BIOPHARMICA LIMITED

ACN 095 912 002

NOTICE OF GENERAL MEETING

TIME: 4:00pm

DATE: 22 September 2006

PLACE: 2 Boans Lane, East Perth, Western Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on 08 9218 9465

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of BioPharmica Limited which this Notice of Meeting relates to will be held at:

2 Boans Lane, East Perth, Western Australia

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed:

(a) send the proxy form by post to BioPharmica Limited PO Box 6876, EAST PERTH, Western Australia, 6004; or

(b) by facsimile to the Company on facsimile number 61 8 9218 9433,

so that it is received not later than 4:00pm WST on 20 September 2006.

Proxy forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of BioPharmica Limited will be held at 2 Boans Lane, East Perth at 4:00pm WST on 22 September 2006.

The Explanatory Statement to this Notice Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company on 10 September 2006 at 4:00pm.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

RESOLUTION 1 – ISSUE OF OPTIONS TO MR CHARLES MURPHY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 2,000,000 Options, to Mr Charles Murphy (or his nominee) and otherwise on the terms of the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Charles Murphy if the Resolution is passed and any associates of that person.

RESOLUTION 2 – ISSUE OF OPTIONS TO DR SAMANTHA GALLAGHER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 3,000,000 Options, to Dr Samantha Gallagher (or her nominee) and otherwise on the terms of the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Samantha Gallagher if the Resolution is passed and any associates of that person.

DATED: 18th August 2006

BY ORDER OF THE BOARD

David Breeze

CHAIRMAN

Voting Exclusion Note:

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at 2 Boans Lane, East Perth, Western Australia, on 22 September 2006 at 4:00pm(WST).

This purpose of this Explanatory Statement is to provide information, which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTIONS 1 AND 2– ISSUE OF OPTIONS TO DIRECTORS

The Company has agreed to allot and issue 2,000,000 Options to Mr Charles Murphy and 3,000,000 Options to Dr Samantha Gallagher (**Related Party Placement**). Information regarding the Related Party Placement is set out below.

The Options to be issued to Dr Gallagher were part of an agreed arrangement negotiated with her on her appointment to the Board in November 2005.

Shareholder approval is required pursuant to Chapter 2E of the Corporations Act and Listing Rule 10.11.

1.1 Listing Rule 10.11

If Resolutions 1 and 2 are passed, securities will be issued to both Mr Charles Murphy and Dr Samantha Gallagher. Mr Murphy and Dr Gallagher are related parties of the Company by virtue of the fact that they are Directors of the Company. For this reason, Shareholder approval under Listing Rule 10.11 is required prior to issuing the Options to Mr Murphy and Dr Gallagher.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Options as approval is being obtained under Listing Rule 10.11. Shareholders should note that the issue of securities to Mr Murphy and Dr Gallagher will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided in relation to the issue of Options to Mr Murphy and Dr Gallagher:

(a) the maximum number of Options to be issued by the Company is 2,000,000 Options to Mr Murphy and 3,000,000 Options to Dr Gallagher;

(b) the allottees of the Options will be Mr Murphy and Dr Gallagher;

(c) the terms of the Options are set out in Section 1.5 of this Explanatory Statement;

(d) the Options will be issued for free as consideration for the performance of work by Mr Murphy and Dr Gallagher for the Company and to secure the ongoing commitment of Mr Murphy and Dr Gallagher to the continued growth of the Company. The Board considers that the issue of Options to Mr Murphy and Dr Gallagher constitutes valid consideration for work to be performed for the Company. The total value of the Options is $53,450 (**Consideration Amount**) based on the valuations outlined in Section 1.3 and Section 1.4 of this Explanatory Statement below. The Company apportions the Consideration Amount to work due to be completed by Mr Murphy and Dr Gallagher into the future. The Board considers the grant of the Options to be reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves;

(e) the Options will be issued not later than 1 month after the date of this meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that the Options will be issued on one date; and

(f) no funds will be raised from the issue of the Options.

1.2 Section 208 of the Corporations Act

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to the section apply or shareholders have in general meeting approved the giving of that financial benefit to the related party.

