



ABN: 58 008 130 336

ASX Half-Yearly Report to 31 December 2010

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 2010 Annual Financial Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

SUMMARY RESULTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2010

The following is a summary of the financial results for the 6 months ended 31 December 2010 (previous corresponding period 31 December 2009).

1. SUMMARY RESULTS

	Increase/ (Decrease) %	Six months ended 31 December 2010 \$	Six months ended 31 December 2009 \$
Revenue from ordinary activities	682.6%	186,463	23,827
Loss from ordinary activities after tax attributable to members	42.1	(1,814,782)	(1,277,068)
Loss for the period attributable to members (NPAT)	42.1	(1,814,782)	(1,277,068)

2. COMMENTARY

Financials

During the six months to 31 December 2010, the Company recorded an after tax loss of \$1,814,782 some \$537,714 higher than the previous period's loss of \$1,277,068. This increase over the prior period was due to the following key factors;

- An increase in legal fees associated with the legal dispute with Solagran (ASX:SLA) which was settled by mediation in November 2010;
- An increase in marketing expenses for both Re Gen Wellness Products and BioProspect Australia (GI-GUARD & AGRIPRO) pertaining to patents and trademarks in Australia and overseas;
- An increase in advertising costs for Re Gen Wellness Products involving the costs of product samples for the human health and skin care market segment;
- A reduction in employee benefits with there being 1 less director than in the same period a year ago; and
- A reduction in amortisation costs due to the Solagran licence being fully written off in the prior period.

Product Portfolio

Please refer to the attached Director's Report on page 4 of the financial report.

3. DIVIDENDS

No interim dividend has been declared for the reporting period.

BIOPROSPECT LIMITED

ABN 58 008 130 336

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

	31 December 2010	31 December 2009
Basic loss per share	(0.3) cps	(0.3) cps
Diluted loss per share	(0.3) cps	(0.3) cps
Weighted average number of shares used in the calculation of basic EPS	640,656,905	487,546,610

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

5. NET TANGIBLE ASSET BACKING

	31 December 2010	31 December 2009
Net tangible asset backing per ordinary share	0.13 cents	0.19 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.



Colin Johnston
Chief Financial Officer/Company Secretary

Date: 25 February 2011

BIOPROSPECT LIMITED

ABN 58 008 130 336



INTERIM FINANCIAL REPORT

31 DECEMBER 2010

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

BIOPROSPECT LIMITED

ABN 58 008 130 336

Contents

	Page
Corporate Information	3
Directors' Report	4
Auditor's Independence Declaration	7
Condensed Consolidated Income Statement	8
Condensed Consolidated Statement of Comprehensive income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Cash Flows	11
Consolidated Statement of Changes in Equity	12
Notes to the Half-Year Financial Statements	13
1. Basis of preparation	13
2. Revenue and expenses	14
3. Cash and cash equivalents	15
4. Available for sale investments	15
5. Issued capital	15
6. Operating segments	16
7. Commitments and contingencies	22
8. Events after the end of the reporting period	23
Directors' Declaration	24
Independent Review Report to the members of BioProspect Limited	25

BIOPROSPECT LIMITED

ABN 58 008 130 336

Corporate Information

Directors

Dr M. F. Quinlan *Chairman*
C Pellegrino *Managing Director*
A Langdon Brisbane QLD 4000
J Khouri

Auditors

William Buck (QLD)
Level 21, 307 Queen Street

Company Secretary

C.H. Johnston

Bankers

Westpac Banking Corporation

Registered Office

Suite 6, Level 3
320 Adelaide Street
Brisbane QLD 4000
Telephone: (07) 3229 5755
Facsimile: (07) 3229 4655

Sales Office

Suite 4
50 Bourke St
Melbourne VIC 3000
Telephone: (03) 9650 7111
Facsimile: (03) 9662 1766

Share Register

Computershare Investor Services Pty Ltd
Level 19, 307 Queen Street
Brisbane QLD 4000
Telephone: (07) 3237 2100
Facsimile: (07) 3237 2152

Home Exchange

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
Perth WA 6000

Solicitors

McCullough Robertson
66 Eagle Street
Brisbane QLD 4000

Lavan Legal
1 William Street
Perth WA 6841

BIOPROSPECT LIMITED

ABN 58 008 130 336

Directors' Report

The Directors submit the financial report of the consolidated group for the half-year ended 31 December 2010.

