BIOPROSPECT LIMITED

2013 ANNUAL REPORT

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Corporate Information

ABN 58 008 130 336

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

Directors

W Willesee	Chairman
B Cooper	Executive Director
P May	Non-executive Director

Company Secretary
R Lees

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Brisbane QLD 4000

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Westpac Banking Corporation

Auditors
William Buck
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Directors' Report

Your directors submit their report for the year ended 30 June 2013.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Winton Willesee (Non-Executive Chairman)

Qualifications: BBus, DipEd, PGDipBus, MCom, FFin, CPA, MAICD, ACIS/ACSA.

Experience: Mr Willesee was appointed to the Board on 16 September 2011 and is an experienced company director. Mr Willesee brings a broad range of skills and experience in strategy, company administration, corporate governance, company public listings, merger and acquisition transactions, reconstructions and corporate finance from his background with listed and unlisted public and other companies.

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

As well as his position with BioProspect, Mr Willesee is currently the chairman of Birimian Gold Limited (appointed 31 January 2013) Cove Resources Limited (appointed 4 June 2008), and Mining Group Limited (appointed 14 March 2011), and a director of Base Resources Limited (appointed 23 May 2007), Coretrack Limited (appointed 4 October 2010), Newera Resources Limited (appointed 31 March 2007), Otis Energy Limited (appointed 18 Jan 2008) and Torrens Energy Limited (appointed 21 March 2012).

Mr Willesee resides in Perth.

Benjamin Cooper (Executive Director)

Qualifications: Fin Plan, RG 146

Experience: Mr Cooper was appointed to the Board on 10 April 2012. Mr Cooper is a qualified financial planner and mining executive with more than 15 years experience in the capital markets. In his capacity as Chairman, Managing Director and /or Executive Director, Mr Cooper has played a significant role in successful funding and developing Australian mining projects. In his capacity as a Corporate advisor he has considerable expertise in the restructuring and financing of entities, and has raised in excess of $100m.

Mr Cooper serves as Managing Director of Paradise Capital Pty Ltd a company that specializes in providing corporate financial and advisory services. Between February 2008 and October 2011 he established and was Managing Director of MetalBank Limited which involved raising $3m of funding capital. From April 2010 to April 2011 he was a director of Winmar Resouces Limited which was formerly St Istvan Gold Limited (ASX: SVG) and successfully managed the restructure and $7m of capital raising.

Mr Cooper has not held any other public company directorships in the last three years.

Mr Cooper resides in Sydney.

Names, qualifications, experience and special responsibilities (continued)

Peter May (Non-Executive Director)

Qualifications: B. App. Sc. (Hons), MBA, AFAIM, GAICD

Experience: Mr May was appointed as a Director on 19 November 2012 replacing Mr Pellegrino. Mr. May had previously been COO and CEO of Bioprospect Limited. Mr May resigned as CEO on 19 November 2012.

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

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

Mr May has not held any other public company directorships in the last three years.

Mr May resides in Brisbane.

Former Directors

Jacob Khouri (Non-Executive Director)

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

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

Mr Khouri is currently a director of Esperance Minerals Limited. During the past three years Mr Khouri has not been a director of any other ASX listed company.

Mr Khouri resides in Melbourne.

Mr Khouri resigned from the board on 18 September 2012.

Charles Pellegrino (Non-Executive Director)

Qualifications: B.A. B. Bus (Acc.)

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

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

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

Mr Pellegrino resigned from the board on 19 November 2012.

Directors' Report (continued)

EXECUTIVE MANAGEMENT

COMPANY SECRETARY

Robert Lees - B. Bus. (UTS), Grad Dip of Data Processing (UTS), ASA, ACIS

Mr Lees was appointed Company Secretary and Chief Financial Officer on 30 September 2012, on the resignation of Mr Johnston. Mr Lees is responsible for complying with all the governance requirements of a listed company and preparation of all financial and management reports for the BioProspect group of companies.

Robert is member of the Institute of Chartered Accountants in Australia and Chartered Secretaries of Australia. He is a graduate of the University of Technology, Sydney, holding a Bachelor of Business (Accounting) and a Graduate Diploma in Data Processing. He also holds a Graduate Diploma in Corporate Governance. In the last 12 years he has provided Company Secretarial services to small ASX listed companies. This has included involvement in 10 IPO's and back door listings. He is currently Company Secretary of 4 other Listed Public Companies.

