



**ABN: 58 008 130 336**

**ASX Half-Yearly Report to  
31 December 2012**

**Lodged with the ASX under Listing Rule 4.2A**

**The Information provided in this Half Yearly Report should be read in conjunction with the Company's 2012 Annual Financial Report.**

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### SUMMARY RESULTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2012

The following is a summary of the financial results for the 6 months ended 31 December 2012 (previous corresponding period 31 December 2011).

#### 1. SUMMARY RESULTS

	Increase/ (Decrease) %	Six months ended 31 December 2012 \$	Six months ended 31 December 2011 \$
Revenue from ordinary activities	(78%)	24,310	110,854
Loss from ordinary activities after tax attributable to members	(86%)	(733,538)	(5,139,507)
Loss for the period attributable to members (NPAT)	(86%)	(733,538)	(5,139,507)

#### 2. COMMENTARY

During the six months to 31 December 2012, the Company recorded an after tax loss of \$733,538 (2011 \$5,139,507). This decrease was due to the wind back of business activity of the Human Health/Skin Care and Agriculture/Animal Health segments. The remaining Re Gen finished goods and raw material inventory of \$169,034 was written-off during the period. Two capital raisings provided an additional \$1,166,085 in funds. In addition \$150,000 in convertible notes were issued during the period to 31 December 2012.

#### 3. DIVIDENDS

No interim dividend has been declared for the reporting period.

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

	31 December 2012	31 December 2011
Basic loss per share	(0.03) cps	(0.3) cps
Diluted loss per share	(0.03) cps	(0.3) cps
Weighted average number of shares used in the calculation of basic EPS	2,176,446,164	1,534,518,173

The amount used in the numerator in calculating basic EPS is the same as the net loss reported in the condensed consolidated statement of profit or loss.

**5. NET TANGIBLE ASSET BACKING**

	<b>31 December 2012</b>	<b>31 December 2011</b>
Net tangible asset backing per ordinary share	0.10 cents	0.04 cents

**6. COMPLIANCE STATEMENT**

The accounts (attached) are not subject to dispute or qualification. This report is based on accounts that have been subject to a review. The entity has a formally constituted audit committee.



Robert Lees  
Company Secretary  
28 February 2013

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**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2012**

Provided in accordance with Section 320 of *the Corporations Act (2001)*.

# BioProspect Limited

ABN: 58 008 130 336

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## **BioProspect Limited**

**ABN: 58 008 130 336**

### **Corporate Information**

#### **Director**

W Willesee Non-executive Chairman

B Cooper Non-executive Director

P May Non-executive Director

#### **Auditors**

William Buck (QLD)

Level 21, 307 Queen Street

Brisbane QLD 4000

#### **Company Secretary**

R Lees

#### **Bankers**

Westpac Banking Corporation

#### **Registered Office**

Suite 25

145 Stirling Highway

Nedlands WA 6009

Telephone: (08) 9389 3170

Facsimile: (08) 9389 3199

#### **Home Exchange**

Australian Securities Exchange

2 The Esplanade

Perth WA 6000

#### **Share Register**

Computershare Investor Services Pty Ltd

117 Victoria Street

West End QLD 4101

Telephone: 1300 850 505

Facsimile: (03) 9473 2500

#### **Internet Address**

[www.biopropect.com](http://www.biopropect.com)

# BioProspect Limited

ABN: 58 008 130 336

## Directors' Report

The Directors submit the financial report of BioProspect Limited and its controlled entities for the half-year ended 31 December 2012.

### DIRECTORS

The names of the directors who held office during or since the end of the half-year and up to the date of this report are:

Winton Willesee	<i>Non-Executive Chairman</i>
Ben Cooper	<i>Non-Executive Director</i>
Jacob Khouri	<i>Non-Executive Director (Resigned 18 September 2012)</i>
Charles Pellegrino	<i>Non-Executive Director (Resigned 19 November 2012)</i>
Peter May	<i>Non-Executive Director (Appointed 19 November 2012)</i>

### REVIEW AND RESULTS OF OPERATIONS

#### Financials

During the six months to 31 December 2012, the Company recorded an after tax loss of \$733,538 (2011 - \$5,139,507). This decrease was due to the wind back of business activity of the Human Health/Skin Care and Agriculture/Animal Health segments. The remaining Re Gen finished goods and raw material inventory of \$169,034 was written-off during the period. Two capital raisings provided an additional \$1,166,085 in funds. In addition \$150,000 in convertible notes were issued during the period to 31 December 2012.

