

APPENDIX 4D

LIFE THERAPEUTICS LIMITED (ABN 79 001 001 145)

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

Reporting Currency is United States dollars

\$US'000

Results for announcement to the market		
Revenues from ordinary activities	Up N/A (Note 1)	to 25
Revenues from discontinued activities	Down 27%	to 21,641
Profit from ordinary activities after tax attributable to members	Up (Note 2)	to 15,871
Net profit for the period attributable to members	Up (Note 2)	to 15,871
Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividend,	N/A	
<p>Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:</p> <p>Refer attached press release and notes to the accounts. (Note 1) Revenue from ordinary activities has increased from \$Nil to \$25,000 (Note 2) Profit from ordinary activities has increased from a loss of \$1,226,000 in the prior period to a profit of \$15,871,000 in the current period.</p>		

	31 December 2008	30 June 2008
NTA backing		
Net tangible asset backing per ordinary security	US\$0.10	(US\$0.03)

Life Therapeutics Limited and its Controlled Entities

ABN 79 001 001 145

Financial Report

for the half-year ended 31 December 2008

Life Therapeutics Limited and its Controlled Entities

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This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcement made by Life Therapeutics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Life Therapeutics Limited and its Controlled Entities

Directors' Report

Your Directors present their report on the consolidated entity consisting of Life Therapeutics Limited and the entities it controlled ('the Company' or 'LFE') for the half-year ended 31 December 2008. The Directors' report is unaudited and does not form part of the financial report.

Directors

The following persons were directors of Life Therapeutics Limited during the half-year and up to the date of this report. Directors were in office for the entire period unless otherwise stated.

Mr Michael J. Milne

Mr Wayne R. Bellman

Ms Dale Calhoun (resigned on November 28, 2008)

Mr Andrew Waller (appointed on November 28, 2008)

Review and Results of Operations

On 31 October 2008, LFE obtained shareholder approval to sell its issued Shares in Life Gels, Inc. and Life Therapeutics, Inc. (including its subsidiaries Profile Diagnostics, Inc., Pyramid Biological Corporation, Allegheny Biologicals, Inc. and Life Sera Inc.) (together, US Subsidiaries) to Octapharma AG. Final sale documents were signed on 7 November 2008 between LFE and Octapharma AG.

Prior to 31 October 2008, LFE had two main operating arms – the Life Sera division and the Life Diagnostics division - both operated by the US Subsidiaries.

The Life Sera division consisted of collection of both speciality plasma and normal source plasma in 12 operational US collection centres. The plasma was then sold to blood fractionators who processed it into therapeutic products.

The Life Diagnostics division provided highly specific tests for blood-clotting disorders and source plasma products for blood-borne diseases. It also collected high-titre source plasma and serum used to make diagnostic kits.

As a result of the sale of Shares in its US subsidiaries, the company no longer has the technical ability or resources to carry out the activities previously undertaken by the Life Sera division and the Life Diagnostics division. The company currently only has cash, investments and certain intellectual property rights.

The Board is resolutely focused on restoring value for long-term shareholders and believes the best way to do that is to re-deploy the cash currently held by the company and target the large number of investment opportunities now available at attractive valuations which have the potential to generate cash returns. In doing so, shareholders will move from holding a volatile investment with no history of dividends, to being part of a company whose core investment strategy is to target assets with the potential to quickly generate appropriate investment returns.

The Directors will shortly call a General Meeting to consider three inter-related resolutions which, if approved, would allow the company to target such a strategy. The Notice of Meeting and Explanatory memorandum for that meeting are currently being printed and will be sent to Shareholders soon.

On 5 November 2008 the company received the cash proceeds from the sale of its US assets. Since that time the Directors have been actively evaluating a number of immediate investment opportunities that are able to deliver value for shareholders in the short term.

On 7 November 2008, the company entered into a binding term sheet with Alicons International Limited (Alicons) to which LFE agreed to purchase 80% of the gross income (Royalty Stream) derived from Alicons 21% interest in a number of shallow gas projects in Jackson and Grimes County, Texas for \$US4.3million (Referred to as the "Jackson Wells" and "Grimes" investment in Note 8) On 20 January, the Directors negotiated a revised agreement to purchase 80% of all interests in the income derived from all of the shallow gas projects from time to time located on the lands known as the Sandy, Slazenger and Wagner prospects in Jackson County, Texas.

