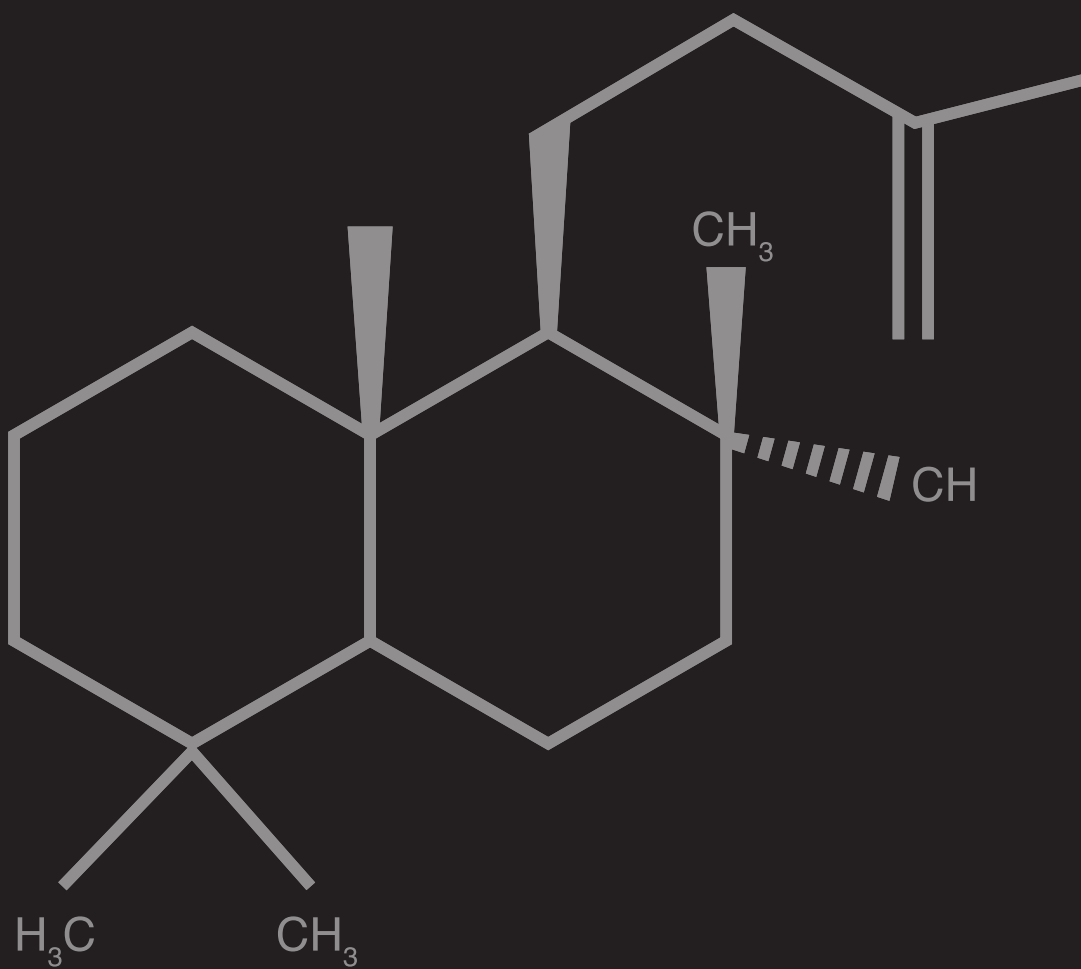


BIOPROSPECT

2012 ANNUAL REPORT

2012
ANNUAL REPORT

BIOPROSPECT



MESSAGE FROM THE CHAIRMAN

Dear Shareholder

On behalf of my fellow Directors, I present to you BioProspect Limited's 2012 Annual Report. As you would be aware 2012 has been a challenging year for the Company. The operating environment for companies of our nature has been difficult.

However, we have made some positive progress in protecting the Company and positioning BioProspect for the coming year.

We have dramatically reduced the costs of running the Company and through the support of our underwriters and major shareholders we will complete our current rights issue to suitably resource the Company for the coming period.

We have restructured the Board and Management and adopted a new governance regime to position ourselves to take advantage of the opportunities of 2013.

We have restructured our holding in Frontier Gasfields which, should the proposed Philippines listing of Frontier Oil Corporation be successful, could result in a significant uplift in the value of that investment.

We have also restructured our human and animal health projects to ensure we are focused on the most targeted way of increasing the value of those assets within the tight, cost-constrained, environment in which we operate.

The future successes of BioProspect will be the result of a team effort and I take this opportunity to thank my fellow directors, our management team and our corporate advisors for their efforts and contribution to BioProspect Limited. I also take this opportunity to thank our shareholders and investors for their support of the Company.

As Chairman, I am committed to building our shareholder wealth in the Company through the diligent focus on our objectives within a culture of strong corporate governance, integrity and the protection of the interests of our shareholders.

I look forward with enthusiasm to the year ahead and the development of the Company as we build on our successes of 2012.



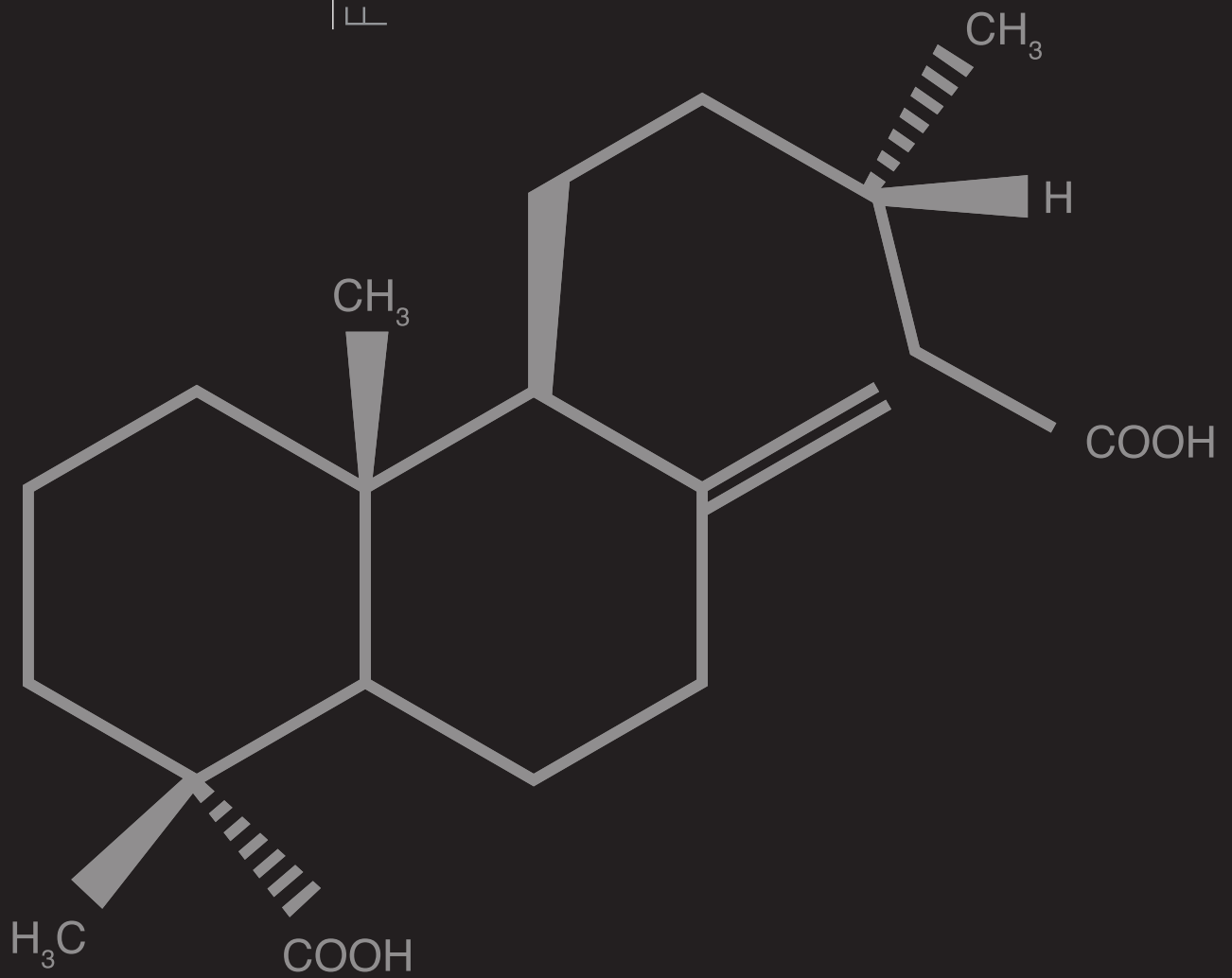
WINTON WILLESEE

Chairman
BioProspect Limited

2012
ANNUAL REPORT

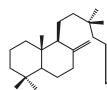


FINANCIAL STATEMENTS



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Corporate Information

ABN 58 008 130 336

This annual report covers BioProspect Limited as a consolidated entity comprising BioProspect Limited and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

Directors

W Willesee	Chairman
C Pellegrino	Non-executive Director
B Cooper	Non-executive Director

Company Secretary

C Johnston

Registered Office

Suite 25 145 Stirling Highway
Nedlands WA 6009
Telephone: (08) 9389 3170
Facsimile: (08) 9389 3199

Solicitors

McCullough Robertson
66 Eagle Street
Brisbane QLD 4000
Lavan Legal
1 William Street
Perth WA 6841

Fairweather Corporate Lawyers
595 Stirling Highway
Cottesloe WA 6011

Bankers

Westpac Banking Corporation

Auditors

William Buck
Level 21, 307 Queen Street
Brisbane QLD 4000

Home Exchange

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

Internet Address

www.bioprospect.com

Share Registry

Computershare Investor Services Pty Limited
117 Victoria Street
West End, QLD 4101
Telephone: 1300 850 505
Facsimile: (03) 9473 2500

Directors' Report

Your directors submit their report for the year ended 30 June 2012.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Winton Willesee (Non-Executive Chairman) BBus, DipEd, PGDipBus, MCom, FFin, CPA, MAICD, ACIS/ACSA.

Mr Willesee is an experienced company director and company secretary. Mr Willesee brings a broad range of skills and experience in strategy, company administration, corporate governance, company public listings, merger and acquisition transactions, reconstructions and corporate finance from his background with listed and unlisted public and other companies.

Mr Willesee holds a Master of Commerce, Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Member of CPA Australia and a Chartered Secretary.

As well as his position with BioProspect Limited, Mr Willesee is currently the Chairman of Cove Resources Limited and Mining Group Limited, a director and company secretary of Base Resources Limited, Coretrack Limited, Newera Resources Limited and Otis Energy Limited and a director of Torrens Energy Limited.

Mr Willesee resides in Perth.

Charles Pellegrino (Non-Executive Director) B.A., B. Bus (Acc)

Mr Pellegrino was appointed Managing Director on 1 November 2009 after his appointment to the board on 1 September 2008 as a non-executive director. His most previous employment was with another ASX listed company, Solagran Limited where he was responsible for international marketing and management of their production facilities over a period of 14 years. Prior to joining Solagran, Mr Pellegrino operated in public practice for approximately fifteen years as an accountant and financial advisor. He is also the founder and Director of the Stanford Group of Companies. Mr Pellegrino resides in Melbourne.

On the 1 April 2012 Mr Pellegrino stepped down as Managing Director and was appointed a non-executive director.

During the past three years Mr Pellegrino has not been a director of any other ASX listed company.

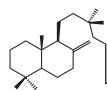
Jacob Khouri (Non-Executive Director)

Mr Khouri was appointed to the board on 16 February 2011. Mr. Khouri is the son of major shareholder Mr Elias Leo Khouri. Jacob has a broad range of corporate experience, having served as a director of Gun Capital Management and has been involved with associated ASX-listed companies Cape Lambert Iron Ore Limited, among others.

Mr Khouri also founded and operates a successful mechanical engineering business, specialising in the design and construction of custom-made off-road vehicles for recreational and commercial use.

Mr Khouri resides in Melbourne. Mr Khouri was appointed as a director of Esperance Minerals Limited on 17 February 2012.

Mr Khouri resigned from the board on 18 September 2012



Directors' Report (continued)

Names, qualifications, experience and special responsibilities (continued)

Benjamin Cooper (Non-Executive Director) Fin Plan, RG 146

Mr Cooper was appointed to the board on 10 April 2012. Mr Cooper is a qualified financial planner and has spent more than 15 years in the capital markets as an investment advisor and company director. Between February 2008 and October 2011 he established and was Managing Director of MetalBank Limited which involved raising \$3m of funding capital. From April 2010 to April 2011 he was a director of Winmar Resources Limited which was formerly St Istvan Gold Limited (ASX: SVG) and successfully managed the restructure and and \$1.8m of capital raising. Between October 2009 and December 2010 Ben was appointed Managing Director of Global Nickel Investments Limited and during that period rationalised the board and management team and successfully raised \$4m through capital raisings.

Mr Cooper resides in Sydney.

Former Directors

Dr Michael Francis Quinlan (Non-Executive Chairman) MBBS, MD, FRACP

Dr Quinlan joined the Board on 28 May 2003. An independent director, Dr Quinlan is a Consultant Physician and a Clinical Professor of Medicine of the University of Western Australia. He was also Professor Foundation Dean of the College of Health and Professor of Medicine of the University of Notre Dame and since 2008 has also been Chancellor of the University. Dr Quinlan holds the position of Chairman of the St John of God Foundation and is a trustee for the St John of God Australia Ltd. He was also a director of the Raine Medical Research Foundation (University of WA) for 21 years and is a Director of the Feilman Foundation, the Ear Science Institute of Australia and the Child Health Research Foundation of WA. Dr Quinlan resides in Perth. During the past three years, Dr Quinlan has not been a director of any other ASX listed companies.

Dr Quinlan resigned from the board on 16 September 2011.

Anthony Langdon (Non-Executive Director)

Mr Langdon was appointed to the board on 1 September 2008. Mr Langdon brought to the company significant experience in project and risk management within both the Government and private sectors. In the Government sector he has been responsible for the planning, co-ordination and completion of a number of multi-million dollar projects. Most recently, Mr Langdon completed strategic business assessments for various private sector interests in Africa and Australia. He has also been responsible for developing business continuity plans for a number of ASX listed and unlisted companies.

Mr Langdon resides in Melbourne. During the past three years, Mr Langdon has not been a director of any other ASX listed companies.

Mr Langdon resigned from the board on 15 August 2011.

EXECUTIVE MANAGEMENT

Peter Donald May (Chief Executive Officer) B. App. Sc. (Hons), MBA, AFAIM, GAICD

Mr May was appointed to the role of CEO of BioProspect on 23 September 2008 and on the 27 November 2009 was appointed to the new position of COO. Due to a management reorganisation Mr May was reappointed CEO on 1 April 2012.

Mr May's career has included positions with CFL, Incitec and Crop Care Australasia, where he managed professional products, toll formulation and international business development. In 2001, he founded his own consulting company Xavca Pty Ltd, where he assisted businesses to evaluate new markets and commercialise products.

Mr May is an active member of the Australian Environmental Pest Managers Association (AEPMA) and has established excellent contacts within the pest control industry in addition to the general agribusiness and animal health sectors.

Directors' Report (continued)

EXECUTIVE MANAGEMENT (continued)

COMPANY SECRETARY

Colin Henry Johnston Dip. Bus Accounting, CPA, GAICD

Mr Johnston was appointed Company Secretary and Chief Financial Officer on 1 March 2004. Mr Johnston is responsible for complying with all the governance requirements of a listed company and preparation of all financial and management reports for the BioProspect group of companies.

