



**ABN: 58 008 130 336**

## **ASX Half-Yearly Report to 31 December 2008**

**Lodged with the ASX under Listing Rule 4.2A**

**The Information provided in this Half Yearly Report should be read in conjunction with the Company's 2008 Annual Financial Report.**

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### SUMMARY RESULTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2008

The following is a summary of the financial results for the 6 months ended 31 December 2008 (previous corresponding period 31 December 2007).

#### 1. SUMMARY RESULTS

	Increase/ (Decrease) %	Six months ended 31 December 2008 \$	Six months ended 31 December 2007 \$
<b>Revenue</b> from ordinary activities	(25.5)	123,619	165,903
<b>Loss</b> from ordinary activities after tax attributable to members	15.5	(1,156,735)	(1,368,739)
<b>Loss</b> for the period attributable to members (NPAT)	15.5	(1,156,735)	(1,368,739)

#### 2. COMMENTARY

During the six months to 31 December 2008, the Company recorded an after tax loss of \$1,156,735 (2007: loss of \$1,368,739). This movement over the prior period was due to the following key factors;

- Interest received from term deposits reduced by \$42,000 due to the lower cash reserves ;
- Amortisation charges were \$78,000 higher than 2007 due to a full 6 months amortisation of the Solagran Limited licence;
- An increase in employee costs due to the appointment of additional directors; and
- Consulting fees were well down from 2007 due to the higher costs in 2007 pertaining to the securing of the Solagran Limited licensing agreement.

On the development side a major milestone was achieved in September 2008 when the Company lodged an extensive data package pertaining to the registration of Eremophilone Oil with the Australian Pesticides and Veterinary Medicines Authority (APVMA). The APVMA process is extremely thorough and is expected to take around 12 to 18 months for approval.

In regards to Bioeffectives<sup>®</sup> development, the Company has continued to evaluate market opportunities in both production animals as well as companion animals. Regulatory pathways have been investigated with particular focus on regulatory requirements for Bioeffective<sup>®</sup> A use in poultry. The encouraging results from trials in United Arab Emirates with Bioeffective<sup>®</sup> A for treatment of EGUS (equine gastric ulcer syndrome) in horses has also identified the need to investigate market opportunities in this segment in both U.A.E. as well as in Australia.

A more comprehensive report on the development activities is provided in the attached Directors' Report on page 4 of the financial report.

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## 3. DIVIDENDS

No interim dividend has been declared for the reporting period.

## 4. EARNINGS/(LOSS) PER SHARE (EPS)

	31 December 2008	31 December 2007
Basic loss per share	(0.2) cps	(0.3) cps
Diluted loss per share	(0.2) cps	(0.3) cps
Weighted average number of shares used in the calculation of basic EPS	487,040,944	421,650,627

The amount used in the numerator in calculating basic EPS is the same as the net loss reported in the condensed income statement.

## 5. NET TANGIBLE ASSET BACKING

	31 December 2008	31 December 2007
Net tangible asset backing per ordinary share	0.7 cents	1.5 cents

## 6. COMPLIANCE STATEMENT

The accounts (attached) are not subject to dispute or qualification. This report is based on accounts that have been subject to a review. The entity has a formally constituted audit committee.



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Colin Johnston  
Chief Financial Officer/Company Secretary

Date: 24 February 2009

**BIOPROSPECT LIMITED**

ABN 58 008 130 336



**HALF-YEAR FINANCIAL REPORT**

**31 DECEMBER 2008**

Provided in accordance with Section 320 of *the Corporations Act (2001)*.

# BIOPROSPECT LIMITED

ABN 58 008 130 336

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# **BIOPROSPECT LIMITED**

ABN 58 008 130 336

## **Corporate Information**

### **ABN 58 008 130 336**

#### **Directors**

Dr M. F. Quinlan *Chairman*

P. A. Stedwell

P. C. Pellegrino

A. Langdon

#### **Auditors**

Cranstoun & Hussein

Level 2 102 Adelaide Street

Brisbane QLD 4000

#### **Company Secretary**

C. H. Johnston

#### **Bankers**

Westpac Banking Corporation

#### **Registered Office**

Suite 7A, Level 3

320 Adelaide Street

Brisbane QLD 4000

Telephone: (07) 3229 5755

Facsimile: (07) 3229 4655

#### **Share Register**

Computershare Investor Services Pty Ltd

Level 19, 307 Queen Street

Brisbane QLD 4000

Telephone: (07) 3237 2100

Facsimile: (07) 3237 2152

BioProspect Limited shares are listed on the Australian Stock Exchange

#### **Home Exchange**

Australian Stock Exchange Limited

Exchange Plaza

2 The Esplanade

Perth WA 6000

#### **Solicitors**

McCullough Robertson

66 Eagle Street

Brisbane QLD 4000

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Directors' Report

The Directors submit their report for the half-year ended 31 December 2008.

### DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Dr Michael Quinlan	<i>Chairman</i>
Peter Stedwell	Appointed 1 September 2008
Charles Pellegrino	Appointed 1 September 2008
Anthony Langdon	Appointed 1 September 2008
Stephen Morrow	Resigned 24 November 2008
Peter Landau	Resigned 24 November 2008
Warwick Dowse	Resigned 23 September 2008

### Review and results of operations

During the six months to 31 December 2008, the Company recorded an after tax loss of \$1,156,735 (2007: loss of \$1,368,739). This movement over the prior period was due to the following key factors;

- Interest received from term deposits reduced by \$42,000 due to the lower cash reserves ;
- Amortisation charges were \$78,000 higher than 2007 due to a full 6 months amortisation of the Solagran Limited licence;
- An increase in employee costs due to the appointment of additional directors; and
- Consulting fees were well down from 2007 due to the higher costs in 2007 pertaining to the securing of the Solagran Limited licensing agreement.

### Financial condition

#### Liquidity and funding

The Company's current cash position (as of 31 December 2008) of \$2.9m ensures that there will be no requirement to raise further capital within the next twelve months. The Company is well placed to continue further development activities on TERMILONE<sup>R</sup> and Bioeffectives<sup>R</sup>.

# BIOPROSPECT LIMITED

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## Directors' Report (continued)

### Development Projects

#### TERMILONE<sup>R</sup>

The global demand for termiticide products that are non toxic to the environment and the people that use the products, yet can control and deter termites effectively is increasing every year. Regulatory authorities around the world are making it known very clearly that current termite products are being assessed very closely and in some cases their use is being banned or restricted.

The company is taking up this challenge by developing a range of products that are based on TERMILONE<sup>R</sup> oil that can at least supplement the remaining products that are in use. TERMILONE<sup>R</sup> will never completely replace the existing synthetic chemicals that are used today; however in certain circumstances and market segments, we will see an increased demand for natural and non-toxic compounds. It is here where TERMILONE<sup>R</sup> will be recognised as a market participant given that we can prove its efficacy, environmental attributes and market fit.

Since 1 July 2008, there has been significant progress on development programmes with various collaborators which resulted in the submission of an application for registration of the whole oil with the Australian Pesticides and Veterinary Medicines Authority (APVMA) in September 2008. The following is a summary of the key events during the six months:-

#### **Covance Ltd (UK)**

An acute inhalation toxicity study commenced in late June 2008 with Covance in their UK accredited toxicology research facility. This study was BioProspect's last mammalian toxicity test milestone required to support the APVMA registration application. The objective of the study was to determine the limit doses of TERMILONE<sup>R</sup> following a 4 hour inhalation exposure (nose only) to rats with an observation period of 14 days.

The 'No Toxicity' result concluded an intensive 2 year program to prove the relatively benign toxicity profile of the compound. The data package was collated with the excellent efficacy, biochemistry, environmental and manufacturing information that formed part of the APVMA submission in September 2008.

#### **Australian Patent Approval for Eremophilone Oil.**

On the 20 October 2008, the Company announced that it had received the Deed of Letters Patent for "Eremophilone and Eremophilone derivatives for pest control". The granting of the patent was a significant and essential step in the process of protecting the intellectual property associated with this important Australian discovery. The patent is for a period of 20 years from the date of application which was 2003.

Patent applications have been submitted in other countries including USA and Japan as these are the largest termite control markets in the world. Approval is expected in the USA by September 2009.

#### **Eremophilone Oil Registration Application with the APVMA.**

On the 7 November 2008, the Company announced that it had received formal notification of acceptance from the APVMA on the Company's submission of an extensive data package pertaining to Eremophilone Oil. The APVMA process is extremely thorough and is expected to take around 12 to 18 months for approval. The stringency of the Australian regulatory process will give the Company excellent preparation for registration in the lucrative markets such as USA and Japan, which are showing strong demand for products with low toxicity.