#### Development Projects

##### AGRIPRO

Following a review of the development program for *AGRIPRO*<sup>®</sup>, the strategy for the development of this project was reshaped to involve a focus on a lower cost program of local development of natural animal health products including *AGRIPRO*<sup>®</sup> Topical Gel, completion of the conifer green needle complex (CGNC) product chemistry package, and re-submission of a more complete application for registration of these products to the APVMA. Limited progress has been made on this project due to the restricted availability of cash resources.

##### REGEN

The financial results reflect a further write-down of finished goods and raw material stocks for Re Gen Wellness Products Pty Ltd. This followed a review of operations of the Re Gen business and steps taken to conserve resources and avoid extended and ongoing financial commitments on the business.

Intellectual property associated with the Re Gen business, including *REGEN*<sup>®</sup> and *DEMURE*<sup>®</sup> trademarks, are being maintained as core assets. However, raw material stocks have largely been sold and remaining finished goods have been supplied to distributors.

##### FRONTIER

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 Corporation ("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. At the time Frontier Oil advised planned submission to the SEC with approval anticipated by the end of September 2012.

## BioProspect Limited

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### Directors' Report (continued)

#### Development Projects (continued)

##### Frontier Oil Corporation (continued)

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. The Company also advised that the Frontier Oil shareholders had approved 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.

On 15 October 2012 the Company announced the extension of the period for Frontier Oil to obtain approval from the SEC of the issue and allotment of the 430,000,000 newly issued shares in Frontier Oil. It was announced that Frontier Oil had requested, and the Company had agreed, to extend the period to obtain SEC approval of the issue of the new shares to January 11, 2013.

On 26 October 2012 the Company announced that it had been advised by Frontier Oil that Frontier Oil had entered into a Farm-In Option Agreement covering the Cebu Strait sector of the Service Contract 51 (SC51) Contract Area (the "South Block"). Under this agreement, Frontier Oil has the option to acquire eighty percent (80%) of the current concession holders' combined participating interests in the South Block primarily by undertaking to drill the offshore Argao-1 exploratory well at its sole cost and risk under the 6<sup>th</sup> Sub-Phase of the Exploration Period of SC51 (31 January 2014 – 8 July 2015).

On 3 December 2012 the Company provided an update received from Frontier Oil on the acid stimulation program at Nassipping-2 that stated "it had temporarily suspended the Nassipping-2 acid stimulation operation on SC52 located in the Philippines due to an obstruction in a section of the well."

On 7 January 2013 the Company announced that the SEC had approved an increase in capital in Frontier Oil that would allow the issue of the 430,000,000 shares in Frontier Oil to the Company. The Company also announced at the time that the SEC had also approved amendments to Frontier Oil's By-Laws and Articles of Incorporation, as sought by Frontier Oil, preparatory to Frontier Oil's intention to list on the Philippines Stock Exchange.

On 19 February 2013 the Company announced that it had been advised by Frontier Oil that it had acquired 100% of Frigstad Energy Limited, the Operator and primary equity holder of SC50 containing the Calautit oilfields located offshore north-west Palawan, Philippines.

#### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2012 under s 307C of the *Corporations Act 2001*, is set out on page 6.

This report is signed in accordance with a resolution of the Board of Directors:



Winton Willesee

Date 28 February 2013

Perth WA

The Directors  
BioProspect Limited  
Suite 25  
145 Stirling Highway  
Nedlands WA 6009

### Auditor's Independence Declaration

As lead auditor for the review of BioProspect Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there has been:-

- (a) no contravention of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contravention of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BioProspect Limited and the entities it controlled during the period.

