

Commentary on Group results for the half year ended 31 December 2004

25 February 2005

Biota Holdings Limited (ASX:BTA) announced its results today for the half year ended 31 December 2004, reporting excellent progress and a number of important milestones.

Significant events

Milestones and achievements during the half year included:

- The award of a US\$5.6m (\$7m) grant from the National Institutes of Health (NIH) in the US, to develop second-generation flu antivirals for stockpiling against pandemic influenza. The three year grant is expected to fully fund Phase I development costs for a nebulised formulation of CS-8958, a long acting flu antiviral being jointly developed by Biota and Sankyo Co Ltd. This award is a major accomplishment for an Australian biotech company and reflects Biota's strong international standing in the respiratory antiviral field.
- Completion of construction and fit-out of its new laboratory and office facility in Notting Hill, east of Melbourne, which will house all Australian Biota operations. In addition, management successfully relocated all the US research programs and associated equipment. A team of scientists from the US recently completed the technology transfer. The consolidation of operations into the new building has enabled closure of the Carlsbad laboratories and will lead to a significant reduction in future US expenditure.
- Good progress was made in the Company's lawsuit against GlaxoSmithKline (GSK), relating to GSK's failure to support Biota's first generation flu antiviral, Relenza™, with the completion of preliminary discovery and the filing by Biota of an amended Statement of Claim in the Victorian Supreme Court in December. Subsequently, the court ordered a firm timetable through to mediation, which is scheduled for November 2005. In the event mediation were unsuccessful, trial proceedings would be likely to commence in the first half of 2006.
- Overwhelming support by shareholders for Biota's second Share Purchase Plan (SPP) in October. Approximately 30% of eligible shareholders subscribed for 39.6m shares and contributing \$19.8m of new capital to support research and development activities.

Results of operations

The operating loss after tax for the half year ended 31 December 2004 was \$6.9 million, compared with \$3.1 million in the previous period (half year ended 31 December 2003). This was due to reduced revenues, primarily from diagnostics, and costs relating to the litigation. The overall result was in line with the Company's expectations and planned expenditure programs.

Diagnostic revenues dropped to \$0.4m (2003: \$2.3m) reflecting the strength and timing of the US flu season last year. The normal peak period for sales of flu diagnostics in the US is January through March, and sales this year appear to be following that course. Last year, however, saw an unusually early season, with a major flu outbreak in November and December producing higher than normal diagnostic revenues in the first half.

Funded research revenue declined to \$0.2m (2003: \$0.9m) reflecting the expiry of a research contract with GSK in August 2004. Investment income grew to \$0.7m (2003: \$0.5m).

Expenses grew to \$8.7m (2003: \$7.4m) in line with planned activity.

US costs declined to \$3.2m (2003: \$3.8m) reflecting the US laboratory closure in November.

Australian expenses grew to \$5.5m (2003: \$3.6m) with litigation expense being the main contributor to growth.

The cash balance at 31 December 2004 was \$31.2m (2003: \$22.9m). Operations consumed \$7.1m (2003: \$5.3m) and the Company invested \$3.8m during the period to complete the Notting Hill facility.

About Biota

Biota is a world-leading antiviral drug discovery company with its headquarters in Melbourne, Australia. Biota was responsible for Relenza (zanamivir), the first neuraminidase inhibitor for the treatment of influenza, subsequently licensed to GSK. In partnership with Thermo Electron, Biota markets the FLU OIA[®] diagnostics range for the rapid detection of influenza. In partnership with Sankyo, Biota is engaged in the development of second generation flu antivirals (LANI or Long Acting Neuraminidase Inhibitors). Biota also has active discovery and development programs aimed at new therapies for diseases caused by Human Rhinovirus (common cold), RSV (Respiratory Syncytial Virus), HIV, and hepatitis C.

