



HALF YEAR FINANCIAL REPORT

31 DECEMBER 2004

ASX HALF-YEAR INFORMATION – 31 DECEMBER 2004

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with
Cytopia Ltd's 30 June 2004 Annual Report.

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CORPORATE PARTICULARS

CYTOPIA LIMITED

A.C.N. 079 253 606

Directors	Mr Bob Watson, Executive Chairman Dr Kevin Healey, Managing Director Mr John Hasker, Non-Executive Mr Don Hulme, Non-Executive Mr Mark Rowsthorn, Non-Executive Dr Geoffrey Vaughan, Non-Executive
Company Secretary	Mr Nicholas Mathiou
Principal Place Of Business	Level 5 Baker Heart Research Institute Building Commercial Road Melbourne Victoria 3004 PO Box 6492 St Kilda Road Central Melbourne Victoria 8008 Telephone: +61 3 9522 6900 Facsimile: +61 7 9510 9292 Email: cytopia@cytopia.com.au Web: www.cytopia.com.au
Registered Office	Level 35, Waterfront Place 1 Eagle Street Brisbane Queensland 4000 GPO Box 9925 Brisbane Queensland 4001
Share Registry	Pitcher Partners Registries Level 22, Hong Kong Bank Building 300 Queen Street Brisbane Queensland 4000 GPO Box 35 Brisbane Queensland 4001 Telephone: +61 7 3228 4000 Facsimile: +61 7 3221 3149
Auditor	PricewaterhouseCoopers Chartered Accountants Level 17, Waterfront Place 1 Eagle Street Brisbane Queensland 4000 GPO Box 150 Brisbane Queensland 4001 Telephone: +61 7 3257 5000 Facsimile: +61 7 3257 5999
Stock Exchange Listing	Cytopia Limited's ordinary shares are listed on the Australian Stock Exchange (ASX).
Market Code:	CYT

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Cytopia Limited (“Cytopia”) is a company limited by shares, incorporated and domiciled in Australia. It is listed on ASX (ASX Code: CYT).

Cytopia is a registered Pooled Development Fund (“PDF”) and as such there are special tax concessions for both the company and its shareholders. In particular, if any shares are sold and a profit is derived, whether by way of income or capital gain, that amount will be exempt from Australian tax. Further information regarding PDFs can be found at the following websites:

www.asx.com.au/pdfs
www.ausindustry.gov.au

Through the internet we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial statements and other information are available on our website – www.cytopia.com.au

If you have any questions in relation to our reporting, please call telephone number (07) 3871 3455 or email us at cytopia@cytopia.com.au.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$
Revenue from ordinary activities <i>(Appendix 4D item 2.1)</i>	up/down	404%	to	3,864,177
Loss from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	up/down	54%	to	(1,112,254)
Net loss for the period attributable to members <i>(Appendix 4D item 2.3)</i>	up/down	54%	to	(1,112,254)

Dividends/distributions

(Appendix 4D items 2.4, 2.5 and 2.6)

No dividends have been paid or declared during the period and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2004. Dividends are not expected to be paid or declared in the immediate term.

Explanation of revenue

(Appendix 4D item 2.6)

	Half Year Ended 31 December	
	2004	2003
<i>Consolidated Revenue from operating activities</i>	\$	\$
Sale of Investment	3,748,346	-
Interest	84,860	96,994
Grants	-	643,864
License Fees	30,971	25,716
Revenue from ordinary activities (excluding shares of equity accounted net loss of associates)	3,864,177	766,574

During the half-year ended 31 December 2004, Cytopia sold its entire shareholding in Xenome Ltd. Revenue includes the consideration received by Cytopia on sale of its shareholding in Xenome.

Explanation of loss from ordinary activities after tax

(Appendix 4D item 2.6)

Research and development expenditure

	Half Year Ended 31 December	
	2004	2003
	\$	\$
Cytopia Research Pty Ltd (Cytopia's 100% owned subsidiary; 80.4% corresponding period)	(2,875,470)	(2,180,427)

The consolidated entity charges research and development expenditure to the statement of financial performance, rather than recognising it as an asset in its statements of financial position. The majority of the operating loss from ordinary activities after tax reflects expensed research and development costs.