*William Buck*

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William Buck (Qld)  
ABN 11 603 627 400

*J Latif*

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J Latif  
A Member of the Firm  
Brisbane: 28 February 2013

**BioProspect Limited****ABN: 58 008 130 336****Condensed Consolidated Statement of Profit or Loss****FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Note	31 December 2012 \$	31 December 2011 \$
<b>Revenues</b>	2	24,310	110,854
<b>Expenses</b>	2		
Finance costs		(98,353)	(28,996)
Raw material and consumables used		(24,164)	(37,345)
Depreciation		(3,531)	(6,563)
Impairment of intangibles and financial assets		-	(3,050,813)
Employee costs		(155,821)	(497,842)
Research and development expenses		(2,573)	(275,287)
Other expenses		(473,406)	(1,603,865)
<b>Loss before income tax</b>		(733,538)	(5,389,857)
Income tax research and development benefit		-	250,350
<b>Loss attributable to members of BioProspect Limited</b>		(733,538)	(5,139,507)
<b>Earnings per share</b>			
Basic loss per share (cents per share)		(0.03)	(0.3)
Diluted loss per share (cents per share)		(0.03)	(0.3)

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

**BioProspect Limited**

**ABN: 58 008 130 336**

## **Condensed Consolidated Statement of Comprehensive Income**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	<b>31 December 2012 \$</b>	<b>31 December 2011 \$</b>
<b>Loss for the period</b>	(733,538)	(5,139,507)
<b>Other comprehensive income</b>		
<b>Amounts that will be reclassified</b> <b>subsequently to profit or loss when specific</b> <b>conditions are met</b>		
Net loss on revaluation of available for sale financial assets	-	(23,908)
<b>Total other comprehensive income for the period</b>	-	(23,908)
<b>Total comprehensive income attributable to members of BioProspect Limited</b>	<u>(733,538)</u>	<u>(5,163,415)</u>

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

**BioProspect Limited****ABN: 58 008 130 336****Condensed Consolidated Statement of Financial Position****AS AT 31 DECEMBER 2012**

	Notes	31 December 2012 \$	30 June 2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		578,841	85,321
Trade and other receivables		48,979	47,752
Inventories		-	169,034
Prepayments		9,091	9,091
<b>Total Current Assets</b>		<b>636,911</b>	<b>311,198</b>
<b>Non-current Assets</b>			
Available-for-sale investments	3	5,161,553	5,161,553
Property, plant and equipment		-	3,532
<b>Total Non-current Assets</b>		<b>5,161,553</b>	<b>5,165,085</b>
<b>TOTAL ASSETS</b>		<b>5,798,464</b>	<b>5,476,283</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		481,341	653,881
Borrowings	7	1,200,000	-
Provisions		33,063	24,258
<b>Total Current Liabilities</b>		<b>1,714,404</b>	<b>678,139</b>
<b>Non-current Liabilities</b>			
Borrowings	7	1,200,000	2,250,000
Other payables		77,151	103,817
<b>Total Non-current Liabilities</b>		<b>1,277,151</b>	<b>2,353,817</b>
<b>TOTAL LIABILITIES</b>		<b>2,991,555</b>	<b>3,031,956</b>
<b>NET ASSETS</b>		<b>2,806,909</b>	<b>2,444,327</b>
<b>EQUITY</b>			
Issued capital	4	36,556,108	35,459,988
Reserves		2,911,950	2,911,950
Accumulated losses		(36,661,149)	(35,927,611)
<b>TOTAL EQUITY</b>		<b>2,806,909</b>	<b>2,444,327</b>

