

VET BIOTECHNOLOGY LIMITED
ACN 105 577 017
Half-year Report

Results for announcement to the market

	2004	Half year ended 31 December 2003	Movement \$	Movement %
Extract from the statement of financial performance				
Revenue from ordinary activities	4,367	30,278	(25,911)	-85.6%
Net loss attributable to members	(121,129)	12,106	(133,235)	-1100.6%

Dividends

There have been no dividends declared or paid during the the period 1 July 2004 to 31 December 2004.

Explanation of Revenue and Net Profit

The company continues to pursue opportunities to develop and commercialise emerging veterinary biotechnological research. It is in the process of introducing the VetCell Bioscience Ltd equine stem cell technology to the market. The administration costs associated with these processes has resulted in the loss disclosed for this half year.

Supplementary Appendix 3 Information

Net tangible assets per security

	31/12/04	31/12/03
Net tangible assets per security (cents)	1.55	1.26

Controlled entities acquired or disposed of

No entities were acquired or disposed of during the period.

Additional dividend/distribution information

There were no dividends declared or paid during the period 1 July 2004 to 31 December 2004.

Dividend reinvestment plans

The company does not have any dividend reinvestment plans in operation.

Associates and Joint Venture entities

The company does not have any associates or joint venture entities

Foreign accounting standards

The company does not have any interest in any foreign entities.

Audit Alert

The accounts are not subject to an audit dispute or qualification.

VET BIOTECHNOLOGY LIMITED
ACN 105 577 017

INTERIM FINANCIAL REPORT
31 DECEMBER 2004

VET BIOTECHNOLOGY LIMITED
ACN 105 577 017
INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your directors submit the financial report of the company for the half-year ended 31 December 2004.

Directors

The following persons were directors of Vet Biotechnology Limited during the whole of the half-year and up to the date of this report:

Mr Douglas Peter LeMessurier
Mrs Lusia Halina Guthrie
Mr Paul Andrew Mariani

Mr Paul Lawrence Kerr was appointed a director on 16 August 2004 and continues in office at the date of this report.

Review of Operations

Vet Biotechnology Ltd converted the exclusive Heads of Agreement with VetCell Bioscience Ltd into an exclusive licence agreement. Under this agreement Vet Biotechnology Limited has an exclusive licence to manufacture and distribute the stem cell technology for repair of equine tendons and ligaments in Australia and New Zealand. The company will be required to obtain a permit from the Australian Pesticides and Veterinary Medicines Authority to manufacture and distribute the stem cell services in Australia. The company is investigating suitable contract manufacturing partners in Australia.

The company signed a Heads of Agreement with Veterinary Research Synergies Pty Ltd to enter into a contract research and development agreement to investigate a non-invasive breath test technology to diagnose equine gastrointestinal ulceration. This Heads of Agreement is contingent upon the successful negotiation of an exclusive licence to commercialise the equine applications of the sucrose breath test technology described in the Australian patent application PCT AU 02 01666 titled 'Breath Test'.

Vet Biotechnology Ltd. is continuing research utilising the VapA technology to develop products for the long-term management of *Rhodococcus Equi* pneumonia in foals, commonly known as 'Rattles'.

The company issued an underwritten Prospectus in September to offer 950,000 shares at \$0.30 to raise \$285,000. The offer closed fully subscribed with oversubscriptions and the company listed on the Newcastle Stock Exchange on 10 December 2004. Capital funds raised during the six months to 31 December 2004 included further seed capital of \$137,000 with \$292,400 being raised on issue of the prospectus.

The company has not yet commenced commercial operations and therefore has received no income from its proposed activities.

Operating expenditure during the six months to 31 December 2004 was \$125,496.

Income during the period was interest received on funds on deposit. This amounted to \$4,367.

The company therefore incurred a trading loss of \$121,129.