Colin Johnston - Dip. Bus Accounting, CPA, GAICD

Mr Johnston was appointed Company Secretary and Chief Financial Officer on 1 March 2004 and resigned on 30 September 2012. Mr Johnston was responsible for complying with all the governance requirements of a listed company and preparation of all financial and management reports for the BioProspect group of companies.

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

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

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

	Ordinary Shares	Options over Ordinary Shares	Convertible Notes
W. Willesee	nil	15,000,000	$50,000
B. Cooper	nil	nil	nil
P. May	2,652,175	2,000,000	nil

DIVIDENDS

No dividends have been paid or provided during the year ended 30 June 2013 (2012 nil).

PRINCIPAL ACTIVITIES

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

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

Directors' Report (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

REVIEW AND RESULTS OF OPERATIONS

Operating Results for the Year

The group generated a loss after tax of $1,096,713 (2012: loss of $3,326,955). Sales of *REGEN®* products for the year were $19,230, significantly lower than the 2012 result of $49,147. This reflected the final disposal of health care raw material and product and a focus on minimising all expenditure.
Significant items are:-

- Research and development costs of $2,573 were significantly below the 2012 expenditure of $388,192 as the group finalised the UAE *AGRIPRO®* development trial in July 2011 and restructured its further research and development programs;

- Employee costs at $256,401 were $533,244 below 2012 due to operational reorganisation and the reduction of management personnel;

- Sales and marketing expenses decreased in line with the reduction in activities associated with the *REGEN®* portfolio, promoting the *AGRIPRO®* and *GI-GUARD®* brands, and corporate advertising;

- Other administration costs were $1.1 million lower than 2012 primarily due to the closure of offices and a reductions in other appropriate areas; and

- Inventories have been either sold or fully written off.

Review of Financial Condition

Capital Structure

During the last twelve months the Company has been able to raise capital when needed due to an excellent relationship with several major shareholders and underwriters, particularly Novus Capital Limited. Rights issues and placements raised $1,261,004 before costs and an additional $150,000 was raised from the issue of additional convertible notes. Please refer to note 20 for specific details of placements and other initiatives that occurred during the year ended 30 June 2013.

Post balance date on the 7th August 2013 the Company announced that it had entered into an agreement to sell 25.58% of its holding in Frontier Oil for A$1.79 million after costs.

It was announced that the proceeds of the sale would be utilised by the Company to:

- Restructure the Convertible Notes on issue after repaying the $1.2million maturing 18 August and 19 September 2013; and
- Remove the need for a capital raising in the short term.

The Company has been advised by Frontier Oil Corporation that it expects to complete its IPO on the Philippines Stock Exchange in the fourth quarter of 2013. Based on the sale price in the above transaction the Company's remaining holding in Frontier Oil has a value of approximately $5.2 million. While Frontier Oil has indicated that the likely IPO price will be a premium to this sale price, the majority of BPO's stake in Frontier Oil will be escrowed for a period of 12 months from the listing date.

Cash Reserves

The group's cash reserves at the end of the financial year amounted to $180,937.

Directors' Report (continued)

Development Projects

AGRIPRO

In 2012 the group announced that the *AGRIPRO*® commercialisation strategy would concentrate on local rather than overseas development activities. The strategy was to focus on *AGRIPRO*® Topical Gel, completion of the *AGRIPRO*® product chemistry package, and re-submission of a more complete application for registration of these products to the APVMA. During the twelve months to 30 June 2013 budget restrictions have limited activities to maintaining the intellectual property associated with the *AGRIPRO*® technology pending a decision on future development options.

REGEN

Since its acquisition in 2009, BioProspect has operated Re Gen Wellness Products Pty Ltd as a wholly owned subsidiary focused on developing a core range of high quality therapeutic products under the *REGEN*® brand, including *REGEN*® Pain Relief Spray & Gel and *REGEN*® Emu Oil Capsules.

As previously reported, a review of the Re Gen business was undertaken during 2012 that resulted in an impairment of goodwill and write down of some raw material and finished goods stocks. The current approach to the Re Gen business is to maintain the group's intellectual property including local and international trademarks with a view to either resuming activities in the future or selling the asset to another industry participant.