Prior to holding this position he held the role of Chief Financial Officer and Company Secretary for Griffin Corporation Australia Pty Ltd for 4 years and prior to that was Finance Manager for Crop Care Australasia Pty Ltd. He has been a CPA for over 35 years and has many years of experience mainly within the Orica Group of Companies (formerly ICI Australia Pty Ltd).

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of BioProspect Limited were:

	Ordinary Shares	Options over Ordinary Shares
W. Willesee	nil	15,000,000
C. Pellegrino	6,000,000	6,000,000
J. Khouri	3,000,000	3,000,000
B. Cooper	nil	nil

DIVIDENDS

No dividends have been paid or provided during the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The consolidated entity has been primarily involved in conducting research and early stage commercialisation activities in the pesticide and agricultural sectors. However, with the purchase of Re Gen Wellness Products Pty Ltd in August 2009 the consolidated entity has also entered the human health and skin care market segments.

On 8 July 2011 at an extraordinary general meeting of shareholders, approval was given to adding a new activity to the nature of the Company's activities to include the exploration, development and production of oil and gas domestically and internationally as well as other associated activities. This investment opportunity is in line with the Company's strategy of increasing shareholder value.

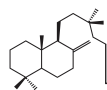
SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than that detailed under Principal Activities above and Review and Results of Operations there have been no significant changes in the state of affairs of the consolidated entity.

REVIEW AND RESULTS OF OPERATIONS

Operating Results for the Year

The consolidated entity generated a loss after tax of \$3,326,955 being \$106,834 higher than 2011. Sales of REGEN® products for the year were \$49,000, which is significantly lower than the 2011 result of \$294,000 reflecting the extremely competitive nature of the health care market segment. Further, the following additional factors contributed to the 2012 financial year trading result:-



Directors' Report (continued)

Operating Results for the Year (continued)

Other Income

- Re Gen Wellness Products received \$44,000 (2011:\$42,000) from the Australian government's Export Market Development Grant for costs associated with establishing markets in Asia;
- Interest earned from bank deposits was \$13,400 which was well below the 2011 actual of \$58,000 reflecting the Company's low cash reserves during the year.

Cash Fixed Costs

Total cash costs for 2012 of \$2,067,127 were lower than 2011 and were the result of the following key reasons:-

- A reduction in legal expenses of \$913,000 following the finalisation of the development agreement dispute with Solagran Limited;
- Research and development costs of \$388,000 were well below the 2011 expenditure of \$721,000 as the company finalised the UAE AGRIPRO® development trial in July 2011;
- Employee costs at \$638,000 were some \$142,000 below 2011 due to reorganisation of key management personnel;
- Sales and marketing expenses decreased by \$51,000 due to a reduction in activities associated with the Re Gen Wellness Product's portfolio (advertising, product samples, trademark searches), promoting the AGRIPRO® and GI-GUARD® brands (trademarks) and corporate advertising; and
- Other administration costs were some \$185,000 lower than 2011 primarily due to the closure of the Melbourne and Brisbane offices and a reduction in other appropriate areas.

Non Cash Expenses

- Impairment provisions of \$300,000 consisted of \$250,000 for the write down of the Nova Vita licence and \$50,000 for goodwill that arose on the acquisition of Re Gen Wellness Products Pty Ltd. (refer to Note 12- Intangibles).

Review of Financial Condition

Capital Structure

During the last twelve months the Company has been able to raise capital when needed due to an excellent relationship with several major shareholders and underwriters, particularly Novus Capital Limited. Please refer to note 21 for specific details of placements and other initiatives that occurred during the year ended 30 June 2012.

Cash Reserves

The Company's cash reserves at the end of the financial year amounted to \$85,321.

Development Projects

AGRIPRO

In 2011 the Company entered into agreements for supply of active ingredients for AGRIPRO® animal health products including conifer green needle complex (CGNC), to undertake further testing of GI-GUARD® Oral Paste for horses in United Arab Emirates (UAE), and for market development activities in the Middle East in support of these products. The trial with GI-GUARD® Oral Paste was subsequently postponed and the decision made to focus on local testing as a lower cost option.

Also in 2011, work was undertaken on development of new improved analytical methods for CGNC, and the development of more accurate and definable product specifications. This was aimed at enhancing the product chemistry package that had previously been submitted to the APVMA (Australian Pesticides & Veterinary Medicines Authority).

In early 2012 a new AGRIPRO® commercialisation strategy was announced focused on local development of natural animal health products including AGRIPRO® Topical Gel, completion of the CGNC product chemistry package, and re-submission of a more complete application for APVMA registration of these products. Progress with this project has been impacted by financial constraints.

Directors' Report (continued)

Development Projects (continued)

FRONTIER (Frontier Gasfields Pty Ltd and Frontier Oil Corporation)

In July 2011 BioProspect shareholders approved the acquisition of up to 75% interest in oil and gas explorer Frontier Gasfields Pty Ltd (Frontier Gasfields). BioProspect subsequently subscribed for 1 million new shares in Frontier Gasfields at \$1 each and issued 150,000,000 BioProspect shares to Frontier Gasfields shareholders as consideration for this initial 25% stake. Under the investment agreement, BioProspect obtained the option to acquire an additional 50% equity in Frontier Gasfields in two tranches of 25% each.

In August 2011 the company announced an increase in interest in Frontier Gasfields from 25% to 50%. Consideration for the 25% shareholding was \$1.25 million, and the issue of 100 million ordinary shares in BioProspect and 100 million options (\$0.03 each, expiring 31 December 2013).

Progress was reported in 2011 on projects in which Frontier Gasfields was associated, including Service Contract 55 (SC55) and SC69, both oil projects offshore from the Philippines, and SC52, an onshore gas project.

In October 2011 and January 2012 the Company provided updates on progress concerning SC52, including details of a farm-in arrangement whereby Frontier Gasfields would hold 30% interest in Nassiping -2 and in the block and be responsible for 25% of the costs associated with the re-entry program. E.F. Durkee & Associates (the initial concession holder) would hold a 20% interest, free carried through the costs of the re-entry program. Frontier Oil Corporation (Frontier Oil), a newly registered Philippines corporation, was to hold the remaining 50% interest, but be responsible for contributing 75% of the Nassiping -2 re-entry costs and assume responsibility as Operator of SC52.

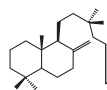
Updates provided in early 2012 have subsequently reported on progress with the re-entry program on SC52 including successful spudding of the well and drilling to the previously drilled depth. An announcement released on 22 February 2012 advised that the perforation program had commenced to enable multiple target zones to be perforated and hence open to the well bore.

On the 27 February 2012 an update on the drilling program was released advising that seven (7) zones of Callao limestone within a gross 200m column were successfully perforated. Despite high surface pressure readings the rig operator was unable to establish a stable and sustainable measurement during testing. A decision was made to cease the test prior to its scheduled conclusion. Plans for a re-entry and stimulation are currently being considered. Any future operations will be dependent upon a thorough analysis of all new and original well log data, pressure readings and flow test results.

On 19 June 2012 the Company announced that it had entered into a Share Sale and Exchange Agreement to sell its 50% shareholding in Frontier Gasfields in exchange for 430,000,000 newly issued shares in Frontier Oil, each having a par value of one Philippine Peso. The issue and allotment of the shares were subject to Frontier Oil shareholder approval and Philippines Securities Exchange Commission (SEC) approval for the corresponding increase in the authorized capital stock of Frontier Oil.

On 27 August 2012 the Company announced that Frontier Oil shareholders had approved the acquisition of BioProspect's 50% interest in Frontier Gasfields and the consequent issue of 430,000,000 new shares in Frontier Oil to BioProspect. At the time Frontier Oil advised planned submission to the SEC with approval anticipated by the end of September 2012. Frontier Oil shareholders also approved at that time the acquisition of the final 25% of Frontier Gasfields from their shareholders such that, subject to SEC approval, Frontier Gasfields would be a wholly owned subsidiary of Frontier Oil.

Subject to SEC approval, after issue of the Frontier Oil shares to BioProspect, BioProspect shareholding will represent approximately 35% of the issued common stock of Frontier Oil on a pre-IPO basis. Frontier Oil intends to list on the Philippines Stock Exchange (PSE) and should the IPO raise the maximum targeted amount of US\$50 million, BioProspect would hold approximately 13% of the issued common stock of Frontier Oil on a post IPO basis (based on the assumption that the IPO is priced at Par which is the minimum allowable under PSE rules).



Directors' Report (continued)

Development Projects (continued)

Re Gen Wellness Products Pty Ltd

Since acquiring Re Gen Wellness Products Pty Ltd in 2009, BioProspect has focused on developing a core range of high quality therapeutic products under the *REGEN*[®] brand. These have included *REGEN*[®] Pain Relief Spray and Gel formulations and *REGEN*[®] Emu Oil Capsules. The Company has over this period also strengthened its product IP with the full registration of the *REGEN*[®] and *DEMURE*[®] trademarks in Australia and overseas markets.

The Company has recently completed a review of options for the Re Gen business focused on the need to conserve resources and avoid over extending financial commitments. This is reflected in financial reports including impairment of goodwill and write-down of some raw material and finished goods stocks. The Company has been working to reduce the ongoing product warehousing and other costs as it refocuses on the value of the product IP. It has also terminated the exclusive distribution agreement with Doward International to enable sales of product through multiple channels.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Financing

On the 16 August 2012 the Company announced the completion of a placement to professional and sophisticated investors within its 15% issuing capacity to raise approximately \$242,000 (gross).

On the 3 September 2012 the Company announced the issue of convertible notes amounting to \$150,000 in exchange for creditors owed to a related party. These creditors represented consulting fees provided by the related party during the 2012 financial year.

On the 4 September 2012 the Company announced the issue of a fully underwritten non renounceable rights issue to raise \$926,085 (gross).

Assets

On 27 August 2012 the Company announced Frontier Oil shareholder approval of the issue of 430,000,000 new shares in FOC to BioProspect. The issue of these shares is still subject to approval by the SEC.

Corporate

On the 18 September 2012 Mr Jacob Khouri (non-executive director) announced his resignation from the board.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely future developments in the activities of the consolidated entity are referred to in the Review of Operations. Other than as referred to in that report, further information as to likely developments in operations of the consolidated entity and likely results of those operations would, in the opinion of the Directors, be speculative and not in the best interests of the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity operates under a licence issued by the Department of Environment and Conservation of Western Australia and a licence issued by the State of Queensland. The licences stipulate restrictions on the collection of endangered species of flora and fauna.

There have been no significant known breaches of the consolidated entity's licence conditions.

Directors' Report (continued)

SHARE OPTIONS

Unissued shares

As at the end of the reporting period, there were 1,319,062,135 unissued ordinary shares under option. The shares will be issued by BioProspect Limited if the options are exercised. Refer to Note 21 of the financial statements for further details of the options outstanding.

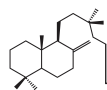
INDEMNIFYING OFFICERS OR AUDITOR

During the year ended 30 June 2012, the company has paid a premium for this policy.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of a Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

This company was not a party to any such proceedings during the year.



Directors' Report (continued)

REMUNERATION REPORT (Audited)

This report outlines the director and executive remuneration arrangements of the company and the group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, key management personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the group, directly and indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the chief operating officer and the chief financial officer/ company secretary.

Details of key management personnel

(i) Directors

W Willesee	Chairman (non-executive) – appointed 16 September 2011
B Cooper	Director (non-executive) – appointed 10 April 2012
C Pellegrino	Managing Director to 1 April 2012, Director (non-executive) from 1 April 2012
J Khouri	Director (non-executive) – resigned 18 September 2012
Dr M Quinlan	Chairman (non-executive) – resigned 16 September 2011
A Langdon	Director (non-executive) – resigned 15 August 2011

(ii) Executives

P. D. May	Chief Executive Officer
C. H. Johnston	Chief Financial Officer/Company Secretary

Compensation by category (KMP and directors)

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	603,936	683,297
Post-employment benefits	22,249	42,834
Share-based payments	152,000	(74,521)
Total compensation	778,185	651,610

Remuneration Philosophy

The performance of the company depends upon the quality of its directors and executives. To perform to satisfactory levels, the company must attract, motivate and retain highly skilled directors and executives.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving the objectives, the Board considers the nature and amount of executive directors' and officers' emoluments in the context of the company's financial and operational performance.

Directors' Report (continued)

REMUNERATION REPORT (audited) (continued)

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set remuneration at a level which provides the company with the ability to attract and retain directors of the appropriate calibre, whilst incurring a cost which is acceptable to shareholders given the size and financial standing of the company.

Structure

The constitution of the company specifies that non-executive directors are entitled to be paid, out of the funds of the company, an amount of remuneration which:

- (a) does not:
 - (i) in any year exceed in aggregate the amount last fixed by ordinary resolution; or
 - (ii) consist of a commission on or percentage of profits or operating revenue; and
- (b) is allocated among them:
 - (i) on an equal basis having regard to the proportion of the relevant year for which each director held office; or
 - (ii) as otherwise decided by the Board.

Each director receives a fee for being a director of the company. According to the constitution of the company, if a director, at the request of the Board performs extra services or makes special exertions (including going or living away from the director's usual residential address), the company may pay that director a fixed sum set by the Board for doing so. Remuneration under this rule may be either in addition to or in substitution for any remuneration to which that director is entitled.

The remuneration of non-executive directors for the period ending 30 June 2012 is detailed in Table 1 on page 13 of this report.

Senior Executives remuneration

Objective

The company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the company and taking into account the size and financial standing of the company and so as to ensure total remuneration is competitive by market standards.

Fixed Remuneration

Objective

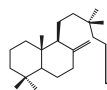
The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of companywide performance and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Variable Remuneration

Objective

The objective of the variable component is to link the achievement of the Group's operational targets with the compensation received by the Chief Executive Officer and the Chief Financial Officer.



Directors' Report (continued)

REMUNERATION REPORT (audited) (continued)

Consequence of company's performance on shareholders' wealth

The Company is committed to maximizing return to shareholders by investing in projects that will contribute value to the Company's assets and ultimately generate income or capital growth. Current *REGEN*[®] and *AGRIPRO*[®] projects are still largely in the development stage.

The Company's investment in Frontier Oil, subject to SEC approval of the issue of the 430,000,000 Frontier Oil shares, will represent approximately 35% of the issued common stock of Frontier Oil on a pre-IPO basis. Frontier Oil plans to list on the PSE and on a post-IPO basis BioProspect will hold approximately 13% of the issued common stock of Frontier Oil.

Shareholder returns

	30/6/12	30/06/11	30/06/10	30/06/09	30/06/08
Share price -cents	0.2	0.8	1.3	1.7	1.8
Shares on issue	1,612,170,347	1,116,570,347	563,113,565	487,040,944	487,040,944
Capitalisation	\$3.2m	\$8.9m	\$7.3 m	\$8.3 m	\$8.8 m
Loss per share -cents	(0.2)	(0.3)	(0.6)	(0.6)	(1.0)

Employment contracts

The company has an employment contract with the Chief Executive Officer as follows:

	Chief Executive Officer
Standard conditions	Salary subject to annual review Statutory superannuation
Term	No fixed term
Notice	3 months

Directors' Report (continued)

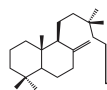
REMUNERATION REPORT (audited) (continued)

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2012

		SHORT TERM		POST EMPLOYMENT		TERMINATION PAYMENT	TOTAL	PORTION OF REMUNERATION COMPRISING SHARE OPTIONS
		SALARY & FEES	MONETARY BENEFITS	SUPER	SHARE BASED PAYMENTS			
		\$	\$	\$	\$	\$	\$	%
Non-executive directors								
W Willesee - Chairman	(a)	51,775	-	-	-	-	51,775	-
B Cooper	(b)	9,810	-	-	-	-	9,810	-
C Pellegrino	(c)	10,900	-	-	-	-	10,900	-
M Quinlan	(d)	10,417	-	938	24,000	-	35,355	67.9
A Langdon	(e)	5,000	-	450	24,000	-	29,450	81.5
J Khouri		43,600	-	-	24,000	-	67,600	35.5
Sub-total non-executive directors		131,502	-	1,388	72,000	-	204,890	35.1
Executive directors								
C Pellegrino	(c)	174,107	-	900	48,000	40,040	263,047	18.2
Other key management personnel (KMP)								
P D May		172,299	8,000	14,951	16,000	-	211,250	7.6
C H Johnston	(f)	77,988	-	5,010	16,000	-	98,998	16.2
Sub-total executive KMP		250,287	8,000	19,961	32,000	40,040	310,248	10.3
Totals		555,896	8,000	22,249	152,000	40,040	778,185	19.5

Non monetary benefits represent motor vehicle allowances.