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

**BioProspect Limited****ABN: 58 008 130 336****Condensed Consolidated Statement of Cash Flows****FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	31 December 2012 \$	31 December 2011 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	20,646	49,147
Export Market Development Grant received	-	50,000
Payments to suppliers and employees	(774,337)	(1,212,620)
Research & Development tax offset received	-	250,350
Research and development expenditure	(2,573)	(211,940)
	<hr/>	<hr/>
<b>Net cash flows used in operating activities</b>	(756,264)	(1,075,063)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Interest received	3,664	30,018
Purchase of plant and equipment	-	(1,686)
Investment in Frontier	-	(1,875,000)
Proceeds from sale of available for sale investments	-	36,864
	<hr/>	<hr/>
<b>Net cash flows generated from (used in) investing activities</b>	3,664	(1,809,804)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from share applications received	1,166,085	198,000
Share issue costs	(69,965)	(9,250)
Proceeds from issue of convertible notes	150,000	1,200,000
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	1,246,120	1,388,750
	<hr/>	<hr/>
<b>Net increase (decrease) in cash and cash equivalents</b>	493,520	(1,496,117)
Cash and cash equivalents at beginning of period	85,321	1,718,019
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	578,841	221,902
	<hr/> <hr/>	<hr/> <hr/>

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

**BioProspect Limited****ABN: 58 008 130 336****Condensed Consolidated Statement of Changes in Equity****FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Asset Revaluation Reserve</b>	<b>Share Option Reserve</b>	<b>Total Equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 1 July 2011</b>	<b>31,210,774</b>	<b>(32,600,656)</b>	<b>23,908</b>	<b>2,543,511</b>	<b>1,177,537</b>
<b>Comprehensive income</b>					
Loss for the period	-	(5,139,507)	-	-	(5,139,507)
<b>Other comprehensive income</b>					
Decrease in value of available for sale financial assets	-	-	(23,908)	-	(23,908)
<b>Total comprehensive income</b>	-	(5,139,507)	(23,908)	-	(5,163,415)
<b>Transactions with owners</b>					
Shares issued	4,296,400	-	-	-	4,296,400
Share issue costs	(47,186)	-	-	-	(47,186)
Share options issued	-	-	-	368,439	368,439
<b>Total transactions with owners</b>	<b>4,249,214</b>	<b>-</b>	<b>-</b>	<b>368,439</b>	<b>4,617,653</b>
<b>At 31 December 2011</b>	<b>35,459,988</b>	<b>(37,740,163)</b>	<b>-</b>	<b>2,911,950</b>	<b>631,775</b>
	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Asset Revaluation Reserve</b>	<b>Share Option Reserve</b>	<b>Total Equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 1 July 2012</b>	<b>35,459,988</b>	<b>(35,927,611)</b>	<b>-</b>	<b>2,911,950</b>	<b>2,444,327</b>
<b>Comprehensive income</b>					
Loss for the period	-	(733,538)	-	-	(733,538)
<b>Other comprehensive income</b>					
Decrease in value of available for sale financial assets	-	-	-	-	-
<b>Total comprehensive income</b>	-	(733,538)	-	-	(733,538)
<b>Transactions with owners</b>					
Shares issued	1,166,085	-	-	-	1,166,085
Share issue costs	(69,965)	-	-	-	(69,965)
<b>Total transactions with owners</b>	<b>1,096,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,096,120</b>
<b>At 31 December 2012</b>	<b>36,556,108</b>	<b>(36,661,149)</b>	<b>-</b>	<b>2,911,950</b>	<b>2,806,909</b>

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

**BioProspect Limited**

**ABN: 58 008 130 336**

## **Notes to the Financial Statements**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

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### **1. BASIS OF PREPARATION**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

These interim financial statements are intended to provide users with an update on the latest annual financial statements of BioProspect Limited and its controlled entities (the consolidated entity). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2012, together with any public announcements made since 1 July 2012.

The same accounting policies and methods of computation have been followed in these interim financial statements as were applied in the most recent annual financial statements.

#### **Going concern statement**

As at 31 December 2012 the consolidated entity was in a net asset position of \$2,806,909 (30 June 2012: \$2,444,327) but had incurred losses for the period ended 31 December 2012 of \$733,538 (2011: \$5,139,507) and had net cash outflows from operations for the period of \$756,264 (2011: \$1,075,063).

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 \$1,200,000 and accrued interest of \$125,019 (predominantly held by a majority shareholder) maturing on 31 August 2013 to equity, or renegotiating the maturity date of amounts owing prior to their expiry date.

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 these financial statements.

