BioProspect Limited

ABN: 58 008 130 336

ASX Half-Yearly Report to 31 December 2006

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 2006 Annual Financial Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

SUMMARY RESULTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2006

The following is a summary of the financial results for the 6 months ended 31 December 2006 (previous corresponding period 31 December 2005).

1. SUMMARY RESULTS ENDED 31 DECEMBER 2006

	Increase/ (Decrease) %	Six months ended 31 December 2006 $	Six months ended 31 December 2005 $
Revenue from ordinary activities	(10.0)	59,509	66,149
Profit/(Loss) from ordinary activities after tax attributable to members	(5.0)	(405,800)	(386,327)
Net Profit/(Loss) for the period attributable to members (NPAT)	(5.0)	(405,800)	(386,327)

2. COMMENTARY

During the six months to 31 December 2006, the Company recorded an after tax loss of $405,800 (2005: loss of $386,327). This movement over the prior period was due to a significant reduction in fixed expenses ($190,523) partly offset by there being no benefit of a research and development tax offset credit during 2006 (2005 $156,344). The company's share (33.3%) of Astrum Therapeutics Pty Ltd's loss for the six months ended 31 December 2006 was $73,376 some $47,012 higher than 2005 as the company progressed with its research and development expenditure pertaining to Diabetes type II.

3. DIVIDENDS

No interim dividend has been declared for the reporting period.

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

	31 December 2006 ¢	31 December 2005 ¢
Basic loss per share	(0.1) cps	(0.2) cps
Diluted loss per share	(0.1) cps	(0.2) cps
Weighted average number of shares used in the calculation of basic EPS	282,835,976	187,621,547

The amount used in the numerator in calculating basic EPS is the same as the net loss reported in the statement of financial performance.

5. NET TANGIBLE ASSET BACKING

	31 December 2006 ¢	31 December 2005 ¢
Net tangible asset backing per ordinary share	0.7 cents	0.6 cents

6. COMPLIANCE STATEMENT

The accounts (attached) are not subject to review 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

Colin Johnston
Chief Financial Officer/Company Secretary

Date: 26 February 2007

A.B.N. 58 008 130 336

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2006

Provided in accordance with Section 320 of The Corporation Act.

BIOPROSPECT LIMITED

ABN 58 008 130 336

Contents

Directors' Report

The Directors submit their report for the half-year ended 31 December 2006.

DIRECTORS

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

Mr Ian Macliver (Chairman)

Dr Michael Quinlan

Mr Justin Hondris

REVIEW AND RESULTS OF OPERATIONS

During the six months to 31 December 2006, the company recorded an after tax loss of $405,800 (2005: loss of $386,327). This movement over the prior period was due to a significant reduction in fixed expenses ($190,523) partly offset by there being no benefit of a research and development tax offset credit during 2006 (2005 $156,344). The company's share (33.3%) of Astrum Therapeutics Pty Ltd's loss for the six months ended 31 December 2006 was $73,376 some $47,012 higher than 2005 as the company progressed with its research and development expenditure pertaining to Diabetes type II.

Development Projects

TERMILONE™ (PREVIOUSLY AP778)

The period has seen significant progress on finalising the detailed research and development programmes with collaborators in order to ensure eventual registration with the Australian Pesticides and Veterinary Medicines Authority (APVMA). The following is a summary of the key contractors and research work commenced during the first six months:-

Ensis

Ensis is a joint venture between CSIRO FFP Pty Ltd and Scion Australia. Ensis is developing a number of formulations that will be used to carry the active ingredient (Eremophilone Oil) in TERMILONE for the impregnation into commercial timber products. This stage commenced in November and is expected to be completed by the end of February 2007. The impregnated timber samples will then undergo bioassay and analytical assessment.

ICP Firefly Pty Ltd

Work commenced in December 2006 on the second level genotoxicity trials. The results of these trials should be available by the end of February 2007. The company has already completed the first stage genotoxicity work with positive (low toxicity) results. Further toxicity work will continue based on the second level genotoxicity results.