Directors' Report (continued)

REMUNERATION REPORT (audited) (continued)

- (a) Appointed 16 September 2011
- (b) Appointed 10 April 2012
- (c) C Pellegrino stepped down as Managing Director on 1 April 2012 and was appointed a non-executive director on the same date
- (d) Resigned 16 September 2011
- (e) Resigned 15 August 2011
- (f) Resigned 30 November 2011 but has continued to provide financial and company secretarial advice through a consulting company.

Table 2: Remuneration for the year ended 30 June 2011

	Short-term		POST EMPLOYMENT		TOTAL	PORTION OF REMUNERATION COMPRISING SHARE OPTIONS
	SALARY & FEES	NON MONETARY BENEFITS	SUPER	SHARE BASED PAYMENTS		
	\$	\$	\$	\$	\$	%
Non-executive directors						
Dr M F Quinlan - Chairman	50,000	-	4,500	(44,713)	9,787	-
L Khouri (a)	10,900	-	-	-	10,900	-
A Langdon	40,000	-	3,600	-	43,600	-
J Khouri (b)	16,220	-	-	-	16,220	-
Sub-total non-executive directors	117,120	-	8,100	(44,713)	80,507	-
Executive directors						
C Pellegrino	219,378	-	6,294	-	225,672	-
Other key management personnel (KMP)						
P D May	185,866	12,000	16,110	-	213,976	-
C H Johnston	148,933	-	12,330	(29,808)	131,455	-
Sub-total executive KMP	554,177	12,000	34,734	(29,808)	571,103	-
Totals	671,297	12,000	42,834	(74,521)	651,610	-

(c)

Non monetary benefits represent motor vehicle allowances.

- (a) Resigned 16 September 2010
- (b) Appointed 16 February 2011
- (c) These director options expired on 30 September 2010 at an exercise price of 10 cents per share. Due to the strike price being substantially higher than the current share price, no options were exercised. As a result, a reversal of the original accrual for each director was completed as at 30 June 2011, for a total value of \$74,521.

Directors' Report (continued)

REMUNERATION REPORT (audited) (continued)

Table 3: Compensation options: Granted during the year (consolidated)

Options Issued 14 July 2011

Options issued during the year	34,000,000
Options lapsed during the year	nil
Options exercised during the year	nil
Options on issue at balance date	28,000,000
Exercise date	14/07/2011
Expiry date	31/12/2013
Options exercisable at balance date	28,000,000
Issue price	\$nil
Exercise price	3 cents
Fair value at grant date per option	0.2 cents

Table 4: Option holdings of key management personnel (consolidated)

30 JUNE 2012	BALANCE AT 1 JULY 11	GRANTED AS REMUNERATION	OPTIONS FORFEITED	NET CHANGE OTHER	BALANCE AT 30 JUNE 12	VESTED AT 30 JUNE 12 TOTAL	VESTED %	NON- VESTED %	LAPSED %
DIRECTORS									
W Willesee (a)	-	15,000,000	-	-	15,000,000	15,000,000	100	-	-
C Pellegrino	-	6,000,000	-	-	6,000,000	6,000,000	100	-	-
B Cooper (b)	-	-	-	-	-	-	-	-	-
A Langdon (c)	-	3,000,000	-	(3,000,000)	-	-	-	-	100
J Khouri	-	3,000,000	-	-	3,000,000	3,000,000	100	-	-
E Khouri (d)	-	-	-	-	-	-	-	-	-
Dr M Quinlan(e)	883,382	3,000,000	-	(3,883,382)	-	-	-	-	100
EXECUTIVES									
P May	-	2,000,000	-	-	2,000,000	2,000,000	100	-	-
C Johnston	-	2,000,000	-	-	2,000,000	2,000,000	100	-	-
Total	883,382	34,000,000	-	(6,883,382)	28,000,000	28,000,000			

(a) Appointed 16 September 2011

(b) Appointed 10 April 2012

(c) Resigned 16 September 2011

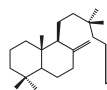
(d) Resigned 15 August 2011

(e) Resigned 30 November 2011

Table 5: Shareholdings of key management personnel (consolidated)

Shares held in BioProspect Limited (number)

30 JUNE 2012	BALANCE 1 JULY 11	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER	BALANCE 30 JUNE 12
DIRECTORS					
W Willesee (a)	-	-	-	-	-
C Pellegrino	-	6,000,000	-	-	6,000,000
B Cooper (b)	-	-	-	-	-
J Khouri	-	3,000,000	-	-	3,000,000
M Quinlan (c)	1,325,072	3,000,000	-	(4,325,072)	-
A Langdon (d)	-	3,000,000	-	(3,000,000)	-
Executives					
P May	652,175	2,000,000	-	-	2,652,175
C Johnston (e)	434,783	2,000,000	-	-	2,434,783
Total	2,412,030	19,000,000	-	(7,325,072)	14,086,958



Directors' Report (continued)

REMUNERATION REPORT (audited) (continued)

Table 5: Shareholdings of key management personnel (consolidated-continued)

- (a) Appointed 16 September 2011
- (b) Appointed 10 April 2012
- (c) Resigned 16 September 2011
- (d) Resigned 15 August 2011
- (e) Resigned 30 November 2011

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings	Eligible to Attend
Number of meetings held	6	
Number of meetings attended:		
W Willesee	5	5
C Pellegrino	6	6
J Khouri	6	6
B Cooper	2	2
Dr M Quinlan	1	1
A Langdon	1	1

Committee membership

As at the date of this report, the company had no separate committees

AUDITOR NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, William Buck. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and *APES 110 Code of Ethics for Professional Accountants*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

William Buck received the following amounts for the provision of non-audit services:

Tax compliance services	\$7,920
Attendance at AGM	\$ 770

Directors' Report (continued)

AUDITOR INDEPENDENCE

The auditor's independence declaration has been received and can be found on page 18.

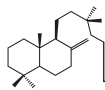
Signed in accordance with a resolution of the directors



Winton Willesee

Chairman

28 September 2012
Melbourne, Victoria



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BIOPROSPECT LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck
William Buck (Qld)
ABN: 11 603 627 400

J. A. Latif
A Member of the Firm

28 September 2012
Brisbane

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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INDEPENDENT FIRMS

STRATEGIC THINKING | TAILORED ADVICE | INTEGRATED SOLUTIONS

CHARTERED ACCOUNTANTS & ADVISORS

Corporate Governance Statement

BIOPROSPECT'S CORPORATE GOVERNANCE IS THE SYSTEM BY WHICH THE COMPANY IS DIRECTED AND MANAGED. IT IS THE FRAMEWORK WITHIN WHICH:

- (a) the company's goals to grow are set, promoted and achieved.
- (b) the BioProspect Board of Directors is accountable to shareholders for the performance of the company.
- (c) the risks of business are identified and managed.

Effective corporate governance structures encourage companies, such as BioProspect to create value, through entrepreneurialism, innovation, development and provide accountability and control systems commensurate with the risks involved.

This statement is presented under revised headings based on the Australian Stock Exchange Corporate Governance Council's (ASXCGC) 8 Essential Principles of Good Corporate Governance and Best Practice Recommendations, issued August 2007.

The ASX on 6 August 2009 released findings of their first review of Corporate Governance Reporting under the revised Principles mentioned above. For each Principle, the ASX have suggested clear statements be made by each company in their annual report as to whether or not they comply with their recommendations. For each recommendation, BioProspect has decided to include a table with references to the company's compliance and where further information can be found. On 30 June 2010, the ASX released some further amendments to the August 2007 document which have been considered by BioProspect in the following disclosures.

Charters and policies referred to are available on BioProspect's internet site.

Lay solid foundations for management and oversight (ASXCGC Principle 1)

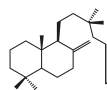
ASX Recommendation 1.1	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> • Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. 	See commentary below and Board Charter	Board Charter

The Board strives to create shareholder value and ensure that shareholders' funds are prudently safeguarded. Its functions as summarised in the Board Charter, are:

- (a) To set the goals and objectives for the Corporation and to ensure a strategic planning process is in place to progress towards achievement of these.
- (b) To monitor progress against a more detailed budget, which reflects the strategic plan, and to ensure that corrective action is taken when necessary.
- (c) To ensure compliance with all statutory requirements, and with self-imposed standards such as those in the environmental and safety areas.
- (d) To ensure that the Board itself operates effectively to enhance the performance of the Corporation.
- (e) To ensure that the Managing Director or Chief Executive Officer and senior executive team of the Corporation are of high calibre, appropriately rewarded and have a clear understanding of their responsibilities and delegated authority.

THE BOARD IS ACCOUNTABLE TO SHAREHOLDERS FOR THE PERFORMANCE OF BIOPROSPECT

BioProspect's shareholders appoint the company's directors and hold them accountable for the performance of the company.



Corporate Governance Statement (continued)

Lay solid foundations for management and oversight (ASXCGC Principle 1) (continued)

ASX Recommendation 1.2	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> Companies should disclose the process for evaluating the performance of senior executives 	See Remuneration Report, 'Remuneration Philosophy' and 'Variable Remuneration' pages 10 to 15.	Remuneration Policy
ASX Recommendation 1.3		
<ul style="list-style-type: none"> An explanation of whether an evaluation of senior executives took place in the financial year; If a performance evaluation of senior executives took place a statement as to whether it was in accordance with the process disclosed; A statement as to where a copy of matters reserved for the board is publicly available; A statement as to where a copy of matters delegated to senior executives is publicly available; and A statement as to where a copy of the board charter is publicly available. 	<p>Formal Evaluation of senior executives for the year ended 30 June 2012 did not take place</p> <p>n/a</p> <p>Yes. BioProspect website</p> <p>Yes. BioProspect website</p> <p>Yes. BioProspect website</p>	<p>Remuneration Policy</p> <p>Board Charter</p> <p>Board Charter</p> <p>Board Charter</p>

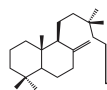
Structure the board to add value (ASXCGC Principle 2)

ASX Recommendation 2.1	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> The majority of the board should be independent directors. 	See commentary below	Board Charter
ASX Recommendation 2.2		
<ul style="list-style-type: none"> The Chair should be an independent director 	See commentary below	Board Charter
ASX Recommendation 2.3		
<ul style="list-style-type: none"> The roles of the chair and chief executive officer (CEO) should not be exercised by the same individual. 	Mr Peter May is the current CEO Mr Winton Willesee is Chairman	Board Charter for Managing Director's or CEO's responsibilities.
ASX Recommendation 2.4		
<ul style="list-style-type: none"> The board should establish a nomination committee. 	See Disclosure of non-compliance with ASX recommendations on page 29.	Not applicable
ASX Recommendation 2.5		
<ul style="list-style-type: none"> Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. 	Available on company's website.	Board Performance Review

Corporate Governance Statement (continued)

Structure the board to add value (ASXCGC Principle 2) (continued)

ASX Recommendation 2.6	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> • The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report; • The names of the directors considered to constitute independent directors and the company's materiality thresholds; • The existence of any of the relationships set out in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of these relationships; • A statement whether or not there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company; • A statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board; • The period of office held by each director in office at the date of the annual report; • The names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out; • Whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; • A description of the procedure for the selection and appointment of new directors and re election of incumbents should be made publicly available; • The charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee should be made publicly available; • The board's policy for the nomination and appointment of directors should be made publicly available. 	<p>See Director's Report page 3.</p> <p>See Structure of the Board below page 22.</p> <p>Not applicable.</p> <p>Yes. See Structure of the Board below page 22.</p> <p>See Director's Report page 3.</p> <p>BioProspect does not have a Nomination Committee. See Disclosure of non-compliance with ASX recommendations on page 29.</p> <p>A formal performance evaluation of the board and directors did not take place during 2012.</p> <p>See Corporate Policy on BioProspect's website</p> <p>Not applicable. See Disclosure of non-compliance with ASX recommendations on page 13.</p> <p>See Corporate Policy on BioProspect's website.</p>	<p>Board Performance Review</p>



Corporate Governance Statement (continued)

Structure the board to add value (ASXCGC Principle 2) (continued)

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

The BioProspect Board Charter was amended and ratified on 31 January 2012 and describes the structure of the Board and its committees and some of the major responsibilities of directors.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the Directors' Report on page 3. Directors of BioProspect Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is evidence to the contrary) if it is equal or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point at the actual ability in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of BioProspect Limited are considered to be independent:

Name	Position	Name	Position
W Willesee	Chairperson	B Cooper	Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each director at the date of this report is as follows:

Name	Term in Office	Name	Term in Office
W Willesee	1.1 year	B Cooper	0.5 years
C Pellegrino	3.9 years		

For additional details regarding Board appointments, please refer to our website.

Board Committees

The Board does not have any separate committees due to the small size of board.

Election of Directors

Non-executive directors are subject to re-election by rotation at least every three years. One-third of the company's non-executive directors (except the Managing Director) are required to retire by rotation at each AGM, with each director being eligible for re-election.

BIOPROSPECT'S ESTABLISHED VALUES UNDERPIN ITS ACTIVITIES

BioProspect's corporate governance culture is critically important to BioProspect's commercial success.

Corporate Governance Statement (continued)

Promote ethical and responsible decision-making (ASXCGC principle 3)

ASX Recommendation 3.1	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> A statement that the entity has established a code of conduct as to the :- <ol style="list-style-type: none"> Practices necessary to maintain confidence in the company's integrity; Practices necessary to take into account their legal obligations and the expectations of their stakeholders; and Responsibilities and accountability of individuals for reporting and investigating reports of unethical practices; an 	See commentary below. Code of Conduct amended and endorsed on 31 January 2012.	Code of Conduct
ASX Recommendation 3.2		
<ul style="list-style-type: none"> Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. 	Company formulated and agreed on a new diversity policy this year	Diversity Policy endorsed on 31 January 2012
ASX Recommendation 3.3		
<ul style="list-style-type: none"> Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. 	No measurable objectives set prior to June 2012	
ASX Recommendation 3.4		
<ul style="list-style-type: none"> Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board. 	See comments below on page 24	

Companies should actively promote ethical and responsible decision-making.

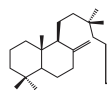
Ethical behaviour is required of directors, executives and all other employees.

Code of Conduct

The Board amended and endorsed a Code of Conduct Policy on 31 January 2012 that formalises the obligations of all BioProspect people including directors to behave ethically, act within the law, avoid conflicts of interest and act honestly in all business activities.

THE CORPORATE GOVERNANCE STRUCTURE SETS THE WAY RISKS ARE IDENTIFIED AND MANAGED

BioProspect's governance structure is designed to ensure that risks of conducting business are properly managed.



Corporate Governance Statement (continued)

Promote ethical and responsible decision-making (ASXCGC principle 3) (continued)

Diversity

The Board designed and endorsed a Diversity Policy on 31 January 2012 that formalises the obligations and responsibilities of directors and senior executives in implementing diversity. As of the date of this report the board had not established separate measurable objectives for the policy.