DIRECTORS

The names of the directors who held office during or since the end of the half-year and up to the date of this report are:

Dr Michael Quinlan	<i>Chairman</i>
Charles Pellegrino	<i>Managing Director</i>
Anthony Langdon	
Elias Khouri	<i>Resigned 16 September 2010</i>
Jacob Khouri	<i>Appointed 16 February 2011</i>

REVIEW AND RESULTS OF OPERATIONS

Financials

During the six months to 31 December 2010, the Company recorded an after tax loss of \$1,814,782 some \$537,714 higher than the previous period's loss of \$1,277,068. This increase over the prior period was due to the following key factors;

- An increase in legal fees associated with the legal dispute with Solagran (ASX:SLA) which was settled by mediation in November 2010;
- An increase in marketing expenses for both Re Gen Wellness Products and BioProspect Australia (GI-GUARD & AGRIPRO) pertaining to patents and trademarks in Australia and overseas;
- An increase in advertising costs for Re Gen Wellness Products involving the costs of product samples for the human health and skin care market segment;
- A reduction in employee benefits with there being 1 less director than in the same period a year ago; and
- A reduction in amortisation costs due to the Solagran licence being fully written off in the prior period.

Development Projects

TERMILONE^R

The Company announced on 22 October 2010 that it had suspended any further development work associated with TERMILONE^R in the termiticide market segment. This followed field trial results conducted in collaboration with Ensystem Corporation and laboratory bioassay results undertaken in collaboration with the University of Western Sydney.

The field trial was conducted in North Queensland and results showed that TERMILONE^R 80EC applied to soil at relatively high rates failed to prevent penetration of the treated zone. This indicated that the EM in soil had degraded to a level below the Minimum Effective Concentration (MEC) required to maintain effectiveness of treatment. These results were supported by laboratory bioassay results that confirmed higher than expected MEC's against target termite species.

Based on the relatively high use rates of TERMILONE^R that would be required to achieve acceptable levels of performance, and assuming estimated manufacturing costs, TERMILONE^R was shown to be commercially unviable as either a soil-applied termiticide or as a timber treatment.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Directors' Report (continued)

Development Projects (continued)

Conifer Green Needle Complex (CGNC)/Coniferous Chlorophyll-Carotene Paste (CC-CP)

During the period ended 31 December 2010, the Company was involved in a legal dispute with Solagran Limited (ASX: SLA) over the development and distribution of *Bioeffectives*[®]. The essence of the dispute concerned the question as to whether SLA had misled BioProspect into entering into the Development Agreement as a result of SLA misrepresenting that it held extraction process patents over the process for manufacturing conifer green needle complex (CGNC) in Australia, the United States of America and other jurisdictions.

The dispute was settled by mediation in early November 2010. BioProspect has subsequently secured alternative supply of CC-CP which has been shown to meet the specifications of CGNC (the Australian Approved Name). During December 2010, the APVMA advised that the active constituent in GI-GUARD[®] must be referred to as CGNC in order to satisfy Australian regulations under the Agricultural and Veterinary Chemicals Act 1994 which specify that Australian Approved Names must be used where they exist.

The APVMA also advised that the application for GI-GUARD[®] will be passed into evaluation on the understanding that a final decision on the need for further toxicological assessment will be made once other assessments are complete. An amendment to the draft label was also requested by the APVMA, stating that GI-GUARD[®] Oral Paste should not be used in horses intended for human consumption.

During December 2010, a pilot safety study on 6 horses to assess the efficacy of orally administered GI-GUARD[®] in preventing and/or ameliorating the development of gastric ulceration was completed. The results of this trial were announced to the market on 17 February 2011. Unfortunately no significant differences were demonstrated in the trial, in part due to small number of horses used and the limited duration of the study. Additional data will be required to support the current registration submission, and this may entail larger trials of longer duration, with possible increase in treatment rates.

On 14 December 2010, BioProspect signed a terms sheet with a NZ based company. The non-binding terms sheet sets out the basis for a market development agreement to jointly investigate market opportunities for AGRIPRO[®] and GI-GUARD[®] products and to collaborate in product development, regulatory and market development programs. The initial focus would be on dairy with a view to appoint a distribution arrangement for New Zealand, but with potential to expand the territory to include other international markets.

Re Gen Wellness Products Pty Ltd

In late September 2010, Nine Network's *A Current Affair* featured REGEN[®] Pain Relief Spray and REGEN[®] Emu Oil Capsules in a segment focused in treatment of arthritis and muscular and joint pain. This resulted in a significant increase in direct sales of REGEN[®] products to end users and pharmacy retailers.

On 23 December 2010, the Company announced a major boost for sales of the natural REGEN[®] therapeutic range, with new distribution arrangements. Also announced was the acquisition of the intellectual property rights to the natural L'AZURE[™] cosmetic range. These agreements significantly strengthened the Company's commercialisation push for cash-generating products.

Arrangements were confirmed in December 2010 with Melbourne-based Doward International for the distribution of REGEN[®] therapeutic products in the Australian market. This family-owned company has more than 90 years experience in the Australian pharmacy and retail sector, supplying a range of quality personal care products to the wholesale and retail trade.

On 15 February 2011, the Company announced the signing of an Exclusive Distribution Agreement with Doward International effective from 1 January 2011. At Doward International's request the territory was expanded to include New Zealand in addition to Australia. This market access is critical to the growth of sales of the REGEN[®] range, with the initial focus on the flagship REGEN[®] Pain Relief

BIOPROSPECT LIMITED

ABN 58 008 130 336

Directors' Report (continued)

Development Projects (continued)

Re Gen Wellness Products Pty Ltd (continued)

Spray. During January and February 2011, significant sales were made to Doward International, with a total of \$100,000 sales recorded since the launch of *REGEN*[®] Pain Relief Spray in late 2010.

BioProspect has also enhanced its natural skincare product range with the signing of a Deed of Assignment with Nova Vita for the rights to the *L'AZURE*[™] cosmetic range based on natural plant extracts, in return for the issue of 25 million BioProspect shares.

Under the terms of the agreement, BioProspect has been assigned ownership of all intellectual property related to the *L'AZURE*[™] products. This includes formulas, brands and trademarks, and exclusive rights to the supply of *Bioeffectives*[®] from Solagran Limited for use in cosmetics for the specific areas of China, Malaysia and Singapore, with non-exclusive rights to the supply of *Bioeffectives*[®] for use in cosmetics globally.

The *L'AZURE*[™] range of plant extract-based natural products complements the current *DEMURE*[®] range of cosmetic products where the Company already has 12 core products targeted at local and overseas markets.

In addition, the Company has continued to strengthen its product IP with the full registration of the *REGEN*[®] and *DEMURE*[®] trademarks and associated logos in Australia.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2010 under s 307C of the *Corporations Act 2001*, is set out on page 7.

This report is signed in accordance with a resolution of the Board of Directors:



Dr Michael Quinlan

Date 25 February 2011

Perth WA

The Directors
BioProspect Limited
Suite 6, Level 3
320 Adelaide Street
Brisbane QLD 4000


Auditor's Independence Declaration

As lead auditor for the review of BioProspect Limited for the half-year ended 31 December 2010, 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 review; and
- (b) no contravention of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BioProspect Limited and the entities it controlled during the period.

William Buck
Chartered Accountants



.....
J LATIF
A Member of the Firm

Brisbane: 25 February 2011

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

BIOPROSPECT LIMITED

ABN 58 008 130 336

Condensed Consolidated Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated 2010 \$	2009 \$
Revenues	2	186,463	23,827
Expenses	2		
Finance costs		(2,360)	(3,540)
Cost of sales		(34,949)	-
Amortisation and depreciation		(6,979)	(238,124)
Employee costs		(366,759)	(390,502)
Research and development expenses		(361,191)	(384,942)
Other expenses		(1,630,001)	(679,066)
Loss before income tax		(2,215,776)	(1,672,347)
Income tax benefit		400,994	395,279
Loss attributable to members of BioProspect Limited		(1,814,782)	(1,277,068)
Earnings per share			
Basic loss per share (cents per share)		(0.3)	(0.3)
Diluted loss per share (cents per share)		(0.3)	(0.3)

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

BIOPROSPECT LIMITED

ABN 58 008 130 336

Condensed Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated 2010 \$	2009 \$
Loss for the period	(1,814,782)	(1,277,068)
Other comprehensive income		
Net gain (loss) on revaluation of available for sale financial assets	(66,805)	465,000
Total other comprehensive income for the period	(66,805)	465,000
Total comprehensive income attributable to members of BioProspect Limited	(1,881,587)	(812,068)

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

BIOPROSPECT LIMITED

ABN 58 008 130 336

Condensed Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

	Notes	Consolidated 31 December 2010 \$	30 June 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	1,516,109	738,672
Trade and other receivables		188,169	69,363
Inventories		170,107	160,843
Prepayments		5,500	13,635
Total Current Assets		1,879,885	982,513
Non-current Assets			
Intangibles		50,000	50,000
Available-for-sale financial Assets	4	82,018	343,750
Property, plant and equipment		27,345	32,306
Total Non-current Assets		159,363	426,056
TOTAL ASSETS		2,039,248	1,408,569
LIABILITIES			
Current Liabilities			
Trade and other payables		718,671	209,803
Provisions		24,918	18,127
Total Current Liabilities		743,589	227,930
Non-current Liabilities			
Other payables		-	83,087
Total Non-current Liabilities		-	83,087
TOTAL LIABILITIES		743,589	311,017
NET ASSETS		1,295,659	1,097,552
EQUITY			
Issued capital	5	29,845,999	28,084,860
Reserves		2,644,977	2,393,227
Accumulated losses		(31,195,317)	(29,380,535)
TOTAL EQUITY		1,295,659	1,097,552

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Condensed Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note	Consolidated	
	2010	2009
	\$	\$
Cash flows from operating activities		
Receipts from customers	39,805	-
Export Market Development Grant received	27,500	-
Payments to suppliers and employees	(1,938,999)	(1,207,721)
Research & Development tax offset received	400,994	-
Research and development expenditure	(204,936)	(338,153)
	<hr/>	<hr/>
Net cash flows used in operating activities	(1,675,636)	(1,545,874)
Cash flows from investing activities		
Interest received	12,061	22,248
Purchase of plant and equipment	(2,017)	(21,049)
Purchase of available-for-sale financial assets	-	(25,000)
Payments for acquisition of Re Gen Wellness Products P/L	-	(50,000)
Proceeds from sale of available for sale investments	299,435	-
	<hr/>	<hr/>
Net cash flows generated from (used in) investing activities	309,479	(73,801)
Cash flows from financing activities		
Proceeds from share applications received	2,002,784	105,000
Proceeds from option applications	318,555	-
Share issue costs	(177,745)	-
	<hr/>	<hr/>
Net cash flows from financing activities	2,143,594	105,000
Net increase (decrease) in cash and cash equivalents	777,437	(1,514,675)
Cash and cash equivalents at beginning of period	738,672	2,143,018
Cash and cash equivalents at end of period	1,516,109	628,343

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Condensed Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share Option Reserve	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2009	26,240,904	(26,079,081)	-	2,299,477	2,461,300
Comprehensive income					
Loss for the period	-	(1,277,068)	-	-	(1,277,068)
Other comprehensive income					
Increase in value of available for sale financial assets	-	-	465,000	-	465,000
Total comprehensive income	-	(1,277,068)	465,000	-	(812,068)
Transactions with owners					
Shares issued	20,000	-	-	-	20,000
Total transactions with owners	20,000	-	-	-	20,000
At 31 December 2009	26,260,904	(27,356,149)	465,000	2,299,477	1,669,232
	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share Option Reserve	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2010	28,084,860	(29,380,535)	93,750	2,299,477	1,097,552
Comprehensive income					
Loss for the period	-	(1,814,782)	-	-	(1,814,782)
Other comprehensive income					
Decrease in value of available for sale financial assets	-	-	(66,805)	-	(66,805)
Total comprehensive income	-	(1,814,782)	(66,805)	-	(1,881,587)
Transactions with owners					
Issue of share capital	2,002,784	-	-	-	2,002,784
Share issue costs	(241,645)	-	-	-	(241,645)
Share options issued	-	-	-	318,555	318,555
Total transactions with owners	1,761,139	-	-	318,555	2,079,694
At 31 December 2010	29,845,999	(31,195,317)	26,945	2,618,032	1,295,659

The above condensed consolidated 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 2010

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

These interim financial statements are intended to provide users with an update on the latest annual financial statements of BioProspect Limited and its controlled entities (the consolidated entity). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2010, together with any public announcements made since 1 July 2010.

The same accounting policies and methods of computation have been followed in these interim financial statements as were applied in the most recent annual financial statements.

Going concern statement

These financial statements have been prepared on a going concern basis due to the following:

- Existing cash balances;
- Additional share capital being raised since 31 December 2010 (Refer note 8); and
- The directors continuing to manage operational cash flow requirements to meet existing business and associated obligations.

The directors consider this will provide sufficient working capital for at least the next twelve months from the date of this report.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

2. REVENUE AND EXPENSES

	Consolidated	
	2010	2009
	\$	\$
REVENUE		
Interest received	12,061	23,827
Grants received	27,500	-
Sales revenue	42,236	-
Gain on sale of investments	104,666	-
Total Revenue	186,463	23,827
EXPENSES		
(i) Finance costs		
Finance charges payable under operating leases	2,360	3,540
	2,360	3,540
(ii) Amortisation and depreciation		
Amortisation of licence	-	233,972
Depreciation	6,979	4,152
	6,979	238,124
(iii) Employee benefits expense		
Wages and salaries	283,632	247,352
Directors' fees	55,900	84,899
Superannuation	21,227	26,251
Share based payments	-	20,000
Allowances	6,000	12,000
	366,759	390,502
(iv) Other expenses		
Consulting and advisory expenses	307,325	255,233
Legal fees	941,644	52,879
Listing fees	50,369	20,649
Share registry	15,946	13,162
Sales and marketing	125,611	63,017
Other administrative expenses	189,106	274,126
	1,630,001	679,066

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

3 CASH AND CASH EQUIVALENTS

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

Consolidated

	31 December 2010 \$	30 June 2010 \$
Cash at bank and in hand	1,484,190	738,672
Cash held in trust	31,919	-
Total cash	1,516,109	738,672

4 AVAILABLE FOR SALE INVESTMENTS

In accordance with the Solagrandevelopment agreement signed on 22 August 2007, BioProspect acquired 2,500,000 shares in Solagran on 11 December 2007. In late November 2008, BioProspect acquired a further 250,000 contributing shares with \$0.10 payable on application and a final \$0.10 by the end of November 2009. BioProspect exercised its option on 27 November 2009 and paid the remaining \$25,000.

During the period ended 31 December 2010, BioProspect has been gradually disposing of its shareholding in Solagran due to the completion of the Development agreement and the recent legal dispute whereby BioProspect and Solagran agreed to commercialise CC-CP on their own terms.

As at 31 December 2010, the remaining holding of shares was valued at the closing ASX market price of \$0.135 resulting in a total valuation of \$82,018.

5 ISSUED CAPITAL

	Consolidated	
	31 December 2010	30 June 2010
Issued and paid up capital		
Issued and fully paid	\$29,845,999	\$28,084,860
Number of shares on issue at reporting date	967,670,347	563,113,565
Number of options on issue at reporting date	740,362,135	34,248,571

Movements in share capital for the six months ended 31 December 2010

- On the 20 October 2010, the company completed a placement for 74,000,000 ordinary shares at an issue price of 0.5 cent to raise \$370,000;
- On the 2 December 2010, applications were finalised for 169,013,730 ordinary shares at an issue price of 0.5 cent to raise \$845,069 through a Rights Issue;

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

5 ISSUED CAPITAL (continued)

- On the 6 December, the underwriter for the Rights Issue completed applications for 149,543,052 ordinary shares to raise \$727,715; and
- On the 6 December, the underwriter took up an entitlement of 12,000,000 ordinary shares in lieu of cash as part of the underwriting fee.

