

CBio Limited

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004
ACN NO. 094 730 417**

CBio Limited
Director's Report

Your directors submit their report for the half-year ended 31 December 2004.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below:

| Name | Period of directorship |
|---------------------|-------------------------------------|
| Mr Stephen Jones | Non-executive Director and Chairman |
| Dr Wolfgang Hanisch | Managing Director |
| Mr Stephen Goodall | Non-executive Director |

RESULTS AND REVIEW OF OPERATIONS

On 11 October 2004 shareholders of BresaGen Limited approved the issue of 51% of the issued capital of their Company to CBio Limited in return for a capital injection of \$2.9 million and the provision of a Convertible Note facility of \$3.4 million. BresaGen Limited was subsequently released from Voluntary Administration on 13 October 2004 and was reinstated on the ASX on 14 December 2004. The purchase of BresaGen Limited by CBio Limited has allowed CBio Limited to continue to access a national facility that can produce CBio's drug Cpn10.

The loss after tax attributable to members of CBio Limited for the half-year ended 31 December 2004 was \$2,772,601. For the previous half-year ended 31 December 2003 the loss after tax of the company was \$1,768,445. The loss after tax attributable to members of CBio Limited relating to the operations of BresaGen Limited were \$771,703.

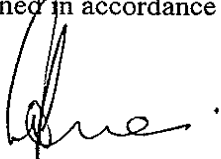
Funds to date have been expended as set out in the original prospectus, on the successful completion of goals that have seen the company start Phase II clinical trials in patients with multiple sclerosis and ulcerative colitis. These trials are two of up to 5 clinical trials planned under the Phase IIA program.

The Company also issued a pro-rata rights offer to all shareholders on 28 January 2005. At the date of this report the company had received \$1,536,138 from this offer.

Auditor's Independence Declaration

The Board has received and considered the auditor's independence declaration from Ernst & Young for the period ended 31 December 2004. A copy of this declaration is included in the attached financial report on page 15.

Signed in accordance with a resolution of directors.



S. Jones
Chairman
Brisbane

Date: 10 March 2005

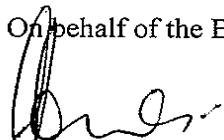
CBio Limited
Director's Declaration

In accordance with a resolution of the directors of CBio Limited, I make the following statement:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company CBio Limited, with the reliance on the success of the rights issue, will be able to pay its debts as and when they become due and payable.

On behalf of the Board



S. Jones
Chairman

Brisbane

Date: 10 March 2005

CBio Limited
Consolidated Statement of Financial Performance
Half-year ended 31 December 2004

| | Notes | CONSOLIDATED | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------------|------------------------|
| | | 31 December 2004 | 31 December 2003 |
| | | \$ | \$ |
| Revenues from Ordinary Activities | 2 | 376,646 | 1,764 |
| Borrowing costs expense | 3 a | (120,755) | (34,998) |
| Administrative expenses | 3 b | (1,836,540) | (434,319) |
| Research and development | | (965,380) | (1,182,582) |
| Patent costs | | (37,880) | (25,439) |
| Marketing expenses | | (122,422) | (92,871) |
| Goodwill write-off | | (360,237) | - |
| Loss on Dilution of Interest in Controlled Entities | | (149,213) | - |
| LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | | (3,215,781) | (1,768,445) |
| Income tax expense relating to ordinary activities | | - | - |
| LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE & NET LOSS | | (3,215,781) | (1,768,445) |
| NET LOSS ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST | | 443,180 | - |
| NET LOSS ATTRIBUTABLE TO MEMBERS OF CBIO LIMITED | | (2,772,601) | (1,768,445) |
| Changes in equity reserves during the half-year | | - | - |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF CBIO LIMITED | | (2,772,601) | (1,768,445) |

The accompanying notes form part of these financial statements.