The figures include the proportion of depreciation, amortisation, employee entitlements and operating lease expenses attributable to research and development.

Sale of Investment

During the half-year ended 31 December 2004, Cytopia sold its entire shareholding in Xenome Ltd. Loss from ordinary activities after tax includes Cytopia's gain on disposal of Xenome.

Explanation of net loss

(Appendix 4D item 2.6)

<i>Consolidated loss from ordinary activities attributable to members</i>	Half Year Ended 31 December	
	2004	2003
	\$	\$
Operating loss from ordinary activities after tax	(1,112,254)	(2,429,907)
Net loss attributable to outside equity interest	0	54,949
Net loss attributable to members of Cytopia Limited	(1,112,254)	(2,374,958)

Cytopia Ltd gained control of the fully-paid shares in Cytopia Research as at 28 June 2004.

CYTOPIA LIMITED

HALF-YEAR REPORT – 31 DECEMBER 2004

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Cytopia Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. Cytopia's public announcements and financial statements, and other information are available on its website – www.cytopia.com.au.

DIRECTORS' REPORT

Your directors' present their report on the consolidated entity consisting of Cytopia Limited ("Cytopia") and the entities it controlled at the end of, or during, the half-year ended 31 December 2004.

Directors

Mr Robert Watson (Executive Chairman), Dr Kevin Healey (Managing Director), Mr John Hasker (Non-Executive Director), Mr Mark Rowsthorn (Non-Executive Director) and Dr Geoffrey Vaughan (Non-Executive Director) were directors of Cytopia during the whole of the half-year ended 31 December 2004 and up to the date of this report. Mr Watson was appointed Executive Chairman on 23 November 2004. Mr Hasker was Chairman in the period to 22 November 2004.

Mr Donald Hulme (Non-Executive Director) and Mr Nicholas Mathiou (Executive Director) were directors from the beginning of the financial year until their resignations on 9 February 2005. Mr Mathiou continues as Chief Financial Officer and Company Secretary.

Review of Operations

Summary of Consolidated Results

	Half Year Ended 31 December	
	2004	2003
	\$	\$
<u>Research and development expenditure</u>		
▪ Cytopia Research Pty Ltd (Medica's 100% owned subsidiary; 80.4% corresponding period)	(2,875,470)	(2,180,427)
Net operating loss attributable to members of Cytopia	(1,112,254)	(2,374,958)
	2004	2003
	Cents	Cents
Basic and diluted earnings per share	(2.1)	(5.5)
Net tangible assets per share	33.4	31.1

Cytopia incorporates in its consolidated financial statements the assets and liabilities of its 100% owned subsidiary Cytopia Research Pty Ltd ("Cytopia Research") as at 31 December 2004 and the results of Cytopia for the half-year then ended. Outside equity interests in the results and equity of Cytopia are shown separately in the consolidated statement of financial performance and statement of financial position respectively. Cytopia Ltd gained control of all the fully-paid shares in Cytopia Research as at 28 June 2004.

During the half-year ended 31 December 2004, Cytopia sold its entire shareholding in Xenome Ltd. Up to 30 June 2004, Xenome was accounted for in the consolidated financial statements using the equity method. Under this method, Cytopia Ltd's share of the post acquisition losses of Xenome was recognised in the consolidated statement of financial performance, and its share of post acquisition movements in reserves was recognised in consolidated reserves. The cumulative post acquisition movement was adjusted against the cost of the investment in Xenome. Loss from ordinary activities after tax includes Cytopia's gain on disposal of Xenome.

Cytopia Research adopts the accounting policy of expensing research and development expenditure. The majority of the net operating loss attributable to members of Cytopia reflects Cytopia's share (based on the abovementioned accounting policies) of the expensed research and development costs of Cytopia Research.

Investment Activities

During the half-year ended 31 December 2004, Cytopia invested a further \$3.30 million in Cytopia Research increasing its total investment to \$17.2 million. Cytopia held 100% of Cytopia Research's issued capital as at 31 December 2004 (100% as at 30 June 2004).

