Rule 4.2A.3

Appendix 4D

Half year report

Name of entity

Biosignal Limited

ABN

45 071 781 363

Half year ended ("current period")

31 December 2008

Results for announcement to the market

				A$
Revenues from ordinary activities	down	96.7%	to	15,400
(Loss) from ordinary activities after tax attributable to members	down	74.5%	to	(3,282,681)
Net (loss) for the period attributable to members	down	42.7%	to	(3,282,681)

Dividends

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

There is no record date for determining entitlements to dividends as Biosignal Limited does not propose to pay any dividends for the half year ended 31 December 2008.

Brief explanation of results reported above

The results above reflect the Company's operations focussed on research and development through to product commercialisation of the application of its unique furanone technology. The accounts have been prepared on a liquidation basis for reasons outlined in Note 1 (b).

The loss for the December 2008 half year includes an expense of $2.395 million for writing down the value of the company's intangible asset 'Intellectual Property' to nil. The lower revenues from ordinary activities is a result of the company pursuing fewer collaborative development opportunities during the period. Reduced expenditure on Research and Development, Employment and Marketing reflects the company's focus on cost reduction during the period.

Net tangible assets

Net tangible asset backing per:	Current period	Previous corresponding period
Ordinary Share	0.3 cents	1.6 cents

BIOSIGNAL LIMITED

(ABN 45 071 781 363)

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

CORPORATE DIRECTORY

Directors

John Keniry AM (Chairman)
Peter Steinberg (CEO and Managing Director)
Bruce Foy

Secretary

Robert Vickery

Registered Office

Suite 145, Level 1
National Innovation Centre
Australian Technology Park
Eveleigh NSW 1430

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Facsimile:	(02) 9209 4306
Email:	admin@biosignal.com.au
Website:	www.biosignal.com.au

Solicitors

Spruson & Ferguson Lawyers
Holding Redlich Lawyers
Blake Dawson Waldron

Share Registry

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000

PO Box R67
Royal Exchange
Sydney NSW 1223

Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664
Email: registries@registriesltd.com.au
Website: www.registriesltd.com.au

Auditor

HLB Mann Judd (NSW Partnership)
Level 19, 207 Kent Street
SYDNEY NSW 2000

ASX Codes

BOS - fully paid ordinary shares

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DIRECTORS' REPORT

Your directors present their report for the half year ended 31 December 2008.

DIRECTORS

The names of the directors in office during the half year and until the date of this report are as below.

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

- Dr J S Keniry AM, BSc, PhD, FTSE, FRACI, FAICD (Chairman)
- Prof P D Steinberg, BSc, PhD
- Prof. G A Pauli, MBA, Phd hc (Resigned 25 November 2008)
- Mr B E Foy, B Com. LLB, FAICD

REVIEW AND RESULTS OF OPERATIONS

OVERVIEW

The net loss after tax for the six months to 31 December 2008 was $3,282,680 (2007 – loss of $1,881,489). The 2008 result included a write down of intangible assets of $2,395,717.

LIQUIDATION BASIS OF ACCOUNTS PREPARATION

These accounts have been prepared on a liquidation basis. The directors have taken the view that substantial uncertainty exists about the company's ability to continue as going concern. Hence, in accordance with accounting standards, the decision has been made to prepare the accounts on a liquidation basis.

OPERATIONS REPORT

It continues to be a challenging time for Biosignal and for Australian biotechnology companies generally. The global market crisis continues to have its impact, both on the capacity for raising additional funds into the company and on the capacity of partners to collaborate on development of Biosignal's technology. None-the-less, we still have active collaborations in several application areas, including oil & gas and consumer products, and these are described in more detail below.

Biosignal's strategy continues to be to maintain a minimum cash burn rate, conserving resources in order to allow existing collaborations to come to fruition, and if possible to raise modest sums to maintain operations while minimising dilution of existing shareholders. We have greatly contracted our own internal R & D activities, relying primarily on collaborators to progress the technology, and have also cut back on expenditure in other areas within the company. Several small placements in June 2008, and a Share Purchase Plan in September which raised approximately $250,000, were also consistent with this overall strategy.

However, looking forward into 2009, and given the need of the company for further cash, this strategy will not be viable, necessitating a more substantial fundraising or significant restructuring of the company. A major fundraising is unlikely given the current market climate, thus making restructuring the main option in the medium term for persistence of the company. As announced in November 2008, we have engaged experienced advisors to assist us in this regard. Different opportunities are currently being discussed. We will keep shareholders and the market advised as these progress.