CBio Limited
Consolidated Statement of Financial Position
Half-year ended 31 December 2004

| | Notes | CONSOLIDATED | |
|----------------------------------------|-------|---------------------|------------------|
| | | 31 December 2004 | 30 June 2004 |
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash assets | | 1,324,459 | 1,196,708 |
| Receivables | | 349,491 | 159,747 |
| Other Current Assets | | 150,548 | - |
| TOTAL CURRENT ASSETS | | 1,824,498 | 1,356,455 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | | 11,245,365 | 206,421 |
| Other Non-Current Assets | | 758,300 | 963,962 |
| TOTAL NON-CURRENT ASSETS | | 12,003,665 | 1,170,383 |
| TOTAL ASSETS | | 13,828,163 | 2,526,838 |
| CURRENT LIABILITIES | | | |
| Payables | | 800,968 | 921,042 |
| Interest Bearing Liabilities | | 518,348 | - |
| Provisions | | 395,258 | 15,253 |
| TOTAL CURRENT LIABILITIES | | 1,714,574 | 936,295 |
| NON-CURRENT LIABILITIES | | | |
| Interest bearing liabilities | | 8,354,385 | 1,000,000 |
| Non interest bearing liabilities | | 5,620 | - |
| Provisions | | 74,497 | - |
| TOTAL NON-CURRENT LIABILITIES | | 8,434,502 | 1,000,000 |
| TOTAL LIABILITES | | 10,149,076 | 1,936,295 |
| NET ASSETS | | 3,679,087 | 590,543 |
| EQUITY | | | |
| Total parent entity interest in equity | | 1,560,171 | 590,543 |
| Total outside equity interest | | 2,118,916 | - |
| TOTAL EQUITY | | 3,679,087 | 590,543 |

The accompanying notes form part of these financial statements.

CBio Limited
Consolidated Statement of Cash Flows
Half-year ended 31 December 2004

| | CONSOLIDATED | |
|-------------------------------------------------------|------------------------|------------------------|
| Notes | 31 December 2004 | 31 December 2003 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (7,219,688) | (1,192,820) |
| Cash received in the course of operations | 1,410,441 | - |
| Interest received | 61,661 | 1,764 |
| Interest Paid | (51,012) | - |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | (5,798,598) | (1,191,056) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash acquired on acquisition of controlled entity | 3,043,583 | - |
| Proceeds from sale of shares | 62,530 | - |
| Purchase of property, plant and equipment | (112,618) | (32,947) |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | 2,993,495 | (32,947) |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES | | |
| Proceeds from/(purchase of) short term deposits | - | - |
| Proceeds from issue of shares | 2,697,874 | 1,105,000 |
| Proceeds from share issue allotted post year end | - | - |
| Payments for convertible note repayment | - | - |
| Proceeds from share allotments not yet made | 234,980 | 402,290 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 2,932,854 | 1,507,290 |
| NET INCREASE/(DECREASE) IN CASH HELD | 127,751 | 283,287 |
| CASH AT BEGINNING OF THE FINANCIAL PERIOD | 1,196,708 | 136,605 |
| CLOSING CASH CARRIED FORWARD | 1,324,459 | 419,892 |

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Half-Year Financial Report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of CBio Limited and its controlled entities as at 30 June 2004. It is recommended that the half-year financial report be considered together with any public announcements made by CBio Limited and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of Accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention. Cost in relation to assets represents the cash amount paid or the fair value of the assets given in exchange.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Changes in Accounting Policies

The accounting policies applied are consistent with the most recent annual financial report for the year ended 30 June 2004.

Going Concern

The report has been prepared on a going concern basis. The directors believe that the going concern basis is appropriate due to the following factors:

- a) the major liability of the parent entity is a \$1m convertible note
- b) the major liabilities of BresaGen Limited are current & non-current interest bearing liabilities totalling \$7.069 Million
- c) the company has a strong history of capital raising
- d) in January 2005 CBio Limited issued a prospectus to raise a minimum of \$1.95m. To date an amount of \$1,536,138 has been raised.
- e) the success of future capital raising for CBio Limited will depend on the company achieving positive results in the current clinical trials
- f) the success of the operations of BresaGen is dependant on -
 - i. obtaining additional funding in the near future;
 - ii. continuing to receive the support of the current creditors; and
 - iii. generating future sales to enable the company to generate a profit and positive cashflows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The completion of the Phase II trials program will require additional funding to be raised in a future period. Should the consolidated entity not receive future funds, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and be able to pay their debts as and when they fall due. Accordingly, the consolidated entity may be required to extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report.

