



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

31 July 2006

**QUARTERLY REPORT FOR PERIOD ENDED 30 June 2006
AND APPENDIX 4C**

The attached Appendix 4C shows that the company ended the quarter with \$1.8m cash on hand with quarterly net cash outflows of \$0.1m. During the quarter the company's activities were primarily focussed on its natural termiticide, AP778 and its investment in Astrum Therapeutics Pty Ltd

AP778 – Natural Termiticide

In April 2006 Mr Warwick Dowse was appointed as General Manager and has been given the specific responsibility of overseeing the development of AP778, the company's natural termiticide product from the current research and development (R&D) stage through to Australian registration and eventual commercialisation.

Mr Dowse has in the last few months been actively meeting with Commonwealth Government parties, tertiary institutions and private consultants with the purpose of ensuring the company's R&D program is specific, cost beneficial and relevant for future data generation and product registrations in Australia and overseas. Meetings have also taken place between BioProspect, its regulatory consultant and the APVMA (Australian Pesticides and Veterinary Medicines Authority) to ensure the registration process is progressed in the most efficient manner.

Mr Dowse has also been active in tendering specific functions within the AP778 project with several institutions and businesses. These consist of :-

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

The company is also in the final stages of completing an application for a Commercial Ready Grant from AusIndustry in relation to AP778.

ASTRUM THERAPEUTICS

BioProspect is pleased to announce that it's strategic investment of 33% into Australian drug discovery company Astrum Therapeutics Pty Ltd (**Astrum**) continues to make inroads in setting up it's drug synthesis and clinical trials for Type 2 Diabetes Mellitus (T2DM).

BioProspect has been advised that Astrum has engaged the world-wide clinical research organization, Kendle, through its Australian subsidiary Kendle Pty Ltd, to assist Astrum's planning for initiation of a phase IIa clinical trial protocol, nominated 3 Melbourne based sites and initiated pre-study site visits at each of the locations. Kendle is continuing with work focussed on completion of regulatory and ethical approvals for the trial. Astrum is expecting to begin patient enrolment in the next quarter. (September)

In April 2006 Astrum submitted non-provisional patents covering both the traditional and clinical drug development programs. Astrum also filed an additional provisional patent application covering a novel clinical approach to type II diabetes mellitus. Four other molecular targets and two additional clinical targets are being evaluated for potential drug development approaches and will be reviewed by the Astrum scientific advisory board in July 2006.

Dr Michael Quinlan has been appointed as a non-executive director of Astrum.



Colin Johnston

Company Secretary

Quarterly report
for entities admitted
on the basis of commitments

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

Name of entity

BIOPROSPECT LIMITED

ABN

58 008 130 336

Quarter ended ("current quarter")

30 JUNE 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12... months) \$A'000
1.1 Receipts from customers	-	17
1.2 Payments for		
(a) staff costs	(81)	(411)
(b) advertising and marketing	-	(15)
(c) research and development	(9)	(44)
(d) leased assets	-	-
(e) other working capital	(83)	(603)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	70
1.5 Interest and other costs of finance paid	(3)	(11)
1.6 Income tax rebate received	48	205
1.7 Other – Grants received	-	19
Other - GST	17	25
Net operating cash flows	(97)	(748)

	Current quarter SA'000	Year to date (12 months) SA'000
1.8 Net operating cash flows (carried forward)	(97)	(748)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property		
(d) physical non-current assets	(3)	(4)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(3)	(4)
1.14 Total operating and investing cash flows	(100)	(751)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	1,837
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	-	1,837
Net increase (decrease) in cash held	(100)	1,086
1.21 Cash at beginning of quarter/year to date	1,911	725
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	1,811	1,811

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	46
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

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

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Financing facilities available

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

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

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	62	37
4.2 Deposits at call	1,749	1,874
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	1,811	1,911

Acquisitions and disposals of business entities

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

Compliance statement

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



Sign here:
Company Secretary

Date: 31.07.2006

Print name: Colin Johnston

Notes

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