

VRI BioMedical

The Companies Announcements Office,
The Australian Stock Exchange Limited,
SYDNEY

Dear Sirs,

Attached is this company's report for the half-year ended 31 December 2004.

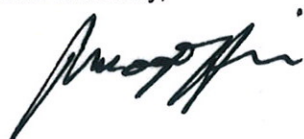
The results for announcement to the market required in Appendix 4D are as follows:-

1. The reporting period is the six months to 31 December 2004, The previous reporting period is the six months to 31 December 2003.
2. Key information relating to the above reporting period is as follows:-

	31 Dec 2004	31 Dec 2003	%age change
2.1 Revenues from ordinary activities	\$802,091	\$653,512	+ 22.7%
2.2 Loss from ordinary activities after tax attributable to members	\$1,971,502	\$2,362,054	- 16.5%
2.3 Net loss attributable to members	\$1,971,502	\$2,362,054	-16.5%
2.4 Proposed dividends	nil	nil	
2.5 Not applicable			
2.6 Refer attached report			
3. Net tangible assets per security 1.1c 3.3c
4. The company did not gain or lose control over any other entity during the reporting period.
5. There were no payments of dividends during the reporting period.
6. There is no dividend reinvestment plan in operation.
7. There are no associates or joint venture entities.
8. The company is not a foreign entity.
9. The accounts are not subject to any audit dispute or qualification.

The company's half-year report follows.

Yours sincerely,



Paul B Magoffin
Company Secretary
25th February 2005

HALF-YEAR REPORT

FOR THE SIX MONTHS ENDED

31ST DECEMBER 2004

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. Directors were in office for this entire period unless otherwise stated.

James Peter Grant (Non-executive Chairman from 1st to 4th July 2004)

Peter William French (from 1st July 2004 to 17th February 2005)

Sally Ann Capp (from 1st July to 26th November 2004)

Kim Robert Slatyer (Executive Chairman from 4th July 2004 to 17th February 2005)

Geoffrey Charles Wild AM

Bryan Martin Gardiner (from 17th February 2005)

Sir Victor Garland KBE (from 17th February 2005)

Ronald Penny AO (from 17th February 2005)

REVIEW AND RESULTS OF OPERATIONS

The company recorded the first full six months' sales of its proTract range of probiotics which increased revenues from the sale of goods by 247% (to \$726,099) compared to the six months ended 31st December 2003. Other revenues from ordinary activities in 2003 included \$397,186 from government grants.

The loss for the period reduced accordingly by approximately 16%.

During the period the company raised an additional \$2.1m in working capital from the placement of 21m shares .

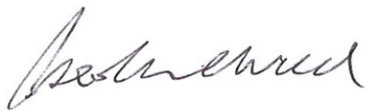
The company's Newcastle operations were closed down with the diagnostics project suspended pending the identification of a Investment partner. Also most of the R&D staff at the University of NSW were made redundant as most of the projects they were engaged on were finalised. The total redundancy payments in the reporting period amounted to \$54,436.

The Company will require additional funding to execute its existing and future plans successfully. Amongst these plans is a project being undertaken by the Scottish based Rowett Research Foundation. The initial outcome from the project will be the characterisation of the mechanism by which PCCTM induces an anti-inflammatory response at the molecular level.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the independence declaration from our auditors, Ernst & Young as included on page 4 of the financial report.

Signed in accordance with a resolution of the directors.



G C Wild

Director

Sydney, 25th February 2005



■ Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

■ Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

Auditor's Independence Declaration to the Directors of VRI Biomedical Technology Limited

In relation to our review of the financial report of VRI BioMedical 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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'C. M. Hosking'.

Colleen Hosking
Partner
Sydney
24 February 2005

Condensed Statement of Financial Performance

HALF-YEAR ENDED 31 DECEMBER 2004

Notes

CONSOLIDATED

2004

2003

Revenues from ordinary activities	2	802,091	653,512
Expenses from ordinary activities		(2,773,593)	(3,015,566)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	2	(1,971,502)	(2,362,054)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-
NET LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(1,971,502)	(2,362,054)
NET LOSS ATTRIBUTABLE TO MEMBERS OF VRI BIOMEDICAL LIMITED		(1,971,502)	(2,362,054)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(1,971,502)	(2,362,054)
Basic earnings per share (cents per share)		(1.9c)	(3.2c)
Diluted earnings per share (cents per share)		(1.9c)	(3.2c)

