

# **State Development Fund Limited**

## **Supplementary Document**

### **1. Important information**

This is a supplementary document which supplements the Prospectus dated 1 August 2002 and the supplementary documents dated 15 August 2002, 18 October 2002 and 25 October 2002 lodged by State Development Fund Limited relating to the Offer of up to 38 million Shares (subject to a minimum subscription condition of 16 million Shares). This document must be read together with the Prospectus and such earlier supplementary documents.

Capitalised terms not defined in this supplementary document have the meaning given to them in the Prospectus.

This supplementary document is dated Monday, 20 January 2003 and was lodged with ASIC on that date. Neither ASIC nor the ASX takes any responsibility for the contents of this supplementary document.

### **2. Background to this supplementary document**

This supplementary document contains further information about:

- (a) an agreement by John Nissen (a director and shareholder in SDF) to apply for the Nissen Agreed Application Shares under the Offer (see Section 3 below); and
- (b) an amendment to the arrangements pursuant to which SDF will acquire an interest in the Auspep Group (the Auspep Subscription Deed has been terminated and replaced by a new Revised Auspep Holdings Subscription Deed (see Section 4 below)).

These developments have resulted in an update to the financial information in relation to SDF. The updated financial information is in Section 5 below.

They have also resulted in changes to the use of funds arising out of the Offer. The revised Section 1.5 ("Purpose of the Offer and Application of Funds") of the Prospectus is contained in Section 6 below.

The Offer has been extended. The revised timetable in connection with the Offer is in Section 7 below.

Applicants have the right to withdraw their Application Form and be repaid their Application Monies as a result of the issue of this supplementary document. This right is further described in Section 9 below.

The remainder of this supplementary document deals with consequential changes to the Prospectus as a result of these developments and the extension of the Offer.

### **3. John Nissen participation in Offer**

John Nissen has agreed to lodge an Application Form or Application Forms under the Offer for the Nissen Agreed Application Shares, either in his own name or in the name of a nominee or nominees.

Upon completion of the Offer, this will result in John Nissen having a voting power of 30% in SDF.

The Nissen Agreed Application Shares means the number of Shares which, on application under the Offer, will result in John Nissen (or his nominees) having a 30% equity interest in the Company (after taking into account the 4,001,400 Shares already held by Rhys Securities Pty Ltd and by John Nissen). This equals 2,994,600 Shares (if only the Minimum Subscription is achieved) and 9,594,600 Shares (if the Maximum Subscription is achieved).

This results in the following changes to the Prospectus:

- (a) Section 1.6 (“Capital structure of SDF”) of the Prospectus is deleted and replaced with:

“SDF was registered as a public company on 5 July 2000. Upon completion of the Offer it will have the capital structure illustrated in the table below (which illustrates the capital structure for a Minimum Subscription as well as a Maximum Subscription):

| Shareholder  | Minimum Subscription |            | Maximum Subscription |            |
|--|----------------------|------------|----------------------|------------|
|  | No. of Shares        | %          | No. of Shares        | %          |
| Rhys Securities Pty Ltd <sup>1</sup>                               | 2,502,800            | 10.73      | 2,502,800            | 5.52       |
| Mac-Law Pty Ltd <sup>2</sup>                                       | 1,200                | -          | 1,200                | -          |
| Peter King <sup>3</sup>  | 1,498,600            | 6.43       | 1,498,600            | 3.31       |
| John Nissen <sup>3,4</sup>   | 4,493,200            | 19.27      | 11,093,200           | 24.48      |
| Michael McDonald <sup>5</sup>                                      | 1,818,800            | 7.80       | 1,818,800            | 4.01       |
| Shares issued under Offer  | 13,005,400           | 55.77      | 28,405,400           | 62.68      |
| <b>Total issued capital on completion of the Offer<sup>6</sup></b> | <b>23,320,000</b>    | <b>100</b> | <b>45,320,000</b>    | <b>100</b> |

Notes:

<sup>1</sup> An entity associated with Peter King and John Nissen, directors of SDF.

<sup>2</sup> An entity associated with Michael McDonald, a director of SDF.

<sup>3</sup> These Shares have been issued to these Directors and these Directors have not paid cash to acquire these Shares as set out in Section 10.6.

<sup>4</sup> These Shares comprise the Shares currently held by John Nissen and the Shares applied for as part of the Nissen Agreed Application Shares. The 30% referred to in the calculation of the Nissen Agreed Application Shares equals the Shares referred to above held by John Nissen and Rhys Securities Pty Ltd.

<sup>5</sup> 1,498,800 of these Shares have been issued to Michael McDonald and Michael McDonald has not paid cash for these Shares as set out in Section 10.6. The other 320,000 of these Shares have been issued to Michael McDonald at 25 cents each in compensation for legal services provided by him through an associated entity to the value of \$80,000.

<sup>6</sup> SDF also has 1,000,000 options on issue (see Sections 1.4 and 10.5(d)).”

- (b) Mr Nissen’s age is now 55 years.

- (c) The last paragraph of the profile of John Andreas Nissen in Section 5.1 is deleted and replaced with:

“Mr Nissen is a director and shareholder of ARA and is also a director and the principal shareholder of Auspep Holdings Pty Ltd, Auspep and Auspep Clinical Peptides.”

- (d) A new risk factor is included as Section 7.9:

“7.9 John Nissen shareholding

As John Nissen has agreed to lodge an Application Form for the Nissen Agreed Application Shares under the Offer, Mr Nissen will hold 30% of the voting power and Shares in the Company following completion of the Offer.