FRONTIER OIL CORPORATION (Frontier Oil)

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

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 per cent (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 6th 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.

Development Projects (continued)
Frontier Oil Corporation (continued)

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 Service Contract 50 (SC50) containing the Calauit oilfields located offshore north-west Palawan, Philippines.

On 15 April 2013 the Company announced that Otto Energy Limited (ASX: OEL) had released an announcement to the ASX concerning exploration activities at Service Contract 55 (SC55). Frontier Oil, through its subsidiary Frontier Gasfields, holds an option to acquire a 5% interest in SC55 from consortium partner, Trans-Asia Oil and Energy Development Corp. The option is exercisable at any time, up to 180 days from the completion of the first exploration well on the block.

On the 7 August 2013 the Company announced that it had entered into an agreement to sell 25.58% of its holding in Frontier Oil for A$1.79 million after costs. An initial amount of $1.69 million was subsequently received with the remaining $0.1 million to be paid upon the completion of the Frontier Oil shares sale transaction.

It was announced that the proceeds of the sale would be utilised by the Company to:
- Pursue one or more of a number of opportunities in its core biotechnology space;
- Restructure the Convertible Notes on issue; and
- Remove the need for a capital raising in the short term.

The Company has been advised by Frontier Oil that it expects to complete its IPO on the Philippines Stock Exchange in the fourth quarter of 2013. Based on the sale price in the above transaction the Company's remaining holding in Frontier Oil has a value of approximately $5.2 million. While Frontier Oil has indicated that the likely IPO price will be a premium to this sale price, the majority of BPO's stake in Frontier Oil will be escrowed for a period of 12 months from the listing date.

Given the improved investment climate for the biotech industry and the developments in the circumstances surrounding the Company's investment in Frontier Oil Corporation, the directors are reviewing their strategy for the Company's investment in Frontier Oil Corporation including whether or not an in-specie distribution of its remaining shares in Frontier Oil Corporation is in the best interests of the Company and its shareholders.

The Future

FRONTIER OIL CORPORATION
Finalise the investment opportunity in Frontier Oil.

TECHNOLOGY PROJECTS
The Group will continue to seek to maximise the value of its biotech assets.

OTHER
Continue to evaluate new business opportunities consistent with BioProspect's long term strategy to grow market value through the development of biotechnologies.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Financing

On the 7 August 2013 the Company announced the sale of 25.58% of its holding in Frontier Oil Corporation for $1.79 million after costs. The proceeds of the sale were used to redeem convertible notes of $1,200,000. The balance of convertible notes of $1,200,000 and accumulated interest of $297,381 were converted to a new series of convertible notes which will incur interest at 8% and have a maturity date of 30 June 2015. The notes are convertible at the lower of 0.1 cents per share or a discount to the 5 day VWAP of shares traded on ASX prior to the conversion.

Directors' Report (continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

SHARE OPTIONS

Unissued shares

As at the end of the reporting period, there were 1,319,062,127 unissued ordinary shares under option. The shares will be issued by BioProspect Limited when the options are exercised. Refer to Note 20 of the financial statements for further details of the options outstanding.

INDEMNIFYING OFFICERS OR AUDITOR

During the year ended 30 June 2013, the Company has paid a premium for this policy.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

Directors' Report (continued)

REMUNERATION REPORT (Audited)

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

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

Details of key management personnel

(i) Directors

W Willesee	Chairman (non-executive) – appointed 16 September 2011
B Cooper	Director (executive) – appointed 10 April 2012
C Pellegrino	Director (non-executive) - resigned 19 November 2012
J Khouri	Director (non-executive) – resigned 18 September 2012
P. D. May	Director (non-executive) – appointed 19 November 2012

(ii) Executives

P. D. May	Chief Executive Officer – resigned 19 November 2012 and was appointed as a Director replacing C Pellegrino
C. H. Johnston	Chief Financial Officer/Company Secretary – resigned 30 September 2012
R. E. Lees	Chief Financial Officer/Company Secretary – appointed 30 September 2012

Compensation by category (KMP and directors)

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits	321,738	603,936
Post-employment benefits	4,428	22,249
Share-based payments	-	152,000
Total compensation	326,166	778,185

Remuneration Philosophy

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

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

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

REMUNERATION REPORT (audited) (continued)

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure

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

(a) does not:
- (i) in any year exceed in aggregate the amount last fixed by ordinary resolution; or
- (ii) consist of a commission on or percentage of profits or operating revenue; and

(b) is allocated among them:
- (i) on an equal basis having regard to the proportion of the relevant year for which each director held office; or
- (ii) as otherwise decided by the Board.