Fundraising Activities

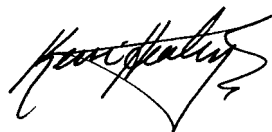
Cytopia raised \$13.24 million (\$13.19 million net of transaction costs) during the half-year ended 31 December 2004. Further information is detailed in note 5 to the consolidated financial statements for the half-year ended 31 December 2004.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 9.

Directors' Resolution

This report is made in accordance with a resolution of the directors.



Kevin Healey
**Managing Director and
Chief Executive Officer**



Nicholas Mathiou
**Chief Financial Officer and
Company Secretary**

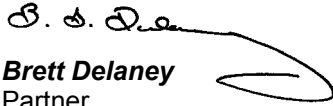
Brisbane, 21 February 2005.

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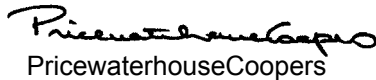
As lead auditor for the review of Cytopia Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cytopia Limited and the entities it controlled during the period.


Brett Delaney
Partner

Brisbane
21 February 2005


PricewaterhouseCoopers

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the half-year ended 31 December 2004

	Notes	Half-year	
		2004	2003
		\$	\$
Revenue from operating activities (excluding shares of equity accounted net profits of associates)		3,864,177	766,574
Expenses from ordinary activities			
Borrowing costs expense		-	(16,015)
Research & development		(2,875,470)	(2,180,427)
Management and general administration		(1,299,427)	(717,383)
Written down value of investment sold		(801,534)	-
Total expenses		(4,976,431)	(2,913,825)
Share of net loss of associate accounted for using the equity method		-	(282,656)
Loss from ordinary activities before related income tax benefit		(1,112,254)	(2,429,907)
Income tax benefit		-	-
Loss from ordinary activities after related income tax benefit	2	(1,112,254)	(2,429,907)
Net loss attributable to outside equity interest		-	54,949
Net loss attributable to members of Cytopia Limited		(1,112,254)	(2,374,958)
Total changes in equity attributable to members of Cytopia Limited other than those resulting from transactions with owners as owners		(1,112,254)	(2,374,958)
			Cents
Basic earnings per share	6	(2.1)	(5.5)
Diluted earnings per share	6	(2.1)	(5.5)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2004

	31 December 2004 \$	30 June 2004 \$
Current Assets		
Cash assets	17,161,942	4,047,353
Receivables	9,789	31,883
Total current assets	<u>17,171,731</u>	<u>4,079,236</u>
Non-current assets		
Investments	6,805,884	6,805,884
Investments accounted for using the equity method	-	801,534
Property, plant and equipment	922,669	998,843
Intangible assets	1,515,365	1,567,622
Total non-current assets	<u>9,243,918</u>	<u>10,173,883</u>
Total assets	<u>26,415,649</u>	<u>14,253,119</u>
Current liabilities		
Payables	652,509	590,494
Total current liabilities	<u>652,509</u>	<u>590,494</u>
Non-current liabilities		
Provisions	154,272	132,313
Total non-current liabilities	<u>154,272</u>	<u>132,313</u>
Total liabilities	<u>806,781</u>	<u>722,807</u>
Net assets	<u>25,608,868</u>	<u>13,530,312</u>
Equity		
Contributed equity	45,407,021	32,216,212
Accumulated losses	(19,798,153)	(18,685,900)
Total equity	<u>25,608,868</u>	<u>13,530,212</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2004

	Note	Half-year	
		2004	2003
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(3,899,766)	(2,714,018)
Interest received		84,860	96,994
Grants		-	643,864
License fees		30,971	25,716
Borrowing costs		-	(16,015)
Net cash outflow from operating activities		(3,783,935)	(1,963,459)
Cash flows from investing activities			
Payments for property, plant and equipment		(40,630)	(1,320)
Payments for investments		-	-
Proceeds from (payments for) other financial assets		3,748,346	192,006
Net cash inflow from investing activities		3,707,716	190,686
Cash flows from financing activities			
Net proceeds from issues of shares	5	13,190,808	5,353,089
Proceeds from (repayment of) interest bearing liabilities		-	(208,431)
Dividends paid		-	-
Net cash inflow from financing activities		13,190,808	5,144,658
Net increase (decrease) in cash held		13,114,589	3,371,885
Cash at the beginning of the reporting period		4,047,353	2,343,239
Cash at the end of the reporting period		17,161,942	5,715,124