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Directors' Report (continued)

### Development Projects (continued)

#### BIOEFFECTIVES<sup>R</sup>

On 22 August 2007, the company signed an exclusive licence agreement with Solagran Limited (ASX: SLA) to develop and commercialise a range of Bioeffectives<sup>R</sup> in the animal health, nutrition and agricultural markets on an international scale.

Bioeffectives<sup>R</sup> are plant extracts derived from coniferous trees. Through a patented extraction system, the technology can deliver a range of different Bioeffectives<sup>R</sup> that have applications ranging from skin care through to animal nutrition. BioProspect's agreement with Solagran allows for the development of five Bioeffectives<sup>R</sup> and a water extract for the animal health, nutrition and agricultural markets on an international scale.

Bioeffective<sup>R</sup> technology has been used in Russia for over 50 years and it has been through the development work by Solagran in the human health sector that such technology has become available to the western world. Solagran, a Melbourne based listed company recently announced that their lead Bioeffective<sup>R</sup> compound called Ropren<sup>R</sup> (based on Bioeffective<sup>R</sup> R which is derived from Bioeffective<sup>R</sup> A) has received a full pharmacopeia registration in Russia for the treatment of liver disease.

This sort of work is important for BioProspect as it helps the company navigate its way through development and regulatory channels more effectively. Bioeffective<sup>R</sup> A for example has an Australian Therapeutic Goods (TGA) approval and this will help BioProspect with regulatory approval. Bioeffective<sup>R</sup> A will be the first compound that the company will focus on in terms of animal nutrition and health screening trials.

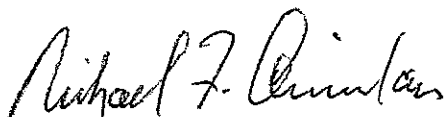
Under the agreement Solagran grants BioProspect exclusive access to a selected range of Bioeffectives<sup>R</sup> (A, K, S, I and X). BioProspect will initiate trials that will provide the backing and drive to enter markets according to the respective characteristics of each Bioeffective<sup>R</sup>. In the early stages of development, BioProspect will concentrate on Bioeffective<sup>R</sup> A which has an immediate application potential in animal feeds to act as an alternative natural supplement for commonly used antibiotics, growth promotants and synthetic nutritional supplements.

During the first six months July – December 2008, the Company has continued to evaluate market opportunities in both production animals as well as companion animals. Regulatory pathways have been investigated with particular focus on regulatory requirements for Bioeffective<sup>R</sup> A use in poultry. Advice from regulatory consultants, and consultation with Solagran, confirmed the need to seek specialist toxicologist advice to assist preparation of registration submissions and determination of regulatory requirements for Bioeffective<sup>R</sup> A, particularly in relation to production animals for human consumption.

#### AUDITOR'S INDEPENDENCE DECLARATION

The Auditors Independence Declaration has been received and can be found on page 7 of this financial report.

Signed in accordance with a resolution of the Board of Directors:



Dr Michael Quinlan

Chairman

Date 24 February 2009

Perth WA



**Principals**  
Andrew J Cranstoun  
John Feddema  
Masood Ayoob  
Junaide A Latif  
Paul A Copeland  
Julie D Smith

**Consultants**  
David J Cranstoun  
Yusuf Hussein

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ABN 11 603 627 400

Our Ref

Your Ref

Date

**Cranstoun & Hussein**  
Chartered Accountants & Business Advisers

 A member of KS International  
An Association of Independent  
Accountants throughout the World

The Directors  
BioProspect Limited  
Suite 7A, Level 3  
320 Adelaide Street  
Brisbane QLD 4000

#### **Auditor's Independence Declaration**

As lead auditor for the audit of BioProspect Limited and its controlled entities for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there has been:-

- (a) no contravention of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contravention of any applicable code of professional conduct in relation to the audit.