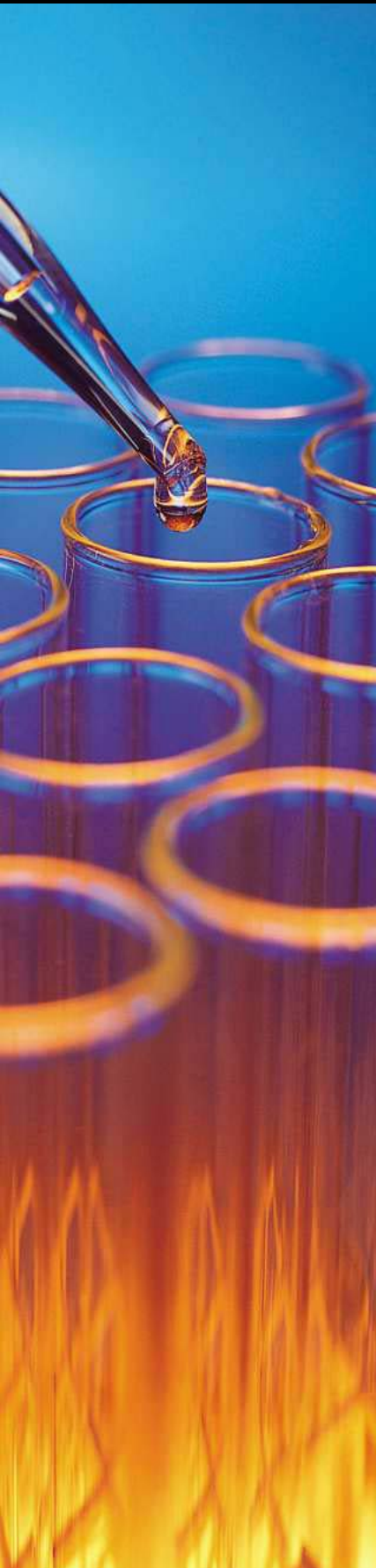
For further information please contact:

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Andrew Macdonald
Chief Financial Officer
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[™] Relenza is a registered trademark of the GlaxoSmithKline group of companies

[®] FLU OIA is a registered trademark of Thermo Electron Corporation



ASX Half Year Information – 31 December 2004

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the
30 June 2004 Annual Report.

Corporate Directory

Directors

John R Grant (Chairman)
Peter L Molloy (Chief Executive Officer)
Barbara J Gibson
Ian D Gust
Andrew MS Tyndale

Company Secretary

Andrew J Macdonald

Registered Office

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Notting Hill VIC 3168, Australia
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F: +61 3 9915 3701
E: info@biota.com.au
W: www.biota.com.au

Share Registry

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GPO Box 1736
Melbourne VIC 3001
T: 1300 554 474 (within Australia)
T: +61 3 9615 9999 (outside Australia)
F: +61 3 8614 2909
E: registrars@asxperpetual.com.au
W: www.asxperpetual.com.au/biota

Stock Exchange

Australia

Biota Holdings Limited is a public company listed on the Australian Stock Exchange Limited.

ASX:BTA

USA

Biota's American Depositary Receipts (ADRs) trade in the United States on the pink sheets at a ratio of three shares to each ADR.

ADR:BTAYH

Biota Holdings Limited

ABN 28 006 479 081

Half year ended 31 December 2004

(Previous corresponding period: Half year ended 31 December 2003)

Results for announcement to the market

				A\$'000
Revenue from ordinary activities	up/down	58.5%	To	1,772
Loss from ordinary activities after tax attributable to members	up/down	135.0%	To	(6,737)
Net loss for the period attributable to members	up/down	135.0%	To	(6,737)

Dividends	Amount per security		Franked amount per security	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Final dividend	Nil cents	Nil cents	Nil cents	Nil cents
Interim dividend	Nil cents	Nil cents	Nil cents	Nil cents

Record date for determining entitlements to the dividend

Not applicable

Amounts in the Half Year Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Biota Holdings Limited

For the half year ended 31 December 2004

Explanation of revenue and expenses

The operating revenues for the period were \$1,772 (prior period 2003: \$4,274).

