

BIOPROSPECT LIMITED
ABN 58 008 130 336

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

PLACE: Novus Capital Limited,
Level 24 Royal Exchange Building,
56 Pitt Street, Sydney NSW 2000

DATE: Friday 15 November 2013
TIME: 10:00 am (Sydney time)

IMPORTANT INFORMATION

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

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

Notice is hereby given that the Annual General Meeting of members of the Company will be held at the offices of Novus Capital Limited, Level 24 Royal Exchange Building, 56 Pitt Street, Sydney NSW 2000 on Friday 15 November 2013 at 10:00 am. (Sydney time).

AGENDA

ORDINARY BUSINESS:

Financial Statements and Reports

To receive the Financial Report and the Reports of the Directors and of the Auditor for the financial year ended 30 June 2013.

Resolution 1: Remuneration Report

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

"That the Remuneration Report that forms part of the Directors' Report for the Company for the financial year ended 30 June 2013 be adopted."

The Remuneration Report is included in the "Directors' Report" section of the 2013 Annual Report.

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

Resolution 2: Re-election of Director – Peter May

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

"Mr Peter May having been appointed to the Board retires and offers himself for election.;"

Resolution 3: Ratification of Issue of Shares

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 45,528,840 fully paid ordinary Shares that were issued in satisfaction of a debt of \$45,529, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

Resolution 4: Approval of additional placement under ASX Listing Rule 7.1A

To consider and, if thought fit, pass the following as a **special resolution** of the Company:

"That in accordance with ASX Listing Rule 7.1A, and for all other purposes, approval be given for the Company to issue Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Resolution 5: To approve the issue of convertible notes to Pitt Street Absolute Return Fund Pty Ltd

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

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 8 convertible notes to Pitt Street Absolute Return Fund Pty Ltd or its nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation - The Company seeks Shareholder approval to issue new convertible notes to Pitt Street Absolute Return Fund Pty Ltd in exchange for existing convertible notes held by it and the capitalisation of \$100,000 of convertible note interest.

Resolution 6: To approve the issue of Convertible Notes to Mining Investments Limited

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

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 21 convertible notes to Mining Investments Limited or its nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation - The Company seeks Shareholder approval to issue new convertible notes to Mining Investments Limited in exchange for existing convertible notes held by it and the capitalisation of \$200,000 of convertible note interest.

Resolution 7: To approve the issue of a Convertible Note to related party

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

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1 convertible note to Silverinch Pty Ltd as trustee for the Silverinch Superannuation Fund or its nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation - The Company seeks Shareholder approval to issue a new convertible note to Silverinch Pty Ltd which, as a company associated with Winton Willesee, is a related party to the Company. The new convertible note is in exchange for the existing convertible note held for it.

Retirement of Director

Mr Winton Willesee retires as a Director by rotation in accordance with the Constitution of the Company and elects not to seek re-election.

Please refer to the Explanatory Statement for details of these resolutions.

DEFINITIONS

Terms which are used in this Notice which are defined in the Glossary of the Explanatory Statement have the meanings ascribed to them.

VOTING EXCLUSIONS

In accordance with Listing Rules 14.11, the Company will disregard any votes cast on each Resolution (as applicable) by:

Resolution 1 – Remuneration Report	A member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report and a Closely Related Party of such a member ("voter"). However, the voter may cast a vote as a proxy if the vote is not cast on behalf of a member of Key Management Personnel or a Closely Related Party and either: (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1; or (b) the voter is the Chair of the Meeting and the appointment of the Chair as proxy: (i) does not specify the way the proxy is to vote on the Resolution; and (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the entity.
Resolution 3 – Ratification of Issue of Shares	Any person who participated in the issue, and any of their associates
Resolution 4 – Approval of Additional 10% placement under ASX LR7.1A	A person who may participate in the proposed issue and persons who may obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed, and any of that person's associates.
Resolution 5 – Approval of Convertible Notes under ASX LR7.1	A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of such persons.
Resolution 6 – Approval of Convertible Notes under ASX LR7.1	A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of such persons.
Resolution 7 – Approval of Convertible Notes under ASX LR10.11	A person who is to receive securities in relation to the entity, if the resolution is passed and any associates of such persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

PROXY INSTRUCTIONS

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

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

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

The proxy form (and the power of attorney or other authority, if any, under which the proxy is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at or sent by facsimile transmission to the Company's office at **Suite 25, 145 Stirling Highway, Nedlands WA 6009 [PO Box 3144 Nedlands WA 6009] or facsimile number (08) 9389 3199 or by email to the Company Secretary – robert.lees@bioprospect.com** or the Company's Share Registry – **Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001 or by facsimile (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555** - not less than 48 hours before the time for holding the Annual General Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

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

VOTING INSTRUCTIONS

BioProspect Limited (as convener of the Meeting) has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of members as at 7:00 pm (Sydney time) on 13 November 2013.

