



Chairman's Address to the State Development Fund Annual General Meeting

8 November 2003

Dear Shareholders

I welcome you to our second annual general meeting.

As a Pooled Development Fund we continue our commitment to fostering small but emerging growth stocks.

Our initial investee companies (Auspep and ARA) are doing well and consistent with our charter we are now exploring opportunities to sell all or part of our holdings to increase the liquidity of SDF, to provide shareholder benefits (to SDF shareholders) and to fund new investments.

During the year SDF subscribed funds to acquire 90% of the share capital of Auspep. Auspep is currently in the process of constructing a new plant, which if granted Good Manufacturing Status (GMP), will enhance market access for our synthetic peptides and increase profitability. AUSPEP will be the only GMP rated Australian commercial peptide producer.

Your Board is exploring some interesting new opportunities and will keep shareholders fully informed during the current financial year.

On behalf of the Board I thank shareholders for their continued support. It is appropriate also to say thank you to my Board colleagues, our Chief Executive Dr Robert Payne, the Bendigo Stock Exchange, our Bankers, our Auditors, our Lawyers and Financial Advisors for their very special contribution this year

Thank you all

A handwritten signature in black ink, appearing to read 'LM Muir', with a long, horizontal flourish extending to the right.

LM MUIR
Chairman and Director