As of the date of this report the statistics on female employees are as follows:

Total employees	1	Male	1	Female	0
Senior Executives	1	Male	1	Female	0
Total Directors	3	Male	3	Female	0

Safeguard integrity in financial reporting (ASXCGC Principle 4)

ASX Recommendation 4.1	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> The board should establish an audit committee. 	See commentary below page 25	
ASX Recommendation 4.2		
<ul style="list-style-type: none"> The audit committee should consist of: Only non-executive directors; Consists of a majority of independent directors; Is chaired by an independent chair who is not chair of the board; Has at least three members 	See commentary below page 25	
ASX Recommendation 4.3		
<ul style="list-style-type: none"> The audit committee should have a formal charter 	See commentary below. Charter amended and endorsed 31 January 2012.	Audit Committee Charter
ASX Recommendation 4.4		
<ul style="list-style-type: none"> Details of the names and qualifications of those appointed to the audit committee; If the board has not established an audit committee a statement as to how the functions of the audit committee are carried out; The number of meetings of the audit committee; A statement as to where a copy of the audit committee charter is publicly available; and A statement as to the procedures for the selection, appointment and rotation of external audit engagement partners. 	<p>See commentary below page 25</p> <p>See commentary below page 25</p> <p>No separate meetings held</p> <p>Available on BioProspect's website.</p> <p>See commentary below on page 25 and Charter on BioProspect's website.</p>	<p>Audit Committee Charter</p> <p>Audit Committee Charter</p>

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Corporate Governance Statement (continued)

Safeguard integrity in financial reporting (ASXCGC Principle 4) (continued)

Audit Committee

Prior to August 2011 BioProspect had established an Audit Committee that was recently chaired by Mr A Langdon, the other members being Dr Michael Quinlan and Colin Johnston. However, after Mr Langdon's resignation in August 2011 the board decided that due to the limited number of directors the duties of the audit committee would be dealt with by the main board.

At the date of this report the Board does not have a formal audit committee.

The Board however amended and endorsed an Audit Committee Charter on 31 January 2012 in the event that at some time in the future it would have sufficient directors to formally constitute an Audit Committee. The Company adopted it for the full board to use in its role as Audit Committee.

Financial Report Accountability

BioProspect's Chief Executive Officer and the Chief Financial Officer, who are present at Board meetings for discussion of financial matters, are required to state to the Board, in writing, that the company's financial condition and operational results are in accordance with relevant accounting standards and the Corporations Act 2001.

Make timely and balanced disclosure (ASXCGC Principle 5)

ASX Recommendation 5.1	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> • Companies should establish written policies designed to ensure; <ul style="list-style-type: none"> (a) Compliance with ASX Listing Rule disclosure requirements; and (b) To ensure accountability at a senior executive level for that compliance; and • Disclose those policies or a summary of those policies. 	<p>See commentary below- Continuous Disclosure.</p> <p>See commentary below and Corporate Policy available on BioProspect's website.</p>	Continuous Disclosure.
ASX Recommendation 5.2		
<ul style="list-style-type: none"> • A statement as to where the continuous disclosure policy or a summary is publicly available. 	Available on BioProspect's website.	Continuous Disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Continuous Disclosure

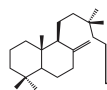
The Board amended and endorsed a Continuous Disclosure Policy on 31 January 2012. This policy stipulates that the company must comply with all laws pertaining to continuous disclosure. The company secretary is responsible for overseeing and administering all continuous disclosure procedures pertaining to BioProspect. The Company Secretary is also responsible for communications with the ASX.

Commentary on Financial Results

BioProspect provides a review of operations and a financial review in this annual report. Quarterly statements of cash flow are announced to the ASX and are made available on the company's internet site.

Respect the rights of shareholders (ASXCGC Principle 6)

ASX Recommendation 6.1	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> • A statement that the entity has designed a communications policy: <ul style="list-style-type: none"> (a) For promoting effective communication with shareholders; and (b) Encouraging shareholder participation at AGM's; and 	See commentary below page 26	Investor Relations



Corporate Governance Statement (continued)

Respect the rights of shareholders (ASXCGC Principle 6) (continued)

ASX Recommendation 6.1(continued)	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> Disclosure that policy or a summary of that policy. 	See commentary below	Investor Relations
ASX Recommendation 6.2		
<ul style="list-style-type: none"> A statement as to where the communications policy or a summary is publicly available. 	Available on BioProspect's website	Investor Relations

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Board amended and endorsed an Investor Relations Policy on 31 January 2012. The objectives of this policy are to promote effective communications with shareholders, promote ready access to balanced and clearly understandable information about BioProspect and easy participation in general meetings.

Where practical, the company uses the latest widely available electronic technology to communicate openly with shareholders and the stock market in general. Announcements to the ASX, significant briefings and notices of meetings are promptly posted on the company's Internet site. Shareholders can request to receive e-mail advices of announcements and copies of the annual report.

Auditor Attends the Annual General Meeting

The external audit firm partner in charge of the BioProspect audit is available to answer shareholder questions at the annual general meeting.

Recognise and manage risk (ASXCGC Principle 7)

ASX Recommendation 7.1	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> Companies should establish policies for the oversight and management and management of material business risks and disclose a summary of those policies. 	See commentary below page 27	Risk Management Policy
ASX Recommendation 7.2		
<ul style="list-style-type: none"> The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. 	See commentary below page 27	
ASX Recommendation 7.3		
<ul style="list-style-type: none"> The board should disclose whether it has received assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks. 	See commentary below page 27 Letter provided annually by CEO and CFO to board. See commentary below page 27	

Corporate Governance Statement (continued)

Recognise and manage risk (ASXCGC Principle 7) (continued)

ASX Recommendation 7.4		
<ul style="list-style-type: none"> • A statement that the board has received the report from management under Recommendation 7.2; • A statement that the board has received assurance from the CEO and CFO under Recommendation 7.3; and • A statement as to where the entity's policies on risk oversight and management of material business risks are publicly available. 	<p>Letter received for year ended 30 June 2012</p> <p>Assurance letter received for year ended 30 June 2012</p> <p>Available on company's website</p>	<p>Risk Management Policy</p>

Companies should establish a sound system of risk oversight and management and internal control.

BioProspect identifies the risks facing its business, assesses the balance of risks and rewards, and optimises the returns from its business to deliver shareholder value.

Business Risks

The Board insists its executives identify and quantify business risks and adopt cost effective strategies to manage BioProspect's exposure. Risk management is a key element of BioProspect's strategic planning, decision making and execution of strategies.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

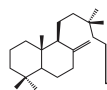
- (a) Board approval of a strategic plan, which encompasses the group's vision statement, designed to meet stakeholder's needs and manage business risk;
- (b) Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPI's of a financial and non-financial nature;
- (c) Conducting specific risk management workshops with the Board and senior executive staff; and
- (d) The Board requires management to report to it on whether the company's material business risks are being managed properly.

Financial Integrity Risks

Management has put into practice procedures and controls to ensure the integrity of its accounting and financial reporting to stakeholders. As part of the process of approving the financial statements, The Chief Operating Officer and the Chief Financial Officer provide statements in writing to the Board on the quality and effectiveness of the company's risk management and internal compliance and control systems.

Legal Compliance Risks

The Board maintains policies and procedures to ensure compliance with all major legal requirements in the conduct of BioProspect's business. The Board oversees and reviews the effectiveness of the risk management systems implemented by management. The Board has assigned responsibility to management whom manages and reports to the Board on business and financial risks and compliance with other legal obligations.



Corporate Governance Statement (continued)

Remunerate fairly and responsibly (ASXCGC Principle 8)

ASX Recommendation 8.1	BioProspect's response	Corporate Policy
<ul style="list-style-type: none"> The board should establish a remuneration committee 	No separate committee established. See Disclosures of Non-Compliance on page 29.	
ASX Recommendation 8.2 <ul style="list-style-type: none"> The remuneration committee should be structured so that it consists of: <ul style="list-style-type: none"> A majority of independent directors; Is chaired by an independent chair; Has at least 3 members. 	No separate committee established. See Disclosures of Non-Compliance on page 29.	
ASX Recommendation 8.3 <ul style="list-style-type: none"> Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives; 	See comment below page 29.	
ASX Recommendation 8.4 <ul style="list-style-type: none"> The names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of the remuneration committee are carried out; The existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee should be publicly available; A summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes should be publicly available. 	<p>No separate committee established. See Disclosures of Non-Compliance on page 29.</p> <p>No retirement benefit schemes exist apart from superannuation</p> <p>No separate committee established. See Disclosures of Non-Compliance on page 29.</p> <p>See comments below page 29</p>	Securities Trading Policy

Companies should ensure that the level and composition of remuneration and that its relationship to performance is clear.

Corporate Governance Statement (continued)

Remunerate fairly and responsibly (ASXCGC Principle 8) (continued)

The Board amended and endorsed a Remuneration Policy on 31 January 2012, which is designed to reward executives with a combination of fixed remuneration and short term incentives structured to drive improvements in share holder value. Other than in exceptional circumstances, non-executive directors are not entitled to incentive payments or a retirement benefit. Employees cannot approve their own remuneration, nor that of their direct subordinates, without their manager's approval.

BioProspect's discussion on Board policy for determining the nature and amount of emoluments of Board members and senior executives of the company and the relationship between such policy and the company's performance is provided in the Remuneration Report section of the Directors' Report on page 12.

Securities Trading

The board amended and endorsed a Securities Trading Policy on 31 January 2012. This policy clearly defines the 'windows' when directors and senior executives cannot trade in the company's securities and prohibits any person from hedge covering.

Disclosure of non-Compliance with ASX Recommendations

Nomination Committee

ASXCGC Principle 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2012, BioProspect did not have a separately established nomination committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the Board's responsibilities. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Board Performance evaluation

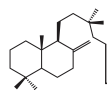
ASXCGC Principle 2.5 requires that a statement be made in the annual report as to whether a formal performance evaluation for the Board has taken place in the reporting period. During the year ended 30 June 2012, BioProspect had not conducted such an evaluation.

Audit Committee.

ASXCGC Principle 4.1 requires that the company has established an audit committee. During the year ended 30 June 2012, BioProspect Limited did not have a formal audit committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the Board's responsibilities. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate audit committee.

Remuneration

ASXCGC Principle 8.1 requires the establishment of a remuneration committee. During the year ended 30 June 2012, BioProspect did not have a separately established remuneration committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the main Board's responsibilities. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate remuneration committee.



Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
Sale of goods		49,147	294,042
Other income	5	72,036	205,202
Revenue		121,183	499,244
Cost of sales		(442,662)	(237,903)
Gross Profit/ (Loss)		(321,479)	261,341
Finance costs	5	(103,817)	(2,360)
Depreciation	5	(22,774)	(14,384)
Employee costs	5	(789,645)	(705,547)
Impairment of intangibles	12	(300,000)	-
Impairment of financial assets	13	(2,758)	-
Research and development expenses		(388,192)	(720,537)
Other expenses	5	(1,648,640)	(2,439,628)
Loss before income tax		(3,577,305)	(3,621,115)
Income tax benefit	6	250,350	400,994
Loss attributable to members of BioProspect Limited		(3,326,955)	(3,220,121)
Basic earnings per share (cents per share)	7	(0.21)	(0.37)
Diluted earnings per share (cents per share)	7	(0.21)	(0.37)

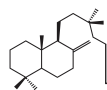
The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$	\$
Loss for the period	(3,326,955)	(3,220,121)
Other comprehensive income		
Net loss on revaluation of available for sale financial assets	(23,908)	(69,842)
Total other comprehensive income for the period net of tax	(23,908)	(69,842)
Total comprehensive income attributable to members of BioProspect	(3,350,863)	(3,289,963)

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



Consolidated Statement of Financial Position

AS AT 30 JUNE 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	8	85,321	1,718,019
Trade and other receivables	9	47,752	133,405
Inventories	10	169,034	638,945
Prepayments		9,091	9,790
Total Current Assets		311,198	2,500,159
Non-current Assets			
Intangibles	12	-	300,000
Available for sale investments	13	5,161,553	453,981
Property, plant and equipment	14	3,532	22,673
Total Non-current Assets		5,165,085	776,654
TOTAL ASSETS		5,476,283	3,276,813
LIABILITIES			
Current Liabilities			
Trade and other payables	15	653,881	560,131
Share application funds received	16	-	1,494,547
Provisions	17	24,258	32,665
Total Current Liabilities		678,139	2,087,343
Non-current Liabilities			
Borrowings	18	2,250,000	-
Provisions	20	-	11,933
Other payables	19	103,817	-
Total Non-current Liabilities		2,353,817	11,933
TOTAL LIABILITIES		3,031,956	2,099,276
NET ASSETS		2,444,327	1,177,537
EQUITY			
Issued capital	21 (a)	35,459,988	31,210,774
Reserves		2,911,950	2,567,419
Accumulated losses		(35,927,611)	(32,600,656)
TOTAL EQUITY		2,444,327	1,177,537

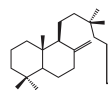
The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital	Accumulated Losses	Available for Sale Financial Assets Revaluation Reserve	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2010	28,084,860	(29,380,535)	93,750	2,299,477	1,097,552
Comprehensive income					
Loss for the period	-	(3,220,121)	-	-	(3,220,121)
Other comprehensive income					
Available for sale financial assets	-	-	(69,842)	-	(69,842)
Total comprehensive income	-	(3,220,121)	(69,842)	-	(3,289,963)
Transactions with owners					
Shares issued	3,511,784	-	-	-	3,511,784
Share issue costs	(385,870)	-	-	-	(385,870)
Option Funds Received	-	-	-	318,555	318,555
Expiry of KMP options	-	-	-	(74,521)	(74,521)
Total transactions with owners	3,125,914	-	-	244,034	3,369,948
At 30 June 2011	31,210,774	(32,600,656)	23,908	2,543,511	1,177,537
At 1 July 2011	31,210,774	(32,600,656)	23,908	2,543,511	1,177,537
Comprehensive income					
Loss for the period	-	(3,326,955)	-	-	(3,326,955)
Other comprehensive income					
Available for sale financial assets	-	-	(23,908)	-	(23,908)
Total comprehensive income	-	(3,326,955)	(23,908)	-	(3,350,863)
Transactions with owners					
Shares issued	4,296,400	-	-	-	4,296,400
Share issue costs	(47,186)	-	-	-	(47,186)
Share options issued	-	-	-	368,439	368,439
Total transactions with owners	4,249,214	-	-	368,439	4,617,653
At 30 June 2012	35,459,988	(35,927,611)	-	2,911,950	2,444,327

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
Cash flows from operating activities			
Receipts from customers		52,397	294,474
Grants Received		55,383	42,346
Payment to suppliers and employees		(1,654,666)	(3,578,748)
Research and development expenditure		(216,647)	(827,294)
Income tax R&D offset received		250,350	400,994
Net cash flows used in operating activities	8 (a)	(1,513,183)	(3,668,228)
Cash flows from investing activities			
Interest received		32,719	38,874
Purchase of plant and equipment		(3,633)	(4,751)
Proceeds from sale of available for sale investments		37,649	299,435
Investment in Frontier Gasfields	13	(2,625,000)	(375,000)
Net cash flows used in investing activities		(2,558,265)	(41,442)
Cash flows from financing activities			
Proceeds from issues of shares and options		198,000	3,580,340
Unissued equity funds received		-	1,494,547
Transaction costs of issue of shares		(9,250)	(385,870)
Proceeds from issue of convertible notes		2,250,000	-
Net cash flows from financing activities		2,438,750	4,689,017
Net (decrease)/increase in cash and cash equivalents		(1,632,698)	979,347
Cash and cash equivalents at beginning of the year		1,718,019	738,672
Cash and cash equivalents at end of the year	8	85,321	1,718,019

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

The financial statements of BioProspect Limited and Controlled Entities for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors 28 September 2012.