Life Therapeutics Limited and its Controlled Entities

Both investments demonstrate the Directors previously stated investment strategy of targeting opportunities that are able to generate appropriate investment returns on a low risk basis.

The Board of Directors is currently reviewing its future investment strategies and hopes to be able to update shareholders on this process at the General Meeting.

Subsequent Events

On 30 January 2009, the Company reached an agreement with Modena Resources ("Modena") to subscribe to an issue of 2,500,000 secured convertible notes with a face value of AU\$2,500,000. The notes provide funding for Modena's working interest in the highly prospective Bullseye Gas Prospect in Louisiana. The notes have a coupon of 12% per annum. The notes are a highly appealing investment for Life Therapeutics, paying an attractive interest rate with a very low risk. The notes are secured against Modena's established net cash flow. In conjunction with the issue of the secured convertible note, Modena issued the company with 10,000,000 shares on 20 January 2009. This gives the company a strategic 11.7% shareholding in Modena. Please refer to Note 14 for more information on the Modena transaction.

In February 2009, the Company established six new 100% wholly owned subsidiaries. These subsidiaries will serve to own the individual investments made by the Company. This will provide greater flexibility in the future when disposing of the investments.

Please refer to Note 14 for more information on subsequent events.

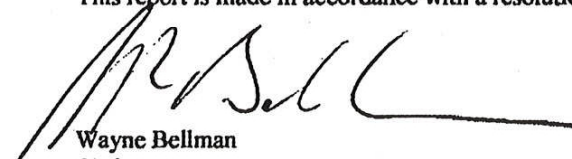
Auditors' independence declaration

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

Rounding of amounts

The amounts contained in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

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




Wayne Bellman
Chairman

Sydney
27 February 2009

To the Directors of Life Therapeutics Limited

Auditor's Independence Declaration

In relation to our review of the financial report of Life Therapeutics Limited for the half-year ended 31 December 2008, 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 stylized, handwritten signature of the Ernst & Young firm, written in black ink on a light background.

Ernst & Young

A handwritten signature of Garry Wayling, written in black ink on a light background.

Garry Wayling
Partner
Sydney

27 February 2009

Life Therapeutics Limited and its Controlled Entities

**Consolidated Income Statement
For the half-year ended 31 December 2008**

	Notes	Half year Ending December 2008	
		2008 US\$'000	2007 US\$'000
Continuing Operations			
Revenue	3	25	-
Gain on sale of Donor Centres		-	5,860
Interest Income		393	-
General & Administration	3	(3,650)	(1,237)
Foreign currency (loss)/gain		(4,126)	30
Finance Costs	3	(740)	(3,149)
(Loss)/Profit before income tax		(8,098)	1,504
Income Tax Expense		-	-
(Loss)/Profit after tax from continuing operations		(8,098)	1,504
Book gain on sale of assets from discontinued operations	12(c)	23,969	-
Profit/(Loss) after tax from discontinued operations	12(a)	-	(2,730)
Net Profit/(Loss) for the period		15,871	(1,226)
Net Profit/(Loss) attributable to members of the parent		15,871	(1,226)
Earnings per share- Continuing Operations			
- basic (loss)/profit per share for the half year		(5.7)	1.3
- diluted (loss)/profit per share for the half year		(5.7)	1.3
Profit/(Loss) per share-Discontinued Operations			
- basic profit/(loss) per share for the half year		17.0	(2.4)
- diluted profit/(loss) per share for the half year		17.0	(2.4)
Profit/(Loss) per share-Total Company			
- basic profit/(loss) per share for the half year		11.2	(1.1)
- diluted profit/(loss) per share for the half year		11.2	(1.1)