This means Mr Nissen will be able to exert a corresponding degree of influence and control over the outcome of decisions about SDF's financial and operating policies.

Furthermore, any disposal by Mr Nissen of a portion of his Shares in SDF following the completion of the Offer, may have a material adverse affect on the price of the Shares."

- (e) Section 10.6 ("Interests of Directors, Advisers, Promoters and Others") is amended by inserting the following sentence at the end of the first paragraph under the sub-heading "Interests of Directors":

"John Nissen has agreed to lodge an Application Form for the Nissen Agreed Application Shares under the Offer. This will result in John Nissen having a voting power of 30% in the Company."

#### **4. Revised Auspep arrangements**

SDF, Auspep and Auspep Holdings have entered into the Revised Auspep Holdings Subscription Deed dated Monday, 20 January 2003. Under this deed, Auspep Holdings has granted SDF the right to subscribe for, in instalments, 50% of the equity in Auspep Holdings for \$2.5 million and a further 40% of the equity in Auspep Holdings for \$2 million, prior to the Revised Auspep Holdings Subscription Expiry Date. The Company presently intends to make one or both of these instalment subscriptions at the completion of this Offer and allotment of the Shares. The deed also terminates the Auspep Subscription Deed dated 30 July 2002 between SDF and Auspep, on the basis that there are no remaining obligations between SDF and Auspep in connection with the Auspep Subscription.

Accordingly, all references to the Auspep Subscription Deed and the Auspep arrangements contained in the Prospectus (including in the Chairman's Letter, the Investment Highlights, section 1.1 (the Business Overview), section 4.3 ("SDF's Proposed Investment in Auspep"), section 6 (Financial Information) and section 7.7 ("The Investment Strategy")) are to be interpreted accordingly.

This results in the following changes to the Prospectus.

- (a) Section 4.1 ("Current and Proposed Investments") is deleted and replaced with:

##### **"4.1 Current and Proposed Investments**

The Directors have identified the following companies which meet SDF's investment criteria:

- ARA – a regional airport management enterprise; and
- Auspep Group – a commercial biotechnology manufacturing group.

SDF has entered into an Option Deed with ARA, in respect of an additional investment in ARA after the close of the Offer ("**ARA Option Deed**"). SDF has entered into a Revised Subscription Deed with Auspep Holdings in respect of an investment in Auspep Holdings after the close of the Offer ("**Revised Auspep Holdings Subscription Deed**").

Under the ARA Option Deed, ARA has agreed to grant SDF an option to invest in additional 12.01% or 22% (at the discretion of SDF) of ARA, acquiring new shares for a consideration of \$273,000 or \$500,000 respectively (depending on the percentage of

ARA required). SDF has already acquired 38% of the shares in ARA for \$500,000. The Directors of SDF have resolved not to undertake any further investment in ARA for a period of 12 months from the date of this supplementary document.

Under the Revised Auspep Holdings Subscription Deed, SDF has the right to subscribe for, in instalments, 50% of the equity in Auspep Holdings for \$2.5 million and a further 40% of the equity in Auspep Holdings for \$2 million. SDF intends to exercise one or both of these instalment subscriptions on completion of the Offer and allotment of the Shares. The terms of this deed are summarised in Section 10.5(c)(1) of the Prospectus (as amended by this supplementary document).

Auspep Holdings is the new holding company of the Auspep Group and was incorporated on 9 January 2003. All of the shares in Auspep Holdings are currently held by interests associated with John Nissen.