Oil and Gas and Industrial Products

Industrial products continue to be an important focus for Biosignal. Because of short registration times, industrial applications are the company's best opportunities for early market entries. Our main focus in this area is treatments to inhibit Microbiologically Influenced Corrosion (MIC) of oil and gas pipelines.

Trials are ongoing with a number of partners or contractors. A series of trials at Commercial Microbiology Laboratories (CML) in Scotland has now concluded, and has facilitated selection of compounds and doses to use in this application area. The tests targeted SRB – Sulfate Reducing Bacteria – which are the major cause of microbial corrosion in oil and gas facilities. The testing at CML in particular demonstrated excellent effects of the compounds when applied in combination with the existing oilfield biocide glutaraldehyde at reduced levels. This combination reduced bacteria numbers up to 100,000 fold relative to controls. Use of the compounds in combination with existing treatments may initially be preferable to stand-alone use of the compounds. This is because the combination will likely ease market entry with the new treatment slotting into existing procedures.

The trials at CML have enabled us to select compounds for testing by commercial partners. These include ConocoPhilips, one of the world's leading oil and gas producers, an unnamed Australian energy company, and an unnamed international chemical company who supply chemicals into the oil and gas industry. These trials have all unfortunately been significantly delayed due to difficulties with establishing biofilms in test rigs at the field site and solubility of the compounds in ConocoPhilip's formulations. We hope to announce results from these trials over the next several months.

Discussions with potential partners and investors in Indonesia are continuing. Indonesia remains a market priority for Biosignal's oil and gas anti-corrosion product path because of the shorter registration time for products.

Other industrial product possibilities include water cooling tower and urinal products in Japan *via* an option agreement with SARAYA Co Ltd. signed in August. However, development under this agreement is currently on hold, in part because of the substantial impact of the global market conditions on Japan.

Biosignal announced the end of the relationship with Ciba Specialty Chemicals in August 2008. The collaboration operated for over 2 years with Biosgnal receiving several milestone payments. Ciba demonstrated that the compounds had significant effects against fungi, adding to the range of microbes that can be targeted by Biosignal's compounds. However, Ciba had processing issues with furanones in PVC plastic. This result does not reflect on the potential to use the technology as a corrosion inhibitor or in a wide variety of other products.

Biosignal has also initiated discussions with an overseas multinational on the use of the technology in domestic point-of-use water treatment.

Human Healthcare Applications

Human health applications potentially have a very high upside for the company despite lengthy development times. However, in the current climate activities in this area are largely being restricted to oral care applications *via* our collaboration with US dentists Drs Richard Simonsen and Gary Jernberg. Results early in 2008 showed that furanones attached to the dental composite material Filtek inhibited the key oral bacterium *Streptococcus mutans* by > 99% relative to control materials. Discussions with dental companies in the US on the use of Biosignal's compounds in restorative dental materials are ongoing.

In therapeutic applications, the main target indication for Biosignal's compounds are exacerbated *Pseudomonas* infections in cystic fibrosis patients. Following encouragement and advice from the US Cystic Fibrosis Foundation (CFF) on this project, we tested selected compounds against clinical strains of *Pseudomonas* isolated from CF patients. Biosignal's furanones showed excellent activity against these strains in laboratory flow cell assays.

Agriculture, Animal Health and Consumer Products

Biosignal signed collaboration deals with two leading global agri-businesses in 2008, one evaluating our compounds in animal health applications and one in crop protection. The collaboration in crop-protection has ended. As discussed at Biosignal's 2008 AGM, although a number of our compounds were broadly active against relevant fungi, the collaboration will not proceed further. Interim results from animal health trials were not as encouraging as hoped; trials with additional compounds are being considered.

Applications of the technology in consumer products are also being evaluated by a leading multinational (identity not disclosed).

Biosignal and Biomimicry

Many of the health, engineering, design and industrial challenges that humans face have already been solved by nature over millions of years of evolution. Copying nature to develop innovative technologies is known as biomimicry. Biosignal's biomimetic technology is based on a natural anti-biofilm strategy evolved by the red Australian seaweed *Delisea pulchra*. Biosignal continues to feature prominently in news and discussions of biomimetic technologies, including in *Nature's 100 Best* (http://www.n100best.org/list.html) a compilation and upcoming book on technologies inspired by nature.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the independence declaration from our auditors HLB Mann Judd, a copy of which is included on page 24 of this financial report.

Signed in accordance with a resolution of directors.