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

The remuneration of non-executive directors for the period ended 30 June 2013 is detailed in Table 1 on page 12 of this report.

Senior manager and executive director remuneration (executives)

Objective

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

Structure

In determining the level and make–up of executive remuneration, the Board considers market levels of remuneration for comparable executive's roles for similar sized organisations, and preferably within the biotech industry.

Remuneration consists of fixed remuneration for all executives with a variable element for the achievement of both short term and long term objectives.

Fixed and Variable Remuneration

Objective

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

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

REMUNERATION REPORT (audited) (continued)

Structure
Executives are paid a fixed cash component consisting of an annual salary plus the statutory superannuation and annual leave and long service leave obligations.

The fixed remuneration component of senior management in the group is detailed in Table 1 below. No variable remuneration is currently payable to Directors or management.

Consequence of company's performance on shareholders' wealth
The Company is committed to maximising the value of its biotech and other assets through a portfolio of investments and projects. This currently comprises principally *AGRIPRO®*, *REGEN®* and Frontier Oil. As critical stages of projects and investments are reached and produce positive results, significant value should be generated to shareholders through an increase in the share price. As the Company is several years away from generating taxable profits, shareholder growth will not come through the payment of dividends but by an expected increase in the average share price.

Shareholder returns

	30/6/13	30/06/12	30/06/11	30/06/10	30/06/09
Share price -cents	0.1	0.2	0.8	1.3	1.7
Shares on issue	2,873,174,372	1,612,170,347	1,116,570,347	563,113,565	487,040,944
Capitalisation	$2.9m	$3.2m	$8.9m	$7.3 m	$8.3 m
Loss per share –cents	(0.05)	(0.2)	(0.3)	(0.6)	(0.6)

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2013

		Short Term		Post Employment			
		Salary & Fees	Non Monetary Benefits	Super	Share Based Payments	Termination Payment	Total
Non-executive directors		$	$	$	$	$	$
W Willesee - Chairman		62,250	-	-	-	-	62,250
B Cooper		86,167	-	-	-	-	86,167
C Pellegrino	(a)	18,167	-	-	-	-	18,167
J Khouri	(b)	10,900	-	-	-	-	10,900
P May	(c)	22,000	-	-	-	-	22,000
Sub-total non-executive directors		199,484	-	-	-	-	199,484
Other key management personnel (KMP)							
P D May	(d)	52,490	-	4,428	-	-	56,918
C H Johnston	(e)	16,485	-	-	-	-	16,485
R E Lees	(f)	53,279	-	-	-	-	53,279
Sub-total executive KMP		122,254	-	4,428	-	-	126,682
Totals		321,738	-	4,428	-	-	326,166

(a) Resigned 19 November 2012
(b) Resigned 18 September 2012
(c) Appointed 19 November 2012
(d) Resigned 19 November 2012
(e) Resigned 30 September 2012
(f) Appointed 30 September 2012

REMUNERATION REPORT (audited) (continued)

Table 1: Remuneration for the year ended 30 June 2012

		Short Term		Post Employment			
		Salary & Fees	Non Monetary Benefits	Super	Share Based Payments	Termination Payment	Total
Non-executive directors		$	$	$	$	$	$
W Willesee - Chairman	(a)	51,775	-	-	-	-	51,775
B Cooper	(b)	9,810	-	-	-	-	9,810
C Pellegrino	(c)	10,900	-	-	-	-	10,900
M Quinlan	(d)	10,417	-	938	24,000	-	35,355
A Langdon	(e)	5,000	-	450	24,000	-	29,450
J Khouri		43,600	-	-	24,000	-	67,600
Sub-total non-executive directors		131,502	-	1,388	72,000	-	204,890
Executive directors							
C Pellegrino	(c)	174,107	-	900	48,000	40,040	263,047
Other key management personnel (KMP)							
P D May		172,299	8,000	14,951	16,000	-	211,250
C H Johnston	(f)	77,988	-	5,010	16,000	-	98,998
Sub-total executive KMP		250,287	8,000	19,961	32,000	40,040	310,248
Totals		555,896	8,000	22,249	152,000	40,040	778,185

Non-monetary benefits represent motor vehicle allowances.