- Grant revenues from the RSV Start Grant project were \$498 (2003:\$559). This project will continue to be funded through to June 2005.
- Sales of the FLU OIA and FLU OIA A/B diagnostic products in the US generated profit share revenues of \$356 (2003: \$2,276). The exceptional result in the prior period was due to an influenza outbreak very early in the season. Sales in the current year are following the normal pattern of stronger demand in the new calendar year. Profit share revenues were also reduced by added costs from Thermo Inc, the US partner of the company responsible for production of both diagnostic products. It is possible that some of these added costs may be recoverable but the amount is not reasonably quantifiable.
- Revenues from funded research in the US were \$259 (2003: \$925). This reflected the winding down of a research contract with GlaxoSmithKline (GSK) which expired in August 2004.
- Interest and other revenues were \$659 (2003: \$514). Interest revenue in Australia was \$622 (2003: \$545) with the increase largely due to investment income on the added funds from the Share Purchase Plan.

The operating expenses for the period were \$8,697 (2003: \$7,401).

- Research spend was held at similar levels to the prior period. Expenses, excluding depreciation, were \$4,003 (2003: \$4,206). In the US, there were only minimal research savings of \$282 over the prior period because the closure of the US laboratories was not effected until November 2004.
- Marketing and Business Development expenses rose slightly to \$1,176 (2003: \$917).
- Corporate spend included costs associated with litigation against GSK in relation to Relenza. Expenses, excluding depreciation, were \$2,931 (2003: \$1,618), with \$1,232 attributable to legal and other associated litigation costs.
- Depreciation and amortisation expenses were \$535 (2003: \$580).

Explanation of net loss after income tax

The net loss for the period, before allocation of outside equity interest, was \$6,925 (2003: \$3,127). The increase was due to:

- Decrease of \$666 in revenue from US research fees;
- Decrease in diagnostic revenues of \$1,920;
- Litigation costs of \$1,232.

Explanation of assets, liabilities and equities

The Share Purchase Plan conducted during October 2004 successfully raised \$19,769 (net of expenses) and as a result the cash balance grew by 36.3% during the period to \$31,196 (2003: \$22,896). Issued capital increased to \$125,954.

Net fixed assets grew by 115.0% during the period to \$4,987 (\$2003: \$2,059). The cost of building works at the new Biota headquarters was \$3,225 and the written down value of assets sold in the US was \$145. Work has been completed on the initial phase of the new facilities.

Explanation of dividends

Directors have no expectation at this time of providing for, or paying, any dividend.

Biota Holdings Limited

ABN 28 006 479 081

Half Year Report to 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 Biota Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

1 Directors' report

Biota Holdings Limited For the half year ended 31 December 2004

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

1.1 Directors

The following persons were directors of Biota Holdings Limited during the whole of the half year and up to the date of this report: John Grant (Chair), Barbara Gibson, Ian Gust, Peter Molloy, Andrew Tyndale.

1.2 Review of operations

A review of operations of the consolidated entity during the half year is attached to this report under the title of "Commentary on Group Results for the Half Year Ended 31 December 2004".

A summary of segment revenues and results for the half-year is set out below:

	Half year 2004 \$'000			Half year 2003 \$'000		
	Australia	US	Total	Australia	US	Total
Revenues						
Research and license fees		259	259	-	925	925
Diagnostics sales revenues & profit share	356	-	356	2,276	-	2,276
Research grant	498	-	498	559	-	559
Interest/other	622	37	659	354	160	514
Total revenues	1,476	296	1,772	3,189	1,085	4,274
Operating expenses						
Research	1,690	2,313	4,003	1,611	2,595	4,206
Marketing and business development	851	325	1,176	466	451	917
Corporate	2,614	317	2,931	1,254	364	1,618
Depreciation and amortisation	387	148	535	244	336	580
Borrowing costs	-	52	52	-	80	80
Total expenses	5,542	3,155	8,697	3,575	3,826	7,401
Operating loss before income tax	(4,066)	(2,859)	(6,925)	(386)	(2,741)	(3,127)
Income tax expense	-	-	-	-	-	-
Operating loss after income tax			(6,925)	(386)	(2,741)	(3,127)
Net loss attributable to outside equity interest			(188)			(260)
Loss attributable to the members of Biota Holdings Limited			(6,737)			(2,867)

1.3 Auditors' Independence

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

1.4 Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors, and is signed for and on behalf of the directors.