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

### 2. REVENUE AND EXPENSES

	31 December 2012 \$	31 December 2011 \$
<b>REVENUE</b>		
Interest received	3,664	11,707
Grants received	-	50,000
Sales revenue	20,646	49,147
Total Revenue	24,310	110,854
<b>EXPENSES</b>		
<b>(i) Finance costs</b>		
Interest payable on convertible notes	98,353	28,996
<b>(ii) Impairment</b>		
Impairment of goodwill arising from acquisition of Re Gen Wellness Products	-	50,000
Impairment of available-for-sale investment	-	2,750,813
Impairment of Nova Vita Licence	-	250,000
	-	3,050,813
<b>(iii) Employee benefits expense</b>		
Wages and salaries	70,256	259,790
Directors' fees	80,583	71,808
Superannuation	4,427	8,244
Share based payments	-	152,000
Allowances	555	6,000
	155,821	497,842

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

### 2. EXPENSES (continued)

	31 December 2012 \$	31 December 2011 \$
<b>(iv) Other expenses</b>		
Consulting and advisory expenses	144,177	769,657
Legal fees	53,123	41,688
Listing fees	26,690	60,107
Share registry	52,100	14,218
Sales and marketing	3,335	166,979
Stock write downs	169,034	369,915
Other administrative expenses	24,947	181,301
	<u>473,406</u>	<u>1,603,865</u>

### 3 AVAILABLE FOR SALE INVESTMENTS

	Notes	31 December 2012 \$	30 June 2012 \$
Frontier Gasfields Pty Ltd at cost	(i)	5,161,553	5,161,553
Australian listed shares at fair value		2,758	2,758
Provision for impairment		(2,758)	(2,758)
<b>Total Available-for-sale investments</b>		<u>5,161,553</u>	<u>5,161,553</u>

#### (i) Frontier Gasfields

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 Gasfields Pty Ltd. 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 approval was announced on 7 January 2013. The investment is stated at original cost due to this being an investment in an unlisted entity and is therefore difficult to obtain fair value. The directors do not believe that this investment has been impaired.

**BioProspect Limited**

**ABN: 58 008 130 336**

## **Notes to the Financial Statements (continued)**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

### **4 ISSUED CAPITAL**

	<b>31 December 2012</b>	<b>30 June 2012</b>
<b>Issued and paid up capital</b>		
Issued and fully paid	36,556,108	35,459,988
Number of shares on issue at reporting date	2,778,255,532	1,612,170,347
Number of options on issue at reporting date	1,319,062,127	1,319,062,135

#### **Movements in share capital for the six months ended 31 December 2012**

- On 15 August 2012, 8 ordinary shares at 3 cents on exercise of an option;
- On 16 August 2012, 240,000,000 ordinary shares were issued at .01 of a cent to professional and sophisticated investors raising \$240,000 (before costs); and
- On 19 October 2012, the Company completed its Rights Issue of 926,085,177 ordinary shares at an issue price of .01 of a cent. This issue raised \$926,085 (before costs).

#### **Movements in share options for the six months ended 31 December 2012**

- On 15 August 2012, an option holder exercised 8 3 cent options raising \$0.24.

**BioProspect Limited**

**ABN: 58 008 130 336**

## **Notes to the Financial Statements (continued)**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

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### **5. OPERATING SEGMENTS**

#### **Segment Information**

##### **Identification of reportable segments**

The consolidated entity 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 consolidated entity is managed primarily on the basis of product category and service offerings since the diversification of the consolidated entity'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 *TERMILONE*<sup>®</sup>, the Company's natural termiticide, *Qcide*<sup>®</sup>, and the *AGRIPRO*<sup>®</sup> and *GI-GUARD*<sup>®</sup> range of plant extracts derived from coniferous trees.

(ii) *Human Health/Skin Care*

This market segment includes the income and expenditures pertaining to the emu oil product range distributed through Re Gen Wellness Products Pty Ltd.

(iii) *Mining and Gas Exploration*

This 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 otherwise stated, 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 financial statements of the consolidated entity.