Life Therapeutics Limited and its Controlled Entities

**Consolidated Balance Sheet
For the half-year ended 31 December 2008**

	Notes	As at 31 Dec 2008 * US\$'000	As at 30 June 2008 US\$'000
CURRENT ASSETS			
Cash and cash equivalents		6,154	15,230
Trade and other receivables	4	270	385
Other assets – escrow	5	1,044	1,021
Other assets - prepayments		111	126
Loan receivable	6	1,726	-
Assets held for sale	7	126	39,272
TOTAL CURRENT ASSETS		<u>9,431</u>	<u>56,034</u>
NON-CURRENT ASSETS			
Property, plant and equipment		24	-
Interest in Gas Field	8	5,265	-
TOTAL NON-CURRENT ASSETS		<u>5,289</u>	<u>-</u>
TOTAL ASSETS		<u>14,720</u>	<u>56,034</u>
CURRENT LIABILITIES			
Trade and other payables	9	1,202	1,890
Interest bearings loans and borrowings		-	40,564
Liabilities directly associated with the assets classified as held for sale		-	17,259
Provisions		-	5
TOTAL CURRENT LIABILITIES		<u>1,202</u>	<u>59,718</u>
TOTAL LIABILITIES		<u>1,202</u>	<u>59,718</u>
NET ASSETS		<u>13,518</u>	<u>(3,684)</u>
EQUITY			
Contributed equity	10	110,752	109,516
Share options reserve		1,537	1,442
Foreign currency translation reserve		1,586	1,586
Accumulated losses		(100,357)	(116,228)
TOTAL EQUITY		<u>13,518</u>	<u>(3,684)</u>

* The Balance Sheet as at 31 December 2008 is for LFE as the single parent entity as all subsidiaries were disposed on 31 October 2008. The 2007 comparatives contain the discontinued operations of the Disposal group. Please refer to Note 12 for more information on the Disposal Group.

Life Therapeutics Limited and its Controlled Entities

**Consolidated Cash Flow Statement
For the half-year ended 31 December 2008**

		2008 US\$'000 (Continuing and Discontinued Operations)	2007 US\$'000 (Continuing and Discontinued Operations)
	Notes		
Cash flows from operating activities			
Receipts from customers		20,746	32,155
Payments to suppliers and employees		(29,706)	(35,485)
Interest received		467	24
Interest paid		(1,980)	(712)
Net cash flows used in operating activities	12(b)	<u>(10,473)</u>	<u>(4,018)</u>
Cash flows from investing activities			
Proceeds from disposal of held-for-sale assets		6,000	7,458
Purchase of property, plant and equipment		(27)	(90)
Purchase of interest in Gas Field		(5,265)	-
Purchase of investments		(126)	-
Advance loan		(1,726)	-
Net cash flows from/(used in) investing activities	12(b)	<u>(1,144)</u>	<u>7,368</u>
Cash flows from financing activities			
Repayment of borrowings		-	(1,291)
Repayment of lease liability		-	(44)
Draw down of loan facility		4,000	-
Net cash flows from financing activities	12(b)	<u>4,000</u>	<u>(1,335)</u>
Net (decrease)/increase in cash and cash equivalents		(7,617)	2,015
Less: decrease in cash from discontinued operations disposed of during the period	12(b)	(2,548)	-
Cash and cash equivalents at the beginning of period		<u>16,319</u>	<u>439</u>
Cash and cash equivalents at end of period		<u><u>6,154</u></u>	<u><u>2,454</u></u>

**Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2008**

	Attributable to equity holders of the consolidated group				
	Contributed Equity	Share options reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At July 2007	104,941	1,543	1,586	(106,990)	1,080
Movement					
Loss for the period	-	-	-	(1,226)	(1,226)
Conversion of Convertible notes	4,044	-	-	-	4,044
Cost of Share based payments	-	10	-	-	10
At 31 December 2007	108,985	1,553	1,586	(108,216)	3,908
At July 2008	109,516	1,442	1,586	(116,228)	(3,684)
Movement					
Profit for the period	-	-	-	15,871	15,871
Vesting of Employee options	-	95	-	-	95
Issue of Shares	1,336	-	-	-	1,336
Cost of Share issue	(100)	-	-	-	(100)
At 31 December 2008	110,752	1,537	1,586	(100,357)	13,518

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

1. CORPORATE INFORMATION

The financial report of Life Therapeutics Limited (the Company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the Directors on 27 February 2009.