BioProspect Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements cover the consolidated entity of BioProspect Limited and its controlled entities.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general-purpose financial statements which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial statements have been prepared on a going concern basis. As disclosed in note 21 the consolidated entity's ability to continue as a going concern is dependent upon its ability to generate sufficient cash from future operations and to raise additional capital.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

(b) New accounting standards for Application in Future Periods

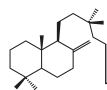
The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the consolidated entity has decided not to early adopt. A discussion of those future requirements and their impact on the consolidated entity is as follows:

AASB 9: Financial Instruments, AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013). In December 2011 the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment shortly.

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The changes also incorporate the classification and measurement requirements for financial liabilities, and the recognition and derecognition requirements for financial instruments. The consolidated entity has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value
- simplifying the requirements for embedded derivatives
- removing the tainting rules associated with held-to-maturity assets
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards for Application in Future Periods (continued)

- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows

AASB 10 Consolidation (applicable for annual reporting periods commencing on or after 1 January 2013)

This standard supersedes AASB 127 and establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The Standard:

- requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and
- sets out the accounting requirements for the preparation of consolidated financial statements.

The consolidated entity has not yet assessed the impact of this Standard

AASB 127 Separate Financial Statements (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 127 was amended as a result of the issuance of AASB 10 and now contains only the accounting requirements to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. AASB 127 requires investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with AASB 9 Financial Instruments.

The consolidated entity has not yet assessed the impact of this Standard

AASB 11 Joint Arrangements (applicable for annual reporting periods commencing on or after 1 January 2013)

This standard supersedes AASB 131 and under AASB 11 there are only two types of joint ventures, joint operations and joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. Joint operations will be accounted for by the operator recognising:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The option to proportionately consolidate joint ventures has been removed and accordingly, all joint ventures must be accounted for using the equity method.

The consolidated entity has not yet assessed the impact of this Standard.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards for Application in Future Periods (continued)

AASB 128 Investments in Associates and Joint Ventures (applicable for annual reporting periods commencing on or after 1 January 2013)

AASB 128 was amended as a result of the issuance of AASB 10 and AASB 11 and prescribes the accounting requirements for investments in associates and the application of the equity method when accounting for investments in associates and joint ventures.

The consolidated entity has not yet assessed the impact of this Standard.

AASB 12 Disclosure of Interests in Other Entities (applicable for annual reporting periods commencing on or after 1 January 2013)

AASB 12 provides the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. As such, it consolidates and replaces disclosure requirements contained in many existing Standards.

The consolidated entity has not yet assessed the impact of this Standard

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard gives effect to many consequential changes arising from the issuance AASB 10 Consolidation, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities, and accordingly, the consolidated entity has not yet assessed the impact of this Standard.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013)

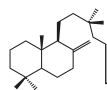
These standards provide a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets, but not liabilities.

The consolidated entity has not yet assessed the impact of these Standards.

AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] and 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (applicable for annual reporting periods commencing on or after 1 January 2013)

These standards amend the accounting requirements for employee benefits and in particular pensions and other post retirement benefits. The amendments:

- Require recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements;
- Introduce enhanced disclosures about defined benefit plans;
- Require employee benefits not settled wholly before twelve months after the end of the annual reporting period to be captured as an 'other long term benefit' rather than 'short term benefits', and whilst presented as a current item in the statement of financial position such benefits would be measured differently under the amendments;
- Modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits;



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards for Application in Future Periods (continued)

- Clarify miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features; and
- Incorporate other matters submitted to the IFRS Interpretations Committee.

The consolidated entity has not yet assessed the impact of these Standards.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and State, Territory and Local Governments.

Subject to AASB 1049, General Government Sectors of the Australian Government and State and Territory Governments would also apply Tier 1 reporting requirements.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific 'RDR' disclosures.

This Standard is not expected to impact the consolidated entity.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applicable for annual reporting periods commencing on or after 1 January 2012)

This standard provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 Investment Property. This Standard is not expected to impact the consolidated entity.

AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applicable for annual reporting period commencing on or after 1 January 2013)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards for Application in Future Periods (continued)

This standard provides relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. This Standard is not expected to impact the consolidated entity.

AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 2011-2 establishes reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project. This standard is not expected to impact the consolidated entity.

AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

This Standard makes amendments to AASB 1049 Whole of Government and General Government Sector Financial Reporting to amend the definition of the ABS GFS Manual, provide relief from adopting the latest version of the ABS GFS Manual, and require related disclosures where the latest version of the ABS GFS Manual has not been applied. The standard is not expected to impact the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (applicable for annual reporting periods commencing on or after 1 July 2013).

This standard removes all the individual key management personnel disclosures contained in Aus paragraphs 29.1 to 29.9.3 of AASB 124. The changes apply to each disclosing entity, or group of which a disclosing entity is the parent that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act for their first annual reporting period beginning on or after 1 July 2013.

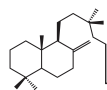
AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131] (applicable for annual reporting periods commencing on or after 1 July 2013).

This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements, as stated above. The standard is not expected to impact the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012)

The amendments require entities to group items of other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments further require that if items of OCI are presented before tax then the tax related to each of the two groups of OCI (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately. The amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor do they change the option to present items of OCI either before tax or net of tax. The consolidated entity has not yet assessed the impact of this standard.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2013)



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards for Application in Future Periods (continued)

This Interpretation outlines the accounting requirements in relation to surface mining operations, where entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping' and Interpretation 20 considers when and how to account separately for the associated benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. IFRIC 20 only deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). The standard is not expected to impact the consolidated entity.

AASB 2011-13 Amendments to Australian Accounting Standard – Improvements to AASB 1049 (applicable for annual reporting periods commencing on or after 1 July 2012)

This standard clarifies some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting to improve the GAAP/GFS harmonisation financial reporting requirements of the Commonwealth, State and Territory Governments. The standard is not expected to impact the consolidated entity.

AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141] (applicable for annual reporting periods commencing on or after 1 July 2013)

This standard sets out reduced disclosure requirements for Tier 2 entities to apply in relation to AASB 13 Fair Value Measurement. It also amends reduced disclosure requirements of other Australian Accounting Standards that were amended as a consequence of the issuance of AASB 13 *Fair Value Measurement*. This standard is not expected to impact the consolidated entity.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132] (applicable for annual reporting periods commencing on or after 1 January 2013)

This standard principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The standard is not expected to impact the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (applicable for annual reporting periods commencing on or after 1 January 2014)

This standard adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The standard is not expected to impact the consolidated entity.

AASB 2012-4 Amendments to Australian Accounting Standards – Government Loans [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2013)

This standard adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 First-time Adoption of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 Financial Instruments: Recognition and Measurement (or AASB 9 Financial Instruments) and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards. The standard is not expected to impact the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2] (applicable for annual reporting periods commencing on or after 1 January 2013)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards for Application in Future Periods (continued)

This standard makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including permitting the repeat application of AASB 1 and clarification of the comparative information requirements when an entity provides a third statement of financial position (AASB 101 Presentation of Financial Statements). The standard is not expected to impact the consolidated entity.

The consolidated entity does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of BioProspect Limited and its controlled entities as at 30 June each year (the consolidated entity).

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of BioProspect Limited and its subsidiaries is Australian dollars (A\$). Each entity in the Group determines its own functional currency using the currency of the primary economic environment in which the entity operates and items included in the financial statements of each entity are measured using that functional currency.

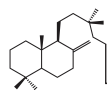
(ii) Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All exchange differences are taken to profit and loss when incurred.

(e) Segment reporting

Operating segments are identified and segment information is 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 measures which are consistent with those used in preparing the Income Statement, Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the annual financial statements 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.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Rendering of services

Revenue is recognised immediately when performance of the service has been completed.

(iv) Licence fee

Revenue is recognised when control of the goods has passed to the buyer or performance of the service has occurred.

All revenue is stated net of the amount of GST.

(g) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised as a liability and amortised on a straight line basis in the income statement as an integral part of the total lease expense over the life of the lease term.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

Trade receivables, which generally have 30 day terms are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through the profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

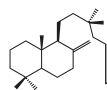
When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the income statement and the related assets are classified as current assets in the statement of financial position.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables including loan notes and loans to KMP are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current.

(iv) Available-for-sale securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not suitable to be classified as any of the three preceding categories. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(v) Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(n) Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes directly in equity and discloses this in the statement of comprehensive income.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investment in associate (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(o) Income tax

The income tax expense (income) for the year comprises current income tax expense and deferred tax expense (income).

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

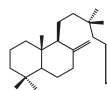
- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference cannot be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

Research and development tax offset claims are recognised as a tax benefit when it is probable that the economic benefits will flow into the entity and the amount can be reliably measured.

BioProspect Limited and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

(p) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred. Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Category of plant & equipment	Useful life	Useful life
	2012	2011
Office Equipment	4-5 yrs	4-5 yrs
Computer Hardware	2.5 yrs	2.5 yrs
Furniture & Fittings	2.5-5 yrs	2.5-5 yrs

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted, at the end of each reporting period.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which expenditure is incurred.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at the end of each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research and development costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any finite life expenditure so capitalised is amortised over the period of expected benefits from the related project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

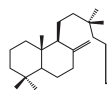
(s) Impairment of non financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(t) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of the goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(w) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employee's services up to the end of reporting period. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities for annual leave and long service leave are recognised in current and non-current provisions and are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

As of the 30 June 2012, the Group did not have any employees with significant service to necessitate a provision for long service leave.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Share-based payment transactions

Equity settled transactions

The Group provides benefits to its employees and directors in the form of share-based payments, whereby employees and directors render service in exchange for shares or rights over shares (equity-settled transactions).

During the year ended 30 June 2012 there were issues of 19,000,000 ordinary shares and 34,000,000 options (BPOO) expiring 31 December 2013 at an exercise price of 3 cents per share, to directors and senior executives.

There were no issues of shares to directors or executives during the year ended 30 June 2011.

(y) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(z) Earnings per share

Basic earnings per share (EPS) is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) Business combinations

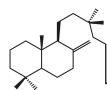
Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting date to fair value, recognising each change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the Income Statement.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) *Significant accounting judgment*

Impairment of assets and investments

The group determines whether non-current assets should be assessed for impairment based on identified impairment triggers. At the end of each reporting period management assesses the impairment triggers based on their knowledge and judgement. Where an impairment trigger is identified, an estimate of future cash flows or fair value is required.

(ii) *Significant accounting estimates and assumptions*

Contingent Liabilities and Contingent Assets

The group assesses contingent liabilities and contingent assets at the end of each reporting period and will account for them only if:-

- (a) they can be reliably measured;
- (b) the probability that an asset or liability will eventually be recognised is greater than remote; and
- (c) the items are considered material.

4. SEGMENT REPORTING

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 Qcide®, the natural insecticide derived from *Eucalyptus cloeziana* and the range of products based on plant extracts derived from coniferous trees (known as Conifer Green Needle Complex or CGNC) that are marketed under the AGRIPRO® and GI-Guard® brands (trademarks).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

4. SEGMENT REPORTING (continued)

(ii) Human Health/Skin Care

This market segment includes the income and expenditures pertaining to the emu oil based product range distributed through Re Gen Wellness Products Pty Ltd and marketed as *REGEN*[®]. The segment also includes the *DEMURE*[®] skin care product range.

(iii) Mining and Gas Exploration

This market segment includes the income and expenditures pertaining to the investment opportunity through Frontier Gasfields Pty Ltd and subsequently Frontier Oil Corporation.

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 (i.e. prepayments, inventories, sundry debtors). Corporate fixed assets such as computer equipment and furniture and fittings have not been allocated to market segments.

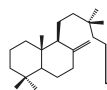
Segment liabilities

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.

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;
- Income tax expense or credit;
- Fixed assets;
- Borrowings;
- Convertible notes;
- Unallocated share application funds; and
- Other payables.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

4. SEGMENT REPORTING (continued)

(i) Segment performance

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
30 June 2012	\$	\$	\$	\$
Revenue				
External sales	49,147	3,250	-	52,397
Export Market Grant received	55,383	-	-	55,383
Total segment revenue	104,530	3,250	-	107,780
Inter-segment elimination	-	-	-	-
Unallocated revenue				13,403
Total consolidated revenue				121,183

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
30 June 2012	\$	\$	\$	\$
Segment net profit/(loss) before tax	(1,058,068)	(869,550)	(495,600)	(2,423,218)
<i>Reconciliation of segment result to group net loss before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
• Depreciation				(22,774)
Unallocated items:				
• Interest received				13,403
• Other corporate costs				(1,144,716)
Net loss before tax				(3,577,305)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

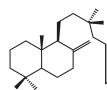
4. SEGMENT REPORTING (continued)

(i) Segment performance (continued)

30 June 2011

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
	\$	\$	\$	\$
Revenue				
External sales	294,042	-	-	294,042
Profit on sale of investments	-	104,666	-	104,666
Export market grant received	42,346	-	-	42,346
Total segment revenue	336,388	104,666	-	441,054
Inter-segment elimination	-	-	-	-
Unallocated revenue				58,190
Total consolidated revenue				499,244

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
	\$	\$	\$	\$
30 June 2011				
Segment net loss before tax	(667,343)	(1,274,646)	-	(1,941,989)
<i>Reconciliation of segment result to group net loss before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
• Depreciation				(14,384)
Unallocated items:				
• Interest received				58,190
• Other corporate costs				(1,722,932)
Net loss before tax				(3,621,115)



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

4. SEGMENT REPORTING (continued)

(ii) Segment assets

	Human Health/Skin Care	Agriculture/Animal Health	Mining and Gas	Total
	\$	\$	\$	\$
30 June 2012				
Segment assets	171,105	24,338	5,161,553	5,356,996
Unallocated assets				
• Cash				85,321
• Other				33,966
Total assets				5,476,283

	Human Health/Skin Care	Agriculture/Animal Health	Mining and Gas	Total
	\$	\$	\$	\$
30 June 2011				
Segment assets	893,385	215,788	375,000	1,484,173
Unallocated assets				
• Cash				1,718,019
• Other				74,621
Total assets				3,276,813

(iii) Segment liabilities

	\$	\$	\$	\$
30 June 2012				
Segment liabilities	21,952	273,558	922	296,432
Unallocated liabilities				2,735,524
Total liabilities				3,031,956

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

4. SEGMENT REPORTING (continued)

(iii) Segment liabilities (continued)

30 June 2011

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
	\$	\$	\$	\$
Segment liabilities	369,923	153,426	-	523,349
Unallocated liabilities				1,575,927
Total liabilities				2,099,276

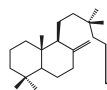
(iv) Revenue by geographical region

Australia

Revenue for the 2012 year consisted of \$49,147 of *REGEN*[®] product sales, sales of surplus *Eremophila mitchellii* timber of \$3,250, an export market development grant of \$55,383 and bank interest of \$13,403. For the 2011 year revenue consisted of \$294,042 of *REGEN*[®] product sales, an export market development grant of \$42,346, bank interest of \$58,190 and a gain on disposal of listed investments of \$104,666.