This report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the entity not be able to continue as a going concern.

| 31 December 2004 | 31 December 2003 |
|---------------------------------|---------------------------------|
| \$ | \$ |

2. REVENUES FROM ORDINARY ACTIVITIES

Revenues from non-operating activities

| | | |
|-----------------------------------------|---------|-------|
| Interest- other persons/corporations | 61,661 | 1,764 |
| Sales Revenue | 136,444 | - |
| Research & Development Income | 119,859 | - |
| License Fees | 35,864 | - |
| Other Revenue | 22,818 | - |
| Total revenues from ordinary activities | 376,646 | 1,764 |

| 31 December 2004 | 31 December 2003 |
|---------------------------------|---------------------------------|
| \$ | \$ |

3. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities for the consolidated entity before income tax has been determined after:

(a) Expenses from

Borrowing costs:

| | | |
|---------------------------------------------------|---------|--------|
| Interest expense on Convertible Note | 34,998 | 34,998 |
| Borrowing costs attributable to controlled entity | 85,757 | - |
| | 120,755 | 34,998 |

(b) Administration expenses

| | | |
|-----------------|---------|---------|
| Consulting fees | 459,490 | 187,090 |
|-----------------|---------|---------|

3. LOSS FROM ORDINARY ACTIVITIES (cont'd)

| | | |
|-------------------------------|-----------|---------|
| Depreciation | 412,605 | 42,195 |
| Office rental | 15,000 | 30,833 |
| Legal and compliance costs | 295,859 | 71,685 |
| Insurance | 150,687 | - |
| Repairs & maintenance | 161,258 | - |
| Share Registry costs | 34,073 | 4,202 |
| Other costs | 307,568 | 98,314 |
| Total administration Expenses | 1,836,540 | 434,319 |

Please note the current period borrowing cost and administration expenses include BresaGen Limited expenses from the date of consolidation (11 October 2004) through to the end of the reporting period.

4. CONTINGENT ASSETS AND LIABILITIES

Secured Credit Note Facility

A convertible note Facility was approved by Shareholders of BresaGen Limited at the Company's shareholders meeting held on 11 October 2004 with CBio Limited. A summary of the principle terms of this facility are set out below -

- (a) CBio will make available to BresaGen Limited a loan facility with a maximum limit of \$3.4m. (subsequently it has been agreed that obligations to the extent of \$900,000 of this facility will be assumed by Australian Technology Innovation Fund Limited (ATIF), See below);
- (b) BresaGen will issue a maximum of 34 Notes (now 25 noted See below) to CBio at an issue price of \$100,000;
- (c) the maturity date for the facility is 5 years from the commencement of the Convertible Note Facility;
- (d) the notes are transferable at the option of the holder
- (e) the notes are convertible at the option of the holder
- (f) each note will be convertible into that number of shares determined by reference to the amount of the face value of the notes and the following price: the higher of \$0.05 per share and the rolling three month volume weighted average price of BresaGen's ordinary shares, traded on the ASX discounted at 20% (that is the lowest price at which shares will be converted is \$0.05 per share) such that the maximum number of shares which may be issued is 68,000,000;
- (g) Shares issued on conversion of a note will be fully paid ordinary shares in BresaGen Limited; and
- (h) Interest will be payable by BresaGen Limited on the face value of the notes issued at a rate of 8% per annum.

Charge

- a) fixed and floating charge over all of BresaGen's assets and undertaking
- b) secures all monies advanced to BresaGen by CBio from time to time, including under the convertible note facility; and
- c) secured monies are repayable in accordance with the terms of any relevant agreement (such as the convertible note facility) or otherwise on demand by CBio.

4. CONTINGENT ASSETS AND LIABILITIES (cont'd)

Convertible Note Facility amendments

On the 6 December 2004 the secured convertible note facility with CBio was amended and ATIF agreed to subscribe for up to the first 9 Notes (\$900,000) upon being called to do so by BresaGen. ATIF and BresaGen will be covered by the same terms and conditions as the original facility provided by CBio except that this facility is not secured over the assets of BresaGen Limited. Subsequent to the 6 December 2004 BresaGen Limited called upon 2 notes (\$200,000) provided under this facility. Immediately upon the issue of the notes ATIF exercised their right and converted the notes into 4,000,000 shares. It is the stated intention of all parties that these convertible note facilities will only be drawn upon if required for continued cash solvency of BresaGen Limited.

5. GOODWILL

Goodwill from the acquisition of 51% share in BresaGen Limited was initially recorded at \$360,237. The recoverability of this amount has been considered in line with AASB 1010 Recoverable Amount of Non-Current Assets and the directors believe it reasonable to write-off the value of this investment to NIL as there is sufficient uncertainty in the recoverability of the goodwill.