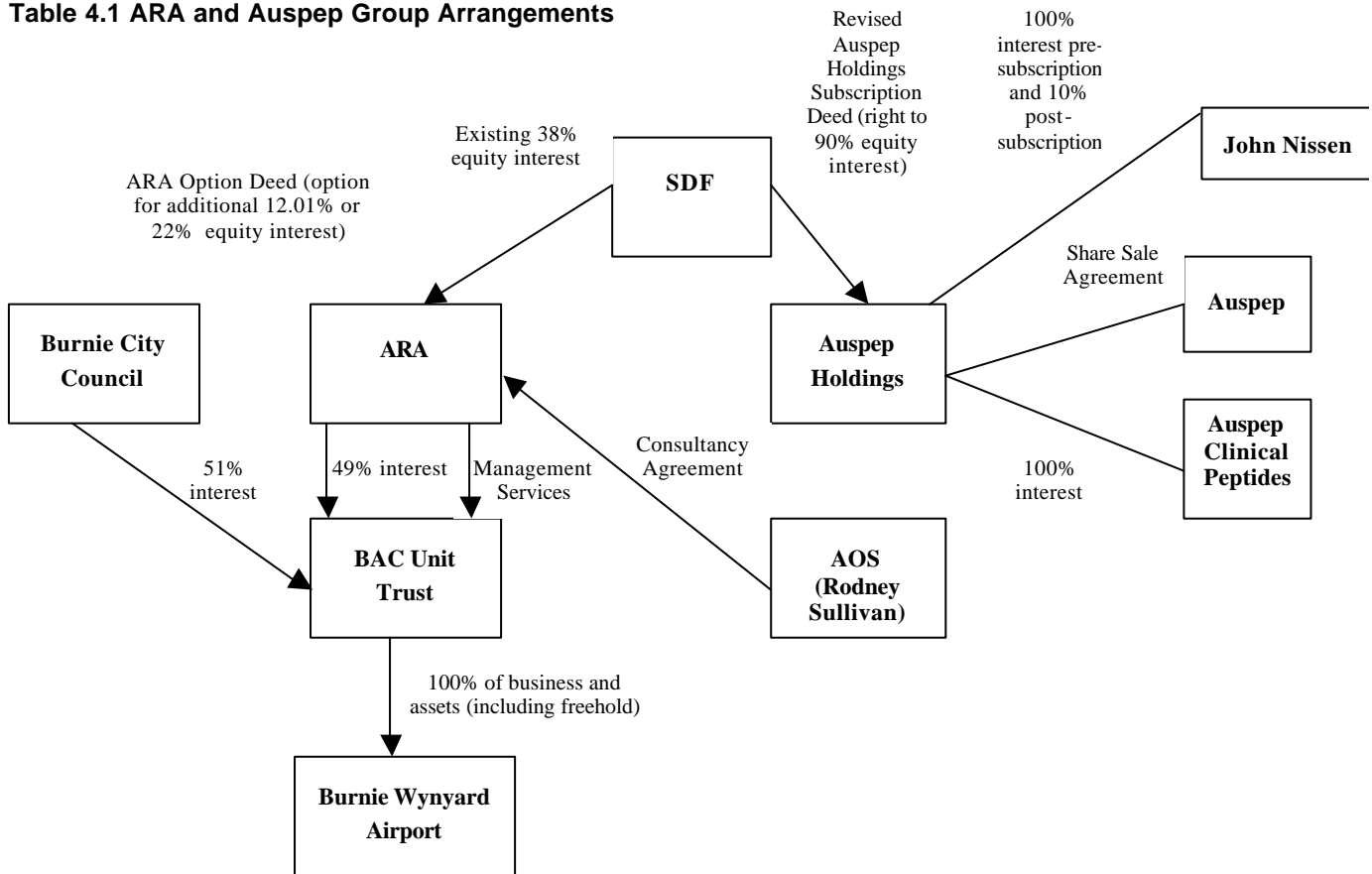
Auspep Holdings entered into the Auspep Share Sale Agreement dated 20 January 2003 pursuant to which Auspep Holdings agreed to acquire 98.14% of the shares in Auspep from John Nissen subject to the satisfaction of certain conditions. The terms of this agreement are summarised in Section 10.5(c)(2). Auspep Holdings has informed SDF that Auspep Holdings intends to complete this sale prior to or at the time of completion of the Offer and allotment of the Shares.

Auspep Holdings holds all of the shares in Auspep Clinical Peptides. Auspep Clinical Peptides was incorporated on 9 January 2003 to undertake the manufacture of therapeutic and associated products within a distinct entity.

The ARA Option Deed and Revised Auspep Holdings Subscription Deed are subject to a number of conditions for the benefit of SDF, which means that an investment in Auspep Holdings, or further investment in ARA, may not proceed. These conditions include SDF's right to conduct further due diligence in relation to each investee company before proceeding to complete the investment. For further details on the ARA Option Deed and the Revised Auspep Holdings Subscription Deed, please refer to Sections 10.5(a)(2) and 10.5(c)(1), and for the risks associated with these investments please refer to Section 7.

SDF's arrangements with ARA and the Auspep Group are illustrated below.

**Table 4.1 ARA and Auspep Group Arrangements**



- (b) Section 10.5(c)(1) (“Auspep Subscription Deed”) is deleted and replaced with:

**“10.5(c)(1) Revised Auspep Holdings Subscription Deed**

SDF has entered into a revised subscription deed with Auspep Holdings dated 17 January 2003 (**Revised Auspep Holdings Subscription Deed**). Under this deed, Auspep Holdings has granted SDF the right to subscribe for new ordinary shares in Auspep prior to the date which is 12 months after the date of the Revised Auspep Holdings Subscription Deed (**Revised Auspep Holdings Subscription Expiry Date**) sufficient to give SDF, the right to subscribe for, in instalments, 50% of the equity in Auspep Holdings for \$2.5 million and a further 40% of the equity in Auspep Holdings for \$2 million, subject to SDF being satisfied with the results of a due diligence investigations into Auspep Holdings to be conducted by SDF and its advisers. The parties agree that SDF may choose to conduct due diligence into the financial, accounting, legal and other aspects of Auspep Holdings in relation to ascertaining the viability of an investment in Auspep Holdings prior to the Revised Auspep Holdings Subscription Expiry Date.

SDF presently intends to one or both of these instalment subscription rights and subscribe for Shares in Auspep Holdings on completion of the Offer and allotment of the Shares. The extent to which the Revised Auspep Holding Subscription Deed will be exercised (ie. as to 50% or 90% of the equity in Auspep Holdings) will depend on the amount of funds raised under the Offer (see section 1.5 of the Prospectus as amended by section 6 below).

The investment pursuant to the Subscription Deed is subject to all required approvals being granted, including any approvals from SDF's shareholders required under the *Corporations Act* or the Listing Rules.

Auspep Holdings agrees that it and each company in the Auspep Group will not deal with any of its issued shares, options or other securities or offer or issue new shares or grant options or other securities to any person other than SDF and generally carry on its business in the ordinary course up to the earlier of the Revised Auspep Holdings Subscription Expiry Date or the prior exercise of the Revised Auspep Holdings Subscription Deed.

The parties acknowledge that any investment by SDF in Auspep Holdings will constitute the giving of a financial benefit to a related party of SDF, as Mr John Nissen is a director and shareholder of SDF, Auspep Holdings, Auspep and Auspep Clinical Peptides. Accordingly any investment will be decided by members of the Board who have no material interest in Auspep.

As the financial benefit is reasonable in the circumstances given that SDF and these related parties are dealing at arm's length, it is not proposed to obtain approval of members of SDF in respect of the exercise of the Revised Auspep Holdings Subscription Deed.

