sales</b>	Regenicell		Stembank		Total	
	2009	2008	2009	2008	2009	2008
<b>Six months ended 31 December</b>						
External sales	32,900	79,600	250	34,785	33,150	114,385
Unallocated income	-	-	-	-	-	-
<b>Total sales</b>	<b>32,900</b>	<b>79,600</b>	<b>250</b>	<b>34,785</b>	<b>33,150</b>	<b>114,385</b>
<b>Cost of sales</b>	Regenicell		Stembank		Total	
	2009	2008	2009	2008	2009	2008
<b>Six months ended 31 December</b>						
Cost of sales	16,500	40,300	-	45,885	16,500	86,185
Unallocated cost of sales	-	-	-	-	-	-
<b>Total cost of sales</b>	<b>16,500</b>	<b>40,300</b>	<b>-</b>	<b>45,885</b>	<b>16,500</b>	<b>86,185</b>

### Accounting policy

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Assets and liabilities are not allocated separately to different segments at this stage.

## Operating segments

The entity has the following operating segments:

- Regenicell services for the extraction of stem cells from the bone marrow of horses which are later expanded and injected into injured ligaments and tendons.
- Stembank services for the collection of stem cells from the umbilical cord at foal birth which are later expanded and injected into injured ligaments and tendons.

## 3. Related parties

Arrangements with related parties continue to be in place and were carried out on a normal commercial terms no more favourable than those available to other parties unless otherwise stated. The details of the related party transactions during the six month period are as follows:

				31 December 2009
Related party transactions during the six months				\$
Related party	Associated entity	Relationship	Transaction	
Michael Derin	Azure Group Pty Ltd	a Director for both parties	Accounting & corporate advisory	44,104
David Bridgland	Thoroughbred Strategies	Executive for both parties	External managements services	13,452
Total transactions involved				57,556

In regards to related party loans, refer to note 10 – Loans and borrowings.

For the details and conditions of other related party transactions, there were no changes since the last annual financial report of the company. Refer to the annual financial statement of the company as at for the year ended 30 June 2009.

## 4. Dividends

There were no dividends paid or recommended to be paid during the half year period ended 31 December 2009.

## 5. Contingencies

There have been no contingent assets or liabilities occurred since the approval of the 2009 Annual Financial Statements by the Board of Directors that may require disclosure.



## 6. Impairment of Intangibles

### Interim reports

During the reporting period, the company has written-off intangibles of \$1,318. The impairment charges arise from the changes in the estimates of the future cash flows expected to result from the use of an asset and eventual disposal. Factors such as the lower anticipated sales of the services in the horse industry or the ability of the company to continue on a going concern could result in shortened useful lives or impairment of these intangibles.

### Annual reports

In the annual reports, an impairment charge of \$197,395 was recorded, which relates to reduced revenue expectations. The assets concerned were fully written down by these charges.

## 7. Equity securities issued

	31 December 2009	30 June 2009
	\$	\$
39,609,801 (2009: [36,579,801]) fully paid ordinary shares	2,437,834	2,377,234
Less: Cost associated with capital raising	(239,010)	(239,010)
	<b>2,198,824</b>	<b>2,138,224</b>
<b>Ordinary shares issued</b>		
Opening Balance	2,138,224	2,019,911
Share issuance @ \$0.10 each	-	37,500
Share issuance @ \$0.02 each	60,600	95,600
Capital raising costs	-	(14,787)
<b>At reporting date</b>	<b>2,198,824</b>	<b>2,138,224</b>

As announced to the NSX on 2 December 2009, Vet Biotechnology Limited allotted 3,030,000 and issued fully paid ordinary shares pursuant to various placements completed during the reporting period. Shareholders at a General Meeting held on 10 November 2009 approved a further tranche of shares issuance based on 15% of the total shares issued outstanding as at the date of the meeting.

## 8. Significant changes in state of affairs

### Manufacturing halt – Regenicell and Stembank

As per advised to the NSX on 24 August 2009, the company was advised by Medvet Science Pty Ltd of its intention to cease its role as a manufacturer for Regenicell and Stembank products effective 7 September 2009. Medvet Science was the sole manufacturer of the stem cell products for the company.

Turnover has dropped to \$33,150 from \$114,385 due to inter alia the halt in manufacturing operations and associated stemcell activities of the company.

Due to the scientific nature of the products involved in the manufacturing process, the Directors expect to incur further delays in both locating and establishing the facility, hence the stemcell treatments will continue to be put on hold. The Board of Directors is in negotiation with various parties to engage them for the manufacturing of the products.

## 9. Events subsequent to balance date

Subsequent to the balance date, the company raised further capital of \$6,900 to be issued at \$0.02 per share.

The Directors are not aware of any other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in the financial period subsequent to 31 December 2009 not otherwise disclosed in this report.

## 10. Loans and borrowings

	31 December 2009
<b>Related party loan transactions during the six months</b>	\$
<b>Associated person / entity</b>	
Douglas Peter LeMessurier	350,000
Kytron Pty Ltd*	48,511
Palpet Pty Ltd*	3,000
<b>Total outstanding loan as at the reporting date</b>	<b>401,511</b>

\*Kytron Pty Ltd and Palpet Pty Ltd are entities controlled by Douglas Peter LeMessurier and is a Director of both entities as at the reporting date. During the period, the company obtained a loan of \$3,000 from Palpet Pty Ltd and a further loan of \$7,511 from Kytron Pty Ltd. The proceeds from the loan have been used to meet short-term needs.

There were no changes as to the previous loan agreement disclosed in the 2009 annual report. The new loans obtained during the six months period were made in line with previously disclosed repayment terms.

As at the date of this report, Douglas Peter LeMessurier and in his capacity as a director of Kytron Pty Ltd and Palpet Pty Ltd, signed a letter of confirmation to Vet that there will be no interest payable and that he will not seek a repayment of these loans until 31 December 2011.

As at 31 December 2009, these loans remain valued based on historical costs.

# Vet Biotechnology Limited

## Director's Declaration

In accordance with the resolution of the Vet Biotechnology Limited, I state that:

In the opinion of the Directors:

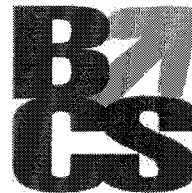
- a. The financial statements and notes of the company, as set out in the attached financial report, are in accordance with the Corporations Act 2001 and:
  - comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
  - give a true and fair view of the financial position as at 31 December 2009 and of the performance for the period then ended on that date; and
- b. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Douglas Peter LeMessurier**  
Chairman

Dated <sup>12</sup> March 2010



Chartered accountants since 1989

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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE SHAREHOLDERS OF VET BIOTECHNOLOGY LIMITED**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Vet Biotechnology Ltd, which comprises the statement of financial position as at 31 December 2009, and the income statement, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other selected 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 half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control 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 half-year financial report based on our review. We conducted our review in accordance with the Australian Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Vet Biotechnology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

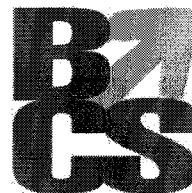
### **Auditor's Independence Declaration**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

BACS Direction P/L ABN 50 923 767 002

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE SHAREHOLDERS OF  
VET BIOTECHNOLOGY LIMITED (Continued)**

**Conclusion**

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

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

**Inherent uncertainty regarding continuation as a going concern**

Without qualifying our conclusion above, we draw attention to Note 1 in the financial report which indicates the existence of a net asset deficiency at balance date. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast doubt about the entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

BCS ASSURANCE PTY LTD  
Chartered Accountants

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HANOZE UDACHIA  
Director

Sydney, 12 March 2010

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