6. SEGMENT INFORMATION

The company operates solely as a research and development company in the biotechnology/ pharmaceutical industry in Australia.

BresaGen Limited specialises in protein & pharmaceutical operations.

7. SUBSEQUENT EVENTS

On 12 January 2005 the Company lodged with ASIC a prospectus for a pro-rata, non-renounceable rights issue offer to shareholders. The closing date for this offer is 4 March 2005. As at the date of this report 512,046 shares have been subscribed for under the offer. The directors are now in the process of placing the shortfall.

A summary of the offer is set out below:

| | |
|---------------------------------------------------------------------------------------------------------------------|-----------------|
| Offer Price | \$3.00 |
| Record Date to determine entitlements to the New Shares | 25 January 2005 |
| Closing Date for acceptance and payment of subscription price | 4 March 2005 |
| Maximum amount to be raised under the offer | \$3 million |
| Minimum amount to be raised under the offer | \$1.95 million |
| Shortfall Closing date: The Directors are able to place any shortfall within 90 days of the close of the Prospectus | 4 May 2005 |

8. CHANGE IN COMPOSITION OF ENTITY

On 11 October 2004 Cbio Limited acquired 51% of the voting share capital of BresaGen Limited, a public company incorporated in Australia specialising in protein and pharmaceutical operations.

Cash paid as a result of the acquisition was \$2.9 million which represented \$360,237 above the value of net assets acquired as a result of the transaction.

Subsequent to acquisition but prior to 31 December 2004 Cbio's interest in BresaGen Limited has been diluted to 48% due to subsequent disposals and equity raisings by BresaGen.

9. INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalent of International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The difference between Australian GAAP and Australian equivalent of IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and Australian equivalent of IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effects of the implications discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with Australian equivalent of IFRS.

The consolidated entity has established a separate project to assess the impact of the Australian equivalent of IFRS. This project is currently in progress and will be completed by the end of the current financial year. The project is actively engaged in consultation with external experts and advisors. An opening Australian equivalent of IFRS balance sheet for the period beginning 1 July 2004 will be completed by 30 June 2005.

The key potential implications of the conversion to Australian equivalent of IFRS on the consolidated entity are as follows:

- financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables- measured at amortised cost, held to maturity - measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed. The AASB 139 will apply to the company from 1 July 2005 with no comparative disclosures required;
- impairments to assets will be determined on a discounted basis, with strict tests for determining whether cash-generating operations have been impaired;
- equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services;

9. INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

- intangible assets:
 - internally generated intangible assets (except development phase expenditure in certain circumstances) will not be recognised
 - intangible assets can only be revalued if there is an active market; and
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

10. CORPORATE INFORMATION

CBio Limited is a company limited by shares that is incorporated and domiciled in Australia.

The registered office of CBio Limited is located at:

17 Wakefield Street, Alderley, Brisbane, Qld 4051

The principal activities during the period were the research and development of the cpn10 and associated technologies.

Independent review report to members of Cbio Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Cbio Limited (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, 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 the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

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 is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

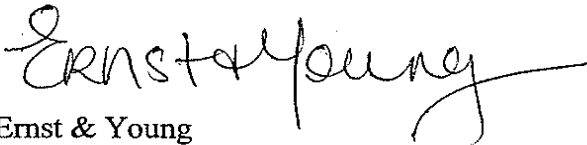
Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Cbio Limited and the entities it controlled during the period is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matter. As described in Note 1 Going Concern there is significant uncertainty whether the company and the consolidated entity will be able to continue as going concerns and, therefore, whether they will be able to pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the company and consolidated entity not be able to continue as going concerns.



Ernst & Young

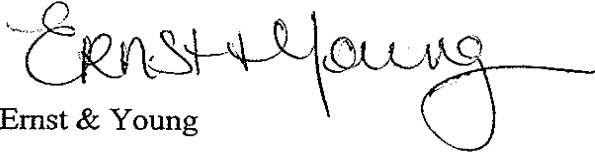


Winna Irschitz
Partner

Brisbane
11 March 2005

Auditor's Independence Declaration to the Directors of Cbio Limited

In relation to our review of the financial report of Cbio Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Winna Irschitz
Partner
Brisbane
11 March 2005