- (c) Section 10.5(c)(2) ("Auspep Joint Venture Deed") is deleted and replaced with:

**"10.5(c)(2) Auspep Share Sale Agreement**

Australian Drug Development ACN 006 539 546 (**ADDL**), which is an entity 100% owned by John Nissen, has entered into a share sale agreement with Auspep Holdings dated 17 January 2003 (**Auspep Share Sale Agreement**). Under this agreement, Auspep Holdings will purchase from ADDL all of ADDL's shares in Auspep (which amounts to 98.14% of the shares in Auspep) for a purchase price of \$4 million payable on completion of the sale.

The agreement contains various conditions precedent to completion of the sale.

The parties agree that Auspep Holdings may conduct due diligence into the financial, accounting, legal and other aspects of Auspep as condition precedent to completion.

The Auspep Share Sale Agreement is also subject to a condition precedent of all required approvals being granted in respect of completion, including any approvals from Auspep Holdings' shareholders required under the *Corporations Act* or the Listing Rules.

Auspep agrees that it and each company in the Auspep Group will not deal with any of its issued shares, options or other securities or offer or issue new shares or grant options or other securities to any person and generally carry on its business in the ordinary course up to completion of the sale. Auspep Holdings has informed SDF that Auspep Holdings intends to complete the sale prior to or on completion of the Offer and allotment of the Shares.

- (d) The last sentence in the last paragraph of section 7.6 ("Acquisitions, Joint Ventures and Shareholder Dilution") is deleted and replaced with:

"In particular, ARA has a minority interest in BAC and this reduces the ability of ARA and SDF to significantly influence BAC."

## 5. Financial Information

### 5.1 SDF Financial Information

The financial information detailed below has been extracted from SDF's audited financial statements for the year ended 30 June 2002, and from SDF's unaudited internal management accounts for the six months ended 31 December 2002.

PKF, Chartered Accountants, have audited SDF's financial statements for the 12 months ended 30 June 2002 and have issued an unqualified audit opinion on them.

#### Statement of Financial Position

|   | Unaudited<br>31 Dec 2002<br>\$ | Audited<br>30 June 2002<br>\$ |
|---|--------------------------------|-------------------------------|
| <b>Current Assets</b>   |                                |                               |
| Cash Assets   | -                              | 1,745                         |
| Receivables   | 5,502                          | -                             |
| Prepayments   | 15,004                         | 37,204                        |
| Capitalised Capital Raising Costs                               | 245,878                        | 125,913                       |
| <b>TOTAL CURRENT ASSETS</b>                                     | <b>266,384</b>                 | <b>164,862</b>                |
| <b>Non Current Assets</b>                                       |                                |                               |
| Property, Plant and Equipment                                   | 3,892                          | 3,614                         |
| Other Financial Assets accounted for<br>under the Equity Method | 488,160                        | 500,000                       |
| <b>TOTAL NON CURRENT ASSETS</b>                                 | <b>492,052</b>                 | <b>503,614</b>                |
| <b>TOTAL ASSETS</b>   | <b>758,436</b>                 | <b>668,476</b>                |
| <b>Current Liabilities</b>                                      |                                |                               |
| Interest Bearing Liabilities                                    | 14,537                         | -                             |
| Payables  | 287,082                        | 163,060                       |
| Non Interest Bearing Liabilities                                | 238,139                        | 145,030                       |
| <b>TOTAL CURRENT LIABILITIES</b>                                | <b>539,758</b>                 | <b>308,089</b>                |
| <b>TOTAL LIABILITIES</b>  | <b>539,758</b>                 | <b>308,089</b>                |
| <b>NET ASSETS</b>   | <b>218,678</b>                 | <b>360,388</b>                |
| <b>EQUITY</b>   |                                |                               |
| Contributed Equity  | 814,400                        | 584,000                       |
| Accumulated Losses  | (595,722)                      | (223,612)                     |
| <b>TOTAL EQUITY</b>   | <b>218,678</b>                 | <b>360,388</b>                |

## Statement of Financial Performance

SDF, since incorporation to 31 December 2002, has undertaken limited activities in relation to its stated objectives. The financial consequences of these activities has resulted in SDF reporting a net loss from ordinary activities of \$372,110 for the six months ended 31 December 2002 and \$219,730 for the 12 months ended 30 June 2002. SDF has earned no income for this period and the majority of its expenditures relates to remuneration expenses of its only employee, namely its chief executive officer and the remuneration of directors.

The remuneration of directors was settled by the issue of ordinary shares in SDF for nil consideration, which was recorded in the Statement of Performance of SDF at fair value. For further details on this transaction, refer to section 6.2 of SDF's prospectus dated 1 August 2002 and SDF's supplementary document dated 15 August 2002.

|  | <b>Unaudited<br/>6 Months<br/>Ended<br/>31 Dec 2002<br/>\$</b> | <b>Audited<br/>12 Months<br/>Ended<br/>30 June 2002<br/>\$</b> |
|--|--|--|
| <b>Revenue</b>                                     | -  | -  |
| <b>Expenses</b>                                    |  |  |
| Director Remuneration Costs                        | 230,400  | -  |
| Employee Remuneration Costs                        | 81,824   | 122,040  |
| Legal Fees   | 900  | 80,000   |
| Share of Associates Loss                           | 11,840   | -  |
| Other  | 47,146   | 17,690   |
| <b>Loss from Ordinary Activities</b>               | <b>(372,110)</b>   | <b>(219,730)</b>   |
| Income Tax Expense Relating to Ordinary Activities | -  | -  |
| <b>Net Loss</b>                                    | <b>(372,110)</b>   | <b>(219,730)</b>   |

