



ABN: 58 008 130 336

ASX Half-Yearly Report to 31 December 2009

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 2009 Annual Financial Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

SUMMARY RESULTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2009

The following is a summary of the financial results for the 6 months ended 31 December 2009 (previous corresponding period 31 December 2008).

1. SUMMARY RESULTS

	Increase/ (Decrease) %	Six months ended 31 December 2009 \$	Six months ended 31 December 2008 \$
Revenue from ordinary activities	(80.7)	23,827	123,619
Loss from ordinary activities after tax attributable to members	(10.4)	(1,277,068)	(1,156,735)
Loss for the period attributable to members (NPAT)	(10.4)	(1,277,068)	(1,156,735)

2. COMMENTARY

Financials

During the six months to 31 December 2009, the Company recorded an after tax loss of \$1,277,068 (2008: loss of \$1,156,735). This movement over the prior period was due to the following key factors;

- Interest received from term deposits reduced by \$99,792 due to the lower cash reserves ;
- An accrual of \$395,279 for the 2009 research and development tax credit (was received in early January 2010);
- An increase in consulting, legal and travel costs involved with the company's acquisition of Re Gen Wellness Products Pty Ltd and progression of market penetration activities for the human health and skin care market segment;
- Additional employment costs due to the appointment of the Managing Director.

Product Portfolio

The most significant event during the period was the acquisition of Re Gen Wellness Products Pty Ltd (Re Gen) on 9 August 2009. Re Gen is a specialist provider of skin care and human health products based on natural Australian ingredients, including emu oil. The Re Gen product range provides BioProspect with the benefit of diversification across a range of markets, while also enhancing cash flow and growth opportunities in both domestic and overseas markets, particularly Asia and China.

Development activities continued during the half year on Termilone^R, the company's natural termiticide and the Bioeffectives^R range of products from Solagran Limited. 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 2009	31 December 2008
Basic loss per share	(0.3) cps	(0.2) cps
Diluted loss per share	(0.3) cps	(0.2) cps
Weighted average number of shares used in the calculation of basic EPS	487,546,610	487,040,944

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 2009	31 December 2008
Net tangible asset backing per ordinary share	0.3 cents	0.7 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 2010

BIOPROSPECT LIMITED

ABN 58 008 130 336



INTERIM FINANCIAL REPORT

31 DECEMBER 2009

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
Consolidated Income Statement	8
Consolidated Statement of Comprehensive income	9
Consolidated Statement of Financial Position	10
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. Expenses	15
3. Cash and cash equivalents	16
4. Inventories	16
5. Investment in associate held for sale	16
6. Intangibles	17
7. Available for sale investments	18
8. Issued capital	19
9. Operating Segments	19
10. Commitments and contingencies	25
11. Events after balance date	26
Directors' Declaration	27
Independent Review Report to the members of BioProspect Limited	28

BIOPROSPECT LIMITED

ABN 58 008 130 336

Corporate Information

ABN 58 008 130 336

Directors

Dr M. F. Quinlan *Chairman*

C. Pellegrino *Managing Director*

K. Shamsi

A. Langdon

E. L. Khouri

Auditors

Cranstoun & Hussein

Level 2 102 Adelaide Street

Brisbane QLD 4000

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 2009.

DIRECTORS

The names of the directors who held office during or since the end of the half-year:

Dr Michael Quinlan	<i>Chairman</i>
Charles Pellegrino	<i>Managing Director</i>
Anthony Langdon	
Kamran Shamsi	Appointed 28 August 2009
Elias Khouri	Appointed 24 September 2009

Review and results of operations

Financials

During the six months to 31 December 2009, the Company recorded an after tax loss of \$1,277,068 (2008: loss of \$1,156,735). This movement over the prior period was due to the following key factors;

- Interest received from term deposits reduced by \$99,792 due to the lower cash reserves ;
- An accrual of \$395,279 for the 2009 research and development tax credit (was received in early January 2010);
- An increase in consulting, legal and travel costs involved with the company's acquisition of Re Gen Wellness Products Pty Ltd and progression of market penetration activities for the human health and skin care market segment;
- Additional employment costs due to the appointment of a Managing Director.