Life Therapeutics Limited is a company incorporated in Australia, limited by shares, which are publicly traded on the Australian Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of preparation

This general purpose financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

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 annual financial report.

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008 except for the accounting of "Interest in Gas Field" which will be amortised based upon a unit of production method.

It is also recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Life Therapeutics Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

b) New Accounting standards and interpretations

Certain Australian Accounting Standards and interpretations have recently been issued or amended effective for annual periods beginning on or after 1 July 2008. The directors have assessed there is no material impact adopting these standards. Further, certain Australian Accounting Standards and Interpretations have recently been issued that are effective in future financial reporting periods. The directors have not yet assessed the impact of these standards/interpretations.

c) Basis of consolidation

The half-year consolidated financial statements incorporate the assets and liabilities of all entities controlled by Life Therapeutics Limited as at 31 December 2008 and the results of all controlled entities for the period then ended. Life Therapeutics Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

d) Going concern basis of preparation of the financial statements

The company continues to prepare the accounts on a going concern basis. The balance sheet as at 31 December 2008 does not include any adjustments relating to the recoverability and classification of recorded assets amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

3. REVENUE AND EXPENSES

Half year	
Ending December 2008	
2008	2007
US\$'000	US\$'000

Profit before income tax includes the following revenues and expenses:

(i) Revenue - Continuing Operations

Royalty income – Jackson Wells	25	-
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(ii) Finance Expenses

Finance Costs:

Interest on drawdown facility	740	-
Bank interest	-	48
Convertible notes- coupon interest	-	649
Convertible notes- interest accretion	-	2,081
Interest accretion on deferred consideration	-	371
	740	3,149

(iii) Operating Expenses

General and Administration

Consulting Fees	683	73
Legal/Professional Fees	1,238	417
Patent registration Fees	174	39
Computer expenses	141	5
Directors Fees	124	86
Administration	1,290	617
	3,650	1,237

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

	As at 31 Dec 2008	As at 30 June 2008
	US\$'000	US\$'000
4. Trade and Other Receivables		
Royalty Receivable – Jackson Wells	25	-
GST Receivable	245	-
Other Debtors	-	385
TOTAL	270	385

The royalty receivable represents the royalty income for the period from the date of purchase (7 November 2008) to 31 December 2008. Refer to Note 8 – Interest in Gas Fields for more information on the Jackson Wells investment.

	As at 31 Dec 2008	As at 30 June 2008
	US\$'000	US\$'000
5. Other Assets – escrow		
Other Assets - escrow	1,044	1,021

The restricted deposit represents \$1.0M in escrow plus accrued interest relating to the sale of the Mobile and Pensacola centres to Kedrion during October 2007. The funds will be available to LFE on 12 April 2009, subject to meeting escrow conditions which at the reporting date are expected to be met.

	As at 31 Dec 2008	As at 30 June 2008
	US\$'000	US\$'000
6. Loan receivable		
Loan receivable from Modena Resources	1,726	-

On 19 December 2008, the company advanced US\$1,725,685 (AU\$2,500,000) to Modena Resources Ltd. Refer to Subsequent Event note 14 for more information on the transaction with Modena Resources Ltd.

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

7. Assets held for sale

	As at 31 Dec 2008 US\$'000	As at 30 June 2008 US\$'000
Chrome Corporation Ltd	126	-
Assets held for sale – US Subsidiaries	-	39,272
TOTAL	126	39,272

During November and December 2008, the company acquired 2,430,000 ordinary shares of Chrome Corporation Ltd (ASX:CCI) for a total consideration of US\$126,365. Chrome Corporation Ltd is an ASX listed mining company developing the Ruighoek Open Cut Chrome Project on the Western Limb of the Bushveld Igneous Complex in the North West Province of South Africa. The company's holding in Chrome Corporation represents 1.45% of the issued capital of Chrome Corporation as at 31 December 2008.

On 23 February 2009, Chrome Corporation announced to the ASX that it had sold its interest in the Ruighoek Open cut Chrome project for total consideration of AU\$41,000,000.

The shares were purchased on market.

Mr Andrew Waller is a Director of Chrome Corporation Ltd.

