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FROM: Robert Payne

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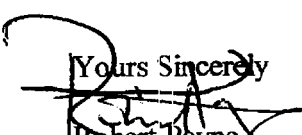
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NOTES/COMMENTS:

Please find enclosed the press release from SDF entitled "*State Development Fund to list Auspep Holdings on the ASX*"

Yours Sincerely


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NEWS RELEASE 25 AUGUST 2004

State Development Fund to list Auspep Holdings on the ASX

State Development Fund Limited (SDF), a Pooled Development Fund listed on the Bendigo Stock Exchange (BSX), will seek ASX listing for its subsidiary Auspep Holdings Limited (Auspep).

SDF currently owns 90 % of Auspep, which is the largest Australian-owned manufacturer of synthetic peptides. Auspep has been profitable since 1997 and will again return a profit for the year ending June 2004.

Auspep supplies peptides to a large number of pharmaceutical companies and research institutions in Australia and overseas. These include The Garvin Institute, St Vincent's Hospital, Queensland Institute of Medical Research, The Victor Chang Institute for Cardiac Research, GlaxoSmithKline (USA), Harvard Medical School (USA) and Pfizer (UK). Synthetic peptides are essential parts of proteins exhibiting biological activity and are utilised in the research and development and manufacture of drugs.

Auspep will commission a Good Manufacturing Practice (GMP) facility at Tullamarine Victoria from the funds raised through the ASX listing. This facility will produce synthetic peptides for use in clinical trials. Currently, there is no GMP facility in Australia specializing in the manufacture of peptides.

SDF also owns 69% of Australian Regional Airports (ARA), which owns 49% of the Burnie Airport Corporation (BAC) in Northern Tasmania in a unique partnership with the Burnie City Council. BAC owns the Burnie Wynyard Airport.

SDF will announce its June 30 2004 results on 14 September 2004 and will hold its Annual General Meeting on 8 November 2004.

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The Commonwealth Government's *Pooled Development Funds Act* encourages access to development capital to foster the growth of Australian small businesses.

Investors in Pooled Development Funds enjoy tax concessions including an exemption from income and capital gains tax on the sale of their shares, and in many cases the treatment of dividends as exempt income or as fully franked income.

FURTHER COMMENT

Refer all enquiries to:

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End of Press Release

Backgrounder to the Press Release

The Investments

Auspep manufactures peptides for use in both medical and veterinary research and in the pharmaceutical industry. Auspep is about to construct a new manufacturing facility, which will apply for Good Manufacturing Practice (GMP) certification from the Therapeutic Goods Association, the Australian regulatory body. Once this facility has achieved GMP status, Auspep will become one of Australia's premier manufacturers of clinical grade peptides. This facility and approval is expected to be completed this financial year.

Australian Regional Airports currently has a contract to provide services to the Burnie Wynyard regional airport in North-West Tasmania. Revenue is generated from passenger and freight levies, landing charges and property management and development. The Burnie Wynyard Airport comprises approximately 223 hectares of land, all of which was rezoned for industrial use after ARA acquired its interest. Approximately 70 hectares of land was designated for immediate industrial investment

The first industrial development has been undertaken by Vestas Wind Systems "Vestas", a major Danish manufacturer of wind turbines, which is constructing a \$15million nacelle assembly plant. Vestas is also expected to locate a \$50million blade manufacturing plant to the region. These two developments will directly employ up to 150 people and also attract ancillary and other industries to the region.

ARA has plans to broaden its role in the management and development of regional airports across Australia. A number of gateway airports are presently under consideration. Most of these, because of the high incidence of passengers, are genuine local community assets providing an important essential service. These airports are surrounded by valuable, although to date underdeveloped, real estate."

The Board and Management

The chairman of SDF is veteran company director Sir Laurence Muir. He is a director of Publishing and Broadcasting Ltd (PBL) and a former director of the ANZ Banking Group Ltd, Alcoa of Australia Ltd, Herald and Weekly Times Ltd, Australian Consolidated Industries Ltd, Hudson Conway Ltd, Air Liquide Ltd and other companies. He was for some years chairman of Templeton Global Growth Fund Ltd.

Sir Laurence's recent centenary medal citation was for "outstanding service to the business, financial and research communities". He was a leading underwriter and corporate financier in the halcyon days of Ian Potter and Company (later Potter Partners). As patron of the Baker Medical Research Institute, the Micro Surgery

Research Institute (The Bernard O'Brien Institute) and Earthwatch Institute he maintains a close connection with medical and environmental research in this country.

Deputy chairman is Adelaide stockbroker and former politician Legh Davis. Mr Davis is an experienced investment advisor, a former state president of the Securities Institute of Australia, and State Chairman of ABN AMRO Morgans in South Australia.

Other directors include former stockbroker John Nissen, commercial lawyers Peter King and Michael MacDonald and medical practitioner Dr Andrew Ludekens.

The company's Chief Executive Officer is Dr Robert Payne. Dr Payne has spent most of his professional career developing markets for technological products in Australia, Europe and the USA. Harvard educated, Dr Payne returned to Australia in 1994 to specialise in developing small business. Prior to his present appointment he was a consultant to a group of stockbrokers and large legal firm advising on public listings, capital raisings and private placements.

Please refer all enquiries to Dr Robert Payne at State Development Fund Limited, Suite 712, 530 Little Collins Street Melbourne, Vic. 3000 Tel: (03) 8686 5600, Mobile: 0408 175 521 Fax: (03) 8686 5601, E mail: robertp@statedevelopmentfund.com, website: www.statedevelopmentfund.com

End of Backgrounder to Press Release