*Cranstoun + Hussein*

CRANSTOUN & HUSSEIN  
Chartered Accountants

.....  
J LATIF

A Member of the Firm

Brisbane: *24 February* 2009

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Condensed Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

		Consolidated	
	Note	2008	2007
		\$	\$
Finance income		123,619	165,903
Total Income		123,619	165,903
Finance costs	3	(3,540)	(4,934)
Amortisation and depreciation	3	(236,727)	(158,819)
Employee costs	3	(335,427)	(261,517)
Research and development expenses		(410,738)	(383,129)
Other expenses	3	(293,922)	(717,869)
<b>Loss before income tax</b>		<b>(1,156,735)</b>	<b>(1,368,739)</b>
Income tax expense		-	-
<b>Loss attributable to members of BioProspect Limited</b>		<b>(1,156,735)</b>	<b>(1,368,739)</b>
Basic loss per share (cents per share)		(0.2)	(0.3)
Diluted loss per share (cents per share)		(0.2)	(0.3)

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

# BIOPROSPECT LIMITED

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## Condensed Balance Sheet

AS AT 31 DECEMBER 2008

		Consolidated	
	Notes	31 December 2008 \$	30 June 2008 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	2,915,123	3,902,105
Trade and other receivables		108,368	307,253
Inventories	5	-	-
Investment in associate held for sale	6	-	-
Prepayments		116,200	47,915
<b>Total Current Assets</b>		<b>3,139,691</b>	<b>4,257,273</b>
<b>Non-current Assets</b>			
Intangibles	7	545,935	779,906
Available-for-sale investments	8	425,000	1,125,000
Property, plant and equipment		7,470	10,499
<b>Total Non-current Assets</b>		<b>978,405</b>	<b>1,915,405</b>
<b>TOTAL ASSETS</b>		<b>4,118,096</b>	<b>6,172,678</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		237,362	390,789
Provisions		6,537	22,695
<b>Total Current Liabilities</b>		<b>243,899</b>	<b>413,484</b>
<b>Non-current Liabilities</b>			
Other payables		80,322	83,584
<b>Total Non-current Liabilities</b>		<b>80,322</b>	<b>83,584</b>
<b>TOTAL LIABILITIES</b>		<b>324,221</b>	<b>497,068</b>
<b>NET ASSETS</b>		<b>3,793,875</b>	<b>5,675,610</b>
<b>EQUITY</b>			
Issued capital	9	26,240,904	26,240,904
Reserves		1,753,327	2,478,327
Accumulated losses		(24,200,356)	(23,043,621)
<b>TOTAL EQUITY</b>		<b>3,793,875</b>	<b>5,675,610</b>

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

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Note	Consolidated	
	2008	2007
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	100,000	-
Payments to suppliers and employees	(676,159)	(634,094)
Interest paid	(4,934)	(4,934)
Research and development expenditure	(595,136)	(402,623)
<b>Net cash flows used in operating activities</b>	<b>(1,176,229)</b>	<b>(1,041,651)</b>
<b>Cash flows from investing activities</b>		
Interest received	213,973	41,259
Purchase of plant and equipment	-	(3,945)
Purchase of available-for-sale financial assets	(25,000)	-
Payments for intangibles	-	(800,000)
Proceeds from sale of property, plant and equipment	274	-
<b>Net cash flows used in investing activities</b>	<b>189,247</b>	<b>(762,686)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	4,779,546
Transaction costs of issue of shares	-	(269,272)
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>4,510,274</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(986,982)</b>	<b>2,705,937</b>
Cash and cash equivalents at beginning of period	3,902,105	1,954,543
<b>Cash and cash equivalents at end of period</b> 4	<b>2,915,123</b>	<b>4,660,480</b>

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

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2007</b>	<b>20,268,228</b>	<b>(18,386,450)</b>	-	-	<b>1,881,778</b>
Net fair value gains on available-for-sale financial assets	-	-	27,500	-	27,500
<b>Total income for the period recognised directly in equity</b>	-	-	27,500	-	<b>27,500</b>
Loss for the period	-	(1,368,739)	-	-	(1,368,739)
<b>Total loss for the period</b>	-	<b>(1,368,739)</b>	-	-	<b>(1,368,739)</b>
<b>Equity transactions:</b>					
Shares issued	6,850,546	-	-	-	6,850,546
Share issue costs	(1,257,870)	-	-	-	(1,257,870)
Share based payments (Note 1)	-	-	-	2,224,956	2,224,956
Share based payment - shares to be issued at a future date	-	-	-	380,000	380,000
<b>Total equity transactions</b>	<b>5,592,676</b>	-	-	<b>2,604,956</b>	<b>8,197,632</b>
<b>At 31 December 2007</b>	<b>25,860,904</b>	<b>(19,755,189)</b>	<b>27,500</b>	<b>2,604,956</b>	<b>8,738,171</b>

**Note 1:** Share based payments are comprised of:

- Options issued to Solagran Limited (22.5m) and Nova Vita Pty Limited (32m) valued at \$510,423 and \$725,935 respectively;
- 35,569,665 options issued to Max Capital towards underwriting and management fees valued at \$988,598 being share issues costs.