VOTING INTENTIONS

In respect of undirected proxies, subject to any voting exclusions as listed above, the Chairman intends to vote in favour of all resolutions on the agenda.

By Order of the Board



ROBERT LEES
Company Secretary

Dated: 8 October 2013

EXPLANATORY STATEMENT

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

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

General Information

This Explanatory Statement has been prepared for the Shareholders of the Company in connection with the Annual General Meeting of the Company to be held on Friday 15 November 2013.

The purpose of this Explanatory Statement is to provide Shareholders with information that the Board believes to be material to Shareholders in deciding whether or not to approve the above Resolutions detailed in the Notice. The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Financial Statements and Reports

The BioProspect Annual Report 2013 has been made available to Shareholders and can be found on the Company's website (www.bioprospect.com). During this item there will be an opportunity for Shareholders at the meeting to comment on and ask questions about BioProspect's management, operations, financial position and business strategies.

Resolution 1 - Remuneration Report

During this item, there will be an opportunity for Shareholders at the meeting to comment on and ask questions about the Remuneration Report which is included in the Directors' Report section of the BioProspect Annual Report 2013.

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

A reasonable opportunity will be provided to the members as a whole to ask questions about or make comments on the Remuneration Report at the Meeting.

Pursuant to section 250R of the Corporations Act, a resolution must be put to the Shareholders that the Remuneration Report be adopted. However, under recent changes to the Corporations Act, if at least 25% of the votes cast on the resolution at the annual general meeting is against adoption of the report then at the Company's 2014 annual general meeting, at least 25% of the votes cast on the resolution for adoption of the remuneration report for the relevant financial year are against its adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting (**Spill Meeting**) be called to consider the election of directors of the Company (**Spill Resolution**). The Spill Meeting must be called to consider the election of directors of the Company (**Spill Resolution**). The Spill Meeting must be held within 90 days of the date of the 2014 annual general meeting. For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the directors (other than any managing director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

Noting each Director has a personal interest in their remuneration from the Company, as described in the Remuneration Report, the Board unanimously recommends that the Shareholders vote in favour of adopting the Remuneration Report.

Resolution 2 -Re-election of Director – Peter May

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

Mr Peter May was appointed a Director on 19 November 2012 and in accordance with Rule 3.3 of the Company's Constitution, holds office only until this Annual General Meeting. Therefore, Mr Peter May retires and offers himself for election pursuant to Resolution 2.

The Board recommends that Shareholders vote in favour of the election of Mr Peter May.

Resolution 3 -Ratification of Issue of Shares

Background

On 28 February 2013, the Company issued 45,528,840 ordinary shares at \$0.001 to Novus Capital Limited in lieu of a cash payment of \$45,529. This payment is in part settlement of underwriting fees from the 16 October 2012 Rights Issue.

Regulatory Requirements – ASX Listing Rule 7.4

Under Listing Rule 7.4, an issue of securities made without approval under Rule 7.1 is treated as having been made with approval for the purposes of Listing Rule 7.1 if each of the following apply:

- (a) the issue did not breach Rule 7.1; and
- (b) holders of ordinary securities subsequently approve it.

Accordingly, the Company wants to have Shareholders ratify the issue of securities pursuant to ASX Listing Rule 7.4 in order to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without Shareholder approval.

The information required by ASX Listing Rule 7.5 to be provided to shareholders is contained within this Notice and set out below:

- the number of securities issued was 45,528,840 Shares;
- the Shares were allotted and issued to Novus Capital Limited;
- the Shares were issued for a deemed \$0.001 value on 28 February 2013. No funds were received by BioProspect from the issue; and
- the Shares allotted and issued rank equally in all respects with the existing Shares on issue. The shares are subject to voluntary escrow until 28 February 2014.

Directors' recommendation

All Directors recommend that shareholders vote in favour of Resolution 3.

Resolution 4 – Additional 10% Placement Capacity

General

Listing Rule 7.1 permits entities to issue 15% of its issued capital without shareholder approval in a 12 month period, subject to a number of exceptions.

Listing Rule 7.1A permits eligible entities, which have obtained shareholder approval by special resolution, to issue Equity Securities up to an additional 10% of its issued capital by

placements over a 12 month period after the annual general meeting ("**Additional Placement Capacity**").

The Company seeks Shareholder approval under Resolution 4 to be able to issue Equity Securities under the Additional Placement Capacity. The exact number of Equity Securities to be issued is not fixed and will be determined in accordance the formula prescribed in Listing Rule 7.1A.2 (set out below).

