

BIOPROSPECT LIMITED
ABN 58 008 130 336

**NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY MEMORANDUM**

PLACE: Sofitel, Victoria Suites, level 1, 25 Collins Street, Melbourne
VIC
DATE: Monday 5 November 2007
TIME: 2.00 pm

IMPORTANT INFORMATION

*This is an important document that should be read in its entirety.
If you do not understand it you should consult your professional advisers without delay.*

If you wish to discuss any aspects of this document with the Company contact
the Company Secretary, Mr Colin Johnston on telephone (07) 3229 5755 or 0408 766 657

**NOTICE OF ANNUAL GENERAL MEETING
BIOPROSPECT LIMITED
ABN 58 008 130 336**

Notice is hereby given that the Annual General Meeting of members of the Company will be held at the Sofitel, Victoria suites, Level 1, 25 Collins Street, Melbourne, Victoria, on Monday 5 November 2007 at 2.00 pm.

AGENDA

ORDINARY BUSINESS:

1. Financial Statements and Reports

To receive the Financial Report and the Reports of the Directors and of the Auditor for the financial year ended 30 June 2007.

2. Remuneration Report

To consider, and if thought fit, pass the following resolution as an **ordinary resolution**:

“That the Remuneration Report that forms part of the Directors Report for the Company for the financial year ended 30 June 2007 be adopted.”

The Remuneration Report is set out on pages 18 to 21 of the Annual Report.

Please note that the vote on this item is advisory only and does not bind the Directors or the Company.

3. Directors

To elect directors in accordance with Articles 3.3 and 3.6 of the Company’s Constitution:

- (a) Dr Michael Quinlan retires by rotation and offers himself for re-election;*
- (b) Mr Peter Landau having been appointed to the Board since the last Annual General Meeting of the Company retires and offers himself for election;*
- (c) Mr Stephen Morrow having been appointed to the Board since the last Annual General Meeting of the Company retires and offers himself for election.*

4. Issue of Director Options –Mr Stephen Morrow

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

“That, for the purposes of ASX Listing Rule 10.11, Part 2E.1 of the Corporation Act and for all other purposes, approval is given for the issue of 4,000,000 Director Options to Mr Stephen Morrow (or his nominee) on the terms and conditions set out in the Explanatory Memorandum”

Voting Exclusion: The Company will disregard any votes cast on this resolution by Mr Morrow and any of his associates.

5. Issue of Director Options –Mr Warwick Dowse

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

“That, for the purposes of ASX Listing Rule 10.11, Part 2E.1 of the Corporation Act and for all other purposes, approval is given for the issue of 5,000,000 Director Options to Mr Warwick Dowse (or his nominee) on the terms and conditions set out in the Explanatory Memorandum”

Voting Exclusion: The Company will disregard any votes cast on this resolution by Mr Dowse and any of his associates.

6. Issue of Director Options –Dr Michael Quinlan

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

“That, for the purposes of ASX Listing Rule 10.11, Part 2E.1 of the Corporation Act and for all other purposes, approval is given for the issue of 3,000,000 Director Options to Dr Michael Quinlan (or his nominee) on the terms and conditions set out in the Explanatory Memorandum”

Voting Exclusion: The Company will disregard any votes cast on this resolution by Dr Quinlan and any of his associates.

7. Issue of Director Options –Mr Peter Landau

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

“That, for the purposes of ASX Listing Rule 10.11, Part 2E.1 of the Corporation Act and for all other purposes, approval is given for the issue of 3,000,000 Director Options to Mr Peter Landau (or his nominee) on the terms and conditions set out in the Explanatory Memorandum”

Voting Exclusion: The Company will disregard any votes cast on this resolution by Mr Landau and any of his associates.

OTHER BUSINESS

To transact any other business which may be brought forward in conformity with the Company’s Constitution.

PROXY INSTRUCTIONS

A member who is entitled to vote at a meeting may appoint:

- One proxy if the member is only entitled to one vote; or
- One or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member’s voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at or sent by facsimile transmission to the Company’s office at **Suite 7A, Level 3, 320 Adelaide Street, Brisbane Queensland 4000 or facsimile number (07) 3229 4655** not less than 48 hours before the time for holding the Annual General Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed (or otherwise authenticated in a manner prescribed by the Corporations Regulations) by the member or their attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. Proxies given by foreign companies must be executed in accordance with the laws of their place of incorporation. The proxy may, but need not, be a member of the Company. A proxy form is attached to this Notice.

VOTING INSTRUCTIONS

BioProspect Limited (as convener of the Meeting) has determined that a person’s entitlement to vote at the Meeting will be the entitlement of that person set out in the register of members as at 2.00 pm (EST) on 2 November 2007. This means that any holder registered at 2.00 pm (EST) on 2 November 2007 is entitled to attend and vote at the Meeting.