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

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Condensed Statement of Changes in Equity (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2008</b>	<b>26,240,904</b>	<b>(23,043,621)</b>	<b>-</b>	<b>2,478,327</b>	<b>5,675,610</b>
Net fair value losses on available-for-sale financial assets	-	-	(725,000)	-	(725,000)
<b>Total income for the period recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(725,000)</b>	<b>-</b>	<b>(725,000)</b>
Loss for the period	-	(1,156,735)	-	-	(1,156,735)
<b>At 31 December 2008</b>	<b>26,240,904</b>	<b>(24,200,356)</b>	<b>(725,000)</b>	<b>2,478,327</b>	<b>3,793,875</b>

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

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

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### 1. CORPORATE INFORMATION

The financial report of BioProspect Limited (the Company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 24 February 2009.

BioProspect Limited is a Company incorporated in Australia, limited by shares, publicly listed on the Australian Stock Exchange (ASX).

The nature of operations and principal activities of the consolidated entity are described in note 10, Segment Reporting.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 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 full financial report.

It is 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 BioProspect Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

#### Changes in Accounting Standards

Since 1 July 2008, there has been no impact on the Company of any new Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2008.

The Company has not elected to early adopt any new standards or amendments.

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

### 3. EXPENSES

	Consolidated	
	2008	2007
	\$	\$
<b>(i) Finance costs</b>		
Finance charges payable under operating leases	(3,540)	(4,130)
Bank loans	-	(804)
	<u>(3,540)</u>	<u>(4,934)</u>
<b>(ii) Amortisation and depreciation</b>		
Amortisation of licence	(233,972)	(155,980)
Depreciation	(2,755)	(2,839)
	<u>(236,727)</u>	<u>(158,819)</u>
<b>(iii) Employee benefits expense</b>		
Wages and salaries	(187,746)	(151,667)
Directors fees	(114,921)	(82,025)
Superannuation	(22,110)	(18,825)
Allowances	(10,650)	(9,000)
	<u>(335,427)</u>	<u>(261,517)</u>
<b>(iv) Other expenses</b>		
Consulting and advisory expenses	(75,788)	(483,166)
Legal fees	(4,049)	(11,924)
Listing fees	(14,977)	(41,418)
Share registry charges	(11,659)	(26,070)
Sales and marketing	(12,601)	(23,998)
Other administrative expenses	(174,848)	(131,293)
	<u>(293,922)</u>	<u>(717,869)</u>

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

### 4 CASH AND CASH EQUIVALENTS

#### Reconciliation of Cash

For the purposes of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	Consolidated	
	December 2008	June 2008
	\$	\$
Cash at bank and in hand	265,123	718,125
Short-term deposits	2,650,000	3,183,980
Total cash	2,915,123	3,902,105

### 5 INVENTORIES

Plant extracts at cost	927,110	927,110
Write down inventory	(927,110)	(927,110)
Total inventories at the lower of cost and net realisable value	-	-

### 6 INVESTMENT IN ASSOCIATE HELD FOR SALE

As reported in the Company's 2008 annual report, BioProspect currently holds 27.2% of the issued capital of Astrum Therapeutics Pty Ltd, an unlisted Australian drug discovery company focused on Type 2 Diabetes Mellitus ("T2DM"). In June 2007, the Directors conducted an impairment test to ensure the investment was valued at its estimated recoverable amount (the higher of its fair value less costs to sell and its value in use) and were not satisfied that the investment was valued accordingly. The Directors decided to write the investment in Astrum down to zero on the basis that it's shareholding in an unlisted drug discovery company requiring additional funding to support its research program would be of minimal value.

The Directors advised Astrum that BioProspect would no longer participate in any further capital raisings and that its shareholding is available for sale.

The Directors of BioProspect have not changed their position since June 2008 and still seek a potential investor to acquire their current shareholding.

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

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### 7 INTANGIBLES

As reported in the Company's 2008 annual report, on 22 August 2007, BioProspect signed a development and distribution agreement with Solagran Limited for an exclusive licence pertaining to the Bioeffectives® range of products. The net result of the various cash and share transactions was that the licence has been valued at a gross cost of \$1,169,858 which will be amortised over the life of the development agreement (30 months ending 22 February 2010). During the period, an amortisation charge of \$233,972 was incurred against the gross cost, resulting in a net value of \$545,935 as at 31 December 2008.