Eureka! AgResearch (Vic) Pty Ltd.

This project also commenced in November 2006 in order to develop formulations for the contact spray application of TERMILONE on existing termite incursions. This is an essential early stage task to determine whether the oil can be made into a formulation that is stable with known low toxicity co-formulants (food grade products). Results are due in early February 2007. Bioassay work will commence as soon as a number of formulations are chosen by the company.

Director's Report (continued)

University of Western Sydney (UWS).

The UWS have been working with BioProspect for a number of years and managed the TERMILONE™ trials at Narrandera for the 2 year timber field study completed in September 2006. In January 2007 BioProspect appointed UWS to conduct regulatory data generation work for TERMILONE™. UWS will be the lead contractor and will manage and complete trials and other development projects to ensure successful registration of TERMILONE™

The UWS, led by Associate Professor Robert Spooner-Hart will generate data on the compound in association with Southern Cross University (Centre for Phytochemistry and Pharmacology) and CSIRO (Ensis).

Stage 1 of the project will cover bioassay analysis, analytical methods and biochemical properties on the compound and the end use products being developed by BioProspect and other contracted parties. This is expected to take approximately 6 months with key milestones related to efficacy of the compound on termites tested under Australian and international standards.

Over the next 18 months BioProspect will generate data on its natural termite compound with the objective of gaining registration in Australia in mid 2009 for the active constituent, Eremophilone Oil and at least three commercial products that will use the TERMILONE™ name.

Under the arrangement with UWS, BioProspect will retain all intellectual property and commercial rights developed with respect to TERMILONE™ whilst UWS will be granted a non-exclusive royalty free licence to use the project intellectual property for research and education purposes other than commercialisation. On completion of stage 2 of the project, UWS will assign its right title and interest in any AP778 UWS intellectual property to BioProspect.

ASTRUM THERAPEUTICS PTY LTD

Astrum's drug development program continued to move ahead during the quarter with synthesis of new chemical entities being performed at facilities in Melbourne. Since June 2006 Astrum has had two new chemical entities (NCE's) produced. The optional delivery of an additional four NCE's may take place in March quarter 2007. Astrum is currently negotiating with a second synthetic chemistry group in Perth, Western Australia for synthesis of four NCE's that Astrum believes will round out the initial chemistry needs for the drug development program.

Astrum currently has three patent applications at various stages of submission/review. The Astrum patent related to novel NCE's that prevent the death of pancreatic beta-cells received a favourable initial response with respect to novelty from the European patent office (EPO). The EPO suggested restructuring the initial single patent into several smaller patents. Astrum has approximately one year to determine the best course of action for this patent's final structure.

The second patent related to novel medicine combinations aimed at treating diabetes and diabetes-related illnesses and, the third patent relate to Astrum's drug technologies for the treatment of Alzheimer's disease have not yet been reviewed by the EPO. None of the Astrum patents has been reviewed in full by the United States patent office. Astrum scientists continue to identify and develop other molecular targets and clinical targets for diabetes and diabetes-related disorders.

Qcide

The company continues to work on achieving a commercial outcome for Qcide.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst & Young.

ERNST & YOUNG

1 Eagle Street
Brisbane QLD 4000
Australia

PO Box 7878
Waterfront Place
Brisbane QLD 4001

Tel 61 7 3011 3333
Fax 61 7 3011 3100
DX 165 Brisbane

Auditor's Independence Declaration to the Directors of BioProspect Limited

In relation to our review of the financial report of BioProspect Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mike Meintjes
Partner
28 February 2007

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

I Macliver

Ian Macliver
Director
Date 26 February 2007
Perth Western Australia

Condensed Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Note	CONSOLIDATED December 2006 $	December 2005 $
Revenue	3	55,691	47,078
Other income	3	3,818	19,071
Total Revenue		59,509	66,149
Sales & marketing expenses		(1,358)	(12,911)
Research & development expenses		(23,545)	(51,374)
Operating costs	3	(362,662)	(512,591)
Finance costs	3	(4,368)	(5,580)
Share of net profit (losses) of associate		(73,376)	(26,364)
Loss before income tax		(405,800)	(542,671)
Income tax benefit		-	156,344
Loss attributable to members of BioProspect Limited		(405,800)	(386,327)
Basic loss per share (cents per share)		(0.1)	(0.2)
Diluted loss per share (cents per share)		(0.1)	(0.2)