## Statement of Cash Flows

|   | <b>Unaudited<br/>6 Months<br/>Ended<br/>31 Dec 2002<br/>\$</b> | <b>Audited<br/>12 Months<br/>Ended<br/>30 June 2002<br/>\$</b> |
|---|--|--|
| <b>Cash Flows from Operating Activities</b> |  |  |
| Payments to Suppliers and Employees         | (108,283)  | (139,787)  |



|   |           |           |
|---|-----------|-----------|
| <b>Net Cash used in Operating Activities</b>  | (108,283) | (139,787) |
| <b>Cash Flows from Investing Activities</b>   |           |           |
| Payment for Investments                       | -         | (500,000) |
| Payment for Plant and Equipment               | (1,108)   | (3,614)   |
| <b>Net Cash used in Investing Activities</b>  | (1,108)   | (503,614) |
| <b>Cash Flows from Financing Activities</b>   |           |           |
| Proceeds from Share Issues                    | -         | 500,000   |
| Proceeds from Borrowings                      | 93,109    | 145,030   |
| <b>Net Cash used in Financing Activities</b>  | 93,109    | 645,030   |
| Net Increase/(Decrease) in Cash held          | (16,282)  | 1,629     |
| Cash at the beginning of the Financial Period | 1,745     | 116       |
| Cash at the end of the Financial Period       | (14,537)  | 1,745     |

## 5.2 Pro Forma Statements of Financial Position and Performance

The financial information detailed below has been extracted from SDF's unaudited internal management accounts for the six months ended 31 December 2002. To illustrate the expected financial position of SDF following the Offer of Shares, the Statement of Financial Position of SDF is presented below assuming a Minimum and a Maximum Subscription and on assumption that matters noted below had occurred as at 31 December 2002:

- (a) The Pro Forma Statement of Financial Position for the Minimum and Maximum Subscription reflects the acquisition of a 50% (if only the Minimum Subscription is achieved) and 90% (if more than the Minimum Subscription is achieved, and the excess is sufficient to exercise the Revised Auspep Holdings Subscription Deed as to its entire 90%) controlling interest in the Auspep Group, for a cash consideration of \$2.5 million and \$4.5 million, respectively. Refer to Section 4 of this supplementary document for further information on the acquisition of the Auspep Group. SDF will have a controlling interest in the Auspep Group if either Minimum or Maximum Subscription is obtained. Consequently, SDF has notionally consolidated the Auspep Group at 31 December 2002.
- (b) SDF's investment in ARA continues to be treated as an investment in an associated company, accounted for under the Equity Method. This treatment is based on the Directors of SDF resolving not to undertake any further investment (if any) in ARA for a period of 12 months from the date of this supplementary document. Consequently, SDF's investment in ARA will remain at 38% for this period.

- (c) The payment of capital raising costs of \$550,000 in respect of the Maximum Subscription and \$430,000 in respect of the Minimum Subscription; and
- (d) The repayment of loans to Rhys Securities Pty Ltd, which at 31 December 2002 is \$238,139.

The above assumptions replace the assumptions detailed at the end of Section 6.2 and Section 6.4 of SDF's Prospectus.

### Statement of Financial Position

|  | Unaudited<br>31 Dec 2002<br>\$ | Pro Forma<br>Min<br>\$ | Max<br>\$        |
|--|--------------------------------|------------------------|------------------|
| <b>Current Assets</b>  |                                |                        |                  |
| Cash Assets  | -                              | 1,013,479              | 4,893,479        |
| Receivables  | 5,502                          | 364,221                | 364,221          |
| Prepayments  | 15,004                         | 15,004                 | 15,004           |
| Inventories  | -                              | 151,717                | 151,717          |
| Capitalised Capital Raising Costs                            | 245,878                        | -                      | -                |
| Deferred Tax Asset   | -                              | 34,725                 | 34,725           |
| <b>TOTAL CURRENT ASSETS</b>                                  | <b>266,384</b>                 | <b>1,579,146</b>       | <b>5,459,146</b> |
| <b>Non Current Assets</b>                                    |                                |                        |                  |
| Property, Plant and Equipment                                | 3,892                          | 277,708                | 277,708          |
| Other Financial Assets accounted for under the Equity Method | 488,160                        | 488,160                | 488,160          |
| Goodwill on Acquisition                                      | -                              | 2,993,073              | 3,693,072        |
| <b>TOTAL NON CURRENT ASSETS</b>                              | <b>492,052</b>                 | <b>3,758,941</b>       | <b>4,458,940</b> |
| <b>TOTAL ASSETS</b>  | <b>758,436</b>                 | <b>5,338,087</b>       | <b>9,918,086</b> |
| <b>Current Liabilities</b>                                   |                                |                        |                  |
| Payables   | 287,082                        | 157,926                | 157,926          |
| Interest Bearing Liabilities                                 | 14,537                         | -                      | -                |
| Non Interest Bearing Liabilities                             | 238,139                        | -                      | -                |
| Provisions   | -                              | 27,297                 | 27,297           |
| Provision for Tax  | -                              | 31,073                 | 31,073           |
| <b>TOTAL CURRENT LIABILITIES</b>                             | <b>539,758</b>                 | <b>216,296</b>         | <b>216,296</b>   |
| <b>Non-Current Liabilities</b>                               |                                |                        |                  |
| Provisions   | -                              | 67,664                 | 67,664           |

|                                      |                |                  |                  |
|--------------------------------------|----------------|------------------|------------------|
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>-</b>       | <b>67,664</b>    | <b>67,664</b>    |
| <b>TOTAL LIABILITIES</b>             | <b>539,758</b> | <b>283,960</b>   | <b>283,960</b>   |
| <b>NET ASSETS</b>                    | <b>218,678</b> | <b>5,054,127</b> | <b>9,634,126</b> |