John Keniry AM
Chairman

27 February 2009

CONDENSED INCOME STATEMENT

For the half year ended 31 December 2008

	Notes	Consolidated Dec 2008 $	Consolidated Dec 2007 $
Continuing Operations			
Revenue	**5**	**86,930**	**468,425**
Expenses			
Impairment of intangible assets		(2,395,717)	-
Amortisation		(91,780)	(133,863)
Depreciation		(875)	(1,470)
Research and development		(533,868)	(1,206,223)
Corporate		(64,861)	(328,921)
Employment		(173,079)	(429,937)
Marketing and business development		(8,800)	(127,049)
Other		(100,630)	(122,451)
Loss before Income Tax		(3,282,680)	(1,881,489)
Income tax expense		-	-
Loss after Income Tax		(3,282,680)	(1,881,489)
Earnings per share (cents per share):			
Basic loss for the half year		(2.9)	(1.8)
Diluted loss for the half year		(2.9)	(1.8)
Dividends paid per share	2	0.0	0.0

The above condensed income statement should be read in conjunction with the accompanying notes.

CONDENSED BALANCE SHEET

As at 31 December 2008

	Notes	Consolidated Dec 2008 $	Jun 2008 $
ASSETS			
Current Assets			
Cash and cash equivalents		463,377	1,209,176
Trade and other receivables		36,953	162,323
Prepayments		44,202	12,767
Property, plant and equipment		4,094	-
Intangible assets		74	-
Total Current Assets		**548,700**	**1,384,266**
Non-Current Assets			
Property, plant and equipment		-	5,747
Intangible assets		-	2,487,570
Total Non-Current Assets		**-**	**2,493,317**
TOTAL ASSETS		**548,700**	**3,877,583**
LIABILITIES			
Current Liabilities			
Trade and other payables		168,397	407,142
Employee entitlements		7,120	48,181
Total Current Liabilities		**175,517**	**455,323**
TOTAL LIABILITIES		**175,517**	**455,323**
NET ASSETS		**373,183**	**3,422,260**
EQUITY			
Contributed Equity	6	17,399,628	17,166,025
Reserves	6	251,163	291,163
Accumulated losses		(17,277,608)	(14,034,928)
TOTAL EQUITY		**373,183**	**3,422,260**

The above condensed balance sheet should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2008

	Note	Consolidated Dec 2008 $	Consolidated Dec 2007 $
Total equity at the beginning of the half year		**3,422,260**	**6,854,071**
Loss after income tax		(3,282,680)	(1,881,489)
Total recognised income and expense for the half year		**(3,282,680)**	**(1,881,489)**
Transactions with equity holders in their capacity as equity holders:			
Share capital issued		257,500	250,000
Cost of share issue		(23,897)	-
Cost of share option based payments		-	40,000
Total transactions with equity holders for the half year		233,603	290,000
Total equity at the end of the half year		**373,183**	**5,262,582**

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CASH FLOW STATEMENT

For the half year ended 31 December 2008

		Consolidated	
		Dec 2008	Dec 2007
	Note	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and grant providers		160,472	314,202
Payment to suppliers and employees		(547,572)	(1,009,528)
Payment for research & development		(620,794)	(1,226,170)
Interest received		28,492	98,784
Net Cash Flows Used in Operating Activities		(979,402)	(1,822,712)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment		-	-
Net Cash Flows Used in Investing Activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of securities		257,500	250,000
Payment of share issues costs		(23,897)	-
Net Cash Flow from Financing Activities		233,603	250,000
Net decrease in cash and cash equivalents		(745,799)	(1,572,712)
Add opening cash and cash equivalents brought forward		1,209,176	3,516,161
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**463,377**	**1,943,449**

The above condensed cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

For the half year ended 31 December 2008

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the annual Financial Report of Biosignal Limited as at 30 June 2008.

It is also recommended that the half year financial report be considered together with any public announcements made by Biosignal Limited and its controlled entities during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of accounting

The half year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars. Amounts shown are in whole dollars unless otherwise stated. Comparative amounts have been reclassified where appropriate to enhance comparability. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

b) Liquidation basis

The half year financial report has been prepared on a liquidation basis.

Current forecasts indicate the company has sufficient cash to operate until about April 2009. The company does not expect to receive significant commercial income before this time.

The board has been seeking additional funding but has no firm offers. It has engaged a corporate advisory firm to assist in this regard, and to look at business restructure options. This work continues and several alternative strategies are being considered.

The directors recognise that in the current economic climate future capital raisings and/or business restructures will be difficult. For this reason the half year financial report has been prepared on a liquidation basis.

The consequences of preparing the half year financial report on a liquidation basis are:

i) All assets and liabilities are classed as current; and

ii) Patents have been fully impaired as no future benefits are obtainable.