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**BioProspect Limited**

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## **Notes to the Financial Statements (continued)**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

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### **5. OPERATING SEGMENTS (continued)**

#### *Inter-segment transactions*

For the reporting period there have not been any inter-segment sales.

Salaries for research and development 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 (ie 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, expenses, 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;
- Convertible notes; and
- Other payables.

**BioProspect Limited**

ABN: 58 008 130 336

**Notes to the Financial Statements (continued)**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

**5. OPERATING SEGMENTS (continued)****(i) Segment performance**

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
Six months ended 31 Dec 2012	\$	\$	\$	\$
<b>Revenue</b>				
External sales	19,230	1,416	-	20,646
Grants received	-	-	-	-
<b>Total segment revenue</b>	<b>19,230</b>	<b>1,416</b>	-	<b>20,646</b>
Unallocated revenue				3,664
<b>Total consolidated revenue</b>				<b>24,310</b>
	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
Six months ended 31 Dec 2012	\$	\$	\$	\$
<b>Segment net loss before tax *</b>	(190,721)	(65,172)	-	(255,893)
<i>Reconciliation of segment result to group net loss before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
• Depreciation				(3,531)
Unallocated items:				
• Interest received				3,664
• Other corporate costs				(477,778)
<b>Net loss before tax</b>				<b>(733,538)</b>

\* Segment net loss includes stock write downs of \$169,034 for the human health/skin care segment. Please refer to note 2 (iv)

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**BioProspect Limited**

ABN: 58 008 130 336

**Notes to the Financial Statements (continued)**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

**5. OPERATING SEGMENTS****(i) Segment performance**

	Human Health/Skin Care \$	Agriculture/ Animal Health \$	Mining and Gas \$	Total \$
<b>Six months ended 31 Dec 2011</b>				
<b>Revenue</b>				
External sales	49,147	-	-	49,147
Grants received	50,000	-	-	50,000
<b>Total segment revenue</b>	<b>99,147</b>	<b>-</b>	<b>-</b>	<b>99,147</b>
Unallocated revenue				11,707
<b>Total consolidated revenue</b>				<b>110,854</b>
<b>Six months ended 31 Dec 2011</b>				
<b>Segment net loss before tax*</b>	(889,595)	(507,132)	(3,607,353)	(5,004,080)
<i>Reconciliation of segment result to group net loss before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
• Depreciation				(6,563)
Unallocated items:				
• Interest received				11,707
• Other corporate costs				(390,921)
<b>Net loss before tax</b>				<b>(5,389,857)</b>

\*Segment net loss includes impairment charges of \$300,000 for the human health/skin care segment and \$2,750,813 for the mining and gas market segment.

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**BioProspect Limited****ABN: 58 008 130 336****Notes to the Financial Statements (continued)****FOR THE HALF-YEAR ENDED 31 DECEMBER 2011****5. OPERATING SEGMENTS (continued)****(i) Segment assets**

	<b>Human Health/Skin Care</b>	<b>Agriculture/ Animal Health</b>	<b>Mining and Gas</b>	<b>Total</b>
<b>31 Dec 2012</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment assets	-	-	5,161,553	5,161,553
Unallocated assets				
• Cash				578,841
• Other				58,070
<b>Total assets</b>				<b>5,798,464</b>

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

**(ii) Segment Liabilities**

<b>31 Dec 2012</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment liabilities	(3,635)	(120,156)	-	(123,791)
Unallocated liabilities				(2,867,764)
<b>Total liabilities</b>				<b>(2,991,555)</b>

## BioProspect Limited

ABN: 58 008 130 336

### Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

#### 5. OPERATING SEGMENTS (continued)

##### (ii) Segment Liabilities (continued)

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
30 June 2012	\$	\$	\$	\$
Segment liabilities	21,952	273,558	922	296,432
Unallocated liabilities				2,735,524
<b>Total liabilities</b>				<b>3,031,956</b>

##### (iii) Revenue by geographical region

Revenue for the 2012 and 2011 financial half years is composed primarily from activities from one geographical segment, being Australia.

##### (iv) Assets by geographical region

All assets are located in one geographical region being Australia.