## **EQUITY**

|                     |                |                  |                  |
|---------------------|----------------|------------------|------------------|
| Contributed Equity  | 814,400        | 4,384,400        | 9,764,400        |
| Accumulated Losses  | (595,722)      | (595,722)        | (595,722)        |
| Minority Interest   | -              | 1,265,449        | 465,448          |
| <b>TOTAL EQUITY</b> | <b>218,678</b> | <b>5,054,127</b> | <b>9,634,126</b> |

## **Statement of Cash Flows**

|   | <b>Unaudited<br/>Six Months<br/>Ended<br/>31 Dec 2002<br/>\$</b> | <b>Pro Forma<br/>Min<br/>\$</b> | <b>Max<br/>\$</b>  |
|---|--|---------------------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>   |  |                                 |                    |
| Payments to Suppliers and Employees   | (108,283)  | (149,488)                       | (149,488)          |
| <b>Net Cash used in Operating Activities</b>  | <b>(108,283)</b>   | <b>(149,488)</b>                | <b>(149,488)</b>   |
| <b>Cash Flows from Investing Activities</b>   |  |                                 |                    |
| Payment for Investments, net of Cash resulting from Acquisition of the Auspep Group | -  | (2,262,640)                     | (3,762,640)        |
| Payment for Plant and Equipment   | (1,108)  | (1,108)                         | (1,108)            |
| <b>Net Cash used in Investing Activities</b>  | <b>(1,108)</b>   | <b>(2,263,748)</b>              | <b>(3,763,748)</b> |
| <b>Cash Flows from Financing Activities</b>   |  |                                 |                    |
| Proceeds from Share Issues  | -  | 4,000,000                       | 9,500,000          |
| Proceeds from Borrowings  | 93,109   | 93,109                          | 93,109             |
| Repayment of Borrowings   | -  | (238,139)                       | (238,139)          |
| Payment of Capital Raising Costs  | -  | (430,000)                       | (550,000)          |
| <b>Net Cash used in Financing Activities</b>  | <b>93,109</b>  | <b>3,424,970</b>                | <b>8,804,970</b>   |
| Net Increase/(Decrease) in Cash held  | (16,282)   | 1,011,734                       | 4,891,734          |
| Cash at the beginning of the Financial Period                                       | 1,745  | 1,745                           | 1,745              |

Period

|   |          |           |           |
|---|----------|-----------|-----------|
| Cash at the end of the Financial Period | (14,537) | 1,103,479 | 4,893,479 |
|---|----------|-----------|-----------|

## 5.2 AUSPEP and ARA Summarised Financial Information

### AUSPEP

The financial information detailed below is extracted from Auspep's audited financial statements for the financial year ended 30 June 2002, and from Auspep's unaudited internal management accounts for the six months ended 31 December 2002.

|   | Unaudited<br>6 Months<br>Ended<br>31 Dec 2002<br>\$ | Audited<br>12 Months<br>Ended<br>30 June 2002<br>\$ |
|---|---|---|
| <b>Statement of Financial Performance</b>                       |   |   |
| Revenue   | 1,460,867   | 2,610,738   |
| Profit from Ordinary Activities before<br>Income Tax            | 110,680   | 254,399   |
| Income Tax Expense/(Benefit) Relating<br>to Ordinary Activities | 35,983  | (59,520)  |
| Net Profit from Ordinary Activities                             | 74,697  | 313,919   |
| <b>Statement of Financial Position</b>                          |   |   |
| Total Current Assets  | 782,521   | 629,457   |
| Total Non Current Assets  | 273,816   | 322,971   |
| Total Assets  | 1,056,337   | 952,428   |
| Total Current Liabilities                                       | 216,296   | 216,475   |
| Total Non Current Liabilities                                   | 67,664  | 38,273  |
| Total Liabilities   | 283,960   | 254,748   |
| Net Assets  | 772,377   | 697,680   |
| Equity  |   |   |
| Contributed Equity  | 1,347,647   | 1,347,647   |
| Accumulated Losses  | (575,270)   | (649,967)   |

|              |         |         |
|--------------|---------|---------|
| Total Equity | 772,377 | 697,680 |
|--------------|---------|---------|

### Statement of Cash Flows

|   |          |           |
|---|----------|-----------|
| Net Cash used in Operating Activities         | 214,153  | 170,397   |
| Net Cash used in Investing Activities         | (29,549) | (216,487) |
| Net Cash used in Financing Activities         | -        | (17,120)  |
| Net Increase/Decrease in Cash held            | 184,604  | (63,210)  |
| Cash at the beginning of the Financial Period | 52,756   | 131,774   |
| Cash at the end of the Financial Period       | 237,360  | 68,564    |

### ARA

The financial information detailed below is extracted from ARA's unaudited internal management accounts for the year ended 30 June 2002 and for the six months ended 31 December 2002.

The financial results of BAC for the five months ended 30 November 2002 have been Equity Accounted by ARA. At the date of signing this supplementary document, the financial results of BAC for the six months ended 31 December 2002 were not available to ARA. However, these results are not expected to materially differ from 30 November 2002 financial results.