In the current circumstances, the issue of the Options to both Mr Murphy and Dr Gallagher constitutes a "financial benefit" as defined under the Corporations Act. Further, both Mr Murphy and Dr Gallagher are "related parties" of the Company as defined under the Corporations Act. Accordingly, the proposed issue of Options to Mr Murphy and Dr Gallagher will constitute the provision of a financial benefit to a related party of the Company.

It is the view of the Directors that the exceptions under the Corporations Act to the provision of a financial benefit to a related party may not apply in the current circumstances. The Directors have determined to seek Shareholder approval under Section 208 of the Corporations Act to permit the issue of the rights.

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to Mr Murphy and Dr Gallagher:

(a) the related parties to whom the financial benefit will be given are Mr Charles Murphy and Dr Samantha Gallagher (both of whom are Directors of the Company);

(b) the maximum number of Options (being the nature of the financial benefit to be provided) to be issued are as follows:

    (i) 2,000,000 to Mr Murphy; and

    (ii) 3,000,000 to Dr Samantha Gallagher;

(c) the Directors make the following recommendation in relation to Resolutions 1 and 2:

    (i) the Directors of the Company, who do not have a material personal interest in the outcome of Resolutions 1 and 2, recommend that Shareholders vote in favour of Resolutions 1 and 2 as they are of the view that the issue of Options to Mr Murphy and Dr Gallagher is appropriate to provide them with an incentive to maximise returns to Shareholders. The proposed issue of Options (which may be a perceived cost to the Company when they are exercised) are designed to provide both motivation to perform and to provide retention incentive to Mr Murphy and Dr Gallagher. The Directors, other than Mr Murphy and Dr Gallagher who decline to comment, considered

Mr Murphy's and Dr Gallagher's experience, the performance conditions for the granting of the rights and the current market price of the Shares and current market practice when determining the number and exercise price of the Options to be issued to Mr Murphy and Dr Gallagher. Mr Murphy and Dr Gallagher declined to make a recommendation in relation to Resolutions 1 and 2 as they relate to them personally, due to the fact that they have a material personal interest in their outcome;

(d) Mr Murphy and Dr Gallagher currently receive the following emoluments from the Company:

Director	**Annual Emolument (exclusive of superannuation)**
Mr Murphy	$123,000
Dr Gallagher	$165,000

(e) Mr Murphy and Dr Gallagher currently have an interest in the following number of securities in the capital of the Company;

Director	**Shares**	**Options**
Mr Murphy	700,000	2,350,000
Dr Gallagher	Nil	250,000

(f) if Shareholders approve the issue of Options to Mr Murphy and Dr Gallagher, and all of the Options are exercised, the effect will be to dilute the shareholding of existing Shareholders by approximately 8.17% on an undiluted basis and based on the number of the Company's Shares on issue as at the date of this Notice (and assuming no options are exercised and no converting shares are converted);

(g) The highest, lowest and last trading price of the Company's shares on ASX during the 12 month period to the date of this Notice are as set out below:

	Date	**Price**
Highest	21/12/05	$0.45
Lowest	16/12/05	$0.06
Last	18/08/06	12

(h) the ASIC in reviewing documents lodged under section 218 relating to the giving of a financial benefit to a related party of a public company requires explanatory information regarding the value of the Options proposed to be granted. The value of the rights has been calculated using the Black Scholes model and is set out below; and

(i) additional information in relation to Resolutions 1 and 2 is set out throughout this Explanatory Statement. Shareholders should therefore read the Notice and Explanatory Statement in its entirety before making a decision as to how to vote on Resolutions 1 and 2.

1.3 Valuation of Options – Charles Murphy

The Options have been valued using the Black & Scholes pricing model and based upon the following assumptions the Options have been valued as having a value of $30,200: The initial calculation used the following variables:

(a) the Options have a 59 month life from their date of issue and are all exercisable at 18 cents per Share;

(b) the market trading price of the Shares at the time the Company agreed to issue the Options was 10.0 cents;

(c) a volatility factor of 30%;

(d) an interest rate of 5.4 %;

In devising the valuation the Black & Scholes model relies upon the following assumptions:

(a) that the Options are European call options, in that they can only be exercised on the expiry date unlike an American option, which can be exercised at any time during the period ;

(b) there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;

(c) short selling is allowed without restriction or penalty;

(d) the risk free rate of interest is known and constant throughout the duration of the option;

(e) the underlying shares do not pay a dividend; and

(f) share prices behave in a manner consistent with a random walk in continuous time.