Movements in share options for the six months ended 31 December 2010

- On the 20 October 2010, the company completed a placement for 74,000,000 ordinary shares which had one for one free attaching options expiring 31 December 2013 at an exercise price of 3 cents (BPOO);
- On the 2 December 2010, applications were finalised for 139,046,171 options (BPOO) that were offered as part of a Rights issue at an issue price of 0.1 cent to raise \$139,047;
- On the 2 December 2010, applications were finalised for 169,013,730 ordinary shares through a rights issue that had one for one free attaching options (BPOO);
- On the 6 December, the underwriter completed applications for 179,510,611 shortfall options (BPOO) that were offered as part of a Rights issue at an issue price of 0.1 cent to raise \$179,511;
- On the 6 December, the underwriter completed applications for 149,543,052 Options (BPOO) that were free attaching options with the Rights Issue shares;
- On 30 September 5,000,000 options with an exercise price of 10 cents lapsed.

6 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated entity is managed primarily on the basis of product category and service offerings since the diversification of the consolidated entity's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and/or services provided by the segment;
- The manufacturing process;
- The type or class of customer for the products or service;
- The distribution method; and
- External regulatory requirements.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

6. OPERATING SEGMENTS (continued)

Types of products and services by segment

(i) *Agriculture/Animal Health*

This market segment includes the income and expenditures pertaining to Termilone^R, the Company's natural termiticide, Qcide, the Company's natural insecticide and the AGRIPRO^R and GI-GUARD^R range of plant extracts derived from coniferous trees.

(ii) *Human Health/Skin Care*

This market segment includes the income and expenditures pertaining to the emu oil product range distributed through Re Gen Wellness Products Pty Ltd.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated entity.

Inter-segment transactions

For the reporting period there have not been any inter-segment sales.

Salaries for research and development have been allocated to market segments on the basis of time sheets that support claims for the research and development tax offset credit. Corporate employee costs such as directors' fees, salaries and superannuation are allocated to market segments on the basis of direct expenses and research and development salaries as a percentage of total expenses for the consolidated entity.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs.

Segment assets

In the majority of instances, segment assets are clearly identifiable on the basis of their nature (ie prepayments, inventories, sundry debtors). Corporate fixed assets such as computer equipment and furniture and fittings have not been allocated to market segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the liability incurred and the operations of the segment. Segment liabilities include trade and other payables.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

6. OPERATING SEGMENTS (continued)

Unallocated Items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Cash and term deposits;
- Interest received;
- Impairment of assets and other non-recurring items of revenue or expense;
- Income tax expense or credit; and
- Fixed assets.

(i) Segment performance

	Human Health/Skin Care	Agriculture/ Animal Health	Total
Six months ended 31 Dec 2010	\$	\$	\$
Revenue			
External sales	42,236	-	42,236
Grants received	27,500	-	27,500
Gain on sale of investments	-	104,666	104,666
Total segment revenue	69,736	104,666	174,402
Inter-segment elimination	-	-	-
Unallocated revenue			12,061
Total consolidated revenue			186,463

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

6. OPERATING SEGMENTS (continued)

(i) Segment performance (continued)

	Human Health/Skin Care	Agriculture/ Animal Health	Total
Six months ended 31 Dec 2010	\$	\$	\$
Segment net loss before tax	(248,573)	(654,273)	(902,846)
<i>Reconciliation of segment result to group net loss before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
• Depreciation			(6,979)
Unallocated items:			
• Interest received			12,061
• Other corporate costs			(1,318,012)
Net loss before tax			(2,215,776)
Six months ended 31 Dec 2009			
Revenue			
External sales	-	-	-
Inter-segment sales	-	-	-
Interest Revenue	-	-	-
Total segment revenue	-	-	-
Inter-segment elimination	-	-	-
Unallocated revenue			23,827
Total consolidated revenue			23,827

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

6. OPERATING SEGMENTS (continued)

(i) Segment performance (continued)

	Human Health/Skin Care	Agriculture/ Animal Health	Total
Six months ended 31 Dec 2009	\$	\$	\$
Segment net loss before tax	(583,333)	(821,453)	(1,404,786)
<i>Reconciliation of segment result to group net loss before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
• Depreciation			(4,152)
Unallocated items:			
• Interest received			23,827
• Other corporate costs			(287,236)
Net loss before tax			<u>(1,672,347)</u>

(ii) Segment assets

31 Dec 2010	\$	\$	\$
Segment assets	229,387	121,698	351,085
Unallocated assets			
• Cash			1,516,109
• Other			172,054
Total assets			<u>2,039,248</u>

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

6. OPERATING SEGMENTS (continued)

(ii) Segment assets (continued)