(v) Assets by geographical region

All assets reside in one geographical region being Australia.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
5. REVENUES AND EXPENSES		
(a) Other Income		
Sale of surplus timber	3,250	-
Bank interest received and receivable	13,403	58,190
EMDG Grant received	55,383	42,346
Profit on sale of investments	-	104,666
	<u>72,036</u>	<u>205,202</u>
(b) Finance costs		
Finance charges payable under operating lease	-	(2,360)
Interest charges payable under convertible notes	(103,817)	-
	<u>(103,817)</u>	<u>(2,360)</u>
(c) Depreciation		
Plant and Equipment	(22,774)	(14,384)
	<u>(22,774)</u>	<u>(14,384)</u>
(d) Employee benefits expense		
Wages and salaries	(483,853)	(590,797)
Directors fees	(131,502)	(117,120)
Superannuation	(23,195)	(45,680)
Allowances/leave	905	(26,471)
Share based payments	(152,000)	74,521
	<u>(789,645)</u>	<u>(705,547)</u>
(e) Other expenses		
Consulting and advisory expenses	(862,598)	(505,184)
Legal fees	(217,234)	(1,130,498)
Listing fees	(63,095)	(52,826)
Share registry charges	(21,966)	(31,379)
Sales and marketing	(204,793)	(256,216)
Other administration expenses	(278,954)	(463,525)
	<u>(1,648,640)</u>	<u>(2,439,628)</u>

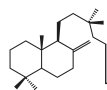
Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
6. INCOME TAX		
Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(3,577,305)	(3,621,115)
At the statutory tax rate of 30% (2011: 30%)	(1,073,192)	(1,086,334)
Research and development deduction	-	(32,746)
Entertainment	1,159	1,848
Share based payments	227,805	(22,356)
Other	-	383,779
	(844,228)	(755,809)
Tax effect of temporary differences and current year loss not brought to account	844,228	755,809
Add back R&D tax offset received (see note 2 (o))	250,350	400,994
Aggregate income tax benefit	250,350	400,994
Deferred tax asset arising from tax losses not brought to account at the end of the reporting period as realisation is not regarded as probable	6,006,448	4,440,332

The potential deferred tax asset will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

6. INCOME TAX (continued)

The Group has tax losses arising in Australia of \$20,021,492 (2011: \$14,801,107) with a further \$2,168,276 capital losses as at 30 June 2012 (2011: \$140,225). The continued availability of these losses depends on the ability of the parent to satisfy the requirements of the continuity of ownership test (COT) or alternatively the same business test (SBT).

At 30 June 2012, there is no recognised or unrecognised deferred tax liability (2011: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associate, as the Group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, BioProspect Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. However, as the Group has accumulated tax losses of \$20,021,492 with the majority of this in the hands of the head entity, it will be some time before the Group will actually incur a tax liability.

Tax accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding arrangement. The tax funding arrangement provides for the allocation of current taxes to members of the tax consolidated group in accordance with the available fractions belonging to each subsidiary, which is directly linked to prior year losses that have been accumulated. In the event of the company generating future taxable profits, the tax losses will be absorbed according to the available fractions within the group.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, BioProspect Limited. The group has applied the stand alone approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

7. EARNINGS PER SHARE

	COMPANY	
	2012 \$	2011 \$
Net loss attributable to equity holders of the company	(3,326,955)	(3,220,121)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	1,573,132,096	859,402,201

Due to the consolidated entity incurring an operating loss, options do not have a dilutive effect. The share options on issue as detailed in Note 21 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2012. These options could potentially dilute basic earnings per share in the future.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
8. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	85,321	224,019
Short-term deposits	-	1,494,000
	<u>85,321</u>	<u>1,718,019</u>

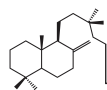
Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one month and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

	CONSOLIDATED	
	2012	2011
	\$	\$
(a) Reconciliation of loss after tax to net cash flows from operations:		
Net loss	(3,326,955)	(3,220,121)
Adjustments for:		
Depreciation	22,774	14,384
Impairment of intangibles	300,000	-
Impairment of available for sale investments	2,758	-
Interest received	(13,403)	(38,874)
Interest paid convertible notes	103,817	-
Share based payments to directors and KMP	152,000	(74,521)
Share based payments to consultants	607,350	-
Profit on sale of available for sale investments	-	(104,666)
Loss on sale of available for sale investments	14,073	-
Changes in assets and liabilities		
(Increase)/ decrease in trade and other receivables	80,383	(63,885)
(Increase)/ decrease in inventories	469,911	(478,102)
(Increase)/ decrease in prepayments	699	3,845
(Decrease) / increase in trade and other payables	93,750	350,328
(Decrease) / increase in other non-current payables	-	(83,087)
(Decrease) / increase in employee entitlements	(20,340)	26,471
Net cash used in operating activities	<u>(1,513,183)</u>	<u>(3,668,228)</u>

(b) Non cash financing and investing activities

	CONSOLIDATED	
	2012	2011
	\$	\$
Issue of 56,000,000 shares to consultants for services rendered	438,400	-
Issue of 100,000,000 options to consultants for services rendered	168,950	-
Issue of 19,000,000 shares to Directors and KMP	152,000	-
Issue of 19,000,000 options to Directors and KMP	33,590	-
Issue of 15,000,000 options to Winton Willesee	4,345	-
Issue of 250,000,000 shares to Frontier Gasfields shareholders as part of acquisition cost	2,000,000	-
Issue of 100,000,000 options to Frontier Gasfields shareholders as part of acquisition cost	161,553	-
Issue of 25,000,000 shares to Nova Vita Pty Ltd for payment of licence	-	250,000
	<u>2,958,838</u>	<u>250,000</u>



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
9. TRADE AND OTHER RECEIVABLES		
Trade debtors	-	768
Other debtors	47,752	132,637
	<u>47,752</u>	<u>133,405</u>

Terms and conditions

- (i) Trade debtors are non-interest bearing and generally on 30 day terms. A provision for impairment is made when there is objective evidence that a trade receivable is impaired.
- (ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms of 30 days. A provision for impairment is made when there is objective evidence that a sundry debtor or other receivable is impaired.
- (iii) None of the trade and other receivables are contractually overdue.

Due to the short-term nature of these receivables their carrying amounts are assumed to approximate their fair value.

	CONSOLIDATED	
	2012	2011
	\$	\$
10. INVENTORIES		
Finished goods		
Re Gen finished goods	268,336	314,878
Plant extracts at cost	-	927,110
Stock provision	(161,002)	(927,110)
Total finished goods	<u>107,334</u>	<u>314,878</u>
Raw materials		
Re Gen raw materials and work in progress	267,010	223,422
CGNC and other raw materials	66,049	100,645
Stock provision	(271,359)	-
Total raw materials	<u>61,700</u>	<u>324,067</u>
Total inventories	<u>169,034</u>	<u>638,945</u>
11. INVESTMENT IN ASSOCIATE HELD FOR SALE		
Investment in Astrum (a)	-	-

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

11. INVESTMENT IN ASSOCIATE HELD FOR SALE (continued)

	Ownership interest	
	2012	2011
(a) Astrum Therapeutics Pty Ltd – Ordinary shares	28.76%	28.76%

(i) Astrum Therapeutics Pty Ltd is an unlisted Australian drug discovery company focused on Type 2 Diabetes Mellitus ("T2DM").

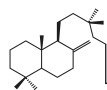
The following table illustrates summarised financial information relating to the Group's investment in Astrum Therapeutics Pty Ltd.

	CONSOLIDATED	
	2012	2011
	\$	\$
(i) <i>Share of associate's profits (losses).</i>		
Revenue	-	-
Profit / (loss) before income tax	-	-
Income tax expense	-	-
Profit / (loss) after income tax expense	-	-
(ii) <i>Carrying amount of investment in associate</i>		
Balance at the beginning of the financial year	-	-
- share of associates net profit (losses) for the financial year	-	-
- impairment write down	-	-
Carrying amount of investment in associate at the end of the year (1)	-	-
(iii) <i>Accumulated losses of the consolidated entity attributable to associate</i>		
Balance at the beginning of the financial year	596,762	596,762
Share of associates net profit (losses)	-	-
Balance at the end of the financial year	596,762	596,762
(iv) <i>Share of associate's statement of financial position</i>		
Current assets	-	-
Non-current assets	-	-
Current Liabilities	-	-
Net assets	-	-

(1) As the carrying value of the investment is recorded as nil, no further share of loss was taken up in 2012 or 2011.

(b) Current Asset classification

The directors of BioProspect have not changed their position since June 2007 and still seek a potential investor to acquire their current 28.76% shareholding in Astrum Therapeutics.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

12. INTANGIBLES

	CONSOLIDATED	
	2012	2011
	\$	\$
Licence		
Nova Vita licence		
At cost	250,000	250,000
Accumulated amortisation	-	-
Impairment	(250,000)	-
Net carrying amount	-	250,000
Goodwill		
Re Gen Wellness Products Pty Ltd		
At cost	50,000	50,000
Additions	-	-
Impairment	(50,000)	-
Net carrying amount	-	50,000
Reconciliation of carrying amount		
Net carrying amount at beginning of year	300,000	50,000
Additions	-	250,000
Amortisation	-	-
Impairment	(300,000)	-
Net carrying amount	-	300,000

Nova Vita Licence

As announced on 19 January 2011, the Company issued 25,000,000 ordinary shares to Nova Vita Pty Ltd in consideration of their assignment of their rights to manufacture and supply the L'AZURE™ range of cosmetics based on natural plant extracts.

Under the terms of the agreement, BioProspect has been assigned ownership of all intellectual property related to the L'AZURE™ products. This includes formulas, brands and trademarks, and exclusive rights to the supply of Bioeffectives® from Solagran Limited for use in cosmetics for the specific areas of China, Malaysia and Singapore, with non-exclusive rights to the supply of Bioeffectives® for use in cosmetics globally.

The directors conducted an impairment test on the Nova Vita licence during the year and determined that, as the Company is no longer actively pursuing this market it would be appropriate to write this licence off.

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 was a new market segment for the business.

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

Directors conducted an impairment test to ensure that the goodwill was valued at its recoverable amount and determined that due to the slow progress with sales of Re Gen Wellness products, it was necessary to write down the value of goodwill to zero.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

13. OTHER FINANCIAL ASSET – AVAILABLE FOR SALE FINANCIAL ASSETS

	Notes	CONSOLIDATED	
		2012	2011
		\$	\$
Frontier Gasfields Pty Ltd	(i)	5,161,553	375,000
Australian listed shares at fair value	(ii)	2,758	78,981
Impairment		(2,758)	-
		<u>5,161,553</u>	<u>453,981</u>

(i) Frontier Gasfields

During the period June 2011 through to June 2012 the Company issued ordinary shares (\$2,000,000), listed options (\$161,553) and made cash payments of \$3,000,000 for a total investment cost of \$5,161,553 to acquire 50% of the issued capital (2,500,000) of Frontier Gasfields Pty Ltd (Frontier).

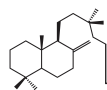
On 13 June 2012, BioProspect executed a share sale agreement with Frontier Oil Corporation (FOC) whereby BioProspect will receive 430,000,000 shares in FOC for its 2,500,000 shares held in Frontier. The sale agreement was subject to various conditions including FOC obtaining shareholder and Philippines Securities and Exchange Commission approval for FOC to increase its share capital to allow the 430,000,000 shares to be issued to BioProspect. FOC shareholder approval was received on 26 June 2012. The Philippines Securities and Exchange Commission had not provided approval at 30 June 2012.

(ii) Listed Shares

During the year ended 30 June 2012, BioProspect had disposed 560,000 shares in Solagran Limited due to the completion of the development agreement and the 2010 legal dispute whereby BioProspect and Solagran agreed to commercialise CGNC on their own terms.

As at 30 June 2012, BioProspect still owned 47,544 shares. However, on 3 March 2012 Solagran Limited went into voluntary suspension and ceased trading and consequently BioProspect directors have taken the decision to impair the investment down to zero.

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
14. PROPERTY, PLANT & EQUIPMENT			
<i>Plant and equipment</i>			
At cost		20,706	67,302
Accumulated depreciation		(17,174)	(44,629)
Net carrying amount		<u>3,532</u>	<u>22,673</u>
(a) Reconciliations			
<i>Plant and equipment</i>			
Carrying amount at beginning of the year		22,673	32,306
Additions		3,633	4,751
Depreciation expense		(22,774)	(14,384)
Net carrying amount		<u>3,532</u>	<u>22,673</u>



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
15. TRADE AND OTHER PAYABLES- CURRENT			
Trade payables	(i)	108,114	389,353
Other creditors and accruals	(ii)	160,792	143,030
		<u>268,906</u>	<u>532,383</u>
Related party payables	(iii)	384,975	27,748
		<u>653,881</u>	<u>560,131</u>

Terms and conditions relating to the above financial instruments

- (i) Trade creditors are non-interest bearing and normally settled on 30 day terms.
- (ii) Other creditors are non-interest bearing and have repayment terms between 30 and 90 days.
- (iii) Details of the terms and conditions of related party payables are set out in Note 24.

Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

16. SHARE APPLICATION MONIES RECEIVED

The Company announced on 16 February 2011 the completion of a \$3m (before costs) private placement managed by Novus Capital Limited. The placement was well supported and \$1.3m of shares were issued immediately under the Company's existing 15% capacity at that time. There was \$1,494,547 of placement funds received by the Company that could not be issued with shares until approval at an EGM that was held on 8 July 2011.

17. PROVISIONS - CURRENT

	CONSOLIDATED		
	2012	2011	
		\$	\$
Annual Leave			
At 1 July	32,665	18,127	
Charged to income statement	18,753	38,854	
Utilised	(27,160)	(24,316)	
	<u>24,258</u>	<u>32,665</u>	

18. BORROWINGS (NON-CURRENT)

Convertible Notes

2,250,000

-

The Company has issued 12 convertible notes with a face value of \$100,000 and 21 with a face value of \$50,000 during the last financial year. Some have been issued to related parties including \$50,000 issued to the Chairman Mr W Willesee and \$1,500,000 issued to Mining Investments Pty Ltd, a related party of Mr Jacob Khouri. The majority of the funds raised (\$1,950,000) were used to finance the investment in Frontier Gasfields Pty Ltd. Terms of the convertible notes are as follows:

- The notes accrue interest at a rate of 8% per annum;
- Maturity date of the notes range from 18 August 2013 to 20 April 2017;
- The notes are unsecured;
- Conversion price of the notes is the lower of between 0.1 and 0.5 cents per share or 80% of the 5 day VWAP of BioProspect's share price on the ASX immediately prior to the conversion of the notes; and
- Each share issued from the conversion of the notes will have a free attaching listed option (ASX:BPOO) or, should the conversion occur after the expiry of these, an option with a conversion price of 3 cents and a duration of not less than 24 months.
- The conversion remains subject to shareholder approval.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated 2012 \$	2011 \$
19. OTHER PAYABLES (NON-CURRENT)		
Other creditors and accruals	103,817	-

This amount reflects the interest accrual on the convertible notes that have been issued during the year, as detailed in Note 18 above. Interest is only payable on the date of maturity on the notes.

20. PROVISIONS (NON-CURRENT)

Long Service Leave		
At 1 July	11,933	-
Credited to income statement	(11,933)	11,933
Utilised	-	-
Closing Balance	-	11,933

21. ISSUED CAPITAL

	2012 \$	2011 \$
(a) Issued and paid up capital		
Ordinary shares issued and fully paid	35,459,988	31,210,774

(b) Movements in shares on issue	Number of shares		\$	\$
	2012	2011	2012	2011
Beginning of the financial year	1,116,570,347	563,113,565	31,210,774	28,084,860
Issued during the year:				
- share placements (i)	170,600,000	197,900,000	1,706,000	1,609,000
- payment for licence (ii)	-	25,000,000	-	250,000
- rights issue (iii)	-	330,556,782	-	1,652,784
- payment to Frontier Gasfields shareholders (iv)	250,000,000	-	2,000,000	-
- share issues to KMP (v)	19,000,000	-	152,000	-
- share issues to consultants (vi)	56,000,000	-	438,400	-
Less share issue costs	-	-	(47,186)	(385,870)
End of the financial year	1,612,170,347	1,116,570,347	35,459,988	31,210,774

Notes:

(i) On 15 July 2011 the Company partially completed a placement for 152,100,000 ordinary shares at an issue price of 1 cent. A placement issue of up to 191,100,000 ordinary shares was approved by shareholders at an extraordinary meeting held on 8 July 2011.