Requirements of Listing Rule 7.1A

1. Eligible entities

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

2. Shareholder approval

Shareholders must approve the Additional Placement Capacity by **special resolution** at the annual general meeting. As a **Special** Resolution it must be passed by at least 75% of the votes cast by members entitled to vote on the resolution.

A resolution under Listing Rule 7.1A cannot be put at any other shareholder meeting.

3. Equity Securities

Equity Securities issued under the Additional Placement Capacity must be in the same class as an existing class of Equity Securities of the Company that are quoted on ASX.

As at the date of this Notice, the Company has two classes of Listed Securities:

- fully paid ordinary Shares – (2,873,174,372 on issue and quoted on ASX); and
- options (1,270,813,556 on issue - exercise price \$0.03 and expiry date 31 December 2013).

There are also the following unlisted securities:

- options (19,000,000 on issue - exercise price \$0.03 and expiry date 31 December 2013).
- options (29,248,571 on issue - exercise price \$0.05 and expiry date 31 December 2013).
- 24 Convertible Notes with a \$50,000 face value – conversion subject to future shareholder approval.

4. Formula for calculating number of Equity Securities that may be issued under the Additional Placement Capacity

If this Resolution is passed, the Company may issue or agree to issue, during the 12 month period after this Meeting, the number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A	The number of shares on issue 12 months before the date of issue or agreement: • plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2; • plus the number of partly paid shares that became fully paid in the 12 months; • plus the number of fully paid shares issued in the 12 months with the approval of shareholders under Listing Rules 7.1 or 7.4; • less the number of fully paid shares cancelled in the 12 months.
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D	10%
E	The number of Equity Securities issued or agreed to be issued under Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

5. Interaction between Listing Rules 7.1 and 7.1A

The Additional Placement Capacity under Listing Rule 7.1A is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

The Company has 2,873,174,372 Shares on issue as at the date of this Notice

If Resolution 3 is passed, the Company will be permitted to issue (as at the date of this Notice:

- 430,976,156 Equity Securities under Listing Rule 7.1; and
- 287,317,437 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will be permitted to issue under Listing Rule 7.1A will be calculated at the date of issue or agreement to issue the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out above).

The effect of Resolution 4 will be to allow the Company to issue securities under Listing Rule 7.1A without using the Company's placement capacity under Listing Rule 7.1.

Information for Shareholders as required by Listing Rule 7.3A

6. Minimum price

The issue price of the new Equity Securities will be no lower than 75% of the volume weighted average price (VWAP) for securities in the relevant quoted class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the price of the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 trading days of the date above, the date on which the Equity Securities are issued.

7. Risk of economic and voting dilution

If Resolution 4 is passed and the Company issues securities under the Additional Placement Capacity, existing Shareholders' voting power in the Company will be diluted.

There is the risk that:

- the market price for the Company's existing Equity Securities may be significantly lower on the date of issue of the new Equity Securities than on the date of the Meeting; and
- the new Equity Securities may be issued at a price that is at a discount to the market price of the Company's existing Equity Securities on the issue date or the new Equity Securities may be issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the new Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example a pro rata entitlement issue) or future placements under Listing Rule 7.1 that are approved by Shareholders in the future;
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.001 50% decrease in Issue Price	\$0.002 Issue Price	\$0.004 100% increase in Issue Price
Current Variable A 2,873,174,372 Shares	10% Voting Dilution	287,317,437 Shares	287,317,437 Shares	287,317,437 Shares
	Funds raised	\$287,317	\$574,635	\$1,149,270
50% increase in current Variable A 4,309,761,558 Shares	10% Voting Dilution	430,976,156 Shares	430,976,156 Shares	430,976,156 Shares
	Funds raised	\$430,976	\$861,952	\$1,723,905
100% increase in current Variable A 5,746,348,744 Shares	10% Voting Dilution	574,634,874 Shares	574,634,874 Shares	574,634,874 Shares
	Funds raised	\$574,635	\$1,149,270	\$2,298,539

This table

has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the Additional Placement Capacity.
- No Options (including any quoted Options issued under the Additional Placement Capacity) are exercised into Shares before the date of the issue of the Equity Securities.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

- (vi) The issue of Equity Securities under the Additional Placement Capacity consists only of quoted Securities. If the issue of Equity Securities includes quoted Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) The issue price is \$0.002, being the last sale price of the Shares on ASX on 25 September 2013.

The Company's ability to issue securities under Listing Rule 7.1A is in addition to its ability to issue securities under listing rule 7.1.

8. Placement Period

Shareholder approval of the Additional Placement Capacity under Listing Rule 7.1A is valid from 15 November 2013 (the date of this Meeting) and expires on the earlier of:

- 15 November 2014, which is 12 months after this Meeting; or
- the date that Shareholders approve a transaction under Listing Rule 11.1.2 (significant change to nature or scale of activities) or 11.2 (disposal of the main undertaking,

The Company will only issue and allot new securities during the Placement Period. The approval will cease to be valid in the event that shareholders' approve a transaction under Listing Rules 11.1.2 or 11.2.