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (CONTINUED)

c) Statement of compliance

The half year financial report complies with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the half year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

d) Summary of significant accounting policies

i. Basis of consolidation

The consolidated financial statements comprise the financial statements of Biosignal Limited and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Biosignal Limited has control.

ii. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment – over 4 years

iii. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

iv. Intangible assets

As indicated in Note 1 (b) the half year financial report has been prepared on a liquidation basis due. As such, an impairment loss of $2,395,717 was recognised during the half year in respect to patents. The text below explains the policy used to assess the carrying value of intangible assets.

Intangible assets acquired separately are capitalised at cost. Those acquired from a business combination are capitalised at fair value as at the date of acquisition.

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (CONTINUED)

d) Summary of significant accounting policies (continued)

iv. Intangible assets (continued)

Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the ‘amortisation expense’ line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite-lived intangibles half yearly, either individually or at the cash generating unit level. Useful lives are also examined on a half yearly basis and adjustments, where applicable, are made on a prospective basis.

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment half yearly when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

A summary of the policies applied to the Group’s intangible assets is as follows:

	Patents and Licences	Development Costs
Useful lives	Finite	Finite
Method used	20 years straight Line	10 years straight line
Internally generated / acquired	Acquired	Internally generated
Impairment test/Recoverable amount testing	Amortisation method reviewed at each financial period end; reviewed half yearly for indicator of impairment	Amortisation method reviewed at each financial period end; reviewed half yearly for indicator of impairment

	Software
Useful lives	Finite
Method used	2 1/2 years straight Line
Internally generated / acquired	Acquired
Impairment test/Recoverable amount testing	Amortisation method reviewed at each financial period end; reviewed half yearly for indicator of impairment

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (CONTINUED)

d) Summary of significant accounting policies (continued)

iv. Intangible assets (continued)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

v. Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

vi. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

vii. Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

viii. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (CONTINUED)

d) Summary of significant accounting policies (continued)

viii. Provisions (continued)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

ix. Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liability for annual leave in respect of employee service up to the reporting date, which is expected to be settled within 12 months of the reporting date, is recognised in employee entitlements. It is measured at the amount expected to be paid when the liability is settled.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised and measured in accordance with annual leave at (i) above.

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in employee entitlements and is measured based on remuneration rates current as at balance date for all employees with five or more years of service.

x. Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Biosignal Limited (‘market conditions’).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (CONTINUED)

d) Summary of significant accounting policies (continued)

x. Share-based payment transactions (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions as it is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

xi. Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

xii. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sales revenue

Revenue includes income from collaborative research partners funding.

This funding is brought to account as and when the funding is expended. Contract funding is accrued at half year where the expenditure has already been incurred but funding has not yet been received. Where funding is received in advance and no services are performed the cash is held on the balance sheet as “Unearned income”.

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (CONTINUED)

d) Summary of significant accounting policies (continued)

xii. Revenue (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

xiii. Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (CONTINUED)

d) Summary of significant accounting policies (continued)

xiii. Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and in the income statement.

xiv. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2. DIVIDENDS

No amounts have been paid, declared or recommended by the company by way of dividend since the commencement of the financial year (2007: nil).

3. SEGMENT INFORMATION

The Company and its controlled entities operated in the biotechnology research and development industry in Australia.

4. CHANGE IN COMPOSITION OF ENTITY

There has been no change in the composition of the entity.

	Dec 2008 $	Dec 2007 $
5. REVENUE		
Loss before income tax includes the following revenue whose disclosure is relevant in explaining the financial performance of the entity:		
Collaborative research income	15,400	250,911
Government grant funding	40,000	125,920
Finance income	31,010	91,594
Other	520	-
	86,930	468,425

	Dec 2008 $	Jun 2008 $
6. ISSUED CAPITAL AND RESERVES		
Ordinary shares	17,399,628	17,166,025

	Dec 2008 $	Dec 2008 Number
MOVEMENTS IN ORDINARY SHARES ON ISSUE		
At 1 July 2008	17,166,025	111,059,231
Issued during the Period		
Share Placement Plan – 25 September 2008	257,500	7,357,122
Cost of Share Issue	(23,897)	-
	17,399,628	118,416,353