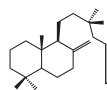
On 29 September 2011, the Company finalised the above placement with the issue of 18,500,000 ordinary shares at an issue price of 1 cent per share.

On 20 October 2010, a placement was completed for 74,000,000 ordinary shares at an issue price of 0.5 cents.

On 16 February 2011, a placement was completed for 123,900,000 ordinary shares at an issue price of 1 cent.

(ii) On 19 January 2011, 25,000,000 shares were issued to Nova Vita Pty Ltd at a value of \$250,000 in consideration for a licence associated with the L'AZURE™ range of plant extract-based natural cosmetic products.

(iii) On 6 December 2010, the Company completed a rights issue that was offered to all shareholders resulting in an issue of 330,556,782 shares at an issue price of 0.5 cents.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

21. ISSUED CAPITAL (continued)

(iv) On 19 July 2011, the Company issued 150,000,000 ordinary shares to shareholders of Frontier Gasfields in consideration for a grant of further options to invest into Frontier Gasfields up to a maximum of 75% holding of the Company. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011. The deemed issue price was 0.8 cent.

On 22 August 2011, the Company issued 100,000,000 ordinary shares to shareholders of Frontier Gasfields in consideration for acquiring a further 25% holding in the Company. The deemed issue price of the shares were 0.8 cent. This issue was subsequently approved by shareholders at a general meeting held on 23 November 2011.

(v) On 14 July 2011, the Company issued 19,000,000 ordinary shares to Directors and key management personnel. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011.

(vi) On 15 July 2011, 25,000,000 ordinary shares were issued to Novus Capital for bringing the Frontier Gasfields transaction to the Company. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011. The deemed issue price of the shares were 0.8 cent.

On 22 July 2011, the Company issued 6,000,000 ordinary shares to various consultants and advisors. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011. The deemed issue price was 0.64 cent.

On 25 August 2011, a further 25,000,000 ordinary shares were issued to Novus Capital Pty Ltd as consideration for the Company acquiring a further 25% interest in Frontier Gasfields. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011. The deemed issue price of the shares were 0.8 cent.

All shares issued above rank equally in all respects with the shares on issue at the beginning of the year.

(c) Capital management

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. The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Going concern statement

As at 30 June 2012 the Company had a net asset position of \$2,444,327 (2011: \$1,177,537) and incurred losses of \$3,326,955 (2011: \$3,220,121) with cash outflows from operations of \$1,513,183 for the year then ended (2011: \$3,668,228).

The consolidated entity's ability to continue as a going concern is dependent upon the generation of cash from operations, the sufficiency of current cash reserves to meet existing obligations, the ability to reschedule planned research and development activity if considered necessary; lenders either converting the convertible notes of \$800,000 and accrued interest of \$53,961 (predominantly held by a majority shareholder) maturing between 18 August 2013 and 19 September 2013 to equity, or renegotiating the maturity date of amounts owing; and, various capital raising initiatives as detailed in Note 27.

In addition, a related party that was owed \$150,000 (included in current payables) agreed on 3 September 2012 to exchange this debt for three (3) unsecured convertible notes with a maturing date of 31 August 2017 that incurs interest at 8% per annum on similar terms to those referred to in Note 18 above.

Based on the above factors and the Company's history of being able to adequately raise funds the directors believe the consolidated entity will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of signing these financial statements.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

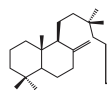
21. ISSUED CAPITAL (continued)

(d) Share Options

Options over ordinary shares:	2012 No of Options	2011 No of Options
Unlisted Options		
Exercisable on or before 31 December 2013 at 5 cents per share		
Outstanding at beginning of year	29,248,571	29,248,571
Issued during the year	-	-
Outstanding at end of year	<u>29,248,571</u>	<u>29,248,571</u>
Exercisable on or before 31 December 2013 at 3 cents per share		
Outstanding at beginning of year	-	-
Issued during the year	19,000,000	-
Outstanding at end of year	<u>19,000,000</u>	<u>-</u>
Listed Options		
Exercisable on or before 31 December 2013 at 3 cents per share		
Outstanding at beginning of year	711,113,564	-
Issued during the year	559,700,000	711,113,564
Outstanding at end of year	<u>1,270,813,564</u>	<u>711,113,564</u>
Exercisable on or before 30 September 2010 at 10 cents per share		
Outstanding at beginning of year	-	5,000,000
Expired during the year	-	(5,000,000)
Outstanding at end of year	<u>-</u>	<u>-</u>
Total options over unissued ordinary shares	<u>1,319,062,135</u>	<u>740,362,135</u>

Movements in share options for the twelve months ended 30 June 2012

- On the 14 July 2011, the Company issued 19,000,000 options (listed BPOO expiring 31 December 2013 at an exercise price of 3 cents per share) to Directors and key management personnel. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011;
- On the 15 July 2011, the Company issued 10,000,000 options (BPOO) to Novus Capital in lieu of cash as payment for an underwriting fee for the Company's rights issue that was completed in December 2010. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011;
- On the 15 July 2011, the Company issued 12,000,000 options (BPOO) to sub underwriters for the rights issue that was completed in December 2010. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011;
- On the 15 July 2011, 25,000,000 options (BPOO) were issued to Novus Capital for bringing the Frontier Gasfields transaction to the Company. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011;
- On the 15 July 2011, the Company issued 304,200,000 options (BPOO) that were free attaching to placement shares completed by Novus Capital and announced to the market on 16 February 2011. An issue of up to 315,000,000 options was approved by shareholders at an extraordinary general meeting held on 8 July 2011;
- On the 27 July 2011, the Company issued 50,000,000 options (BPOO) to Obelsik SAL in lieu of cash for provision of consulting services pertaining to marketing and distribution in Europe, Middle East and Russia. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011.
- On 22 August 2011, the Company issued 100,000,000 options (BPOO) to shareholders of Frontier Gasfields in consideration for acquiring a further 25% holding in the Company. This issue was subsequently approved by shareholders at a general meeting held on 23 November 2011.
- On 25 August 2011, a further 25,000,000 options (BPOO) were issued to Novus Capital Pty Ltd as consideration for the Company acquiring a further 25% interest in Frontier Gasfields. This issue was approved by shareholders at an extraordinary general meeting held on 8 July 2011.
- On 29 September 2011, the Company issued 18,500,000 free attaching options (BPOO).
- On 20 December 2011, 15,000,000 options (BPOO) were issued to the new Chairman Mr Winton Willesee as part consideration for his employment agreement.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

21. ISSUED CAPITAL (continued)

(e) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held, after all other creditors have been paid.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Ordinary shares have no par value.

	CONSOLIDATED	
	2012 \$	2011 \$
22. AUDITORS' REMUNERATION		
The auditor of BioProspect Limited is William Buck (Qld)		
Amounts received or due and receivable for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated entity -	43,107	40,900
	<u>43,107</u>	<u>40,900</u>
- other services in relation to the entity and any other entity in the consolidated entity -		
- tax compliance	7,200	13,000
- due diligence advice	-	2,500
- AGM attendance	777	801
	<u>777</u>	<u>801</u>
	<u>51,084</u>	<u>57,201</u>

23. KEY MANAGEMENT PERSONNEL

(a) Option holdings of key management personnel (consolidated)

30 JUNE 2012	BALANCE AT 1 JULY 11	GRANTED AS REMUNERATION	OPTIONS FORFEITED	NET CHANGE OTHER	BALANCE AT 30 JUNE 12	VESTED AT 30 JUNE 12 TOTAL
DIRECTORS						
W Willesee (a)	-	15,000,000	-	-	15,000,000	15,000,000
C Pellegrino	-	6,000,000	-	-	6,000,000	6,000,000
B Cooper (b)	-	-	-	-	-	-
A Langdon (c)	-	3,000,000	-	(3,000,000)	-	-
J Khouri	-	3,000,000	-	-	3,000,000	3,000,000
E Khouri (d)	-	-	-	-	-	-
Dr M Quinlan(e)	883,382	3,000,000	-	(3,883,382)	-	-
EXECUTIVES						
P May	-	2,000,000	-	-	2,000,000	2,000,000
C Johnston	-	2,000,000	-	-	2,000,000	2,000,000
Total	883,382	34,000,000	-	(6,883,382)	28,000,000	28,000,000

(a) Appointed 16 September 2011

(b) Appointed 10 April 2012

(c) Resigned 16 September 2011

(d) Resigned 15 August 2011

(e) Resigned 30 November 2011

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

23. KEY MANAGEMENT PERSONNEL (continued)

(a) Option holdings of key management personnel (consolidated-continued))

30 JUNE 2011	BALANCE AT 1 JULY 10	GRANTED AS REMUNERATION	OPTIONS FORFEITED	NET CHANGE OTHER (i)	BALANCE AT 30 JUNE 11	VESTED AT 30 JUNE 2011 TOTAL
DIRECTORS						
Dr M Quinlan	3,000,000	-	-	(2,116,618)	883,382	883,382
C Pellegrino	-	-	-	-	-	-
A Langdon	-	-	-	-	-	-
E Khouri (a)	-	-	-	-	-	-
J Khouri (b)	-	-	-	-	-	-
EXECUTIVES						
P May	-	-	-	-	-	-
C Johnston	2,000,000	-	-	(2,000,000)	-	-
Total	5,000,000	-	-	(4,116,618)	883,382	883,382

(i) Expired options offset by options acquired through participation in rights issue on 6 December 2010.

(a) Resigned 16 September 2010

(b) Appointed 16 February 2011

(b) Shareholdings of key management personnel (consolidated)

Shares held in BioProspect Limited (number)

30 JUNE 2012	BALANCE 1 JULY 11	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER	BALANCE 30 JUNE 12
DIRECTORS					
W Willesee (a)	-	-	-	-	-
C Pellegrino	-	6,000,000	-	-	6,000,000
B Cooper (b)	-	-	-	-	-
J Khouri	-	3,000,000	-	-	3,000,000
M Quinlan (c)	1,325,072	3,000,000	-	(4,325,072)	-
A Langdon (d)	-	3,000,000	-	(3,000,000)	-
Executives					
P May	652,175	2,000,000	-	-	2,652,175
C Johnston (e)	434,783	2,000,000	-	-	2,434,783
Total	2,412,030	19,000,000	-	(7,325,072)	14,086,958

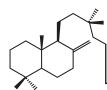
(a) Appointed 16 September 2011

(b) Appointed 10 April 2012

(c) Resigned 16 September 2011

(d) Resigned 15 August 2011

(e) Resigned 30 November 2011



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

23. KEY MANAGEMENT PERSONNEL (continued)

(b) Shareholdings of key management personnel (consolidated-continued)

Shares held in BioProspect Limited (number)

30 JUNE 2011	BALANCE 1 JULY 10	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER	BALANCE 30 JUNE 11
DIRECTORS					
Dr M Quinlan	831,529	-	-	493,543	1,325,072
C Pellegrino	-	-	-	-	-
A Langdon	-	-	-	-	-
E Khouri (a)	30,000,000	-	-	(30,000,000)	-
J Khouri (b)	-	-	-	-	-
Executives					
P May	434,783	-	-	217,392	652,175
C Johnston	434,783	-	-	-	434,783
Total	31,701,095	-	-	(29,289,065)	2,412,030

(a) Resigned 16 September 2010

(b) Appointed 16 February 2011

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(c) Other transactions and balances with key management personnel and their related parties

Purchases

Pellegrino Travel Centre

During the year ended 30 June 2012, the company incurred \$1,790 (2011: \$93,997) of travel expenses through Pellegrino Travel Centre, a company which is owned by a relative of Mr C Pellegrino, a non-executive director of BioProspect Limited. The amount outstanding to Pellegrino Travel Centre as at 30 June 2012 was nil (2011: nil).

Gun Capital Corporate

During the year ended 30 June 2012, the company incurred \$157,000 (2011: \$61,320) in consulting services provided by Gun Capital Corporate Pty Ltd, a company which is owned by Mr Leo Khouri, (father of non-executive director Mr Jacob Khouri). The consulting services covered the provision of corporate advice on acquisitions, strategic alliances, broker presentations, capital raisings and information technology infrastructure services and advice including the purchase of computer equipment. The amount outstanding to Gun Capital Corporate Pty Ltd as at 30 June 2012 was \$115,500 (2011: \$15,400).

Bejjal Super Fund

During the year ended 30 June 2012, the company incurred \$18,614 (2011: \$13,295) in lease costs for the Melbourne office at 50 Bourke Street. The office is owned by Bejjal Super Fund of which the Trustee is Anne Khouri, mother of non-executive director Mr Jacob Khouri. The amount outstanding to Bejjal Super Fund as at 30 June 2012 was \$2,925 (2011: \$2,925). BioProspect vacated the office at the end of January 2012.

Obelisk SAL

During the year ended 30 June 2012, the company incurred \$311,077 (2011: \$123,197) of consulting services provided by Obelisk SAL, a company which is owned by Mr Leo Khouri, father of non-executive director Mr Jacob Khouri. The consulting services covered the access to and supply of CGNC for trials associated with *GI-Guard*[™] Oral Paste and other *AGRIPRO*[™] products for use in animal health and nutrition. Obelisk SAL also provided consulting services in relation to establishing European markets for the *REGEN*[™] therapeutic and *DEMURE*[™] skin care product ranges. The amount outstanding to Obelisk SAL as at 30 June 2012 was \$153,486 (2011: \$9,423).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

23. KEY MANAGEMENT PERSONNEL (continued)

(c) Other transactions and balances with key management personnel and their related parties (continued)

Azalea Consulting

During the year ended 30 June 2012, the company incurred \$5,309 (2011: nil) of consulting services provided by Azalea Consulting Pty Ltd, a company owned by Mr Winton Willesee, Chairman and non-executive director. The consulting services covered the use of secretarial and other office costs pertaining to the Perth, WA registered office address. The amount outstanding to Azalea Consulting as at 30 June 2012 was \$5,225 (2011: nil).

Cooper Consulting

During the year ended 30 June 2012, the company incurred \$4,200 (2011: nil) of consulting services provided by Cooper Corporate Consulting Pty Ltd, a company owned by Mr Benjamin Cooper, a non-executive director. The consulting services were for Benjamin being appointed as the Company's representative on Frontier Gasfields Pty Ltd board. The amount outstanding to Cooper Corporate as at 30 June 2012 was \$4,620 (2011: nil).

Terms and conditions of transactions with related parties

Purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

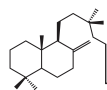
Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

Amounts recognised at the end of the reporting period in relation to other transactions with KMP excluding directors' remuneration:

	Consolidated	
	2012	2011
	\$	\$
<i>Non-current Assets</i>		
Property, plant and equipment	-	5,720
Accumulated depreciation	-	(2,508)
NBV Property, plant and equipment	-	3,212
<i>Current Liabilities</i>		
Trade and other payables	281,756	27,748
Total liabilities	281,756	27,748
Expenses		
Sales and marketing	82,743	-
Consulting and advisory expenses	168,820	81,546
Research and development	226,022	109,311
Other administration expenses	20,404	100,952
Total Expenses	497,989	291,809

(d) Compensation by category (KMP and directors)

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	603,936	683,297
Post-employment benefits	22,249	42,834
Share-based payments	152,000	(74,521)
Total compensation	778,185	651,610



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

24. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of BioProspect Limited (the ultimate parent company) and the subsidiaries listed in the following table.

Name	Country of Incorporation	Class of Shares	% Equity Interest		Investment *	
			2012	2011	2012	2011
BioProspect Australia Limited	Australia	Ord	100%	100%	4,024,341	4,024,341
Australian Phytochemicals Limited	Australia	Ord	100%	100%	1,323,464	1,323,464
BioProspect America Pty Ltd	Australia	Ord	100%	100%	2	2
Re Gen Wellness Products Pty Ltd	Australia	Ord	100%	100%	50,000	50,000

* - Cost before provisioning. Refer to Note 11 and 13 for further investment disclosures.

