



**THE MANAGER  
COMPANY ANNOUNCEMENTS  
AUSTRALIAN STOCK EXCHANGE  
LEVEL 4, 20 BRIDGE STREET  
SYDNEY NSW 2000**

**31 January 2006**

**QUARTERLY REPORT FOR PERIOD ENDED 31 DECEMBER 2005  
AND APPENDIX 4C**

During the quarter BioProspect raised a gross amount of \$540,000 through a placement of 27 million shares, and initiated an equity capital raising to raise an additional \$1.41 million by way of a renounceable rights issue.

The Company held its AGM in Perth on November 21, where Dr Michael Quinlan's re-election and Mr Justin Hondris' appointment to the Board were passed.

The Company continued with its research and development activities on its four key projects; AP778 – natural termiticide, Qcide – natural insecticide, Apath LLC - Hepatitis C Virus research, and Astrum Therapeutics Pty Ltd – Type 2 Diabetes Mellitus. The capital raising allows the Company to further the development of its projects.

**Capital raising**

BioProspect successfully raised \$540,000 through a share placement of 27,000,000 shares at 2 cents per share, along with a free 1:1 attaching option. The options are a new class that will be exercisable at 5 cents per share on or before 30 June 2007.

The issue of shares and options was passed at the Special General Meeting held on 25<sup>th</sup> January 2006.

BioProspect undertook a fully underwritten renounceable rights issue to raise approximately \$1.41 million. The issue provided shareholders with the opportunity to subscribe for one new share for every three shares held as of 28<sup>th</sup> December 2005, with a free attaching option exercisable at 5 cents on or before 30 June 2007.

The Company was pleased with the response to the rights issue, with \$1,202,128.50 being raised through Application forms, with the remainder fully underwritten by Max Capital Pty Ltd.

The monies raised will be used for the development of AP778, as well as investment into the Company's IP portfolio and for working capital.

**AP778 – Natural Termiticide**

Capital raised by BioProspect will be directed to the development of AP778 to create a data package for registration and subsequent commercialisation with focus on the following milestones:

- Mode of Action studies – scientific research to understand how AP778 physically affects termites
- Environmental fate and ecotoxicity studies – studies involving how AP778 interacts with the environment, particularly on organisms living in waterways and the soil.
- Production and synthesis of AP778 – developing various strategies to produce AP778 for commercial production, including natural and chemical methods.
- Formulation of end use products – formulating AP778 to enhance its activity on termites.
- Toxicology and efficacy studies – studies on AP778's activity and safety for use as a termiticide.

BioProspect and specialist contractors will conduct the research over the next two to three years. The Company is now finalising the activities within these milestones and securing the contractors to undertake them, as well as seeking additional funding from Federal Government supported grant schemes.

### **Annual General Meeting**

The AGM was held in Perth on November 21, 2005 and all resolutions were passed on a show of hands. The re-election of Dr Michael Quinlan and the election of Mr Justin Hondris to the board of BioProspect provide the company with specialist knowledge in the medical and human health fields and expertise in the biotechnology and investment sectors respectively.

### **R&D Tax-offset**

The contingent liability for the R&D Tax offset rebate claims for the 2002 and 2003 year outlined in the 2005 Annual Report, has been successfully resolved with the Australian Tax Office, such that there is now no contingent liability for the company.

A handwritten signature in black ink, appearing to read "Colin Johnston". The signature is written in a cursive, flowing style.

Colin Johnston

Company Secretary

APPENDIX 4C FOLLOWS

**Quarterly report**  
**for entities admitted**  
**on the basis of commitments**

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

BIOPROSPECT LIMITED

ABN

58 008 130 336

Quarter ended ("current quarter")

31 DECEMBER 2005

**Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (.6... months) \$A'000
1.1 Receipts from customers	13	13
1.2 Payments for		
(a) staff costs	(89)	(226)
(b) advertising and marketing	-	(15)
(c) research and development	(24)	(34)
(d) leased assets	-	-
(e) other working capital	(108)	(213)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	15
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income tax rebate received	-	-
1.7 Other – Grants received	-	19
Other - GST	(3)	15
<b>Net operating cash flows</b>	<b>(204)</b>	<b>(427)</b>

	Current quarter \$A'000	Year to date (.6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(204)	(427)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property		
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	-	-
<b>1.14 Total operating and investing cash flows</b>	<b>(204)</b>	<b>(427)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	508	508
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>508</b>	<b>508</b>
<b>Net increase (decrease) in cash held</b>	<b>304</b>	<b>81</b>
1.21 Cash at beginning of quarter/year to date	502	725
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>806</b>	<b>806</b>

## Payments to directors of the entity and associates of the directors

### Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	89
1.25	Aggregate amount of loans to the parties included in item 1.11	-

#### 1.26 Explanation necessary for an understanding of the transactions

The amounts paid in item 1.24 relate to payments for executive services, non-executive services, corporate advisory services provided by directors or associated parties.

## Non-cash financing and investing activities

#### 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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#### 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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## Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	456	21
4.2 Deposits at call	350	481
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)	806	502

## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-nil	-nil
5.2 Place of incorporation or registration	-nil	-nil
5.3 Consideration for acquisition or disposal	-nil	-nil
5.4 Total net assets	-nil	-nil
5.5 Nature of business	-nil	

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
Company Secretary

Date: 31.01.2006

Print name: Colin Johnston

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a)- policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.