John R Grant
Chairman



Peter L Molloy
Chief Executive Officer

Melbourne
25 February 2005

2 Consolidated statement of financial performance

Biota Holdings Limited
For the half year ended 31 December 2004

	Half year 2004 \$'000	Half year 2003 \$'000
Revenues from ordinary activities	1,772	4,274
Operating expenses		
Research and development	4,519	4,686
Marketing and business development	1,176	917
Corporate	2,950	1,718
Borrowing cost expenses	52	80
<i>Loss from ordinary activities before income tax</i>	(6,925)	(3,127)
<i>Income tax expense</i>	-	-
<i>Loss from ordinary activities after income tax</i>	(6,925)	(3,127)
<i>Net loss attributable to outside equity interest</i>	(188)	(260)
<i>Net loss attributable to members of Biota Holdings Limited</i>	(6,737)	(2,867)
<i>Net exchange differences on translation of financial report of foreign controlled entity</i>	(301)	(220)
<i>Total changes in equity attributable to members of Biota Holdings Limited other than those resulting from transactions with owners as owners</i>	(7,038)	(3,087)
 Earnings/(loss) per share		
	Cents	Cents
<i>Basic (loss)/earnings per share</i>	(6.14)	(3.33)
<i>Diluted (loss)/earnings per share</i>	(6.14)	(3.33)

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

3 Consolidated statement of financial position

Biota Holdings Limited As at 31 December 2004

	31 December 2004 \$'000	30 June 2004 \$'000
Current assets		
Cash	31,196	22,896
Receivables	847	129
Other	716	753
Total current assets	<u>32,759</u>	<u>23,778</u>
Non-current assets		
Other	170	339
Plant and equipment	4,987	2,058
Total non-current assets	<u>5,157</u>	<u>2,397</u>
Total assets	<u>37,916</u>	<u>26,175</u>
Current liabilities		
Accounts payable	2,945	3,249
Interest bearing liabilities	341	443
Total current liabilities	<u>3,286</u>	<u>3,692</u>
Non-current liabilities		
Interest bearing liabilities	435	835
Provisions	30	28
	<u>465</u>	<u>863</u>
Total liabilities	<u>3,751</u>	<u>4,555</u>
Net assets	<u>34,165</u>	<u>21,620</u>
Equity		
Parent entity interest		
Contributed equity	125,954	106,184
Foreign currency translation reserve	(1,413)	(1,112)
Accumulated losses	(88,906)	(82,169)
Total parent entity interest	<u>35,635</u>	<u>22,903</u>
Outside equity interest	(1,470)	(1,283)
Total equity	<u>34,165</u>	<u>21,620</u>

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

4 Consolidated statement of cash flows

Biota Holdings Limited
For the half year ended 31 December 2004

	Half year 2004 \$'000	Half year 2003 \$'000
	Inflows / (outflows)	
Cash flows from operating activities		
Receipts from trade and other debtors (inclusive of goods and services tax)	438	1,244
Payments to suppliers and employees (inclusive of goods and services tax)	(8,073)	(6,852)
Interest expenses	(52)	(80)
Interest received	616	436
Net cash (outflow) from operating activities	(7,071)	(5,252)
Cash flows from investing activities		
Proceeds from sale of plant and equipment	125	-
Payments for plant and equipment	(3,924)	(565)
Net cash (outflow) from investing activities	(3,799)	(565)
Cash flows from financing activities		
Proceeds from issue of shares	19,769	8,444
Other – lease payments	(360)	(195)
Net cash inflow from financing activities	19,409	8,249
Net increase in cash held	8,539	2,432
Cash at the beginning of the reporting period	22,896	21,643
Exchange rate adjustments	(239)	(312)
Cash at the end of the reporting period	31,196	23,763

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

5 Notes to the consolidated financial statements

Biota Holdings Limited For the half year ended 31 December 2004

5.1 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 Biota Holdings Limited 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.

5.2 International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts 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 be first reflected in the Company'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 Chief Financial Officer has attended an IFRS implementation workshop run by the Company's auditors to assess the financial reporting implications of the above standards and a transition plan is being prepared for the consideration of the Audit & Risk Committee to ensure the timely implementation of the new standards.