Development Projects

Re Gen Wellness Products Pty Ltd

Since acquisition on 9 August 2009, there has been a lot of activity involved in progressing this new and exciting natural human health and skin care product range. There have been several visits to the Asian region with a heavy focus on China to progress discussions with potential customers and clarifying registration requirements within different countries. Consultants have been employed to assist with our branding strategy and packaging and product design.

During this development and registration phase further products containing emu oil have been formulated and tested and are in the final phase of stability trials. This will expand the number of products available in the range from nine to twenty two. Part of this expansion is in the therapeutic area responding to customer requests for specific products including emu oil which would make their inclusion unique to that market segment.

The new brand will have a complete change in packaging design appealing to a broader market segment and the company will launch a new brand name with greater appeal to department stores both in Australia and internationally.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Directors' Report (continued)

Development Projects (continued)

Re Gen Wellness Products Pty Ltd (continued)

The company is in close cooperation with several Australian universities with a view to promoting the unique benefits of emu oil especially in the gastro intestinal area as well as commissioning further studies using a combination of emu oil and other renowned natural products.

The next six months will see the company commence sales of existing products as well as the production of two new products which have been fast tracked in order to be able to be included in the new product roll out during June quarter 2010.

Internet sales are now available through the Re Gen Wellness web site (www.regen.com.au) which will commence product sales within Australia.

TERMILONE[®]

The Eremophilone oil active constituent application with the Australian Pesticides and Veterinary Medicines Authority (APVMA) progressed to the evaluation stage on 9th of July, 2009. On 25th November the APVMA requested some additional information that was subsequently provided on January 4th, 2010. On the 5th February 2010, the company was advised that the application had formal approval and this was announced to the market on 8 February 2010. This decision by the APVMA is a major achievement for the company and paves the way for eventual registration of end user products.

On 24 December 2009, the Company announced it had entered into an agreement with Ensystem Corporation to undertake efficacy testing at its own cost for the registration of TERMILONE[®] as a soil applied termiticide with the APVMA. This is an important step in the delivery of an environmentally safe, low toxicity product to markets including the United States, Japan and Australia. Field trials are to be established for March quarter 2010 to test TERMILONE[®] end use products as both a soil applied barrier and for colony elimination.

The development project with Southern Cross University (SCU) continued during the six months ended 31 December 2009 with pilot scale trials to determine temperature, pressure and flow rate settings for commercial scale distillation. During the tests the size of the wood chips were varied to test which resulted in the best yields of oil. The project was completed in early November with the final outcome being a set of operating parameters, or specifications for the optimum oil yield during a one pass steam distillation process.

Further bioassay trials were conducted by the University of Western Sydney (UWS) to establish the optimum rate for application of TERMILONE[®] as a barrier treatment against termites. There was also some confirmation testing of the methods of mixing TERMILONE[®] with soil to establish that TERMILONE[®] can be applied as a soil drench in the same manner that current termiticides are applied.

CSIRO trial co-operators will make final assessments in February 2010 of the current timber treatment trial conducted in Darwin that commenced in March 2009.

BIOEFFECTIVES[®]

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

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

BIOPROSPECT LIMITED

ABN 58 008 130 336

Directors' Report (continued)

Development Projects (continued)

BIOEFFECTIVES^R (continued)

A major safety study on the use of Conifer Green Needle Complex (CGNC, Bioeffective^R A) in horses was commenced by BioProspect in 2009. The intensive study involved more than 25 horses and covered a period of over six months. The study was prompted by encouraging results from a preliminary screening program undertaken in United Arab Emirates to treat horses suffering from Equine Gastric Ulcer Syndrome (EGUS).

The safety study is based on international veterinary guidelines established by VICH (International Cooperation on Harmonisation of Technical Requirements for Registration of Veterinary Medicinal Products), APVMA and USFDA (United States Food and Drug Administration), ensuring compliance and acceptance of generated data by all major regulatory bodies, including those in Australia, New Zealand, the US, Europe and the Middle East.

In Australia, CGNC (Bioeffective^R A) is already approved by the Therapeutic Goods Administration (TGA) for use in listed oral and topical medicines thereby significantly reducing data requirements for registration with APVMA.

The results of this safety study will be available in March 2010. .