#### 6. RELATED PARTY TRANSACTIONS

##### Purchases

###### Gun Capital Corporate

During the half-year ended 31 December 2012, the company incurred \$6,000 in consulting services provided by Gun Capital Corporate Pty Ltd, a company which is owned by Mr Leo Khouri, (father of a former 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. The amount outstanding to Gun Capital Corporate Pty Ltd as at 31 December 2012 was \$3,000.

###### Obelisk SAL

During the half-year ended 31 December 2012, the company incurred \$2,573 of consulting services provided by Obelisk SAL, a company which is owned by Mr Leo Khouri (father of a former non-executive director Mr Jacob Khouri). The consulting services covered the access to and supply of CGNC for trials associated with *GI-GUARD*<sup>®</sup> Oral Paste and other *AGRIPRO*<sup>®</sup> products for use in animal health and nutrition. There were no outstanding amounts owed to Obelisk SAL as at 31 December 2012.

###### Azalea Consulting

During the half-year ended 31 December 2012, the company incurred \$6,000 (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 Pty Ltd as at 31 December 2012 was \$3,000.

**BioProspect Limited**

**ABN: 58 008 130 336**

## **Notes to the Financial Statements (continued)**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

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### **6. RELATED PARTY TRANSACTIONS (CONTINUED)**

#### ***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.

### **7. BORROWINGS**

The Company announced on 31 August 2012, the issue of convertible notes amounting to \$150,000 to existing note holders resulting in total convertible notes on issue of \$2.4 million at 31 December 2012.

Terms of the convertible notes are as follows:

- The notes accrue interest at a rate of 8% per annum;
- Maturity date of the notes are 31 August 2013 - \$1.2m; 1 March 2014 - \$0.75m; \$0.15m in March 2017; \$0.15m in April 2017 and \$0.15m in August 2017.
- The notes are unsecured;
- Conversion price of the notes ranges from 0.5 cents to the lower of 1 cent 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;
- 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; and
- The conversion remains subject to shareholder approval.

### **8. COMMITMENTS AND CONTINGENCIES**

There were no changes in the Group's commitments and contingencies since 30 June 2012.

### **9. EVENTS AFTER THE END OF THE REPORTING PERIOD**

Since 31 December 2012 the company announced that the Philippines Securities and Exchange Commission had provided the approval for FOC to increase its share capital to allow 430,000,000 shares to be issued to BioProspect.

There have been no other events subsequent to year end which would have a material effect on the company's financial statements at 31 December 2012.

**BioProspect Limited**  
**ABN: 58 008 130 336**

## **Directors' Declaration**

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

In the opinion of the directors:

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
  - b. complying with the Accounting Standard AASB 134 "*Interim Financial Reporting*" and the Corporations Regulations 2001.
  
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Winton Willesee  
Chairman  
Perth 28 February 2013

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BioProspect Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

As the auditor of BioProspect Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BioProspect Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

### *Emphasis of matter regarding Going Concern*

Without qualifying our conclusion, attention is drawn to Note 1 to the financial statements which indicates that as at 31 December 2012 the consolidated entity was in a net asset position of \$2,806,909 (30 June 2012: \$2,444,327) and had incurred losses for the period ended 31 December 2012 of \$733,538 (2011: \$5,139,507) and had net cash outflows from operations for the period of \$756,264 (2011 \$1,075,063). These conditions, along with other matters as set out in Note 1 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

### *Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report*

This auditor's review report relates to the half year financial report of BioProspect Limited for the half year ended 31 December 2012 included on BioProspect Limited's web site. The company's directors are responsible for the integrity of the BioProspect Limited's web site. We have not been engaged to report on the integrity of the BioProspect Limited's web site. The auditor's review report refers only to the half year financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.

*William Buck*

William Buck (Qld)  
ABN 11 603 627 400



J Latif  
A Member of the Firm  
Brisbane, 28 February 2013

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Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland

Level 21, 307 Queen Street, Brisbane QLD 4000  
GPO Box 563, Brisbane QLD 4001  
Telephone: +61 7 3229 5100 · Facsimile: +61 7 3221 6027  
[williambuck.com](http://williambuck.com)

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