9. Purposes for which the new Equity Securities may be issued

The Company may seek to issue new Equity Securities for the following purposes:

- cash consideration to raise funds for the acquisition of new assets or investments (including the expenses associated such acquisition), expenditure on the Company's current Biotech assets and for general working capital; or
- non-cash consideration for acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

10. Allocation policy

The Company's allocation policy for the issue of new Equity Securities under the Additional Placement Capacity will depend on the market conditions existing at the time of the proposed issue. The allottees will be determined at the relevant time having regard to factors such as:

- the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- the effect of the issue of new securities on the control of the Company;
- the financial situation and solvency of the Company;
- advice from corporate, financial and broking advisers (as relevant).

As at the date of this Notice the allottees are not known but may include existing substantial Shareholders and/or new Shareholders. No allottee under the Additional Placement Capacity will be a related party or associate of a related party. Existing Shareholders may or may not be entitled to subscribe for any Equity Securities issued under the Additional Placement Capacity and it is possible that their shareholding will be diluted.

If the Additional Placement Capacity is used to acquire new assets or investments then it is likely that the allottees will be the vendors of the new assets.

The Company will comply with the disclosure obligations under Listing Rule 7.1A(4) and 3.10.5A on the issue of any new securities.

11. Details of Equity Securities issued under earlier placement capacity approval

The Company previously obtained approval under Listing Rule 7.1A at the annual general meeting held 28 November 2012.

Pursuant to Listing Rule 7.3A.6 the following information is provided to Shareholders:

(a) The total number of Equity Securities issued in the 12 months before this Meeting (that is, since 15 November 2012) is 94,918,840 Shares. The total number of Equity Securities on issue as at 15 November 2012 was 2,778,255,532 Shares, 1,319,062,127 Options and \$2,400,000 in convertible notes. The total number of Equity Securities issued in the 12 months since 15 November 2012 is 3.4% of the total number of Equity Securities on issue at 15 November 2012.

(b) Equity Securities issued by the Company since 15 November 2012 is as follows:

On 28 February 2013, 94,918,840 Shares were issued at a deemed issue price of \$0.001. No funds were received by BioProspect from the issue. The Shares allotted and issued rank equally in all respects with the existing Shares on issue. The Shares are subject to voluntary escrow until 28 February 2014. The Shares were issued to:

- a. Doward International Pty Ltd – 49,390,000 Shares. The Shares were issued as a non-cash payment of \$49,390 as a contribution to product marketing costs incurred by Doward International Pty Ltd. The issue was approved by shareholders at the Annual General Meeting - Resolution 4 - on 28 November 2012.
- b. Novus Capital Limited – 45,528,840 shares. The Shares were issued under the 15% placement capacity under Listing Rule 7.1 as a non-cash payment of \$45,529 for rights issue underwriting fees.

Last sale price on 28 February 2013 was \$0.001 per share. At 25 September 2013 current last sale price is \$0.002. The current value of Shares issued is therefore:

Doward International Pty Ltd – \$98,780

Novus Capital Limited – \$91,058

12. Voting exclusion

At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in a proposed issue of Equity Securities under the proposed Additional Placement Capacity. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

Resolutions 5 to 7

Background

1. The Company has 24 convertible notes of \$50,000 face value on issue with a total outstanding face value of \$1,200,000. The notes have similar but different terms and different maturity dates.

2. The existing convertible notes are held by three parties – Mining Investments, Pitt Street and for Silverinch (a company associated with Winton Willesee), with the face value of the notes as set out in the table in paragraph 1.3 below.
3. The Company has agreed, subject to Shareholder approval, to cancel the existing notes held by Mining Investments, Pitt Street and for Silverinch Pty Ltd in consideration for the issue of New Notes to each of them. Accrued interest on the existing notes has been calculated to 18 August 2013 and the note holders have agreed to it being capitalised and 4 notes additional notes of \$50,000 issued to Mining Investments and additional notes of \$50,000 issued to Pitt Street Absolute Return. The amount of accrued interest in excess of \$300,000 has been paid to the note holders together with amount owed on the maturing convertible notes. Shareholder approval for the terms and convertibility of the Notes only covers the convertible notes issued to replace existing convertible notes. Shareholder approval sort in Resolutions 5, 6 and 7 also only covers the issue of shares from these Notes. All Options must be either issued out of the 15% available to the Company or subject to further shareholder approval. Any Securities issued out of the Convertible notes issued for the capitalised interest must be either issued out of the 15% available to the Company or subject to further shareholder approval.

Holder	Existing notes held	New Notes to be issued
Mining Investments	17 x current Notes (face value \$850,000).	21 New Notes (face value \$1,050,000)
Pitt Street	6 x current Notes (face value \$300,000)	8 New Notes (face value \$400,000)
Silverinch	1 x current Note (face value \$50,000)	1 New Note (face value \$50,000)

4. The New Notes will be issued with a face value of \$50,000 each. They will have a term (maturing on 30 June 2015 and accrue interest at 8% per annum. The New Notes are unsecured. The New Notes may be converted by the note holder at any time before the maturity date at the conversion price (the lower of 0.1 cents or 80% of the 5 day vwap at the time of conversion). On conversion, each Share will be issued with a free attaching Option. The Options will have an exercise price equal to the conversion price of the note and will expire 3 years from the date of issue.
5. The material terms of the New Notes is set out in Schedule 1 and a summary comparing the material terms of the existing notes and the New Notes is set out in Schedule 2. The terms of any Options to be issued is set out in Schedule 4.
6. The Directors are of the opinion that the issue of the New Notes in exchange for the cancellation of the existing notes is in the best interests of the Company and its Shareholders. This extends the maturity date on \$750,000 of convertible notes from 1 March 2014 to 30 June 2015 – an additional 15 months. The note holders have also agreed to convert \$300,000 of accrued interest calculated to 18 August 2013, payable on the notes into an additional 6 of the New Notes. Notes maturing in 2017 – total value \$450,000 will have their maturity reduced by approximately 2 years by the cancellation and replacement. This will save approximately \$72,000 in interest payable. The Directors (except for Winton Willesee who abstains from making a recommendation in relation to Resolution 7) recommend that Shareholders vote in favour of all Resolutions. None of the Directors, except for Winton Willesee in relation to Resolution 7, have any interest in the Resolutions other than in their capacity as Shareholders in the Company.

Resolution 5 – Approval to issue Convertible Notes to Pitt Street

ASX Listing Rule 7.1

Resolution 5 seeks Shareholder approval for issue of 8 New Notes to Pitt Street in exchange for the cancellation of existing series of notes that it holds. Pitt Street is not a related party of the Company.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period, unless shareholder approval is obtained.

The New Notes are securities that are convertible by the note holder into Shares and Options. The effect of Resolution 5 will be to allow the Company to issue the New Notes and any Shares and Options issued on conversion of the notes to Pitt Street without using the Company's 15% placement capacity under Listing Rule 7.1.

Information for Shareholders

The following information is provided to Shareholders in relation to Resolution 5:

- (a) The maximum number of securities the Company is to issue is 8 New Notes.
- (b) The New Notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (c) The New Notes will be issued for nil cash consideration. The New Notes are to be issued in consideration for the cancellation of existing convertible notes held by Pitt Street.
- (d) The Company will issue the New Notes to Pitt Street or its nominee, neither of which are related parties of the Company.
- (e) The New Notes will be issued with a face value of \$50,000 each. They will mature on 30 June 2015, accrue interest at 8% per annum and are unsecured. The New Notes may be converted by the note holder at any time before the maturity date at the conversion price (the lower of 0.1 cents or 80% of the 5 day vwap at the time of conversion). On conversion, each Share will be issued with a free attaching Option. The Options will have an exercise price equal to the conversion price of the note and will expire 3 years from the date of issue. The material terms of the New Notes is set out in Schedule 1. Schedule 3 sets out examples of the number of Shares and Options that will be issued at various conversion prices. Schedule 4 sets out the terms of the Options.
- (f) No funds will be raised on the issue of the New Notes. The New Notes are to be issued in consideration for the cancellation of existing convertible notes held by Pitt Street.
- (g) The New Notes will be issued to Pitt Street on one date.

Resolution 6 – Approval to issue Convertible Notes to Mining Investments

ASX Listing Rule 7.1

Resolution 6 seeks Shareholder approval for issue of 21 New Notes to Mining Investments in exchange for the cancellation of existing series of notes held by it. Mining Investments is not a related party of the Company.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which

represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period, unless shareholder approval is obtained.

The New Notes are securities that are convertible by the note holder into Shares and Options. The effect of Resolution 6 will be to allow the Company to issue the New Notes and any Shares and Options issued on conversion of the notes to Mining Investments without using the Company's 15% placement capacity under Listing Rule 7.1.