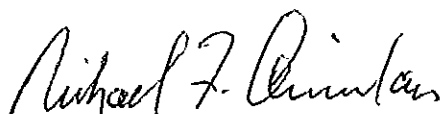
Topical application of Bioeffective^R A (CGNC) in treating wounds is well known. Realizing the potential of CGNC to help treat and heal cuts, wounds and minor burns, BioProspect embarked upon a separate topical safety study in horses run in parallel with the oral safety trial.

The results are also likely to be made available in March 2010. The available data will form the basis of submissions to the APVMA to register topical and oral use products for managing cuts, wounds and minor burns and general gut health respectively in horses.

AUDITOR'S DECLARATION

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 7 for the half-year ended 31 December 2009.

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



Dr Michael Quinlan

Chairman

Date 25 February 2010

Perth WA



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

Consultants
David J Cranstoun
Yusuf Hussein

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Website www.cranstounandhussein.com.au
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 6, Level 3
320 Adelaide Street
Brisbane QLD 4000

Auditor's Independence Declaration

As lead auditor for the review of BioProspect Limited and its controlled entities for the half-year ended 31 December 2009, 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.

Cranstoun & Hussein

CRANSTOUN & HUSSEIN
Chartered Accountants

.....
J LATIF
A Member of the Firm
Brisbane, 25 February 2010

BIOPROSPECT LIMITED

ABN 58 008 130 336

Consolidated Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated	
		2009	2008
		\$	\$
Finance income		23,827	123,619
Total Revenue		<u>23,827</u>	<u>123,619</u>
Finance costs		(3,540)	(3,540)
Amortisation and depreciation		(238,124)	(236,727)
Employee costs		(390,502)	(319,268)
Research and development expenses		(384,942)	(415,564)
Other expenses		<u>(679,066)</u>	<u>(305,255)</u>
Loss before income tax	2	(1,672,347)	(1,156,735)
Income tax benefit		395,279	-
Loss attributable to members of BioProspect Limited		<u><u>(1,277,068)</u></u>	<u><u>(1,156,735)</u></u>
Earnings per share			
Basic loss per share (cents per share)		(0.3)	(0.2)
Diluted loss per share (cents per share)		(0.3)	(0.2)

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

BIOPROSPECT LIMITED

ABN 58 008 130 336

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated	
	2009	2008
	\$	\$
Loss for the period	(1,277,068)	(1,156,735)
Other comprehensive income		
Net gain (loss) on revaluation of available for sale financial assets	465,000	(725,000)
Total other comprehensive income for the period	465,000	(725,000)
Total comprehensive income attributable to members of BioProspect	(812,068)	(1,881,735)

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

BIOPROSPECT LIMITED

ABN 58 008 130 336

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009

		Consolidated	
	Notes	31 December 2009 \$	30 June 2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	628,343	2,143,018
Trade and other receivables		476,621	24,748
Inventories	4	73,063	-
Investment in associate held for sale	5	-	-
Prepayments		66,274	6,930
Total Current Assets		1,244,301	2,174,696
Non-current Assets			
Intangibles	6	127,991	311,963
Available-for-sale investments	7	715,000	225,000
Property, plant and equipment		28,773	11,876
Total Non-current Assets		871,764	548,839
TOTAL ASSETS		2,116,065	2,723,535
LIABILITIES			
Current Liabilities			
Trade and other payables		434,917	167,018
Provisions		11,916	12,131
Total Current Liabilities		446,833	179,149
Non-current Liabilities			
Other payables		-	83,086
Total Non-current Liabilities		-	83,086
TOTAL LIABILITIES		446,833	262,235
NET ASSETS		1,669,232	2,461,300
EQUITY			
Issued capital	8	26,260,904	26,240,904
Reserves		2,764,477	2,299,477
Accumulated losses		(27,356,149)	(26,079,081)
TOTAL EQUITY		1,669,232	2,461,300