During the year BioProspect Limited issued convertible notes amounting to \$1,500,000 to a related party which has accrued \$68,350 interest at a rate of 8%. These notes have a maturity date ranging from 2013 through to 2017.

Refer to Note 23 for further disclosures regarding related parties.

25. EXPENDITURE COMMITMENTS	CONSOLIDATED	
	2012	2011
	\$	\$
Obelisk – GI-GUARD (a)	-	329,816
Obelisk – CGNC (b)	-	113,800
Gun Capital Corporate (c)	3,000	168,000
Due not later than one year	3,000	611,616

(a) GI-GUARD

Obelisk SAL 2012 \$nil (2011 \$118,734)

On 3 June 2011, the Company signed an agreement with Obelisk SAL to manage and coordinate field testing of products in the Middle East and North Africa (MENA) including the United Arab Emirates (UAE). Under the terms of the contract, Obelisk will be paid US\$126,000 (A\$118,734) for a trial commencing in the UAE in July 2011 through to December 2011. Services covered include the engagement of contractors and suitable potential operators in the UAE to enable the testing and assessment of product on horses, provision of advice on the testing of products and collation of data generated by the contractors to prepare a final study report.

On 1 February 2012 a letter was signed between Obelisk SAL and BioProspect terminating the services for the trial in the UAE.

Obelisk SAL 2012 \$nil (2011 \$211,082)

On 3 June 2011, the Company signed an agreement with Obelisk SAL to co-ordinate marketing and promotion programs with a view to establish ongoing export sales of the products in the Middle East and North America (MENA) including the United Arab Emirates (UAE). Under the terms of the contract, Obelisk will be paid US\$224,000 (A\$211,082) for work undertaken from July 2011 to December 2011. Services covered include the engagement of contractors and suitable potential operators in the UAE to enable the marketing and promotion of products, collation of market information and preparation of a final report on market development and promotional programs with a view to create solid export markets in the territory.

On 1 February 2012 a letter was signed between Obelisk SAL and BioProspect terminating the services under the marketing and promotion agreement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

25. EXPENDITURE COMMITMENTS (continued)

(b) Conifer Green Needle Complex (CGNC)

Obelisk 2012 \$nil (2011 \$113,800)

On 9 September 2010, the Company executed a supply agreement with Obelisk SAL for the supply of CGNC (the raw material used in GI-GUARD and AGRIPRO) and other products. The monthly consulting retainer covers the securing of supply for global distribution and provision of technical support for development of new formulations. The termination clause under the agreement requires 12 months notice and the expenditure of US\$120,000 (A\$113,800) reflects this 12 month commitment.

On 1 February 2012 a deed of amendment was executed with Obelisk which terminated the current supply agreement of US\$10,000 per month and enabled continued supply of CGNC with no monthly retainer.

(c) Corporate services

Gun Capital Corporate Pty Ltd (GCC) 2012 \$3,000 (2011 \$168,000)

On 5 January 2011, the Company executed a Deed of Amendment with GCC for the provision of corporate consulting services pertaining to business development (strategic project development, identification of capital raising opportunities, investor support) and support services relating to information technology (provision of reliable and uninterrupted IT services, integrity and storage of data and integrated IT communications platform). The Deed of Amendment changed the termination terms from monthly to 12 months in order to secure the long term relationship with GCC. The \$168,000 commitment reflects the 12 month termination notice.

On 2 February 2012, the Company terminated the agreement with GCC and on the 1 March 2012 executed a new agreement with GCC for the provision of similar services at \$3,000 per month. The agreement can be terminated by either party with just one month's notice.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

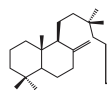
The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign exchange risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the levels of exposure to interest rates and assessments of market forecast for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts which are tabled and reviewed at each board meeting.

Risk exposures and responses

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's maximum exposures to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Group minimises concentrations of credit risk in relation to trade receivables by having payment terms of 30 days and receivable balances are monitored on an ongoing basis with the result that the Group has currently never had an exposure to bad debts.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Term deposits are placed with major financial institutions to minimise the risk of default of counterparties.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's funds held on term deposit. At the end of the reporting period the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED	
	2012 \$	2011 \$
Financial assets		
Cash and cash equivalents	85,321	1,718,019

The Group's policy is to place funds on interest-bearing term deposit that are surplus to immediate requirements. The Group's interest rate exposure is reviewed near the maturity date of term deposits, to assess whether more attractive rates are available without increasing risk. The following sensitivity analysis is based on the interest rate exposures in existence at the end of the reporting period:

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss Higher/ (lower)		Equity Higher/ (lower)	
	2012 \$	2011 \$	2012 \$	2011 \$
Consolidated				
+ 1% (100 basis points)	10,086	(12,402)	(10,086)	12,402
- 0.5% (50 points)	(5,043)	6,201	5,043	(6,201)

The movements in losses are due to higher/ (lower) interest income from cash balances. There is no impact on equity other than impact on accumulated losses.

Liquidity risk

The Group's objective is to maintain sufficient funds to finance its current operations and additional funds to ensure its long-term survival. The Group has no finance facilities in place and therefore it is currently dependent on capital raisings and government tax incentives for short term survival. Refer to note 21 for further details.

Foreign exchange risk

The Group has minor exposure to foreign currency exchange movements. The consulting arrangements with Obelisk SAL are in US\$. No sensitivity analysis is disclosed in respect of foreign currency risk on the basis that the Group's exposure is insignificant for the year ended 30 June 2012.

Fair value

The carrying amount of all recognised financial assets and financial liabilities is considered a reasonable approximation of their fair value due to their short term nature.

27. EVENTS AFTER THE REPORTING PERIOD

Financing

On the 16 August the Company announced the completion of a placement to professional and sophisticated investors within its 15% issuing capacity to raise approximately \$242,000 (gross).

On the 3 September 2012 the Company announced the issue of convertible notes amounting to \$150,000 in exchange for creditors owed to a related party. These creditors represented consulting fees provided by the related party during the 2012 financial year.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

27. EVENTS AFTER THE REPORTING PERIOD (continued)

Financing (continued)

On the 4 September 2012 the Company announced the issue of a fully underwritten non renounceable rights issue to raise \$926,085 (gross).

Assets

On 27 August 2012 the Company announced Frontier Oil shareholder approval of the issue of 430,000,000 new shares in FOC to BioProspect. The issue of these shares is still subject to approval by the SEC.

Corporate

On the 18 September 2012 Mr Jacob Khouri (non-executive director) announced his resignation from the board.

28. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely future developments in the activities of the consolidated entity are referred to in the Review of Operations. Other than as referred to in that report, further information as to likely developments in operations of the consolidated entity and likely results of those operations would, in the opinion of the Directors, be speculative and not in the best interests of the consolidated entity.

29. SHARE-BASED PAYMENT PLANS

(1) Recognised share-based payment expenses

(a) The expense recognised for employee services received during the year is shown below.

	CONSOLIDATED	
	2012	2011
	\$	\$
Expense (reversal) arising from equity-settled share-based payment transactions	152,000	(74,521)

Director and KMP options

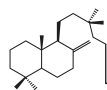
2012

At the Company's EGM held on 8 July 2011, shareholders approved the issue of 19,000,000 shares and free attaching listed options (BPOO) to directors and key management personnel. The \$152,000 was the market value of the shares at the time of issue.

2011

At the Company's AGM held on 4 November 2007, shareholders approved a new class of unlisted options specifically for directors and key management personnel. These options were exercisable on or before 30 September 2010 at an exercise price of \$0.10 per share. As the option strike price was much higher than the current share price, these options all expired resulting in a reversal for \$74,521 during the year ended 30 June 2011.

Refer to note 23 for option holdings by directors.



Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

29. SHARE-BASED PAYMENT PLANS (continued)

(1) Recognised share-based payment expenses (continued)

(b) The cost recognised for acquisition of various licences.

25,000,000 shares issued to Nova Vita Pty Ltd

CONSOLIDATED	
2012	2011
\$	\$
-	250,000

(c) The cost recognised for consulting services rendered during the year.

2,000,000 shares issued to Howard Fox
 2,000,000 shares issued to Boambee Sciences Pty Ltd
 2,000,000 shares issued to Wayne Loh
 50,000,000 shares issued to Novus Capital Limited
 50,000,000 options issued to Novus Capital Limited
 50,000,000 options issued to Obelisk SAL

12,800	-
12,800	-
12,800	-
400,000	-
83,242	-
85,708	-
607,350	-

(d) The cost recognised for investment in Frontier Gasfields Pty Ltd.

250,000,000 shares issued to Frontier Gasfields shareholders
 100,000,000 options issued to Frontier Gasfields shareholders

2,000,000	-
161,553	-
2,161,553	-
2,920,903	175,479

TOTAL SHARE-BASED PAYMENTS

(2) Weighted average remaining contractual life

The remaining contractual life of existing options (BPOO) is 1.5 years.

(3) Range of exercise price

The range of exercise price for options outstanding at the end of the year was 3 cents.

(4) Option pricing model

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2012:

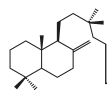
	Black-Scholes
Dividend yield (%)	0.000
Expected volatility (%)	24.540
Risk-free interest rate (%)	4.910
Expected life of options (years)	2.090
Option exercise price (\$)	0.030
Weighted average share price at measurement date \$	0.006

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2012

30. PARENT ENTITY INFORMATION

	2012 \$	2011 \$
Net loss attributable to members of BioProspect Limited	(3,326,955)	(3,220,121)
Change in market value of available for sale financial assets	(23,908)	(69,842)
Total comprehensive income for the year attributable to members of BioProspect Limited	(3,350,863)	(3,289,963)
Current assets	115,625	1,770,656
Total assets	5,280,709	3,123,248
Current liabilities	482,206	1,919,194
Total liabilities	2,836,023	1,945,711
Issued Capital	35,459,988	31,210,774
Share based payments reserve	2,911,950	2,543,511
Available for sale asset revaluation reserve	-	23,908
Retained earnings	(35,927,252)	(32,600,656)
Total equity	2,444,686	1,177,537
Contingent liabilities	-	-
Guarantees in relation to debt of subsidiaries	-	-
Capital and other expenditure commitments not provided for in the financial statements	3,000	168,000
Future operating leases not provided for in the financial statements	-	-



DIRECTORS' DECLARATION

In accordance with a resolution of directors of BioProspect Limited, I state that:

(1) In the opinion of the directors:

- (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the company are in accordance with the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The financial statements and notes to the financial statements are prepared in compliance with International Financial Reporting Standards as made by the International Accounting Standards Board.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

On behalf of the Board

Winton Willesee
Chairman

28 September 2012
Melbourne Victoria

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIOPROSPECT LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising of BioProspect Limited (the Company) and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

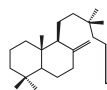
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIOPROSPECT LIMITED AND CONTROLLED ENTITIES (CONT)

Auditor's Opinion

In our opinion:

- a) the financial report of BioProspect Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of matter regarding Going Concern

Without qualifying our opinion, attention is drawn to Note 21 (c) to the financial statements which indicates that as at 30 June 2012 the company was in a net asset position of \$2,444,327 (2011: \$1,177,537) but had incurred losses for the year then ended of \$3,326,955 (2011: \$3,220,121) with cash outflows from operations of \$1,513,183 for the year then ended (2011: \$3,668,228). These conditions, along with other matters as set out in Note 21 (c) indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 27 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of BioProspect Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

William Buck

William Buck (Qld)
ABN: 11 603 627 400

J. A. Latif
A Member of the Firm

28 September 2012
Brisbane

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ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 24 September 2012.

(a) Distribution of equity securities

The numbers of shareholders, by size of holding, in each class of share are:

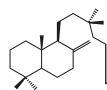
	Ordinary shares		Options	
	No. of Holders	No. of Shares	No. of Holders	No. of Options
1 – 1,000	295	225,900	12	6,170
1,001 – 5,000	189	619,751	24	78,213
5,001 – 10,000	447	4,179,677	40	348,953
10,001 – 100,000	1,180	54,861,978	267	12,515,683
100,001 and over	921	1,179,283,049	337	1,257,864,537
	<u>3,032</u>	<u>1,852,170,355</u>	<u>680</u>	<u>1,270,813,556</u>

The number of shareholders holding less than a marketable parcel of shares are: 2,314

(b) Twenty largest shareholders – ordinary shares quoted on ASX

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of Shares Held	% Held
1.	Mining Investments Limited	267,404,859	14.44
2.	Middle East Petroleum Services Ltd	125,000,000	6.75
3.	Pitt Street Absolute Return Fund	100,918,592	5.45
4.	Citicorp Nominees Pty Limited	52,693,008	2.84
5.	Round Up Solutions Pty Ltd	50,000,000	2.70
6.	Panther Petroleum Limited	46,875,000	2.53
7.	Dentost Pty Ltd	37,500,000	2.02
8.	HSBC Custody Nominees	28,268,001	1.53
9.	Alimond Pty Ltd	28,000,000	1.51
10.	Mrs Jennifer Jill Fogarty	26,000,000	1.40
11.	Veil Investments Pty Ltd	25,750,000	1.39
12.	Nova Vita Pty Ltd	25,000,000	1.35
13.	Mr Andrew Brian Teasdale	24,720,775	1.33
14.	The Real Estate Business Pty Ltd	20,000,000	1.08
15.	Hartkon Investments Pty Ltd	15,115,050	0.82
16.	Dewheath Pty Ltd	15,000,000	0.81
17.	Hawthorn Grove Investments Pty Ltd	15,000,000	0.81
18.	Sanperez Pty Ltd	15,000,000	0.81
19.	Rhe Robert Rowley Super Fund	12,016,970	0.65
20.	Peter Allan Learmont	12,000,000	0.65
		<u>942,262,255</u>	<u>50.87</u>



ASX ADDITIONAL INFORMATION (CONTINUED)

(c) Optionholders – options quoted on ASX

The names of the twenty largest holders of quoted options are:

		Listed ordinary shares	
		Number of	
		Options Held	% Held
1.	Mining Investments Limited	293,460,1699	23.09
2.	Pitt Street Absolute Return Fund	96,346,233	7.58
3.	Obelisk SAL	50,000,000	3.93
4.	Middle East Petroleum Services Ltd	50,000,000	3.93
5.	Bell Potter Nominees Ltd	36,081,712	2.84
6.	Citicorp Nominees Pty Limited	30,015,000	2.36
7.	U5 Pty Ltd	21,000,000	1.65
8.	Mr Antione Aboukhalal	20,000,000	1.57
9.	Aviwed Pty Ltd	20,000,000	1.57
10.	Panther Petroleum Pty Ltd	18,750,000	1.48
11.	Greenfield Securities Pty Ltd	18,666,667	1.47
12.	Suburban Holdings Pty Ltd	18,500,000	1.46
13.	Trayburn Pty Ltd	17,700,000	1.39
14.	Mr Andrew Brian Teasdale	15,813,850	1.24
15.	Kelfield Investments Pty Ltd	15,300,000	1.20
16.	Azalea Family Holdings Pty Ltd	15,000,000	1.18
17.	Dentost Pty Ltd	15,000,000	1.18
18.	Hawthorn Grove Investments Pty Ltd	15,000,000	1.18
19.	SFP Superannuation Fund	12,500,000	0.98
20.	The Robert Rowley Super Fund	12,016,970	0.95
		<u>779,133,631</u>	<u>61.31</u>

(d) Unquoted Securities

The numbers of unquoted securities and the number of holders of unquoted securities are:

Number of options	Number of holders
48,248,571	29

There are no option holders that hold 20% or more of the unquoted options:

(e) Voting Rights

All ordinary shares carry one vote per share without restriction.

Option holders have no voting rights.

(f) Restricted Securities

As at 24 September 2012, the Company had no restricted securities.