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2004

NOTE 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Cytopia Limited ("Cytopia") during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will first be reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The company has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

- (i) Intangible assets – goodwill
Under the new AASB 3 Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on cash flows of the related cash generating unit. This changes the accounting policy for goodwill that requires the amortisation of goodwill on a straight-line basis over the period during which the benefits are expected to arise and not exceeding 20 years.
- (ii) Equity-based compensation benefits
Under the new AASB 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.
- (iii) Financial instruments
Under the new AASB 132 Financial Instruments: Disclosure and Presentation, the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under the new AASB 139 Financial Instruments: Recognition and Measurement, there may be major impacts as a result of financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.
- (iv) Tax
Under the new AASB 112, income taxes, a balance sheet approach will be used to calculate deferred tax balances (currently income statement method). The amount of deferred tax balances (assets and liabilities) may increase.
- (v) Fixed Assets
Under the new AASB 116, property, plant and equipment will be subject to an impairment test which will be more rigorous and prescriptive. Discounted cash flows must be used to calculate recoverable amount (currently discounting is not required). The residual value of an asset must be reviewed at each reporting date (currently change of residual value are only permitted when an asset is revalued). Revaluation increments and decrements must be accounted for on an asset by asset basis (currently accounted for on a class assets basis).
- (vi) Grants
Under the new AASB 120, government grants will be recognised as income over periods necessary to match them with the related costs which they are intended to compensate. Capital grants may be deducted from the carrying amount of an asset (currently government grants must be recognised as revenue in full when they are received or receivable).

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results. No formal transition plan is currently in place, this will be established in 2005.

NOTE 2. Loss from ordinary activities after income tax

Loss from ordinary activities after related income tax benefit includes the following items of revenue and expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year.

	Half Year Ended 31 December	
	2004	2003
<i>Consolidated revenue from operating activities</i>	\$	\$
Sale of Investment	3,748,346	-
Interest	84,860	96,994
Grants	-	643,864
License Fees	30,971	25,716
Revenue from ordinary activities	3,864,177	766,574

	Half Year Ended 31 December	
	2004	2003
<i>Consolidated expenses from ordinary activities</i>	\$	\$
Borrowing Costs	-	(16,015)
Depreciation		
- Plant and Equipment	(92,763)	(111,937)
Amortisation		
- Licenses	(7,352)	(7,877)
- Leasehold improvements	(24,041)	(36,059)
- Goodwill	(44,906)	-
Total Amortisation	(76,299)	(43,936)
Other Provisions		
- Employee entitlements	(48,805)	(19,713)
Rental expenses relating to operating leases		
- Minimum lease payments	(26,635)	(33,894)
Research and development (excluding the proportion of depreciation, amortisation, employee entitlements and operating lease expenditure attributable to research and development)	(2,710,741)	(1,991,846)
Other expenses from ordinary activities	(1,219,654)	(696,484)
Written Down Value of Investment Sold	(801,534)	-
Total expenses from ordinary activities before income tax benefit and share of net loss of associate	(4,976,431)	(2,913,825)

The proportion of depreciation, amortisation, employee entitlements and operating lease expenses attributable to research and development by the consolidated entity was \$164,729 and \$188,581 in the half-year ended 31 December 2004 and 31 December 2003 respectively.

Income tax

The potential future income tax benefit arising from tax losses has not been recognised as an asset because recovery is not virtually certain. The directors' estimate that the potential future income tax benefit at 31 December 2004 in respect to tax losses not brought to account is \$7,276,687 (\$4,779,829 as at 31 December 2003).

NOTE 3. Segment information

Cytopia operates solely within Australia. All controlled entities or companies in which Cytopia has invested operate in the medical and biotechnology research industry segment.

NOTE 4. Dividends

The consolidated entity has not declared or paid dividends during the half-year ended 31 December 2004.

NOTE 5. Contributed Equity

	Parent Entity		Parent Entity	
	Shares	Shares	\$	\$
	31-Dec-04	30-Jun-04	31-Dec-04	30-Jun-04
Share Capital (fully-paid ordinary shares)	72,080,481	48,006,284	45,407,021	32,216,212

Movements in ordinary share capital of the company

Date	Details	Number of Ordinary Shares	Issue Price	Share Capital
30-Jun-04	Balance	48,006,284		32,216,212
Oct-04	Underwritten Rights Issue	24,074,197	\$0.55	13,240,809
	Transaction Costs			(50,000)
31-Dec-04		72,080,481		45,407,021

NOTE 6. Earnings per Share

	Half Year Ended 31 December	
	2004 Cents	2003 Cents
Basic earnings per share	(2.1)	(5.5)
Diluted earnings per share	(2.1)	(5.5)
Net loss attributable to members of Cytopia used as the numerator in calculating diluted and basic earnings per share	(1,112,254)	(2,374,958)
Weighted average number of ordinary shares outstanding during the year used as the denominator in calculating diluted and basic earnings per share	53,794,616	43,032,502

NOTE 7. Event occurring after reporting date

Subsequent to 31 December 2004:

- Cytopia has invested a further \$2.31 million into its subsidiary Cytopia Research. Cytopia holds 100% of Cytopia Research's issued ordinary shares as at the date of the financial statements.
- Cytopia Ltd's subsidiary Cytopia Research acquired the assets of Myomatrix Therapeutics LLC, and established a wholly-owned subsidiary Cytopia Inc. to continue and expand its cardiovascular research program. The key asset acquired by Cytopia Research is a world-wide exclusive license from the State University of New York covering the application of JAK2 inhibitors for the treatment of cardiovascular diseases such as heart failure and pulmonary hypertension. The consideration paid by Cytopia Research was approximately \$0.68 million in cash.
- Cytopia Ltd issued 1,075,395 fully-paid ordinary shares at \$0.64 each raising \$0.68 million.

The financial effects of these events have not been brought to account as at 31 December 2004.

Mr Donald Hulme (Non-Executive Director) and Mr Nicholas Mathiou (Executive Director) resigned as directors on 9 February 2005. Mr Mathiou continues as Chief Financial Officer and Company Secretary.

NOTE 8. Contingent liabilities

The consolidated entity has no contingent liabilities.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on page 10 to 17 are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - ii. giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date, 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.

A handwritten signature in black ink, appearing to read "Kevin Healey".

Kevin Healey
**Managing Director and
Chief Executive Officer**

Brisbane, 21 February 2005.

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF CYTOPIA LIMITED****PricewaterhouseCoopers
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Facsimile +61 2 8266 9999**Matters relating to the electronic presentation of the reviewed financial report**

This review report relates to the financial report of Cytopia Limited (the Company) for the half-year ended 31 December 2004 included on Cytopia Limited web site. The Company's directors are responsible for the integrity of the Cytopia Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

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 Cytopia Ltd:

- does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the Cytopia Limited Group (defined below) as at 31 December 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

Scope**The financial report and directors' responsibility**

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

The directors of the company are responsible for the preparation and true and fair presentation of the financial report 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 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. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures 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 does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

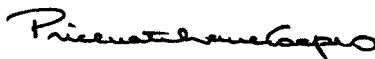
These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

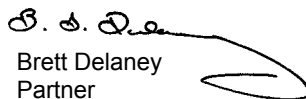
While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.


PricewaterhouseCoopers


Brett Delaney
Partner

Brisbane
21 February 2005

SUPPLEMENTARY APPENDIX 4D INFORMATION

NTA Backing

(Appendix 4D item 3)

	2004	2003
Net tangible asset backing per ordinary share	33.4	31.1 cents

Associates and Joint Venture entities

(Appendix 4D item 7)

Name	Ownership interest – 31 December		Aggregate share of losses, where material		Contribution to net loss, where material	
	2004	2003	2004	2003	2004	2003
	%	%	\$	\$	\$	\$
Xenome Limited	-	24.8	-	(282,656)	-	(282,656)

Other Supplementary Information

Appendix 4D items 4, 5 and 6 are not applicable.