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

BIOPROSPECT LIMITED

ABN 58 008 130 336

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated	
		2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers		-	100,000
Payments to suppliers and employees		(1,207,721)	(676,159)
Interest paid		-	(4,934)
Research and development expenditure		(338,153)	(595,136)
		<u>(1,545,874)</u>	<u>(1,176,229)</u>
Net cash flows used in operating activities			
Cash flows from investing activities			
Interest received		22,248	213,973
Purchase of plant and equipment		(21,049)	-
Purchase of available-for-sale financial assets		(25,000)	(25,000)
Payments for acquisition of Re Gen Wellness Products P/L		(50,000)	-
Proceeds from sale of property, plant and equipment		-	274
		<u>(73,801)</u>	<u>189,247</u>
Net cash flows (used in) generated from investing activities			
Cash flows from financing activities			
Proceeds from share applications received		105,000	-
		<u>105,000</u>	<u>-</u>
Net cash flows from financing activities			
		<u>(1,514,675)</u>	<u>(986,982)</u>
Net decrease in cash and cash equivalents		(1,514,675)	(986,982)
Cash and cash equivalents at beginning of period		2,143,018	3,902,105
Cash and cash equivalents at end of period	3	<u>628,343</u>	<u>2,915,123</u>

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

BIOPROSPECT LIMITED

ABN 58 008 130 336

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2008	26,240,904	(23,043,621)	-	2,478,327	5,675,610
Comprehensive income					
Loss for the period	-	(1,156,735)	-	-	(1,156,735)
Other comprehensive income					
Available for sale financial assets	-	-	(725,000)	-	(725,000)
Total comprehensive income	-	(1,156,735)	(725,000)	-	(1,881,735)
At 31 December 2008	26,240,904	(24,200,356)	(725,000)	2,478,327	3,793,875

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share Based Payments 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					
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

The above 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 2009

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of BioProspect Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made since 1 July 2009.

Going concern

The financial statements have been prepared on the going concern basis.

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. As at 31 December 2009 the company was in a net asset position of \$1,669,232 but had incurred losses for the half year of \$1,277,068. Subsequent to the 31 December 2009, the company received the 2009 research and development tax offset of \$395,279 which has been accrued for in the statement of financial position and completed a share placement with private investors raising \$750,000 (before costs).

The directors believe that the going concern basis is appropriate due to the fact that the company has a strong history of raising capital when it was needed. The recent acquisition of Re Gen Wellness Products Pty Ltd was completed because of the forecast positive cash flows the business was to generate in the future for BioProspect. However, because of uncertainty of when sales will occur, the consolidated entity's ability to continue as a going concern is dependent upon its ability to raise additional capital and generate sufficient cash from future operations.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The addition of a Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION (continued)

Presentation of Financial Statements (continued)

- Other financial statements are renamed in accordance with the Standard; and
- Presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

2. EXPENSES

	Consolidated	
	2009	2008
	\$	\$
(i) Finance costs		
Finance charges payable under operating leases	(3,540)	(3,540)
	<u>(3,540)</u>	<u>(3,540)</u>
(ii) Amortisation and depreciation		
Amortisation of licence	(233,972)	(233,972)
Depreciation	(4,152)	(2,755)
	<u>(238,124)</u>	<u>(236,727)</u>
(iii) Employee benefits expense		
Wages and salaries	(247,352)	(171,587)
Directors' fees	(84,899)	(114,921)
Superannuation	(26,251)	(22,110)
Share based payments	(20,000)	-
Allowances	(12,000)	(10,650)
	<u>(390,502)</u>	<u>(319,268)</u>
(iv) Other expenses		
Consulting and advisory expenses	(255,233)	(75,788)
Legal fees	(52,879)	(4,049)
Listing fees	(20,649)	(14,977)
Share registry	(13,162)	(11,659)
Sales and marketing	(63,017)	(12,601)
Other administrative expenses	(274,126)	(186,181)
	<u>(679,066)</u>	<u>(305,255)</u>

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

3 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	
	31 December 2009	30 June 2009
	\$	\$
Cash at bank and in hand	628,343	1,732,277
Short-term deposits	-	410,741
Total cash	628,343	2,143,018

4 INVENTORIES

Finished goods –Bioeffective A	30,601	-
Finished goods –Emu oil products	33,262	-
Raw materials –Emu oil	9,200	-
Plant extracts at cost	927,110	927,110
Write down of inventory	(927,110)	(927,110)
Total inventories	73,063	-

5 INVESTMENT IN ASSOCIATE HELD FOR SALE

As reported in the Company's 2009 annual report, BioProspect currently holds 28.8% 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 2009 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 2009

6 INTANGIBLES

Licence

As reported in the Company's 2009 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 carrying value of \$77,991 as at 31 December 2009.