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

(i) Elective exemptions

Under AASB 1 "First-time adoption of Australian International Financial Reporting pronouncements", losses applicable to minority interests exceeding the interest held by the minority in the subsidiary's equity cannot be allocated against the minority interest unless the minority has a binding obligation to make additional investment to cover the losses. This will result in a change to the current accounting policy, under which the outside equity interest is fully recognised in equity.

In addition, AASB 1 deems the cumulative translation differences for all foreign operations to be zero at the transition date, which will require such differences to be adjusted against retained earnings at that date.

(ii) Equity-based compensation benefits

Under AASB 2 "Share based payments", 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) Income tax

Under AASB 112 "Tax effect accounting", deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

Under AASB 136, Impairment of non-current assets, impairment testing is to be performed at least annually on assets or Groups of assets based upon the concept of cash generating units. In the absence of positive cash flow, assets must be written down to the net selling price. The Company, consistent with other companies in the biotech sector, is still largely in a research and development phase and therefore dependent upon funding rather than operating cash flows and accordingly is still reviewing the specific requirements of this new standard and any impact it may have on the Company.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to IFRS and accordingly, it is not yet possible to quantify the impact of the transition to IFRS on the Company's financial position and reported results.

5.3 Segment information

Primary reporting – geographical segments

The consolidated entity has one business segment, being pharmaceutical and medical research, with operations in Australia, the home country of the Company, and the United States. With effect from mid November 2004, the research operations have been consolidated in the Melbourne, Australian laboratories, and all research previously conducted in the Carlsbad, California laboratory has been outsourced to Australia. Business development activities for the research programs continue to be run from both the Melbourne and Carlsbad offices.

Half year 2004	Australia \$'000	US \$'000	Inter-segment eliminations/unallocated \$'000	Consolidated \$'000
Operating revenue	854	259	-	1,113
Interest revenue	622	15	-	637
Other revenue	183	22	(183)	22
Total segment revenue	1,659	296	(183)	1,772
Segment result	(4,504)	(3,006)	-	(7,510)
Net interest				585
Loss from ordinary activities before income tax expense				(6,925)
Half year 2003	Australia \$'000	US \$'000	Inter-segment eliminations/unallocated \$'000	Consolidated \$'000
Operating revenue	2,835	925	-	3,760
Interest revenue	545	12	(74)	483
Other revenue	-	265	(234)	31
Total segment revenue	3,380	1,202	(308)	4,274
Segment result	(930)	(2,599)	-	(3,529)
Net interest				402
Loss from ordinary activities before income tax expense				(3,127)

5.4 Revenues from ordinary activities

	Half year 2004 \$'000	Half year 2003 \$'000
Revenue from operations		
Research revenues	259	925
Diagnostics profit share	356	2,276
Grants	498	559
Other revenues	22	31
Total revenue from sales	<u>1,135</u>	<u>3,791</u>
Revenues – other		
Interest revenue	637	483
Total other revenue	<u>637</u>	<u>483</u>
Total revenues	<u>1,772</u>	<u>4,274</u>

5.5 Movements in ordinary share capital

Date	Details	Number of shares	Issue price \$	\$'000
1 July 2004	Opening balance	96,885,431		106,184
1 November 2004	Share placement	39,656,000	0.50	19,765*
9 November 2004	Share placement	10,000	0.50	5
31 December 2004	Closing balance	136,551,431		125,954

* net of costs associated with share placement

5.6 Accumulated losses

	31 December 2004 \$'000	30 June 2004 \$'000
Accumulated losses at the beginning of the reporting period	(82,169)	(73,854)
Minority interest adjustment to accumulated losses opening balance	-	(544)
Loss attributable to members	(6,737)	(7,771)
Accumulated losses at end of reporting period	(88,906)	(82,169)

5.7 Foreign currency translation reserve

	31 December 2004 \$'000	30 June 2004 \$'000
Accumulated reserves at the beginning of the reporting period	(1,112)	(892)
Net exchange difference on translation of foreign controlled entity	(301)	(220)
Accumulated reserves at end of reporting period	(1,413)	(1,112)

5.8 Reconciliation of cash

	Half year 2004 \$'000	Half year 2003 \$'000
Cash on hand and at bank	1,671	971
US Treasury bills	1,385	2,189
Certificates of deposit and promissory notes	28,140	20,603
Total cash at end of period	31,196	23,763

Treasury bills were established in the US as security for Letters of Credit for Biota Inc's finance and operating leases. These Bills currently have a 90 day term and yield between 1.84%-2.25% (2003: 0.86%-0.91%).