Information for Shareholders

The following information is provided to Shareholders in relation to Resolution 6:

- (h) The maximum number of securities the Company is to issue is 21 New Notes.
- (i) The New Notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (j) The New Notes will be issued for nil cash consideration. The New Notes are to be issued in consideration for the cancellation of existing convertible notes held by Mining Investments.
- (k) The Company will issue the New Notes to Mining Investments or its nominee, neither of which are related parties of the Company.
- (l) The New Notes will be issued with a face value of \$50,000 each. They will mature on 30 June 2015, accrue interest at 8% per annum and are unsecured. The New Notes may be converted by the note holder at any time before the maturity date at the conversion price (the lower of 0.1 cents or 80% of the 5 day vwap at the time of conversion). On conversion, each Share will be issued with a free attaching Option. The Options will have an exercise price equal to the conversion price of the note and will expire 3 years from the date of issue. The material terms of the New Notes is set out in Schedule 1. Schedule 3 sets out examples of the number of Shares and Options that will be issued at various conversion prices. Schedule 4 sets out the terms of the Options.
- (m) No funds will be raised on the issue of the New Notes. The New Notes are to be issued in consideration for the cancellation of existing convertible notes held by Mining Investments.
- (n) The New Notes will be issued to Mining Investments on one date.

Resolution 7 – Approval to issue a Convertible Note to related party

ASX Listing Rule 10.11

Resolution 7 seeks Shareholder approval for issue of 1 New Note to Silverinch in exchange for the cancellation of the existing series of note held for it. Silverinch is a company associated with Mr Winton Willesee, a Director of the Company. As such, it is a related party of the Company.

Listing Rule 10.11 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities to a related party, unless shareholder approval is obtained. By obtaining approval under Listing Rule 10.11, approval is not required under Listing Rule 7.1 and the issue of the New Note will not be included in the calculation of the Company's 15% placement capacity under that rule. Further shareholder approval will not be required to issue Shares or Options to Silverinch on the conversion of the New Note at any time before the maturity date.

Information for Shareholders

The following information is provided to Shareholders in relation to Resolution 7:

- (a) The Company will issue the New Note to Silverinch or its nominee.
- (b) The maximum number of securities to be issued is 1 New Note.
- (c) The New Note will be issued within 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (d) Silverinch is a company associated with Mr Winton Willesee, a Director of the Company. As such, it is a related party of the Company.
- (e) The New Note will be issued for nil consideration. The New Note is to be issued in consideration for the cancellation of an existing convertible note held for Silverinch. The New Note matures on 30 June 2015, accrues interest at 8% per annum and is unsecured. The New Note may be converted by the note holder at any time before the maturity date at the conversion price (the lower of 0.1 cents or 80% of the 5 day vwap at the time of conversion). On conversion, each Share will be issued with a free attaching Option. The Options will have an exercise price equal to the conversion price of the note and will expire 3 years from the date of issue. The material terms of the New Note is set out in Schedule 1. Schedule 3 sets out examples of the number of Shares and Options that will be issued at various conversion prices. Schedule 4 sets out the terms of the Options. \
- (f) No funds will be raised on the issue of the New Note. The New Note is to be issued in consideration for the cancellation of the existing convertible note held for Silverinch.

Corporations Act

The issue of the New Note to Silverinch or its nominee constitutes giving a financial benefit to a related party.

Under the Corporations Act, for a public company to give a financial benefit to a related party, the public company must obtain shareholder approval unless an exception applies. One of the exceptions is where the financial benefit is given on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length.

The remaining Directors, excluding Winton Willesee, are of the view that the agreement to issue the New Note in exchange for the cancellation of the existing note held for Silverinch and the terms of the New Note is given on reasonable arm's length terms. The agreement with Silverinch and the terms of the New Note have been agreed on the same terms as the other New Notes that will be issued to Mining Investments and Pitt Street, both unrelated parties. As such, the Company is not seeking shareholder approval under the related party provisions of the Corporations Act.

GLOSSARY

In the Notice and this Explanatory Statement the following expressions have the following meanings:

"**ASX**" means ASX Limited (ACN 008 624 691).

"**ASX Listing Rules**" or "**Listing Rules**" means the Listing Rules of the ASX.

"**Board**" means the Board of Directors of the Company.

"**Chairman**" means the chairman of the Company.

"**Company**" or "**BioProspect**" means BioProspect Limited ABN 58 008 130 336.

"**Constitution**" means the Constitution of the Company.

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**Directors**" mean the directors of the Company from time to time.

"**Equity Securities**" has the same meaning as in the Listing Rules.

"**Explanatory Statement**" means this Explanatory Statement.

"**General Meeting**" means this meeting.

"**Meeting**" or "**Annual General Meeting**" means the meeting convened by this Notice.

"**Mining Investments**" means Mining Investments Limited.

"**New Notes**" means the convertible loan notes to be issued by the Company on the terms set out in Schedule 1.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

"**Option**" means an option to subscribe for a Share.

"**Pitt Street**" means Pitt Street Absolute Return Fund Pty Ltd.

"**Resolution**" means a resolution referred to in the Notice.

"**Share**" means a fully paid ordinary share in the capital of the Company.

"**Shareholder**" means a registered holder of Shares in the Company.

"**Silverinch**" means Silverinch Pty Ltd as trustee for Silverinch Superannuation Fund.

"**vwap**" means the volume weighted average price of the Company's shares traded on ASX.

Schedule 1
Material Terms of the New Notes

Note amount	Each note has a face value of \$50,000 each.
Interest	8% per annum.
Conversion Rights	At the election of the Note holder the full amount of the Note will convert into the number of Shares determined by the conversion price. Each Share will be issued with a free attaching Option (exercisable at the conversion price and expiring in 3 years).
Conversion price	The Notes plus accumulated interest will be converted at the lesser of: • \$0.001 per Share; or • 80% of the 5 day volume weighted average price of the Shares on ASX immediately prior to the issue of a conversion notice.
Conversion timing	Subject to the Corporations Act, the Notes will be converted within 5 business days of the receipt of a conversion notice from the note holder.
Transaction Event	In the event that a Transaction Event occurs, the conversion price will be adjusted to the lower of 20 cents or 80% of the 5 day volume weighted average price of the Shares on ASX immediately prior to the issue of a conversion notice. A "Transaction Event" is a determination by ASX requiring the Company to comply with Listing Rules 11.1.2 or 11.1.3 by reason of a change to the nature or scale of the Company's activities.
Security	Unsecured.
Maturity date	30 June 2015
Early Redemption	Redeemable by the Company by giving 20 business days notice.

Schedule 2
Comparison material terms of the existing notes and the New Notes

	Existing Series of Notes	Proposed New Notes
Face value	\$50,000	\$50,000
Number Notes issued	24	30
Total value	\$1,200,000	\$1,500,000
Held by	Mining Investments (\$850,000) Pitt Street (\$300,000) (for) Silverinch (\$50,000)	Mining Investments (\$1,050,000) Pitt Street (\$400,000) Silverinch (\$50,000)
Interest	8% pa	8% pa
Conversion Rights	Convert into Shares at conversion price together with 1 free attaching option, subject to Shareholder approval.	Convert into Shares at conversion price together with 1 free attaching option,
Conversion price	Lower of fixed price (either 1c or 0.5c) per Share or 80% of the 5 day VWAP immediately before conversion.	Lower of fixed price (either 0.01c) per Share or 80% of the 5 day VWAP immediately before conversion.
Transaction Event	Conversion price adjusted as per Listing Rules.	Conversion price is adjusted to the lower of 20 cents or 80% of the 5 day VWAP immediately before conversion, subject to the ASX Listing Rules
Security	Unsecured.	Unsecured.
Maturity date	Various between 1 March 2014 (\$750,000 and 12 March to 31 August 2017(\$450,000).	30 June 2015
Early Redemption	No	Redeemable by the Company by giving 14 days notice.

**SCHEDULE 3 –
Calculation of the number of Shares
to be issued on conversion of the New Notes**

Below are examples calculating the number of the Shares that will be issued to Mining Investments, Pitt Street and Winton Willesee on conversion of the New Notes. These examples assume that the New Notes are converted on the maturity date (30 June 2015).

The conversion formula is:

$$\frac{\text{Note amount} + \text{accumulated interest}}{\text{conversion price}}$$

Note amount + accumulated interest:

Assuming that all of the notes are converted on the maturity date, and that interest is accumulated on the notes (2 years), then the note amount plus accumulated interest will be equal to:

	Note amount	Accumulated interest (8% pa)
Mining Investments	\$1,050,000	\$156,493
Pitt Street	\$400,000	\$59,617
Winton Willesee	\$50,000	\$7,452
Total	\$1,500,000	\$223,562

Conversion price:

The conversion price is the lower of 0.01c or 80% multiplied by the 5 day vwap immediately prior to the issue of a conversion notice.

Assuming the following vwap of Shares, then the conversion price will be equal to:

VWAP (c)	80% of VWAP (c)	Conversion price (c)
0.1	0.08	0.08
0.2	0.16	0.1
0.3	0.24	0.1
0.5	0.4	0.1
1	0.8	0.1

Number of Shares:

Assuming a conversion price of 0.08c, then the number of Shares to be issued on conversion of the notes will be calculated as follows:

	Formula		Number of Shares
Mining Investments:	$\frac{=1,050,000+156,493}{\$0.0008}$	$\frac{=1,206,493}{\$0.0008}$	=1,508,116,438
Pitt Street	$\frac{=400,000+280,000}{\$0.0008}$	$\frac{=980,000}{\$0.0008}$	=574,520,798
Silverinch	$\frac{=50,000+7,452}{\$0.0008}$	$\frac{=57,452}{\$0.0008}$	=71,815,068
Total Shares			2,154,452,305