6. ISSUED CAPITAL AND RESERVES (CONTINUED)

	Dec 2008 $	Dec 2008 Number
MOVEMENTS IN MANAGEMENT AND EMPLOYEE OPTIONS		
Expiring 1st April 2009 (ex price $0.20)		
At 1 July 2008	7,023	5,500,000
No movement during the period	-	-
	7,023	5,500,000
Expiring 25 November 2010 (ex price $0.335)		
At 1 July 2008	34,260	300,000
No movement during the period	-	-
	34,260	300,000
Expiring 6 April 2011 (ex. Price $0.33)		
At 1 July 2008	24,000	300,000
No movement during the period	-	-
	24,000	300,000
Expiring 6 April 2011 (ex. Price $0.22)		
At 1 July 2008	16,220	164,000
No movement during the period	-	-
	16,220	164,000
Expiring 24 November 2011 (ex. Price $0.26)		
At 1 July 2008	7,000	100,000
No movement during the period	-	-
	7,000	100,000
Expiring 22 August 2012 (ex. Price $0.25)		
At 1 July 2008	23,200	500,000
Lapsed 30 September 2008	(23,200)	(500,000)
	-	-
Expiring 22 August 2012 (ex. Price $0.50)		
At 1 July 2008	11,850	500,000
Lapsed 30 September 2008	(11,850)	(500,000)
	-	-

6. ISSUED CAPITAL AND RESERVES (CONTINUED)

	Dec 2008 $	Dec 2008 Number
MOVEMENTS IN MANAGEMENT AND EMPLOYEE OPTIONS (CONTINUED)		
Expiring 22 August 2012 (ex. Price $1.00)		
At 1 July 2008	4,950	500,000
Lapsed 30 September 2008	(4,950)	(500,000)
	-	-
Expiring 23 May 2013 (ex. Price $0.175)		
At 1 July 2008	8,160	150,000
No movement during the period	-	-
	8,160	150,000
Expiring 29 May 2013 (ex. Price - various)		
At 1 July 2008	154,500	5,000,000
No movement during the period	-	-
	154,500	5,000,000
Total Management and Employee Options at 31 December 2008	**251,163**	**11,514,000**
Total Options at 31 December 2008	**251,163**	**11,514,000**

7. CONTINGENT ASSETS AND LIABILITIES

The entity has no known contingent assets as at the date of this report.

Biosignal Limited held an R&D Start Program Grant Agreement with the Australian Government for the development of antibacterial contact lenses. The grant received under this agreement was $1,507,619 and was for the period from 10 September 2004 to 30 June 2008.

Biosignal Limited held an Industry Cooperative Innovation Program Grant Agreement with the Australian Government for the development of antimicrobial coatings and materials for bio-medical devices. The grant received under the agreement was $1,497,080 and was for the period from 8 February 2007 to 30 June 2008.

A condition of these agreements was that, for an agreed period, Biosignal Limited must obtain written approval from the Australian Government prior to a change in control of the company or ownership of the intellectual property associated with the development projects. If prior approval is not obtained, the grant funds, or a portion thereof, may be required to be repaid.

The Directors are not aware of any circumstances requiring such Government approval.

8. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant events occurring subsequent to the end of the half year ended 31 December 2008.

DIRECTORS’ DECLARATION

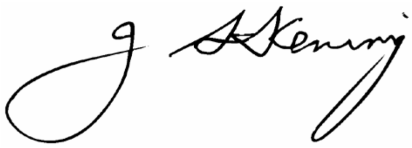
In accordance with a resolution of the directors of Biosignal Limited, I state that in the opinion of the directors:

a) the financial statements and notes of the consolidated entity:

- 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
- 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:



John Keniry AM
Director

Signed at Sydney on 27 February 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Biosignal Limited:

As lead auditor for the review of Biosignal Limited for the half year ended 31 December 2008, 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 Biosignal Limited and the entities it controlled during the period.

M D Muller
Partner

HLB Mann Judd
(NSW Partnership)
Chartered Accountants

Sydney

27 February 2009

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HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S REPORT

To the members of Biosignal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of the Biosignal Limited group ("the consolidated entity") 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, other selected explanatory notes and the directors' declaration as set out on pages 8 to 23. The consolidated entity comprises Biosignal Limited ("the company") and the entities it controlled during that half year.

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 designing, implementing 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.

Auditors' 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 an Interim Financial Report 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 Biosignal Limited, 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

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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 have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Biosignal Limited on 27 February 2009, would be in the same terms if provided to the directors as at the date of this auditors' review 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 Biosignal Limited 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 of 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.

Financial report prepared on a liquidation basis

Without qualifying the statement expressed above, we draw attention Note 1(b) "Liquidation Basis" to the financial statements, stating that the half year financial report has been prepared on a liquidation basis.

HLB Mann Judd
(NSW Partnership)
Chartered Accountants

M D Muller
Partner

Sydney, 27 February 2009

CONTACT DETAILS

CEO and Managing Director

Peter Steinberg

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