The Directors have conducted an impairment test to ensure the licence is valued at its recoverable amount as at 31 December 2009. 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 has changed since the signing of the agreement.

	Consolidated	
	31 December 2009	30 June 2009
	\$	\$
Solagran Licence		
At cost	1,169,858	1,169,858
Accumulated amortisation	(1,091,867)	(857,895)
Impairment	-	-
Net carrying amount	<u>77,991</u>	<u>311,963</u>

Goodwill

As announced on 10 August 2009, the company acquired 100% of Re Gen Wellness Products Pty Ltd, facilitating the company's expansion into natural healthcare and skin care products, which is a new market segment for the business.

Under the Share Sale Agreement, an upfront payment of \$50,000 has been made, with additional payments contingent on sales performance and contribution to cash flow over a six year period ending 30 June 2015.

The range of potential undiscounted amounts of all future payments that the company could be required to make under the contingent consideration arrangement can not be estimated due to the limited trading history of the entity acquired.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

6 INTANGIBLES (continued)

Goodwill (continued)

Details of the acquisition are as follows:

	Consolidated
	31 December
	2009
	\$
<hr/>	
Consideration Paid	
The purchase consideration consisted of :	
- Cash	50,000
- Equity	-
Total purchase consideration	<u>50,000</u>
Net Assets Acquired	
Fair values of assets and liabilities acquired at acquisition date:	
- Trade receivables	-
- Inventories	-
- Property, plant and equipment	-
- Payables	-
	<u>-</u>
Goodwill on consolidation	<u>50,000</u>

7 AVAILABLE FOR SALE INVESTMENTS

In accordance with the Solagran development 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 payable \$0.10 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.

As at the 31 December 2009, these shares were valued at the closing ASX market price of \$0.26 resulting in a total valuation of \$715,000.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

8 ISSUED CAPITAL

	Consolidated	
	31 December 2009	30 June 2009
Issued and paid up capital		
Issued and fully paid	\$26,260,904	\$26,240,904
Number of shares on issue at reporting date	487,910,510	487,040,944

9 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The group 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 Group is managed primarily on the basis of product category and service offerings since the diversification of the Group'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.

Types of products and services by segment

(i) *Agriculture/Animal Health*

This market segment includes the income and expenditures pertaining to Termilone[®], the Company's natural termiticide, Qcide, the Company's natural insecticide and the Bioeffectives[®] range of plant extracts derived from coniferous trees. BioProspect's development agreement with Solagran allows for the development of five Bioeffectives[®] and a water extract for the animal health, nutrition and agricultural markets on an international scale.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

9. OPERATING SEGMENTS (continued)

Types of products and services by segment (continued)

(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 stated otherwise, 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 Group.

Inter-segment transactions

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

Salaries for research and development employees 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 Group.

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 2009

9. 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;
- Net gains on disposal of available-for-sale investments;
- Impairment of assets and other non-recurring items of revenue or expense;
- Income tax expense or credit; and
- Fixed assets;

Comparative Information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

(i) Segment performance

	Human Health/Skin Care	Agriculture Animal Health	Total
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 2009

9. 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 profit/(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			(1,672,347)
	\$	\$	\$
Six months ended 31 Dec 2008			
Revenue			
External sales	-	-	-
Inter-segment sales	-	-	-
Interest Revenue	-	-	-
Total segment revenue	-	-	-
Inter-segment elimination	-	-	-
Unallocated revenue			123,619
Total consolidated revenue			123,619

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

9. OPERATING SEGMENTS (continued)

(i) Segment performance (continued)

	Human Health/Skin Care	Agriculture Animal Health	Total
Six months ended 31 Dec 2008	\$	\$	\$
Segment net loss before tax	-	(957,736)	(957,736)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
• Depreciation			(2,755)
Unallocated items:			
• Interest received			123,619
• Other corporate costs			(319,863)
Net loss before tax			<u>(1,156,735)</u>

(ii) Segment assets

31 Dec 2009	\$	\$	\$
Segment assets	178,199	851,038	1,029,237
Unallocated assets			
• Cash			628,343
• Other			458,485
Total assets			<u>2,116,065</u>