Statement of Financial Position

HALF-YEAR ENDED 31 DECEMBER 2004

Notes

CONSOLIDATED

AS AT
31 DECEMBER
2004AS AT
30 JUNE 2004

CURRENT ASSETS		
Cash assets	138,228	268,629
Receivables (including term deposits)	1,274,110	1,423,030
Inventories	271,507	439,936
Other	131,088	88,121
TOTAL CURRENT ASSETS	1,814,933	2,219,716
NON-CURRENT ASSETS		
Property, plant and equipment	148,110	159,033
TOTAL NON-CURRENT ASSETS	148,110	159,033
TOTAL ASSETS	1,963,043	2,378,749
CURRENT LIABILITIES		
Payables	678,801	1,111,854
Provisions	77,112	80,200
TOTAL CURRENT LIABILITIES	754,913	1,192,054
NON-CURRENT LIABILITIES		
Provisions	8,359	11,422
TOTAL NON-CURRENT LIABILITIES	8,359	11,422
TOTAL LIABILITIES	764,272	1,203,476
NET ASSETS	1,198,771	1,175,273
EQUITY		
Contributed equity	7 21,950,725	19,955,725
Accumulated losses	7 (20,751,954)	(18,780,452)
TOTAL EQUITY	1,198,771	1,175,273

Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2004

Notes

CONSOLIDATED

2004

2003

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and Government Grants

823,920

589,558

Interest received

39,992

41,190

Payments to suppliers and employees

(2,396,970)

(2,542,921)

Other - Research & development costs

(528,828)

(901,274)

NET CASH FLOWS FROM OPERATING ACTIVITIES

(2,061,886)

(2,813,447)

CASH FLOWS FROM INVESTING ACTIVITIES

Short term deposits

(55,147)

(1,914,860)

Other – purchase of property, plant & equipment

(8,368)

(23,920)

NET CASH FLOWS USED IN INVESTING ACTIVITIES

(63,515)

(1,938,780)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of ordinary –shares (net of costs)

1,995,000

3,886,049

NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES

1,995,000

3,886,049

NET INCREASE/(DECREASE) IN CASH HELD

(130,401)

(866,178)

Add opening cash brought forward

268,629

1,349,664

CLOSING CASH CARRIED FORWARD

138,228

483,486

Notes to the Half-Year Financial Statements

31 DECEMBER 2004

1. 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 VRI BioMedical Limited as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by VRI BioMedical 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.

(a) 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).

Going concern

The half-year financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.

In common with start-up biotechnology companies the company’s operations are subject to considerable risks and significant uncertainty due primarily to the nature of research, development and commercialisation to be undertaken. The Company is in the process of marketing and distributing its products and has signed agreements with distributors to facilitate these sales. The company also requires additional funding to successfully execute its existing and future plans. If further funding is obtained by way of the raising of additional capital this would have the effect of further diluting existing shareholders’ equity which may require approval of shareholders. In the event that the Company does not raise additional funding and continue to generate sales, significant uncertainty exists whether VRI BioMedical Limited and/or the consolidated entity will be able to continue as a going concern. The financial statements take no account of the consequences, if any, of the effects of either unsuccessful product development or commercialisation or, of the inability of the company to obtain adequate additional funding if required.

The Directors are confident of raising additional funds and generating future revenue. The necessity for further capital raising will be reviewed from time-to-time.

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

(b) Changes in accounting policies

The accounting policies are consistent with those applied in the 30th June 2004 Annual Report.

Notes continued

HALF YEAR ENDED 31 DECEMBER 2004

Notes

CONSOLIDATED

2004

2003

2. LOSS FROM ORDINARY ACTIVITIES

(a) Specific Items

Loss from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

(i) Revenues from ordinary activities

Revenue from sale of goods	726,099	209,340
Interest received	39,992	47,186
START grant	508	244,659
BIF grant	42,848	152,527

(ii) Expenses

Cost of goods sold	(496,428)	(151,476)
Depreciation of non-current assets	(19,290)	(13,305)
Research & development costs	(528,828)	(901,274)
Salaries & other employee benefits	(449,479)	(449,700)
Rental expenses	(35,314)	(112,038)
Redundancy costs (2003 includes relocation from Perth WA)	(54,436)	(318,016)
Advertising & marketing expenses	(387,294)	-
Consultants' expenses	(38,575)	(193,174)
Travel expenses	(136,337)	(71,752)

(iii) Losses (gains)

Net foreign currency losses	(15,085)	(5,152)
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3. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities

As at the date of this report the company is in a legal dispute with an ex-consultant who has commenced proceedings for the recovery of alleged fees owing of \$135,000. If the action is successful through the court process, the company would be liable to pay these fees plus estimated legal costs of between \$60,000 and \$70,000 plus interest and the claimant's costs. The Directors are of the opinion, based on legal advice, that the matter will be defended successfully.