Condensed Balance Sheet

AS AT 31 DECEMBER 2006

	Notes	CONSOLIDATED As at 31 December 2006 $	 As at 30 June 2006 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,405,083	1,810,928
Trade and other receivables		33,240	23,375
Prepayments		19,724	841
Total Current Assets		1,458,047	1,835,144
Non-current Assets			
Investment in associate		523,386	596,762
Property, plant & equipment		8,563	10,476
Total Non-current Assets		531,949	607,238
TOTAL ASSETS		1,989,996	2,442,382
LIABILITIES			
Current Liabilities			
Trade and other payables		74,720	178,484
Provisions		5,268	5,498
Total Current Liabilities		79,988	183,982
Non-current Liabilities			
Other payables		57,408	-
Total Non-current Liabilities		57,408	-
TOTAL LIABILITIES		137,396	183,982
NET ASSETS		**1,852,600**	**2,258,400**
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	4	19,215,006	19,215,006
Accumulated losses		(17,362,406)	(16,956,606)
TOTAL EQUITY		**1,852,600**	**2,258,400**

Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Note	CONSOLIDATED December 2006 $	December 2005 $
Cash flows from operating activities			
Receipts from customers		8,356	17,159
Payments to suppliers and employees		(386,784)	(453,175)
Interest paid		(4,368)	(5,580)
Research & development expenditure		(60,709)	(34,222)
Receipt of government grants		-	19,071
Net cash flows used in operating activities		(443,505)	(456,747)
Cash flows from investing activities			
Interest received		35,113	29,919
Purchase of plant and equipment		(1,271)	(181)
Proceeds from sale of property, plant and equipment		3,818	-
Net cash flows from investing activities		37,660	29,738
Cash flows from financing activities			
Proceeds from issue of shares		-	540,000
Transaction costs of issue of shares		-	(32,400)
Net cash flows from financing activities		-	507,600
Net increase / (decrease) in cash and cash equivalents		(405,845)	80,591
Cash and cash equivalents at beginning of period		1,810,928	725,352
Cash and cash equivalents at end of period	5	1,405,083	805,943

Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Available to Equity holders of BioProspect Ltd		
	Issued Capital	Accumulated Losses	Total Equity
	$	$	$
At 1 July 2005	17,378,078	(16,178,729)	1,199,349
Loss for the period	-	(386,327)	(386,327)
Issue of share capital	540,000	-	540,000
Share issue costs	(32,400)	-	(32,400)
At 31 December 2005	17,885,678	(16,565,056)	1,320,622

	Issued Capital	Accumulated Losses	Total Equity
	$	$	$
At 1 July 2006	19,215,006	(16,956,606)	2,258,400
Loss for the period	-	(405,800)	(405,800)
At 31 December 2006	19,215,006	(17,362,406)	1,852,600

Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. CORPORATE INFORMATION

The financial report of BioProspect Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 26 February 2007.

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

The nature of operations and principal activities of the consolidated entity are described in note 6, Segment Reporting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity's full financial report.

The half-year financial report should also be read in conjunction with any public announcements made by BioProspect and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(b) Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(c) Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2006 annual financial report for the financial year ended 30 June 2006, except for the adoption of accounting standards mandatory for annual periods beginning on or after 1 July 2006.

(d) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of BioProspect Limited and its subsidiaries (BioProspect Australia Limited, Australian Phytochemicals Limited and BioProspect America Limited) as at 31 December 2006 (Consolidated Entity).

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

(e) Changes in accounting policies

There have been no impacts upon the consolidated entity's financial statements from Australian Accounting Standards and interpretations that have recently been amended and are effective from 1 July 2006.