By Order of the Board



COLIN JOHNSTON
Company Secretary

Dated: 2 October 2007

EXPLANATORY MEMORANDUM

This Explanatory Memorandum and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Memorandum or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

1. General Information

This Explanatory Memorandum has been prepared for the shareholders of the Company in connection with the Annual General Meeting of the Company to be held on Monday 5 November 2007.

The purpose of this Explanatory Memorandum is to provide shareholders with information that the Board believes to be material to shareholders in deciding whether or not to approve the above resolutions detailed in the Notice.

2. Financial Statements and Reports

The BioProspect Annual Report 2007 has been made available to shareholders and can be found on the Company's website (www.bioprospect.com). During this item there will be an opportunity for shareholders at the meeting to comment on and ask questions about BioProspect's management, operations, financial position and business strategies.

3. Remuneration Report

During this item, there will be an opportunity for shareholders at the meeting to comment on and ask questions about the Remuneration Report which commences on page 18 of the BioProspect Annual Report 2007.

The vote on the proposed resolution is advisory only and will not bind the Directors of the Company, however, the board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Board recommends that shareholders vote in favour of this resolution.

4. Directors

Dr Michael Quinlan

Article 3.6 of the Company's Constitution requires that one third (or if that is not a whole number, the whole number nearest one third) of the Directors, (excluding those Directors who were appointed during the year), must retire at the next Annual General Meeting. Accordingly, Dr Michael Quinlan retires by rotation and being eligible, offers himself for re-election pursuant to Resolution 2.

A profile of Dr Michael Quinlan is contained in the Company's Annual Report for the year ended 30 June 2007.

Mr Peter Landau and Mr Stephen Morrow

Article 3.3 of the Company's Constitution requires that a Director that has been appointed since the last Annual General Meeting, must automatically retire at the next Annual General Meeting and is eligible for re-election by that General Meeting.

Mr Peter Landau was appointed a Director on 29 May 2007 and in accordance with Article 3.3 of the Company's Constitution, holds office only until the Annual General Meeting. Therefore, Mr Peter Landau retires and offers himself for election pursuant to Resolution 3. A profile of Mr Landau is contained in the Company's Annual Report for the year ended 30 June 2007.

Mr Stephen Morrow was appointed a Director and Chairman on 15 June 2007 and in accordance with Article 3.3 of the Company's Constitution, holds office only until the Annual General Meeting. Therefore, Mr Stephen Morrow retires and offers himself for election pursuant to Resolution 4. A profile of Mr Stephen Morrow is contained in the Company's Annual Report for the year ended 30 June 2007.

The Board recommends that shareholders vote in favour of the election of Dr Michael Quinlan, Mr Peter Landau, and Mr Stephen Morrow.

5. Resolutions 5 to 8 –Issue of Director Options to Directors

5.1 Background

Resolutions 5 to 8 seek Shareholder approval for the issue of up to 15,000,000 Director Options to Directors (or their nominees).

The ASX Listing Rules and the Corporations Act set out a number of regulatory requirements which must be satisfied. These are summarized below:

5.2 Regulatory Requirements – ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires the Company to obtain Shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the Company.

If Resolutions 5 through 8 are passed, securities will be issued to Mr Morrow, Mr Dowse, Dr Quinlan and Mr Landau, who are related parties of the Company.

Accordingly, approval for the issue of securities is required pursuant to ASX Listing Rule 10.11.

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

5.3 Regulatory Requirements – ASX Listing Rule 10.13

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 5 through 8:

- (a) the maximum number of Director Options to be issued by the Company is 15,000,000 as follows:
 - 4,000,000 to Mr Stephen Morrow (or his nominee);
 - 5,000,000 to Mr Warwick Dowse (or his nominee);
 - 3,000,000 to Dr Michael Quinlan (or his nominee);
 - 3,000,000 to Mr Peter Landau (or his nominee).
- (b) the Director Options will be issued for no cash consideration;
- (c) the Director Options will be issued not later than one month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on that date;
- (d) no funds will be raised from the issue of the Director Options as the purpose of the issue is to give the Directors an incentive to provide dedicated and ongoing commitment to the Company; and
- (e) the Director Options will be issued on the terms and conditions set out in section 5.7 of the Explanatory Memorandum;

5.4 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 a general meeting approved the giving of that financial benefit to the related party.