Any change in the variables applied in the Black and Scholes model has an impact on the calculation of their value.

The options proposed to be issued will only have a value if on the date the Options are exercised ,the market price of the Company's shares is in excess of the exercise price of the Options.

Based on the Black Scholes option model each option was notionally valued at $0.0151. It was considered appropriate to adjust the notional value calculated under the Black Scholes option pricing model by a discount factor. After having applied a discount factor of 50% for the reasons outlined herein the options have been calculated to have a value as set out above.

The model and option valuation does not take into account the fact that:

(a) the options will not be quoted on the ASX;

(b) the recipient must remain an officer of the Company until at least the relevant date to enable them to derive any benefit from the Options;

(c) at the date of the valuation the probability of reaching the minimum Share price cannot be accurately determined. Further, it is not possible to comment on whether Mr Murphy would exercise the Options even if the Share price milestones were met;

(d) the calculations do not factor in the probability of the First Tranche Options and the Second Tranche Options being exercised;

(e) the First Tranche Options may not be exercised for 2 years and the Second Tranche Options may not be exercised for 3 years;

(f) the valuations ascribed to the various Options may not necessarily represent the market price of the Options at the date of the valuation; and

(g) the valuation date for the Options is 30th June 2006.

1.4 Valuation of Options – Samantha Gallagher

The Options have been valued using the Black & Scholes pricing model and based upon the following assumptions the Options have been valued as having a value of $23,250:

(a) the initial calculation used the following variables:

(b) the Options have a 59 month life from their date of issue and are all exercisable at 12.5cents per Share;

(c) the market trading price of the Shares at the time the Company agreed to issue the Options was 8.0 cents;

(d) a volatility factor of 30%; and

(e) an interest rate of 5.4%;

In devising the valuation the Black & Scholes model relies upon the following assumptions:

(a) that the Options are European call options, in that they can only be exercised on the expiry date unlike an American option, which can be exercised at any time during the period ;

(b) there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;

(c) short selling is allowed without restriction or penalty;

(d) the risk free rate of interest is known and constant throughout the duration of the option;

(e) the underlying shares do not pay a dividend; and

(f) share prices behave in a manner consistent with a random walk in continuous time.

Any change in the variables applied in the Black and Scholes model has an impact on the calculation of their value.

The Options proposed to be issued will only have a value if on the date the Options are exercised, the market price of the Company's shares is in excess of the exercise price of the Options.

Based on the Black Scholes option model each Option was notionally valued at $0.0155. It was considered appropriate to adjust the notional value calculated under the Black Scholes option pricing model by a discount factor. After having applied a discount factor of 50% for the reasons outlined herein the options have been calculated to have a value as set out above.

The model and option valuation does not take into account the facts that:

(a) the Options will not be quoted on the ASX;

(b) The recipient must remain an officer of the Company until at least the relevant date to enable them to derive any benefit from the Options;

(c) At the date of agreement the probability of reaching the minimum Share price could not be accurately determined. Further, it is not possible to comment on whether Dr. Gallagher would exercise the Options even if the Share price milestones were met;

(d) the calculations do not factor in the probability of the First Tranche Options and the Second Tranche Options being exercised;

(e) the First Tranche Options may not be exercised for 2 years and the Second Tranche Options may not be exercised for three years;

(f) the valuations ascribed to the various Options may not necessarily represent the market price of the Options at the date of the valuation; and

(g) the valuation date for the Options is 20 November 2005.

1.5 Terms of Options

The following is a summary of the terms of the Options to be issued pursuant to Resolutions 1 and 2:

(a) each Option entitles the holder, when exercised, to one Share;

(b) the expiry date is 59 months from the date of issue (**Expiry Date**);

(c) the exercise price is :

   (i) 12.5 cents each for the Options to be issued to Samantha Gallagher; and

   (ii) 18 cents each for the Options to be issued to Charles Murphy;

(d) subject to (c), and (m), an Option holder may:

   (i) during the period commencing after 24 months and ending prior to 59 months from the date of issue of the Option, only exercise up to one half of the Options issued to the Option holder on the date of issue (**First Tranche Options**); and

   (ii) during the period commencing after 36 months and ending prior to 59 months from the date of issue of the Options, exercise up to one half of the Options issued to the Option holder on the date of the issue (**Second Tranche Options**);

(e) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised;

(f) the Company will not apply for quotation of the Options on ASX;

(g) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options;

(h) there are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to optionholders at least seven (7) Business Days before the record date. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue;

(i) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of the optionholders will be varied in accordance with the Listing Rules;

(j) Option holders are restricted from selling, encumbering or otherwise dealing with the Options issued as follows:

    (i) First Tranche Options – for a period of 24 months from the date the Options were issued (**First Restriction Period**); and

    (ii) Second Tranche Options – for a period of 36 months from the date the Options were issued (**Second Restriction Period**),

    (together, the **Restriction Periods**);

(k) if an Option holder ceases employment with BioPharmica before the conclusion of either of the Restriction Periods, that Option holder's right to the Options, which are subject to a Restriction Period (either in whole or in part) (the **Restricted Options**) lapses immediately (and those Options cancelled) unless the Participant has ceased employment as a result of a "Qualifying Reason", in which case, the Board will determine in its discretion the proportion of the Restricted Options that are exercisable by the Participant.

    Qualifying Reason means ceasing to be employed by reason of:

    (i) pursuit of other Company initiatives (for example, taking up a position with alliance partners or secondments);

    (ii) hardship (for example, the death, serious illness or accident of an Executive or an Executive's partner or de factor or any other similar hardship incurred by the Executive); or

    (iii) other circumstances which are considered by the Board to be extraordinary;

(l) If, at an Option holders election, an Option holder ceases to be an employee of BioPharmica during the Restriction Periods, the restrictions cease immediately unless the Options are forfeited (as set out in (k)).

An Option holder may also request the Board to remove the Restrictions on dealing in Options. The Board will consider the following in deciding whether to remove Restrictions:

(i) they cease to be employed by the Group other than for a Qualifying Reason and the Board directs that their Options be forfeited; or

(ii) the Option holder has:

(A) been dismissed with cause or has committed any act of fraud, dishonesty, defalcation or gross misconduct or a breach of duty in relation to the affairs of the Company (whether or not proven or charged with an offence); or

(B) engaged in activity detrimental or potentially detrimental to the Company.

(m) all Options shall immediately vest in the Option Holder upon the occurrence of the following events:

(i) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its members or any class thereof pursuant to section 411 of the Corporations Act and the approval of that scheme;

(ii) the announcement of a takeover bid or receipt by the Company of a bidder's statement in respect of the Company and the offers under that bid becoming unconditional with the bidder having a relevant interest in at least 50.1% of the voting shares on issue; and

(iii) a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Option, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

PROXY FORM

APPOINTMENT OF PROXY
BIOPHARMICA LIMITED
ACN 095 002 912

I/We

being a Member of BioPharmica Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at 4.00pm on 22 September 2006 at 2 Boans Lane, East Perth, Western Australia and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Issue of Options to Charles Murphy { FORMCHECKBOX }	{ FORMCHECKBOX } { FORMCHECKBOX }		
Resolution 2	Issue of Options to Samantha Gallagher { FORMCHECKBOX }	{ FORMCHECKBOX } { FORMCHECKBOX }		

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

Signed this day of 2006

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

BIOPHARMICA LIMITED
ACN 095 002 912

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.

3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

   - directors of the company;
   - a director and a company secretary of the company; or
   - for a proprietary company that has a sole director who is also the sole company secretary – that director.

   For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting

5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.

6. To vote by proxy, please complete and sign the proxy form enclosed:

(c) send the proxy form by post to BioPharmica Limited PO Box 6876, EAST PERTH, Western Australia, 6004; or

(d) by facsimile to the Company on facsimile number 61 8 9218 9433,

so that it is received not later than 4.00pm WST on 20 September 2006.

Proxy forms received later than this time will be invalid.