The Directors have conducted an impairment test to ensure the licence is valued at its recoverable amount as at 31 December 2008. The directors have formed the view that there are no external or internal sources of information that would indicate the investment is impaired; there are no indicators from Solagran Limited that the potential for these products have changed since the signing of the agreement.

### 8 AVAILABLE FOR SALE INVESTMENTS

In accordance with the Solagran agreement signed on 22 August 2007, BioProspect acquired 2,500,000 shares in Solagran on 11 December 2007. These shares were valued at \$1,125,000 as at 30 June 2008, reflecting a \$0.45 share price. As at 31 December 2008, the Solagran share price had reduced to \$0.16 resulting in a valuation of \$400,000.

During November 2008, Solagran released a prospectus for a non-renounceable pro rata entitlements issue for contributing shares of 20 cents each, payable 10 cents on application and a final 10 cents on 30 November 2009. BioProspect exercised its option on 12 December 2008 for 250,000 contributing shares at a total cost of \$25,000. As the shares had not traded by 31 December 2008, they have been valued at cost.

### 9 ISSUED CAPITAL

	December 2008 \$	June 2008 \$
<b>Issued and paid up capital</b>		
Issued and fully paid	26,240,904	26,240,904
Number of shares on issue at reporting date	487,040,944	487,040,944

### 10 SEGMENT REPORTING

The Group operates within Australia in one business segment, the biotechnology industry focusing on natural plant extracts for use within the insecticide, termiticide and animal health markets.

In relation to geographic segments, the Group is operating within the Australian region only.

# BIOPROSPECT LIMITED

ABN 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

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### 11 COMMITMENTS AND CONTINGENCIES

Additional commitments to those disclosed in the most recent annual financial report are specified below:

#### Expenditure commitments

##### Termilone® \$7,810

On 1 December 2008, the Company signed an agreement with Eureka AgResearch (Vic) Pty Ltd for the development of a stable emulsifiable concentrate (EC) formulation containing Eremophilone oil. The expenditure commitment is \$15,620 (inclusive of GST) payable in two instalments- January 2009 and March 2009. \$7,810 has been accrued into the accounts as at 31 December 2008.

#### Qcide

##### Collection Licence \$19,678

This commitment reflects the minimum royalties payable by the consolidated entity under the Benefit Sharing Agreement entered into with the State of Queensland on 9 November 2001.

### 12 EVENTS AFTER BALANCE DATE

As at the 24 February 2009, the Company's investment in Solagran has declined due to a reduction in the current Solagran share price to \$0.10 per share. This would have resulted in the valuation of the available-for-sale investment declining from \$400,000 to \$250,000.

# BIOPROSPECT LIMITED

ABN 58 008 130 336

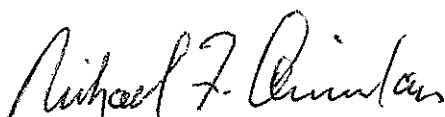
## Directors' Declaration

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

In the opinion of the directors:

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (a) giving 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
  - (b) complying with the Accounting Standard AASB 134 "*Interim Financial Reporting*": and the Corporations Regulations 2001.
  
2. 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



Dr Michael Quinlan  
Chairman  
Date: 24 February 2009  
Perth WA



**Principals**  
Andrew J Cranstoun  
John Feddema  
Masood Ayoob  
Junaide A Latif  
Paul A Copeland  
Julie D Smith

**Consultants**  
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ABN 11 603 627 400

Our Ref

Your Ref

Date

**Cranstoun & Hussein**  
Chartered Accountants & Business Advisers

 A member of KS International  
An Association of Independent  
Accountants throughout the World

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

### **To the members of BIOPROSPECT LIMITED**

#### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half year consolidated financial report of BioProspect Limited ('the company'), which comprises the condensed balance sheet as at 31 December 2008, condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, notes to the financial statements, other selected 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatements, 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 Australian 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 the company, 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*.

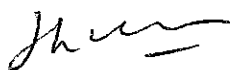
*Conclusion*

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 consolidated financial report of BioProspect Limited is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the company'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 Corporation Regulations 2001.

*Cranstoun + Hussein*

CRANSTOUN & HUSSEIN  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'J. Latif', with a horizontal line underneath.

J. LATIF  
A Member of the Firm

Brisbane, 24 February 2009