8. Interest in Gas Field

	As at 31 Dec 2008 US\$'000	As at 30 June 2008 US\$'000
Jackson Wells	5,165	-
Grimes	100	-
TOTAL	5,265	-

Jackson Wells

On 7 November 2008, the Company signed a binding term sheet to acquire an 80% interest in the royalty stream from Alicons Ltd. Alicons Ltd is a general investment company located in the United Kingdom. The original terms of the acquisition were as follows;

- **Property:** An assignment of 80% of Alicons' income ("Royalty Stream") derived from its interest in the shallow gas projects from time to time located on the lands known as the Sandy, Slazenger and Wagner Prospects in Jackson County, Texas
- **Purchase Price:** US\$4.2 million
- **Term:** For the life of the Projects

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

On 22 December 2008, the company advanced US\$965,800 as part of an updated arrangement with Alicons. The agreement was finalized and the interest transferred on 20 January 2009. The key terms have been amended as follows:

- **Property:** LFE has increased its interest in the Jackson properties to 80% of all interests in the income derived from all of the shallow gas projects from time to time located on the lands known as the Sandy, Slazenger and Wagner Prospects in Jackson County, Texas. Alicons agreed to assign and transfer and LFE agreed to acquire all of Alicons' right, title and interest in the project.
- **Purchase Price:** A further US\$2.966 million, bringing the total consideration for the Royalty Stream to US\$7.166 million. Of the purchase consideration USD\$965,800 was transferred to Alicons on 22 December 2008 with the remaining US\$2,000,000 transferred on 20 January 2009.
- **Term:** For the life of the Projects.

The Company has no active management role in the operations of the gas projects. It receives regular updates on the performance of the gas production and under the terms of the agreement Alicons must provide full financial (gross royalties less applicable expenses) and status reports in relation to the projects on a monthly basis.

Grimes

On 7 November 2008, the Company signed a binding term sheet in the royalty stream from Alicons Ltd. The terms of the acquisition are as follows;

- **Property:** An assignment of 10% of income derived from all of the shallow gas projects from time to time located on the lands known as the Walkoviak No 1 Well in Grimes County, Texas.
- **Purchase Price:** US\$100,000
- **Term:** For the life of the Projects

The Company has no active management role in the operations of the gas projects. It receives regular updates on the performance of the gas production and under the terms of the agreement Alicons must provide full financial and status reports in relation to the projects on a monthly basis.

9. Trade and Other Payables

	As at 31 Dec 2008	As at 30 June 2008
	US\$'000	US\$'000
Trade Payables	238	539
Withholding Tax payable	447	367
Accrued Fringe Benefits Tax	10	-
Accrued other expenses	507	984
TOTAL	1,202	1,890

The Withholding tax is payable on interest from the Cornell and Indus Convertible Notes and Octapharma loan which were extinguished as part of the settlement of debts from the Octapharma sale.

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

10. CONTRIBUTED EQUITY

	<u>No. of Shares</u>	<u>US\$'000</u>
At 1 July 2008	123,223,857	109,516
Issue of Shares (July 4 th 2008)	18,483,578	1,236
Closing Balance as at 31 December 2008	<u>141,707,435</u>	<u>110,752</u>

11. SEGMENT INFORMATION

Business Segments:

The following table presents revenue and profit information regarding business segments for the half-year periods ending 31 December 2007 and 31 December 2008:

	Discontinued Operations					Total Operations
	Continuing Operations (Life Therapeutics Ltd)	Gain on Sale of Assets Held for Sale	Life Therapeutics (Life Sera)	Life Diagnostics (Pyramid)	Total Discontinued Operations	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
31-Dec-08						
Total Segment Revenue	25	-	13,905	7,736	21,641	21,666
Segment profit/(loss)	(8,098)	26,592	(7)	(2,616)	23,969	15,871
31-Dec-07						
Total Segment Revenue	-	-	21,173	8,396	29,569	29,569
Segment profit/(loss)	1,504	-	(4,496)	1,766	(2,730)	(1,226)

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

12. DISCONTINUED OPERATIONS

Life Therapeutics and Life Diagnostics Disposal Group

On 31 October 2008, LFE obtained shareholder approval to sell its issued Shares in Life Gels, Inc. and Life Therapeutics, Inc. (including its subsidiaries Profile Diagnostics, Inc., Pyramid Biological Corporation, Allegheny Biologicals, Inc. and Life Sera Inc.) (together, US Subsidiaries) to Octapharma AG.

(a) Disposal Group Net Income

	4 month period to 31 Oct 2008 US\$'000	6 months to 31 December 2007 US\$'000
Revenue	21,641	29,569
Cost of Sales	(20,984)	(26,547)
Gross Profit	657	3,022
Selling General & Administration	(199) (3,067)	(804) (4,982)
Finance Costs	(11)	(172)
Loss before income tax	(2,620)	(2,936)
Other income	-	206
Income Tax Expense	(3)	-
Loss after income tax expense	(2,623)	(2,730)

(b) Cash Flow from Disposal Group

	4 months to 31 Oct 2008 US\$'000	6 months to 31 Dec 2007 US\$'000
Net cash flows used in operating activities	(2,541)	(5,717)
Net cash flows from/(used in) investing activities	-	7,367
Net cash flows from financing activities	4,000	(601)
Net (decrease)/increase in cash and cash equivalents	1,459	1,049
Cash and cash equivalents at the beginning of period	1,089	346
Cash and cash equivalents at end of period	2,548	1,395

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

12. DISCONTINUED OPERATIONS (continued)

	As at 31 Dec 2008 US\$'000	As at 30 June 2008 US\$'000
CURRENT ASSETS		
Cash and cash equivalents	-	1,089
Trade and other receivables	-	1,592
Inventories	-	11,858
Other assets	-	1,020
TOTAL CURRENT ASSETS	-	15,559
NON-CURRENT ASSETS		
Property, plant and equipment	-	3,022
Goodwill	-	9,695
Intangible assets	-	10,860
Other assets	-	136
TOTAL NON-CURRENT ASSETS	-	23,713
TOTAL ASSETS	-	39,272
CURRENT LIABILITIES		
Trade and other payables	-	7,619
Provisions	-	525
Interest bearings loans and borrowings	-	678
Non-Interest bearing loans and savings	-	1,820
TOTAL CURRENT LIABILITIES	-	10,642
NON-CURRENT LIABILITIES		
Interest bearings loans and borrowings	-	8
Provisions	-	2,393
Deferred income tax liabilities	-	4,216
TOTAL NON-CURRENT LIABILITIES	-	6,617
TOTAL LIABILITIES		17,259
NET ASSETS HELD FOR SALE	-	22,103

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

12 (c) Gain on Sale of Assets held for sale

	Half Year to 31 Dec 2008 US\$'000
Initial loan drawdown and advances from Octapharma	45,303
Additional consideration for US subsidiaries as agreed	6,000
Total Consideration	<u>51,303</u>
Less:	
Book value of net assets disposed	(24,281)
Legal and professional fees relating to the sale	(430)
Net Loss from Discontinued operations	12(a) (2,623)
TOTAL BOOK GAIN ON SALE	<u>23,969</u>

13 Related Party Note

(a) Transactions to related party entities from 1 July 2008 to 31 December 2008

Related Party	Relationship	US\$'000's
Barat Advisory Pty Limited	<i>This company is a director related entity to Michael Milne</i>	241
Roycevale Pty Ltd	<i>This company is a director related entity to Wayne Bellman</i>	121
Tower Human Capital Pty Ltd	<i>This company is a director related entity to Dale Calhoun *</i>	57
Andrew Waller Consulting	<i>This entity is a director related entity to Andrew Waller</i>	68
Total director related transactions		487

* Dale Calhoun resigned as a Director of the company on November 28th 2008.

The director related transactions referred to in (a) above relate to consultancy services provided to LFE. These costs were incurred for professional services provided to the company to assist in its restructuring and management.

(b) Director fees paid or payable from 1 July 2008 to 31 December 2008

Director	US\$'000's
Wayne Bellman	46
Michael Milne	32
Dale Calhoun*	32
Andrew Waller	14
Total director fees paid or payable to 31 December 2008	124

* Dale Calhoun resigned as a Director of the company on 28 November 2008.