### Statement of Financial Performance

|   | Unaudited<br>6 Months<br>Ended<br>31 Dec 2002<br>\$ | Audited<br>12 Months<br>Ended<br>30 June 2002<br>\$ |
|---|---|---|
| Revenue   | 20,928  | -   |
| Profit from Ordinary Activities before<br>Income Tax            | 13,710  | (113)   |
| Income Tax Expense/(Benefit) Relating to<br>Ordinary Activities | 4,079   | -   |
| Net Profit from Ordinary Activities                             | 9,631   | (113)   |

### Statement of Financial Position

|  |         |         |
|--|---------|---------|
| Total Current Asset                    | 6,000   | 13,218  |
| Total Non Current Assets               | 510,928 | 490,000 |
| Total Assets                           | 516,928 | 503,218 |
| Total Current Liabilities              | 7,010   | 2,931   |
| Total Non Current Liabilities          | -       | -       |
| Total Liabilities                      | 7,010   | 2,931   |
| Net Assets                             | 509,918 | 500,287 |
| Equity                                 |         |         |
| Contributed Equity                     | 500,400 | 500,400 |
| Retained Earnings/(Accumulated Losses) | 9,518   | (113)   |
| Total Equity                           | 509,918 | 500,287 |

#### **Statement of Cash Flows**

|   |         |           |
|---|---------|-----------|
| Net Cash used in Operating Activities         | (7,218) | (113)     |
| Net Cash used in Investing Activities         | -       | (490,000) |
| Net Cash used in Financing Activities         | -       | 503,331   |
| Net Increase/Decrease in Cash held            | (7,218) | 13,218    |
| Cash at the beginning of the Financial Period | 13,218  | -         |
| Cash at the end of the Financial Period       | 6,000   | 13,218    |

## **6. Purpose of the Offer and Application of Funds**

Section 1.5 of the Prospectus is deleted and replaced with:

### **“1.5 Purpose of the Offer and Application of Funds**

#### **(a) The primary purpose of the Offer is to raise funds:**

- to subscribe for equity in Auspep Holdings as set out in this Prospectus;
- to pay the expenses of the Offer;
- to provide working capital for SDF; and
- to allow for further funding of new or existing investments where appropriate.

#### **(b) If only the Minimum Subscription is received under the Offer, the funds will be used:**

- subject to due diligence by SDF - \$2,500,000 to subscribe for 50% of the equity in Auspep Holdings;
  - approximately \$430,000 to provide for issue expenses;
  - to repay a loan (which is a “permitted short term borrowing” as defined in the PDF Act) of \$238,139 as at 31 December 2002 from Rhys Securities Pty Ltd; and
  - the balance to provide working capital for SDF which includes the funding of new or existing investments where appropriate.
- (c) If more than the Minimum Subscription is received under the Offer, the funds will be used as set out in Section 1.5(b) with the excess used to fund additional issue expenses associated with the Offer (up to an additional \$120,000 in the case of a Maximum Subscription), the exercise of the Revised Auspep Holdings Subscription Deed as to 90% if the entire \$4.5 million of required subscription monies is available, and the working capital requirements of SDF which include the funding of new or existing investments where appropriate.

The Directors are of the opinion that SDF, on completion of the Offer, will have sufficient working capital to carry out its stated objectives.”

## 7. Timetable

The key dates associated with the Offer now are:

|  |                          |
|--|--------------------------|
| Offer closes                                 | Friday, 28 February 2003 |
| Expected despatch of shareholding statements | Wednesday, 5 March 2003  |
| Expected quotation of Shares on the ASX      | Friday, 7 March 2003     |

References in the Prospectus and Application Form to the timetable associated with the Offer and to the Closing Date, Listing Date and the Offer closing (including on the inside front cover of the Prospectus, section 2.2 (“Timetable”) and the Glossary of Terms) are to be interpreted accordingly.

All dates are subject to change and are indicative only. SDF has the right to vary these dates, without prior notice, including the right to close the Offer early or to withdraw the Offer. Applicants are encouraged to submit their application forms as early as possible.

## 8. ASIC and ASX relief

Section 10.10 of the Prospectus is deleted and replaced with:

“Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus on the basis of a paper prospectus lodged with the ASIC and the publication of notices referring to an electronic Prospectus, subject to compliance with certain provisions.

Pursuant to sub-section 741(1) of the Corporations Act, ASIC has granted SDF relief from applicable provisions of the Corporations Act to facilitate the extension of the Offer period as contemplated by this supplementary document.

The ASX has confirmed to SDF that:

- (a) it will not require SDF to obtain any shareholder approvals under ASX Listing Rule 10.6 or otherwise in connection with the exercise of the Revised Auspep Holdings Subscription Deed or the ARA Option Deed;

- (b) none of the shareholdings in SDF as at the date of this Prospectus will be treated as restricted securities by ASX and, as such, they may be freely traded following the Listing Date; and
- (c) it will not treat Auspep Holdings, Auspep, Auspep Clinical Peptides and ARA as “classified assets” for the purposes of the Listing Rules, and, as such, SDF may pay cash to Auspep Holdings and ARA on exercise of the Revised Auspep Holdings Subscription Deed and the ARA Option Deed.”

## **9. Right of refund for existing Applicants**

To date, SDF and the Registry have received Application Forms for Shares to the value of \$543,000.

Existing Applicants have the right to withdraw their Application Form and be repaid their Application Monies provided the request for withdrawal is received by SDF prior to 5pm on Monday, 24 February 2003.