Signed in accordance with a resolution of the Directors



Director
Lusia Halina Guthrie



Director
Paul Lawrence Kerr

Dated this 16th day of March 2005. 1

VET BIOTECHNOLOGY LIMITED
ACN 105 577 017
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Note	31/12/04 \$
Revenue from ordinary activities		4,367
Other expenses from ordinary activities	2	(125,496)
Loss from ordinary activities before income tax		(121,129)
Income tax expense relating to ordinary activities		-
Loss from ordinary activities after related income tax		(121,129)
Net loss attributable to members		(121,129)
Total changes in equity other than those resulting from transactions with owners as owners		(121,129)
Basic earnings per share (cents per share)		(1.40)
Diluted earnings per share (cents per share)		(1.40)

The accompanying notes form part of these financial statements

VET BIOTECHNOLOGY LIMITED
ACN 105 577 017
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Note	31/12/04 \$
CURRENT ASSETS		
Cash Assets		297,598
Receivables		<u>1,330</u>
TOTAL CURRENT ASSETS		<u>298,928</u>
NON-CURRENT ASSETS		
Plant and Equipment		3,703
Intangible Asset	3	264,649
Other		<u>909</u>
TOTAL NON-CURRENT ASSETS		<u>269,261</u>
TOTAL ASSETS		<u>568,189</u>
CURRENT LIABILITIES		
Payables	4	139,007
Provisions		<u>3,329</u>
TOTAL CURRENT LIABILITIES		<u>142,336</u>
TOTAL LIABILITIES		<u>142,336</u>
NET ASSETS		<u>425,853</u>
EQUITY		
Contributed Equity	5	623,170
Retained Profits		<u>(197,317)</u>
TOTAL EQUITY		<u>425,853</u>

The accompanying notes form part of these financial statements

VET BIOTECHNOLOGY LIMITED
ACN 105 577 017
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Note	31/12/04 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		-
Payments to Suppliers and Employees		(99,534)
Interest Received		4,367
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Net cash provided by (used in) operating activities		(95,167)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for Option Fee		-
Payment for VetCell Licence Fee		(78,872)
Payment for Sucrose Breath Test Research		(14,000)
Payment for Plant & Equipment		-
		<hr/>
Net cash used in investing activities		(92,872)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		
- Seed Capital	5	137,000
- Initial Public Offering	5	292,400
- Shares Issued to Underwriter as Placement Commission	5	114,000
- Capital Raising Costs inclusive of Placement Commission	5	(165,151)
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Net cash provided by (used in) financing activities		378,249
Net increase in cash held		190,210
Cash at beginning of period		107,388
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Cash at end of period		297,598
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The accompanying notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

Note 1: Basis of Preparation

The interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and other authoritative pronouncements of the Australian Accounting Standards Board.

This financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Vet Biotechnology Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the company and are consistent with those applied in the 30 June 2004 annual report.

The interim financial report does not include notes of the type normally included in an annual financial report.

Note 2: Expenses

Accounting and Administration	18,000
Consulting Fees	5,804
Legal Fees	720
Patent Fees	2,000
Salaries and Wages	40,044
Depreciation on Plant and Equipment	616
Amortisation	2,286
Other Expenses	56,026
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	125,496
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Note 3: Intangible Asset

Carrying value as at 30 June 2004	100,623
Mesenchymal stem cell technology and umbilical cord and blood derived stem cell collection and storage services	
- Licence fee payments	152,185
Sucrose Breath Test	
- Research and development (Pre-clinical trials Phase I)	14,000
Amortisation	(2,159)
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Carrying value as at 31 December 2004	264,649
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Note 4: Payables

Licence fees due under contract	117,314
Other creditors	21,693
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	139,007
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

Note 5: Contributed Equity

	No. of Shares	\$
Contributed Equity as at 30 June 2004	8,300,093	256,515
The following ordinary shares were issued during the half-year:		
Ordinary share issue of seed capital	775,000	137,000
Issue of shares under Initial Share Offer	974,666	292,400
Issue of shares as payment for underwriting commission	380,000	114,000
	<u>2,129,666</u>	<u>543,400</u>
Total	<u>10,429,759</u>	<u>799,915</u>
Capital Raising Costs:		
Balance brought forward		(11,594)
Underwriting Costs:		
- Placement Commissions	114,000	
- Underwriting Commission	19,950	(133,950)
Other Costs		(31,201)
Total Capital Raising Costs		<u>(176,745)</u>
Contributed Equity as at 31 December 2004		<u>623,170</u>

Note 6: Dividends

There have been no dividends declared or paid during the period of this report.