Contingent assets

As at the date of this report the company had no contingent assets.

Notes continued

4. SEGMENT INFORMATION

The consolidated entity operates in the bio-technology industry in Australia. The principal operations are to research, develop, market and distribute probiotic, diagnostic and vaccine products. Sales are made both in Australia and internationally.

5. SUBSEQUENT EVENTS

There were no subsequent events affecting the financial statements.

6. IMPACT OF ADOPTING AASB EQUIVALENTS TO IFRS STANDARDS

VRI Biomedical Limited has begun transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalent of International Financial Reporting Standards (IFRS). The company has engaged Ernst & Young to perform diagnostics and to assist with impact assessments to isolate key areas that will be impacted by the transition to IFRS. As the company has a 30 June year end, priority will be given to considering the preparation of an opening statement of financial position in accordance with AASB equivalents to IFRS as at 1st July 2004. This will form the basis of accounting equivalents of IFRS in the future and will be required when the company prepares its first fully IFRS compliant financial report for the year end 30 June 2006.

Set out below are the key areas where accounting policies will change that may have an impact on the financial report.

At this time the company has not been able to quantify, reliably, the impacts on the financial report.

Share based payments

Under AASB 2, *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown, however it is expected to have a negative impact on accumulated losses and the company's results.

7. ADDITIONAL INFORMATION

CONSOLIDATED

	AS AT 31 DECEMBER 2004	AS AT 30 TH JUNE 2004
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Reconciliation of accumulated losses and equity

ISSUED AND PAID UP CAPITAL

(a) Ordinary shares fully paid	21,950,725	19,955,725
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AS AT 31 DECEMBER 2004

(b) Movement in shares on issue	Number of shares	\$
Beginning of financial year	83,973,127	19,955,725
Placement to Institutional and Sophisticated investors 20 July 2004 (i)	21,000,000	2,100,000
Shares cancelled pursuant to a selective reduction of capital – 3 December 2004 (ii)	(260,000)	-
Capitalised costs of equity raising	-	(105,000)
Balance at end of reporting period	104,713,127	21,950,725

- (i) On 20th July 2004 the company issued 21,000,000 shares to Institutional and Sophisticated investors at \$0.10 per share by way of a placement approved by shareholders at a general meeting held on 12th July 2004.
- (ii) At the Annual General Meeting of shareholders held on 26th November 2004 and a subsequent meeting of affected shareholders held on the same day approval was obtained to cancel 260,000 shares issued erroneously in 2003. The shares were cancelled on 3rd December 2004.

	AS AT 31 DECEMBER 2004	AS AT 30 TH JUNE 2004
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Loss carried forward at beginning of the half-year	(18,780,452)	(14,443,408)
Net loss attributable to members of VRI BioMedical Limited	(1,971,502)	(4,337,044)
Equity attributable to members of VRI BioMedical Limited	21,950,725	19,955,725
Balance at end of half-year	1,198,771	1,175,273

Director's Declaration

In accordance with a resolution of the directors of VRI BioMedical Limited, I state that:

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 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 will be able to pay its debts as and when they become due and payable.

On behalf of the Board



G C Wild
Director

Sydney, 25th February 2005

Independent review report to members of VRI BioMedical 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, comprising both VRI BioMedical Limited (the company) and the entities it controlled during the half year, and the directors' declaration, for the company, for the half year 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 Stock Exchange and 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 professional 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 director's of the company a written Auditor's Independence Declaration a copy of which is included on page 4 of the financial 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.

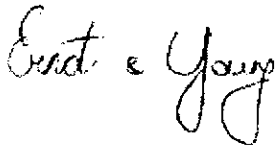
Statement

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 VRI BioMedical Limited and the entities it controlled during the half year 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 half year ended on that date; and
 - (ii) complying with Accounting Standards AASB1029 "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 a result of matters described in Note 1(a) Going Concern to the financial statements, 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 assets and extinguish liabilities in the course of normal business and at amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and consolidated entity not be able to continue as going concerns.



Ernst & Young



Colleen Hosking
Partner

Sydney

25 February 2005