In the current circumstances, the issue of the Director Options to the Directors constitutes a ‘financial benefit’ as defined in the Corporations Act. Further, the Directors are each a ‘related party’ of the Company as defined under the Corporations Act. Accordingly, the proposed issue of Director Options to the Directors will constitute the provision of financial benefits to related parties of the Company.

It is the view of the Directors that the exceptions under the Corporations Act to the provision of financial benefits to related parties 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 Director Options.

5.5 Sections 217 to 227 of the Corporations Act

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefits to be given to the Directors:

- (a) the related parties to whom the financial benefits will be given are Mr Morrow, Mr Dowse, Dr Quinlan and Mr Landau;
- (b) the maximum number of Director Options (being the nature of the financial benefits to be provided) to be issued is:
 - (i) 4,000,000 Director Options to Mr Morrow;
 - (ii) 5,000,000 Director Options to Mr Dowse;
 - (iii) 3,000,000 Director Options to Dr Quinlan; and
 - (iv) 3,000,000 Director Options to Mr Landau.
- (c) the Directors make the following recommendations in relation to Resolutions 5 through 8:
 - (i) the Directors (other than Mr Morrow), who do not have a material personal interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5 as they are of the view that the issue of Director Options to Mr Morrow is appropriate to provide him with an incentive to maximize returns to Shareholders (notwithstanding the fact that the issue of Options to a non-executive Director is not in accordance with the ASX Corporate Governance Council's guidelines for non-executive director remuneration). The Directors (other than Mr Morrow) considered Mr Morrow's experience, the current market price of the Shares and current market practice when determining the number and exercise price of the Director Options to be issued to Mr Morrow. Mr Morrow declined to make a recommendation in relation to Resolution 5 due to the fact that he has a material personal interest in its outcome;
 - (ii) the Directors (other than Mr Dowse), who do not have a material personal interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6 as they are of the view that the issue of Director Options to Mr Dowse is appropriate to provide him with an incentive to maximize returns to Shareholders. The Directors (other than Mr Dowse) considered Mr Dowse's experience, the current market price of the Shares and current market practice when determining the number and exercise price of the Director Options to be issued to Mr Dowse. Mr Dowse declined to make a recommendation in relation to Resolution 6 due to the fact that he has a material personal interest in its outcome; and
 - (iii) the Directors (other than Dr Quinlan), who do not have a material personal interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7 as they are of the view that the issue of Director Options to Dr Quinlan is appropriate to provide him with an incentive to maximize returns to Shareholders (notwithstanding the fact that the issue of Options to a non-executive Director is not in accordance with the ASX Corporate Governance Council's guidelines for non-executive director remuneration). The Directors (other than Dr Quinlan) considered Dr Quinlan's experience, the current market price of the Shares and current market practice when determining the number and exercise price of the Director Options to be issued to Dr Quinlan. Dr Quinlan declined to make a recommendation in relation to Resolution 7 due to the fact that he has a material personal interest in its outcome; and
 - (iv) the Directors (other than Mr Landau), who do not have a material personal interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8 as they are of the view that the issue of Director Options to Mr Landau is appropriate to provide him with an incentive to maximize returns to Shareholders

(notwithstanding the fact that the issue of Options to a non-executive Director is not in accordance with the ASX Corporate Governance Council's guidelines for non-executive director remuneration). The Directors (other than Mr Landau) considered Mr Landau's experience, the current market price of the Shares and current market practice when determining the number and exercise price of the Director Options to be issued to Mr Landau. Mr Landau declined to make a recommendation in relation to Resolution 8 due to the fact that he has a material personal interest in its outcome; and

The Directors currently receive the following emoluments from the Company

Director	Position	Annual Emolument (inclusive of superannuation)
Mr Morrow	Non-executive Chairman	\$76,300
Mr Dowse	Executive Managing Director	\$196,200
Dr Quinlan	Non-executive Director	\$49,050
Mr Landau	Non-executive Director	\$49,050

- (d) the Directors currently have an interest in the following securities in the Company:

Director	Shares	Options
Mr Morrow	-	-
Mr Dowse	-	-
Dr Quinlan	553,751	-
Mr Landau	500,000	10,000

- (e) if Shareholders approve the issue of Director Options to the Directors, and all of the Director Options are exercised, the effect will be to dilute the shareholding of existing shareholders by approximately 3.5% on an undiluted basis based on the number of shares on issue as at the date of this Notice (assuming 422,540,944 Shares on issue). The market price for Shares during the term of the Director Options would normally determine whether or not the Directors exercise the Director Options. If, at the time any of the Director Options are exercised, the Shares are trading on the ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

In the last 12 months preceding the date of this notice, the highest, lowest and last trading price of Shares on ASX are set out below:

	Date	Price
Highest	23/7/07	\$0.062
Lowest	17/10/06	\$0.014
Last	28/9/07	\$0.039

- (f) ASIC in reviewing documents lodged under section 218 relating to the giving of financial benefits to related parties of public companies requires explanatory information regarding the value of the Options proposed to be granted. The value of the Director Options has been calculated internally by the Company using the Black & Scholes pricing model and is set out under 5.6 below; and
- (g) the Directors are not aware of any further information that Shareholders should consider before making a decision to vote on Resolutions 5 through 8.