5.9 Non-cash financing and investing activities

There were no non-cash transactions which had a material effect on consolidated assets and liabilities during the period.

5.10 Earnings per share

	Half year 2004	Half year 2003
	\$'000	\$'000
	Cents	Cents
Basic earnings/(loss) per share (EPS)	(6.14)	(3.33)
Diluted earnings/(loss) per share (EPS)	(6.14)	(3.33)
Losses used to calculate EPS	(6,737)	(2,867)
	Number	Number
Weighted average shares used to calculate basic EPS	109,673,542	86,116,017
Weighted average shares used to calculate diluted EPS	109,673,542	86,116,017

Options granted by the Company to directors and employees are considered to be potential ordinary shares but are not dilutive in the current period or the previous corresponding period and have not been included in the determination of diluted earnings per share.

5.11 Contingent Assets and Liabilities

The consolidated entity had contingent assets and liabilities at 31 December 2004 in respect of the issue of a writ in the Victorian Supreme Court claiming breaches of contract and fiduciary duties by the GlaxoSmithKline Group for failing to promote and support Relenza. The writ seeks unspecified damages for lost royalties to date, as well as future losses through the life of the product's patents.

The claim has not been recognised as a receivable at 31 December 2004 as the damages arising from a successful action cannot be reliably measured at this stage. In the event that this legal action is unsuccessful, costs may be awarded against the Company. The likelihood and extent of these costs cannot be reliably measured at this stage.

The Company has entered into commercially sensitive contractual arrangements with external parties during the year ended 30 June 2004 in regard to the provision of legal and consulting services associated with this litigation. It has also entered into contractual arrangements after the reporting date with the Chief Executive Officer and the Chief Financial Officer in regard to potential bonus payments in the event of a successful outcome of this litigation. All these arrangements could potentially give rise to a future liability under certain circumstances.

5.12 Events occurring after reporting date

There have been no material events occurring after reporting date.

6 Directors' declaration

Biota Holdings Limited For the half year ended 31 December 2004

In the directors' opinion:

- a) The financial statements and notes set out on pages 1 to 11 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 consolidated entity'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.
- b) There are reasonable grounds to believe that Biota Holdings Limited 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.



John R Grant
Chairman

Melbourne
25 February 2005



Peter L Molloy
Chief Executive Officer

7. Independent review report to the members of Biota Holdings Limited



Independent review report to the members of Biota Holdings Limited

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Biota Holdings Limited (the Company) for the half-year ended 31 December 2004 included on Biota Holdings Limited's web site. The Company's directors are responsible for the integrity of the Biota Holdings 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 Biota Holdings Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Biota Holdings 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 Biota Holdings Limited Group (the consolidated entity), for the half-year ended 31 December 2004. The consolidated entity comprises both Biota Holdings 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.

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Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

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 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



Anton Linschoten
Partner

Melbourne
25 February 2005

8. Auditors' independence declaration



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Auditors' Independence Declaration

As lead auditor for the review of Biota Holdings 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 Biota Holdings Limited during the period.

A handwritten signature in black ink, appearing to read 'A. Linschoten'.

Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
25 February 2005

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9. Supplementary appendix 4D information

Biota Holdings Limited
For the half year ended 31 December 2004

9.1 NTA backing

	31 December 2004	30 June 2004
Net tangible asset backing per ordinary share	<u>25.0 cents per share</u>	<u>22.3 cents per share</u>

9.2 Individually significant items

During the period, a share purchase plan for shareholders raised \$19,769, net of costs, with 39,666,000 shares being issued at 50 cents per share.

9.2 Biota Inc

The Company holds a 92.3% interest in its subsidiary Biota Inc and during the half year ended 31 December 2004 has relied upon additional funding from the Company of \$2,304.