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

9. OPERATING SEGMENTS (continued)

(ii) Segment assets (continued)

	Human Health/Skin Care	Agriculture Animal Health	Total
30 June 2009	\$	\$	\$
Segment assets	-	546,921	546,921
Unallocated assets			
• Cash			2,143,018
• Other			33,596
Total assets			2,723,535

(iii) Segment Liabilities

31 Dec 2009	\$	\$	\$
Segment liabilities	20,762	275,299	296,061
Unallocated liabilities			150,772
Total liabilities			446,833

30 June 2009	\$	\$	\$
Segment liabilities	-	195,142	195,142
Unallocated liabilities			67,093
Total liabilities			262,235

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

9. OPERATING SEGMENTS (continued)

(iv) **Revenue by geographical region**

Revenue for the 2009 and 2008 financial half years is composed primarily of interest income from term deposits and as such is all from one geographical segment being Australia.

(v) **Assets by geographical region**

Currently all assets reside in one geographical region being Australia.

10 COMMITMENTS AND CONTINGENCIES

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

Expenditure commitments

TERMILONE^R

University of Western Sydney (UWS) \$37,767

On 16 December 2009, the Company signed a revised schedule of work with UWS to complete additional bioassays on Eremophilone oil formulations for termiticidal activity.

Qcide

Collection Licence \$6,343

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.

Re Gen Wellness Products Pty Ltd

Howard Fox Consulting Agreement \$70,000

On 5 August 2009, the Company signed a consulting agreement with Howard Fox for services related to securing markets for the emu oil based products to be used in human health and skin care market segments. Under the terms of the agreement, the consulting agreement is fixed for a period of twelve (12) months where at the end of this period the agreement can be terminated or renewed. This commitment reflects the differential between fees incurred as at 31 December 2009 and the full contract term to 5 August 2010.

Lia Guo Cai Consulting Agreement \$43,333

On 2 September 2009, the Company signed a consulting agreement with Liao Guo Cai for services related to supporting market development activities, mainly within China for the emu oil based products. Under the terms of the agreement, the consulting agreement is fixed for a period of twelve (12) months where at the end of this period the agreement can be terminated or renewed. This commitment reflects the differential between fees incurred as at 31 December 2009 and the full contract term to 2 September 2010.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

10 COMMITMENTS AND CONTINGENCIES (continued)

Expenditure commitments (continued)

Bioeffectives^R

SCEC Pty Ltd \$100,753

On 13 July 2009, the Company signed an agreement with SCEC Pty Ltd to organise and manage a target animal safety assessment of Bioeffective^R A in horses. The prime purpose of the study is to verify that Bioeffective^R A is a useful therapeutic agent for the prevention and control of gastric ulcers in horses (Equine Gastric Ulcer Syndrome – EGUS). This commitment reflects the remaining contract value due when the final results are released in February.

11 EVENTS AFTER BALANCE DATE

Capital Raising

As announced on 28 January 2010, the Company completed a placement with sophisticated investors of 21,428,571 ordinary fully paid shares at a subscription price of \$0.035 per share, to raise a gross value of \$750,000. For each share placement, each subscriber was issued with:

- A 1:1 free attaching option of the current listed options expiring 31 March 2010 at an exercise price of \$0.05 per option (ASX: BPOOB); and
- A 1:1 free attaching new class of unlisted options expiring 31 December 2013 at an exercise price of \$0.05.

The funds will be used for progressing market penetration activities for Re Gen Wellness Products, further development work on the Bioeffective^R range of products and to fund other working capital requirements.

Solagran Limited and BioProspect Limited Development Agreement

The current development agreement between the two companies expired on 22 February 2010. As announced on 25 February 2010, the parties have agreed to proceed to full commercialisation of the Bioeffective^R range of products into the animal health and nutrition markets. BioProspect and Solagran will now agree a commercialisation plan including the possibility of formation of a special purpose company or other entity to manage the process.

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 2009 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: 25 February 2010
Perth WA



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

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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 and its controlled entities ('the consolidated entity'), which comprises the statement of financial position as at 31 December 2009, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow 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 BioProspect Limited (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 2009 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 BioProspect Limited and its controlled entities, 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 and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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, 25 February 2010