Using the conversion prices set out above, the number of Shares to be issued on conversion of the notes will be as follows:

VWAP (c)	Conversion price(c)	Mining Investments	Pitt Street	Winton Willesee	Total
0.1	0.08	1,508,116,438	574,520,798	71,815,068	2,154,452,305
0.2	0.1	1,206,493,151	459,616,638	57,452,055	1,723,561,844
0.3	0.1	1,206,493,151	459,616,638	57,452,055	1,723,561,844
0.5	0.1	1,206,493,151	459,616,638	57,452,055	1,723,561,844
1	0.1	1,206,493,151	459,616,638	57,452,055	1,723,561,844

SCHEDULE 4

Terms of Options

1. Each Option entitles the holder to one Share.
2. The exercise price of the Options is equal to the conversion price of the New Notes (being the lower of 0.5 cents or 80% of the 5 day vwap at the time of conversion).
3. The expiry date of the Options is 5.00pm Western Standard Time on the date that is 3 years from the date of issue.
4. The Options may be exercised at any time prior to the expiry date, in whole or in part, upon payment of the exercise price per Option.
5. The Options are freely transferable. The Options will not be quoted.
6. The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
7. All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company must apply to the ASX for quotation in accordance with the Listing Rules after the date of issue of all Shares pursuant to the exercise of Options.
8. There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Options. Thereby, the Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised except in the event of a bonus issue or reconstruction. The Company will ensure, for the purposes of determining entitlements to any issue, that Option holder will be notified of a proposed issue after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.
9. If from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to holders of Shares in the Company ("**Bonus Issue**"), then upon exercise of his or her Options a holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Options had been exercised before the record date for the Bonus Issue.
10. In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.

OTHER INFORMATION

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

Queries as to the lodgement of proxies and other formalities in relation to the Meeting should be directed to the Company Secretary (telephone: +612 9299 9580)

ACTION TO BE TAKEN BY SHAREHOLDERS

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

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

Appointment of Proxy

I/We

of - address please

being a member of BioProspect Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Meeting to be held at the offices of RSM Bird Cameron, Level 12, 60 Castlereagh Street, Sydney NSW 2000 on Friday 15 November 2013 at 10:00 am and at any adjournment thereof. If the Chair of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote in respect of a resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy, even if he has an interest in the outcome of the resolution and votes cast by the Chair of the Meeting for those resolutions other than as proxy holder, will be disregarded because of that interest. You also acknowledge that the Chair of the Meeting may exercise your proxy even though Resolutions 1 is connected directly or indirectly with the remuneration of a member of key management personnel.

If no directions are given, the Chairman intends to vote in favour of resolutions 1 to 4.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

Voting on Business of the Meeting

ITEM		FOR	AGAINST	ABSTAIN
1	Adopt the Remuneration Report (non-binding resolution)	☐	☐	☐
2	Re-election of Ben Cooper	☐	☐	☐
3	Ratification of the issue of 45,528,840 Shares	☐	☐	☐
4	Approval of additional 10% placement capacity	☐	☐	☐
5	Approval the issue of convertible notes to Pitt Street Absolute Fund Pty Ltd	☐	☐	☐
6	Approval the issue of convertible notes to Mining Investment Limited	☐	☐	☐
7	Approval the issue of convertible notes to Winton Willesee	☐	☐	☐

Signed this day of 2013

By

Individuals and joint holders

Signature

Signature

Signature

Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 Directors of the Company;
 - a Director and a Company Secretary of the Company; or
 - for a proprietary Company that has a sole Director who is also the sole Company Secretary – that Director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act 2001 a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole Director and sole Company Secretary of the Company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
4. If a member appoints a member of the key management personnel (**KMP**) of the Company (which includes each of the Directors) as proxy, the KMP will not be able to vote proxies on Item 1 unless the member directs them how to vote. If a member appoints the Chairman of the Meeting as proxy, the member can direct him how to vote by either marking the boxes on the Proxy Form for Item 1, or by marking the Chairman's box on the Proxy Form (in which case the Chairman will vote in favour of this Item of business).
7. To vote by proxy, please complete and sign (or otherwise authenticate it in a manner prescribed by the Corporations Regulations) the proxy form enclosed with this Notice of General Meeting as soon as possible and either:
 - send the proxy form by facsimile to the Company on facsimile number (08) 9389 3199; or
 - scan the document and e-mail to robert.lees@bioprospect.com; or
 - send to the Company at PO Box 3144 Nedlands WA 6009; or
 - deliver it to the Company at Suite 25, 145 Stirling Highway, Nedlands WA 6009

so that it is received no later than 10:00 am (Sydney time) on 14 November 2013.