5.6 Valuation of Director Options

The Director Options have been valued using the Black & Scholes pricing model and based upon the following assumptions:

- (a) the Director Options expire on 30 September 2010 and are all exercisable at \$0.10 per Share;
- (b) the average closing market price of the Shares for the 12 month period prior to the time of the Company agreed to issue the Director Options was \$0.035;
- (c) an annual common volatility factor of 22.1%;

- (d) an interest rate of 6.3%; and
- (e) the valuation date for the Director Options is 5 November 2007;

Based on the above, the Director Options have been valued at \$0.0116 each. The valuation ascribed to the Director Options may not necessarily represent the market price of the Director Options at the date of the valuation.

5.7 Terms and Conditions of Director Options

The material terms and conditions of the Director Options are as follows:

- (a) each Director Option entitles the holder, when exercised, to one Share;
- (b) the Director Options are exercisable at any time prior to 5.00pm (WST) on 30 September 2010 (**Expiry Date**);
- (c) the Director Option exercise price is \$0.10;
- (d) it is not currently intended that the Company will apply for quotation of the Director Options on the ASX;
- (e) all Shares issued upon exercise of the Director Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by the ASX of all Shares issued upon exercise of the Director options;
- (f) 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;
- (g) there are no participating rights or entitlements inherent in the Director Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director 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 Director Options prior to the date for determining entitlements to participate in any such issue;
- (h) 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 optionholder will be varied in accordance with the Listing Rules; and
- (i) in the event of the optionholder ceasing to be a Director of the Company for any reason other than death, this option will terminate ninety (90) days following the date of cessation.

6. OTHER INFORMATION

Should any Shareholder be in doubt as to how they should vote on those Resolutions and/or as to how they may affect them, Shareholders should seek advice from their stockbroker, accountant, solicitor or other professional adviser as soon as possible.

Queries as to the lodgement of proxies and other formalities in relation to the Meeting should be directed to the Company Secretary (telephone: (07) 3229 5755) or 0408 766 657

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Attached to the Notice of Meeting accompanying this Explanatory Memorandum is a proxy form for use by shareholders. All shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person and are eligible to vote, to complete, sign and return the proxy form to the Company in accordance with the instructions contained in the proxy form and the Notice of Meeting. Lodgement of a proxy form will not preclude a shareholder from attending and voting at the Meeting in person.

BIOPROSPECT LIMITED
ABN 58 008 130 336

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:
 - 2 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 2001 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 (or otherwise authenticate it in a manner prescribed by the Corporations Regulations) the proxy form enclosed with this Notice of General Meeting as soon as possible and either:
 - send the proxy form by facsimile to the Company on facsimile number (07) 3229 4655; or
 - send to the Company at Suite 7A, Level 3, 320 Adelaide Street, Brisbane, Queensland 4000; or
 - deliver it to the Company at Suite 7A, Level 3, 320 Adelaide Street, Brisbane, Queensland.

so that it is received no later than 2.00pm (EST) on 2 November 2007.

**PROXY FORM
BIOPROSPECT LIMITED
ABN 58 008 130 336**

ANNUAL GENERAL MEETING

Appointment of Proxy

I/We

Of

being a member of BioProspect 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 Meeting to be held at the Sofitel, 25 Collins Street, Melbourne Victoria, on 5 November 2007 at 2.00pm and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of each resolution.

If you do not wish to direct your proxy how to vote, please place a mark in the 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 that interest.

Voting on Business of the Meeting

		FOR	AGAINST	ABSTAIN
1	Adopt the Remuneration Report (non-binding resolution)	☐	☐	☐
2	Re-election of Dr Michael Quinlan	☐	☐	☐
3	Election of Mr Peter Landau	☐	☐	☐
4	Election of Mr Stephen Morrow	☐	☐	☐
5	Issue of Director Options to Mr Stephen Morrow	☐	☐	☐
6	Issue of Director Options to Mr Warwick Dowse	☐	☐	☐
7	Issue of Director Options to Dr Michael Quinlan	☐	☐	☐
8	Issue of Director Options to Mr Peter Landau	☐	☐	☐

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 2007

By:

Individuals and joint holders

Signature

Signature

Signature

Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary