GENESIS BIOMEDICAL LTD
(ACN 083 274 024)

HALF YEAR REPORT ENDED 31ST DECEMBER 2003

26th February 2004

1. DIRECTORS REPORT

Your Directors submit the financial report for the economic entity for the half year ended 31st December 2003.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Dr Robert F Gilmour B.Sc., MDChD — **Non-executive Director**
Dr Gilmour brings extensive experience in medical design and in the orthopaedic, orthotic and prosthetic markets to the Genesis board. Dr Gilmour has taught anatomy at Monash Medical School and Stanford University, California, where he also worked in the Sports Medicine Clinic. Dr Gilmour began work in the area of medical design in 1987 and gained quick success in retail markets.

Mr Emmanuel Correia — **Non-executive Director**
Mr Correia is an Associate of the Institute of Chartered Accountants of Australia. Over the last 10 years, Mr Correia has held a number of corporate finance positions in Europe and in Australia with international accounting firms and investment banks. Mr Correia works in the areas of corporate structuring and strategy, capital raising and mergers and acquisitions.

Mr Adam S Davey — **Non-executive Director (Appointed 15th July 2003)**
Mr Davey was appointed to the Board on 15th July 2003 and he has experience in merchant banking, stock broking and corporate advisory services. He is a Director of Montagu Pty Ltd, a member corporation of the Australian Stock Exchange and Chairman of Teen Challenge Foundation (WA) Inc.

Mr Rupert J Northcott — **Non-executive Director (Resigned 24th October 2003)**
Mr Northcott is an experienced pharmaceutical and healthcare executive with extensive Australasian and International marketing experience. During his career he has launched significant new products in the prescription, OTC and health food markets. He has worked for large multinational pharmaceutical companies as a senior marketing executive and has more recently been the chief executive of a medical publishing company, the Managing Director of a UK based electronic information distributor and the Managing Director of Australia's leading medical software company.

RESULTS

The consolidated entity's operating loss after tax for the half year ended 31st December 2003 was $304,095 (December 2002: $1,049,793).

REVIEW OF OPERATIONS

The six months to 31st December 2003 saw the Company continue the evaluation of its CellGen treatment in conjunction with the Pemex Hospital in Mexico City and the pursuit of additional commercial opportunities.

The CellGen therapy is being evaluated for both the stimulation of bone growth and healing of various fractures as well the treatment for osteoarthritis of the knee. Anecdotal evidence suggests that the trial is progressing well and the Board is hopeful that it will be able to release more conclusive results in the 1st quarter of this year.

The Board continued to review various commercial opportunities throughout the six months and in November 2003 announced to the market that it had entered into a conditional Heads of Agreement to purchase the issued capital of Ensi-Med Manufacturing Pty Ltd, a company involved in the production of retractable safety syringes.

Whilst the Board was satisfied and encouraged by many aspects of Ensi-Med's product and operations there were certain conditions precedent associated with the proposed transaction that both parties were unable to reach agreement on and therefore in late January 2004 the Board resolved not to proceed with the transaction.

The Company continues to operate under a much reduced overhead structure which resulted in a loss after tax from ordinary activities for the six months to December 2003 of $304,095. This result included a $150,000 write down in the carrying value of the Company's investment in a Singaporean based musculoskeletal treatment clinic. The Company maintains a balance of approximately $1.4 million in cash and security deposits at the end of the six month period.

The Board is continuing to seek further commercial opportunities and will keep the market informed as and when such opportunities develop.

SIGNED in accordance with a resolution of the directors

Adam Davey
Director

26th February 2004

GENESIS BIOMEDICAL LTD AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR TO 31ST DECEMBER 2003

	Notes	Consolidated 31 December 2003 $	Consolidated 31 December 2002 $
REVENUES FROM ORDINARY ACTIVITIES	2	109,731	1,660,771
Cost of materials	3	-	(709,638)
Cost of investments sold	3	-	-
Depreciation and amortisation	3	-	(406,608)
Borrowing costs expense	3	-	(43,071)
Salaries and employee benefits	3	(71,494)	(607,898)
Rent	3	(97,227)	(268,944)
Professional fees	3	(86,140)	(337,434)
Travel	3	(2,066)	-
Marketing	3	-	(93,831)
Research and development	3	-	(2,139)
Increment/(decrement) in the value of investments	3	(139,227)	(25,714)
Other expenses from ordinary activities	3	(17,672)	(324,683)
Foreign exchange gain /(loss)		-	-
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(304,095)	(1,159,189)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(304,095)	(1,159,189)
NET LOSS ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST		-	109,396
NET LOSS ATTRIBUTABLE TO MEMBERS OF GENESIS BIOMEDICAL LTD		(304,095)	(1,049,793)

GENESIS BIOMEDICAL LTD AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31ST DECEMBER 2003

	Notes	Consolidated	
		31 December 2003 $	31 December 2002 $
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF GENESIS BIOMEDICAL LTD AND RECOGNISED DIRECTLY IN EQUITY		-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF GENESIS BIOMEDICAL LTD		(304,095)	(1,049,793)
Basic earnings per share (cents)		(0.4)	(1.38)
Diluted earnings per share (cents)		(0.4)	(1.38)

GENESIS BIOMEDICAL LTD AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2003

	Notes	Consolidated		
		31 December 2003 $	30 June 2003 $	31 December 2002 $
CURRENT ASSETS				
Cash assets	6 (b)	1,250,253	1,395,375	1,441,316
Receivables		22,820	5,044	8,714
Inventories		-	-	248,411
Other financial assets		14,859	9,429	17,143
Other		235,211	249,164	259,614
TOTAL CURRENT ASSETS		1,523,143	1,659,012	1,975,198
NON-CURRENT ASSETS				
Plant and equipment		-	-	62,500
Receivables		-	-	1,511,729
Other financial assets		-	150,000	150,000
TOTAL NON-CURRENT ASSETS		-	150,000	1,724,229
TOTAL ASSETS		1,523,143	1,809,012	3,699,427
CURRENT LIABILITIES				
Payables		10,591	25,898	40,336
Provisions		163,026	134,053	166,874
TOTAL CURRENT LIABILITIES		173,617	159,951	207,210
NON-CURRENT LIABILITIES				
Provisions		147,001	142,440	259,960
TOTAL NON-CURRENT LIABILITIES		147,001	142,440	259,960
TOTAL LIABILITIES		320,618	302,391	467,170
NET ASSETS		1,202,525	1,506,621	3,232,257
EQUITY				
Parent entity interest				
Contributed equity	4	12,987,985	12,987,985	12,987,985
Reserves		-	-	-
Accumulated losses	5	(11,764,071)	(11,459,975)	(9,946,394)
Total parent entity interest in equity		1,223,914	1,528,010	3,041,591
Total outside equity interest		(21,389)	(21,389)	190,666
TOTAL EQUITY		1,202,525	1,506,621	3,232,257

GENESIS BIOMEDICAL LTD AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31ST DECEMBER 2003

	Notes	Consolidated	
		Dec 2003 $	Dec 2002 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		(17,778)	1,328,406
Payments to suppliers and employees		(242,419)	(2,368,003)
Interest received		54,557	41,133
Interest and other costs of finance paid		-	(43,071)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	6	(205,640)	(1,041,535)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan repaid by associates		-	1,179,730
Cash acquired/(disposed)		-	(38,228)
Proceeds from sale of investments		60,518	-
Proceeds from sale of Bodyworks		-	2,293,505
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		60,518	3,435,007
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	175,000
Repayment of borrowings		-	(1,187,455)
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	(1,012,455)
NET INCREASE/(DECREASE) IN CASH HELD		(145,122)	1,381,017
Opening cash brought forward		1,395,375	60,299
CLOSING CASH CARRIED FORWARD AT THE END OF THE HALF YEAR	6	1,250,253	1,441,316

NOTES TO THE FINANCIAL STATEMENTS
31st DECEMBER 2003

NOTE 1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2003 and any public announcements made by Genesis Biomedical Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2003 annual report. The half-year report does not include full disclosures of the type normally included in an annual financial report.

NOTE 2. REVENUE FROM ORDINARY ACTIVITIES

	Consolidated	
	2003	**2002**
	$	**$**
Revenues from operating activities		
Revenue from sale of goods	-	1,617,638
Total revenue from operating activities	-	1,617,638
Revenues from non-operating activities		
Interest	54,557	43,133
Profit on sale of Investments	55,174	-
Total revenue from non – operating activities	109,731	43,133
Total revenues from ordinary activities	109,731	1,660,771

NOTE 3. EXPENSES AND LOSSES/(GAINS)

	2003	2002
Cost of goods sold	-	709,638
Interest paid	-	43,071
Foreign exchange gain	-	-
Research and development	-	2,139
Employee expenses	71,494	607,898
Depreciation & amortisation	-	406,608
(Increase) /decrease in value of investments	139,227	25,714
Property expenses	97,227	268,944
Marketing	-	93,831
Professional fees	86,140	337,434
Travel	2,066	-
Other expenses from ordinary activities	17,672	324,683
Total expenses from ordinary activities	413,826	2,819,960

NOTE 4. CONTRIBUTED EQUITY	Shares 2003	Shares 2002	$ 2003	$ 2002
(a) Issued and paid up capital				
Fully paid ordinary shares	76,550,003	76,550,003	12,987,985	12,987,985
(b) Movement in shares on issue				
- Issued capital at beginning of financial year	76,550,003	73,050,003	12,987,985	12,812,985
- Shares issued 18th July 2002 pursuant to a placement by Directors at 5 cents per share	-	3,500,000	-	175,000
Issued capital at the end of the half year	76,550,003	76,550,003	12,987,985	12,987,985

(c) Share Options
As at 31st December 2003, there are 2,000,000 (2002: 5,450,000) unissued ordinary shares in respect of which options were outstanding and the details of these are as follows:

Number	Exercise Price	Expiry Date
2,000,000	0.40	23 November 2004

These options are exercisable at any time up to their expiry date.

(a) Terms and conditions of contributed equity

Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	Consolidated 2003 $	2002 $
NOTE 5. RESERVES AND ACCUMULATED LOSSES		
(a) *Accumulated losses*		
Balance at beginning of year	(11,459,976)	(11,383,652)
Elimination due to sale of 80% of Bodyworks	-	2,487,051
Net Loss attributable to members of Genesis Biomedical Ltd	(304,095)	(1,049,793)
Balance at end of half year	(11,764,071)	(9,946,394)

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 2003 (cont'd)

NOTE 6. STATEMENT OF CASH FLOWS

	Consolidated	
	2003	**2002**
	$	**$**
(a) Reconciliation of cash flows from operations with operating loss after income tax		
Operating loss after income tax	(304,095)	(1,159,189)
Depreciation of non-current assets	-	406,608
Foreign exchange (gain)/ loss	-	(48,750)
Provision for diminution in value of investments	139,227	25,714
Profit on sale of investments	(55,175)	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(17,777)	44,844
(Increase)/decrease in prepayments & deposits	13,953	(65,316)
(Decrease)/increase in creditors and accruals	(15,307)	(340,695)
(Decrease)/increase in provisions	33,534	95,249
Net cash flows used in operating activities	(205,640)	(1,041,535)
(b) Reconciliation of cash		
Cash balances comprise		
- cash at bank	1,250,253	1,441,316

At balance date the company and the consolidated entity had no financing facilities available.

NOTE 7. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 8. SIGNIFICANT CHANGE IN STATE OF AFFAIRS

Other than disclosed there are no other matters or circumstances that have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

3. DIRECTORS DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 10:
    a. comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and

    b. give a true and fair view of the economic entity's financial position as at 31 December 2003 and of its performance for the half year ended on that date.

2. In the directors' opinion 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 Board of Directors.

Director
Adam Davey
Dated this 26th day of February 2004

4. INDEPENDENT REVIEW REPORT TO MEMBERS OF GENESIS BIOMEDICAL LIMITED

ERNST & YOUNG

The Ernst & Young Building
321 Kent Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9262 6565
DX Sydney Stock
Exchange 10172

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 Genesis Biomedical Limited (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 31 December 2003.

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 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.

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 Genesis Biomedical 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 2003 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.

Ernst & Young

Christopher George
Partner
Sydney
26th February 2004