Life Therapeutics Limited and its Controlled Entities
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For the half-year ended 31 December 2008

Financial Interest in Investments

Director	Modena Resources	Chrome Corporation	Alicons Ltd (Jackson Wells)	Alicons Ltd (Grimes)
Michael Milne	Nil	Nil	Nil	Nil
Wayne Bellman	Mr Bellman owns 900,000 ordinary shares of Modena Resources Ltd	Nil	Nil	Nil
Andrew Waller	Nil	Mr Waller owns 5,040,070 ordinary shares in Chrome Corporation. Mr Waller owns 6,640,000 listed options at a strike price of \$0.40 dated 30 Sept 2009	Nil	Nil
Dale Calhoun *	Nil	Nil	Nil	Nil

* Dale Calhoun resigned as a Director of the company on 28 November 2008.

Directorships

Mr Wayne Bellman is a Director of Modena Resources (appointed 6 February 2009).

Mr Andrew Waller is a Director of Chrome Corporation (appointed 22 November 2004).

14 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Advance to Modena Resources.

On 19 December 2008, the company advanced US\$1,725,685 (AU\$2,500,000) to Modena Resources Ltd. On 29 January 2009, this cash advance was converted into a Convertible Note. As announced to the ASX on 30 January 2009, LFE subscribed for \$AU2.5 Million convertible notes in Modena Resources Ltd. The terms of the Convertible Note are as follows;

Redemption Date: 29 January 2010 with the option to extend the redemption date to 29 January 2011 at the absolute discretion of the Note holder. Modena has the right to early repayment without penalty other than interest outstanding. The notes are convertible into ordinary fully paid shares at an issue price determined as the lesser of:

- 25 cents per share
- 80% of the Volume weighted average market price over the last 30 days on which sales were recorded before the date of conversion and issue.

Interest Rate – 12% per annum

The Convertible Notes are secured by Deed of Charge against the net cash flow from Modena's farm-in of and participation in the Bullseye Prospect.

In conjunction with the issue of the secured convertible notes, Modena issued the company with 10,000,000 ordinary shares on 20 January 2009 in consideration for provision of the convertible note facility.

Life Therapeutics Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2008

Interest in Gas Field (Jackson Wells)

On 20 January 2009, the company made a payment of US\$2,000,000 to Alicons being the final tranche of the investment in Jackson Wells. This payment brings the total investment in Jackson Wells to US\$7,165,800. The key terms of the agreement are as follows:

- **Property:** LFE has increased its interest in the Jackson properties to 80% of all interests in the income derived from all of the shallow gas projects from time to time located on the lands known as the Sandy, Slazenger and Wagner Prospects in Jackson County, Texas. Alicons agreed to assign and transfer and LFE agreed to acquire all of Alicons' right, title and interest in the project.
- **Purchase Price:** A further US\$2.966 million, bringing the total consideration for the Royalty Stream to US\$7.166 million. Of the purchase consideration USD\$965,800 was transferred to Alicons on 22 December 2008 with the remaining US\$2,000,000 transferred on 20 January 2009.
- **Term:** For the life of the Projects.

The Company has no active management role in the operations of the gas projects. It receives regular updates on the performance of the gas production and under the terms of the agreement Alicons must provide full financial (gross royalties less applicable expenses) and status reports in relation to the projects on a monthly basis.

15 Legal Contingencies

Dr Hari Nair, former CEO and Director has filed a claim for US\$1m against the company for payments surrounding his resignation in November 2007 as CEO and managing director. He is claiming US\$900,000 (plus interest and costs) The Company is defending this claim and has made a cross claim against Dr Nair and another former director, Mr. John Manus, for an indemnity, in the event that it is found liable for the termination entitlements.

Life Therapeutics Limited and Controlled Entities

Directors' Declaration

In accordance with a resolution of the directors of Life Therapeutics Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*:
 - (i) give a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 "*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



Wayne Bellman
Chairman

Sydney
27 February 2009



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To the members of Life Therapeutics Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying financial report of Life Therapeutics Limited ('the company') and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Life Therapeutics Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Life Therapeutics Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of the Ernst & Young firm, rendered in black ink on a light background.

Ernst & Young

A handwritten signature of Garry Wayling, rendered in black ink on a light background.

Garry Wayling
Partner
Sydney

27 February 2009