3. REVENUES AND EXPENSES

	CONSOLIDATED	
	December 2006 $	December 2005 $
(i) Revenue		
Sale of goods	8,356	17,159
Finance income	47,335	29,919
	55,691	47,078
(ii) Other income		
Government grants	-	19,071
Net gains on disposal of property, plant and equipment	3,818	-
	3,818	19,071
(iii) Operating Expenses		
Depreciation	(3,184)	(5,020)
Employee benefits	(195,972)	(193,001)
Consulting fees	(24,336)	(101,672)
Legal fees	(9,309)	(24,131)
General and administrative expenses	(129,861)	(188,767)
	(362,662)	(512,591)
(iv) Finance costs		
Finance charges payable under finance leases and hire purchase contracts	(3,748)	(4,822)
Bank loans	(620)	(758)
	(4,368)	(5,580)

4 ISSUED CAPITAL

	December 2006 $	June 2006 $
Ordinary shares		
Issued and fully paid	19,215,006	19,215,006
Number of shares on issue at reporting date	282,835,976	282,835,976

5 CASH AND CASH EQUIVALENTS

Reconciliation of Cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following:

	CONSOLIDATED	
	December 2006 $	**June 2006 $**
Cash at bank and in hand	7,872	61,940
Short-term deposits	1,397,211	1,748,988
Total cash	1,405,083	1,810,928

6 SEGMENT REPORTING

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

7 CONTINGENT LIABILITIES

No material changes occurred to contingent liabilities since disclosed in the company's 2006 annual report.

8 RELATED PARTY DISCLOSURES

Key Management Personnel & Director Related

Mr Ian Macliver (non-executive chairman) is a Director of Grange Consulting Group Pty Ltd which has provided corporate advisory services to the consolidated entity amounting to $24,337 (2005: $76,072). The amount outstanding to Grange Consulting at 31 December 2006 was $8,992 (2005 $11,624).

9 TAXATION

The $156,344 income tax benefit for 2005 consists of a refund of $184,094 pertaining to the 2003 R&D tax offset and a refund to the ATO of $27,750 for an overpayment of the 2002 R&D tax offset that the company received in 2003.

10 EVENTS AFTER BALANCE DATE

On the 24 January 2007, the Company signed an agreement with the University of Western Sydney (UWS) to complete the remainder of the research and development work program pertaining to Termilone™. The first stage of the contract is expected to involve a maximum expenditure of $276,000. At the conclusion of this stage, the Company will make a decision as to whether to progress to the next stage of the project.

On 22 February 2007, the Company completed a placement for 42,000,000 ordinary shares at an issue price of 2.4 cents, along with a free 1:1 attaching new class of options exercisable at 5 cents per share on or before 31 March 2010.

11 CHANGES IN COMPARATIVE BALANCES

Certain prior period amounts have been reclassified in order to conform with the current period's presentation.

Director's 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) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and the performance for the half-year ended on that date: and

   (b) complying with the Accounting Standard AASB 134 "Interim Financial Reporting": and the Corporations Regulations 2001: and

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

Ian Macliver
Chairman
Date: 26 February 2007
Perth Western Australia

ERNST & YOUNG

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Brisbane QLD 4000
Australia

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To the members of BioProspect Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying 31 December 2006 financial report of BioProspect Limited and the entities it controlled during the half-year ended 31 December 2006, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed cash flow statement and condensed statement of changes in equity for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the 31 December 2006 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 controls relevant to the preparation and fair presentation of the 31 December 2006 financial report that is free from material misstatement, 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 31 December 2006 financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 2006 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* and other mandatory financial reporting requirements in Australia. As the auditor of BioProspect Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 31 December 2006 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake additional services. The provision of these services has not impaired our independence.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of BioProspect Limited and the entities it controlled during the period, is not in accordance with:

(a) the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 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 *Corporations Regulations 2001*; and
(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Mike Meintjes
Partner
Brisbane
28 February 2007