If you wish to withdraw your Application Form, please write to:

Dr. Robert Payne  
Chief Executive Officer  
Level 54, Rialto Building  
525 Collins Street  
Melbourne Vic 3000

As stated in the Prospectus, such Applicants will not be entitled to interest in respect of the withdrawn Application Monies.

If you do not request a withdrawal of your Application Form by 5pm on Monday, 24 February 2003, you will not be entitled to seek a further refund of your Application Monies pursuant to section 724(1)(a) or (b) of the Corporations Act as a result of the extension of the Offer unless SDF does not close the Offer by the extended Closing Date of 5pm on Friday, 28 February 2003.

## **10. ARA Option Expiry Date**

SDF and ARA have agreed by way of a deed of variation to the ARA Option Deed that the ARA Option Expiry Date is extended from 6 months after the date of the ARA Option Deed to 24 months after the date of the ARA Option Deed. Accordingly, the first paragraph of Section 10.5(a)(2) (“ARA Option Deed”) of the Prospectus is deleted and replaced with the following:

“SDF has entered into an option deed with ARA dated 30 July 2002. Under this deed, ARA granted to SDF an option expiring on the date which is 24 months after the date of the ARA Option Deed (“ARA Option Expiry Date”) to subscribe for a further shareholding in ARA of 12.01% or 22% for \$273,000 or \$500,000 respectively at the discretion of SDF, subject to SDF being satisfied with the results of due diligence investigations into ARA to be conducted by SDF and its advisers.”

## **11. Pooled Development Fund**

The second paragraph of section 8.5 (PDF is not to commit more than 30% of its Committed Capital to an Investee Company) of the Prospectus is deleted and replaced with the following:

“In this regard, SDF has obtained dispensation from the PDF Board permitting its current investment in ARA as well as its proposed investment in the Auspep Group. The ARA related dispensation from the PDF Board applies until 23 March 2003. The Auspep Group related dispensation from the PDF Board applies for so long as SDF complies with the requirements of the PDF Act, in relation to its investment in the Auspep Group, prior to 17 January 2005.”



The second paragraph of Section 8.8 (“Limit on Shareholding in a PDF”) of the Prospectus is deleted and replaced with the following:

“Pursuant to Section 31(1) of the PDF Act, the PDF Board has approved Peter King, John Nissen and Michael McDonald, as associates, holding more than 30% of the issued shares in SDF until 20 March 2003.”

## **12. Interests of advisers**

The first and second paragraphs under the sub-heading “Interests of advisers” in Section 10.6 (“Interests of Directors, Advisers, Promoters and Others”) of the Prospectus are deleted and replaced with the following:

“Freehills has acted as legal adviser to SDF in connection with the Offer and has performed work in relation to the due diligence enquiries on legal matters. SDF has agreed to pay \$165,000 for such services to the date of his supplementary document. Further amounts may be paid to Freehills in accordance with its time based charge out rates.”

“PKF are SDF’s Auditors and Taxation Advisers. PKF has prepared the Independent Taxation Report included in this Prospectus. PKF has also performed due diligence enquiries in relation to financial accounting and taxation matters. SDF has agreed to pay \$99,725.33 for such services to the date of this Prospectus. Further amounts may be paid to PKF in accordance with their time-based charge-out rates.”

## **13. Age of Peter King**

Peter King’s age is now 65 years.

## **14. PKF consent**

PKF has given, and not withdrawn prior to the lodgement of this supplementary document with ASIC, its written consent to the statement which appears in section 5 of this supplementary document, that PKF has issued an unqualified audit opinion in respect of the financial statements of SDF for the 12 month period ended 30 June 2002.

## **15. Glossary of terms**

The Glossary of Terms in the Prospectus is amended by:

- (a) deleting the definition of “**ARA Option Expiry Date**” and replacing it with the following definition – “**ARA Option Expiry Date**” means the date which is 24 months after the date of the ARA Option Deed;
- (b) inserting the following definition – “**Auspep Clinical Peptides**” means Auspep Clinical Peptides Pty Ltd (ACN 103 341 484);
- (c) inserting the following definition – “**Auspep Group**” means the group of companies comprising Auspep Holdings and its subsidiaries, Auspep and Auspep Clinical Peptides;
- (d) inserting the following definition – “**Auspep Holdings**” means Auspep Holdings Pty Ltd (ACN 103 340 067);
- (e) deleting the definition of “**Auspep Joint Venture Agreement**”;
- (f) inserting the following definition – “**Auspep Share Sale Agreement**” means the agreement described in section 10.5(c)(2) of the Prospectus (as amended by this supplementary document);
- (g) deleting the definition of “**Auspep Subscription Expiry Date**” and replacing it with the following definition – “**Revised Auspep Holdings Subscription Expiry Date**” means

the date which is 12 months after the date of the Revised Auspep Holdings Subscription Deed;

- (h) inserting the following definition – “**Nissen Agreed Application Shares**” means the number of Shares which, on application under the Offer, will result in John Nissen having a 30% equity interest in the Company (after taking into account the 4,001,400 Shares already held by Rhys Securities Pty Ltd and by John Nissen). This equals 2,994,600 Shares (if only the Minimum Subscription is achieved) and 9,594,600 Shares (if the Maximum Subscription is achieved); and
- (i) inserting the following definition – “**Revised Auspep Holdings Subscription Deed**” means the subscription deed described in Section 10.5(c)(1) (as amended by this supplementary document).

#### **16. Statement of directors**

This supplementary document is signed by Michael David McDonald, who signs it for and on behalf of and with the authority of each Director of the Company, each of whom has consented to the lodgement of this supplementary document with ASIC.

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Michael David McDonald  
Director  
State Development Fund