Note 7: Capital Expenditure Commitments

Vet Biotechnology Limited is negotiating an exclusive licence to commercialise the equine applications of the Sucrose Breath Test (SBT). Vet Biotechnology Limited and Veterinary Research Synergies have entered into a research and development contract, contingent upon the Vet Biotechnology Limited licence, to develop a commercial sucrose breath test for diagnosis of equine gastrointestinal ulceration. Phase I of the pre-clinical trials in respect of the SBT has commenced. Commitments outstanding at balance date in respect of Phase I amounted to \$43,087. Should Vet Biotechnology Limited decide to proceed with the project, a budget amount of \$150,480 has been agreed with Veterinary Research Synergies for Phase II.

Note 8: Contingent Liabilities

Changes in contingent liabilities since the last reporting date are as follows:

(a) Rhodococcus Equi ELISA Diagnostic Assay

- i No options under the terms of the agreement have been taken up by any related party or other party.
- ii When sales commence, fees including the Annual IP fee, Annual Research Fee and royalties, will be payable.
- iii A Patent Issuance Fee of \$75,000 is payable when a patent is granted in the United States of America.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

Note 8: Contingent Liabilities (cont.)**(b) Mesenchymal stem cell technology and umbilical cord and blood derived stem cell collection and storage services:**

- i No options under the terms of the agreement have been taken up by any related party or other party.
- ii The third milestone payment under the terms of the agreement being \$74,314 (£30,000) was paid by 1 March 2005.
- iii Royalties are payable to VetCell Bioscience Ltd in accordance with the number of Licensed Products sold.

No of Licensed Products sold in each year	Royalty Rate
0 - 750	10.0%
751 - 1,000	7.5%
1,001 and greater	5.0%

(c) Underwriting commission to Martin Place Securities Pty Ltd (previously WHI Securities Pty Ltd)

- i Management Fees and Commissions totalling \$25,772 have been paid.
- ii The placement commission of 380,000 ordinary shares has been issued to Martin Place Securities Pty Ltd and/or their nominees at 30 cents per share.

(d) Acquisition of Technology - Sucrose Breath Test

- i Funding to Veterinary Research Synergies for Phase II Research on successful completion of Phase I to the order of \$150,480 including GST.

Note 9: Events Subsequent to Balance Date**US Joint Venture**

On 24 January 2005 the company signed a Head of Agreement with UK based VetCell Bioscience Ltd to negotiate the terms and conditions of a Joint Venture Agreement to commercialise and distribute VetCell's proprietary equine stem cell services in the United States of America.

General Meeting of Shareholders - Issue of Shares to a Director

A general meeting of shareholders has been called for 29 March 2005 to approve the issue of 500,000 shares and 500,000 options to Mr Paul Kerr in his capacity as a director. The Notice of Meeting, Proxy Form and Explanatory Statement was sent to shareholders on 2 March 2005. The shares will be allotted at \$0.40 each and the options will be allotted at \$0.10 each. In monetary terms the total value of this remuneration package will be \$250,000. The issue of shares and options will constitute the total remuneration package for Mr Paul Kerr for the financial year ended 30 June 2005. The options may be exercised at anytime up to 30 June 2011 at an exercise price of \$0.30.

DIRECTORS' DECLARATION

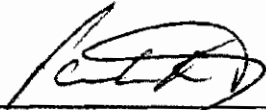
The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 7:
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and;
 - (b) give a true and fair view of the company's financial position as at 31 December 2004 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.
2. In the directors' opinion:
 - (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
 - (b) 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 Directors.



Director
Lusia Halina Guthrie



Director
Paul Lawrence Kerr

Dated this 16th day of March 2005

VET BIOTECHNOLOGY LIMITED

ACN 105 577 017

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF VET BIOTECHNOLOGY LIMITED

Scope

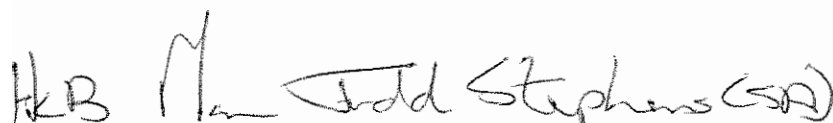
We have reviewed the financial report of Vet Biotechnology Limited for the half year ended 31 December 2004 comprising the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements and the directors' declaration. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

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:

- a. the Corporations Act 2001, including:
 - i giving true and fair view of the company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.



**HLB MANN JUDD STEPHENS (S.A.)
CHARTERED ACCOUNTANTS**



**PHILIP PLUMMER
PARTNER**

Adelaide

Signed this 16th day of March 2005