	Human Health/Skin Care	Agriculture/ Animal Health	Total
30 June 2010	\$	\$	\$
Segment assets	204,193	400,569	604,762
Unallocated assets			
• Cash			738,672
• Other			65,135
Total assets			1,408,569

(iii) Segment Liabilities

31 Dec 2010	\$	\$	\$
Segment liabilities	20,418	267,758	288,176
Unallocated liabilities			455,413
Total liabilities			743,589

30 June 2010	\$	\$	\$
Segment liabilities	35,376	149,407	184,783
Unallocated liabilities			126,234
Total liabilities			311,017

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

6. OPERATING SEGMENTS (continued)

(iv) **Revenue by geographical region**

Revenue for the 2010 and 2009 financial half years is composed primarily from activities from one geographical segment, being Australia.

(v) **Assets by geographical region**

Currently all assets are located in one geographical region being Australia.

7. COMMITMENTS AND CONTINGENCIES

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

Expenditure commitments

GI-GUARD

SCEC Pty Ltd \$60,047

On 20 September 2010, the Company confirmed a quotation from SCEC Pty Ltd to conduct a study to assess the efficacy of orally administered GI-GUARD in preventing or ameliorating the development of gastric ulceration in a trial involving 6 horses. The study was completed in December 2010 but the final study report (FSR) was not released until February 2011. Under the terms of the quotation, 40% of the total contract was due on the release of the FSR. This amount reflects the outstanding commitment.

Eremophilone Oil

Southern Cross University (SCU) \$12,114

On 17 April 2009, the Company signed an agreement with SCU to investigate and implement techniques for the extraction of Eremophilone oil from *Eremophilamitchelli* utilising SCU's steam extraction equipment, aimed at developing suitable equipment and systems for commercial production of Eremophilone oil. Under the terms of the agreement, \$7,930 was payable after the completion of the final report and this was not completed until January 2011. Another \$1,586 of SCU project time was authorised and not paid until January 2011.

SCU also chipped 1.5 tonnes of *Eremophilamitchelli* for extraction use which cost \$2,598 and was not paid until January 2011.

Corporate services

Gun Capital Corporate Pty Ltd (GCC) \$168,000

On 5 January 2011, the Company executed a Deed of Amendment with GCC for the provision of corporate consulting services pertaining to business development (strategic project development, identification and management of capital raising opportunities, investor support)

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

7. COMMITMENTS AND CONTINGENCIES (continued)

Corporate services (continued)

Gun Capital Corporate Pty Ltd (GCC) \$168,000

and support services relating to information technology (provision of reliable and uninterrupted IT services, integrity and storage of data, integrated IT communications platform). The Deed of Amendment changed the termination terms from monthly to 12 months in order to secure the long term relationship with GCC. This commitment reflects the 12 month termination notice.

Contingencies

Solagran Limited (ASX: SLA) legal dispute

As announced on 27 October 2010, the legal dispute with SLA was settled after mediation and the Development Agreement dated 22 August 2007 was formally terminated. All legal costs pertaining to this legal dispute have been accounted for in this half-yearly report and no more costs are expected.

8. EVENTS AFTER THE END OF THE REPORTING PERIOD

Nova Vita Pty Ltd

As announced on 19 January 2011, the Company issued 25,000,000 ordinary shares to Nova Vita Pty Ltd in consideration of their assignment of their rights to manufacture and supply the L'azure range of cosmetics.

Capital Raising

As announced on 16 February 2011, the Company completed a placement for \$3m (net of costs) managed by Novus Capital Limited. The terms of the placement were the issue of ordinary shares at an issue price of 1 cent with a one for one free attaching option with the same terms as the current listed options expiring 31 December 2013 at an exercise price of 3 cents per share. The funds raised will be used for continuing development programs on the existing product range plus evaluating potential acquisition opportunities.

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 2010 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
Perth 25 February 2011

Independent Auditor's Review Report

To the members of BioProspect Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BioProspect Limited (the company), which comprises the condensed consolidated statement of financial position as at 31 December 2010, the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the half year's end or from time to time during the financial period.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 2010 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*. As the auditor of BioProspect 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. 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.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

William Buck
Chartered Accountants



J Latif
A Member of the Firm

Brisbane

25 February 2011