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

Directors' Report (continued)

REMUNERATION REPORT (audited) (continued)

Table 2: Option holdings of key management personnel (consolidated)

30 June 2013		Balance at 1 July 12	Granted As Remuneration	Options Forfeited	Net Change Other	Balance At 30 June 13	Vested at 30 June 13 Total
Directors							
W Willesee		15,000,000	-	-	-	15,000,000	15,000,000
C Pellegrino	(a)	6,000,000	-	-	(6,000,000)	-	-
B Cooper		-	-	-	-	-	-
J Khouri	(b)	3,000,000	-	-	(3,000,000)	-	-
P May	(c)	-	-	-	2,000,000	2,000,000	2,000,000
Executives							
P May	(d)	2,000,000	-	-	(2,000,000)	-	-
C Johnston	(e)	2,000,000	-	-	(2,000,000)	-	-
R Lees	(f)	-	- -	-	-	-	-
Total		28,000,000	**-**	**-**	**(11,000,000)**	**17,000,000**	**17,000,000**

(a) Resigned 19 November 2012
(b) Resigned 16 September 2012
(c) Appointed Director 19 November 2012
(d) Resigned as CEO 19 November 2012
(e) Resigned 30 September 2012
(f) Appointed 30 September 2012

Table 3: Shareholdings of key management personnel (consolidated)

Shares held in BioProspect Limited (number)

30 June 2013		Balance 1 July 12	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 13
Directors						
W Willesee		-	-	-	-	-
C Pellegrino	(a)	6,000,000	-	-	(6,000,000)	-
B Cooper		-	-	-	-	-
J Khouri	(b)	3,000,000	-	-	(3,000,000)	-
P May	(c)	-	-	-	2,652,175	2,652,175
Executives						
P May	(d)	2,652,175	-	-	(2,652,175)	-
C Johnston	(e)	2,434,783	-	-	(2,434,783)	-
R Lees	(f)	-	-	-	-	-
Total		**14,086,958**	**-**	**-**	**(11,434,783)**	**2,652,175**

(a) Resigned 19 November 2012
(b) Resigned 16 September 2012
(c) Appointed Director 19 November 2012
(d) Resigned as CEO 19 November 2012
(e) Resigned 30 September 2012
(f) Appointed 30 September 2012

Directors' Report (continued)

DIRECTORS' MEETINGS

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

	Eligible to Attend	
Number of meetings held	**6**	
Number of meetings attended:		
W Willesee	6	6
C Pellegrino	-	-
J Khouri	-	-
B Cooper	6	6
P May	6	6

Committee membership

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

AUDITOR NON-AUDIT SERVICES

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

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

Tax compliance services	$7,700
Attendance at AGM	$ 790

AUDITOR INDEPENDENCE

The auditor's independence declaration has been received and can be found on page 16.

Signed in accordance with a resolution of the directors

Winton Willesee

Chairman

18 September 2013
Perth, Western Australia

Auditor's Independence Declaration

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2013 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck (Qld)
ABN: 11 603 627 400

J. A. Latif
A Member of the Firm

Dated this 18th day of September, 2013
Brisbane

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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Corporate Governance Statement

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

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

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

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

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

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

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

ASX Recommendation 1.1	BioProspect's response	Corporate Policy
• Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	See commentary below and Board Charter	Board Charter

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

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

THE BOARD IS ACCOUNTABLE TO SHAREHOLDERS FOR THE PERFORMANCE OF BIOPROSPECT

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

Corporate Governance Statement (continued)

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

ASX Recommendation 1.2	BioProspect's response	Corporate Policy
• Companies should disclose the process for evaluating the performance of senior executives	See Remuneration Report, 'Remuneration Philosophy' and 'Variable Remuneration' pages 10 to 14.	Remuneration Policy
ASX Recommendation 1.3		
• An explanation of whether an evaluation of senior executives took place in the financial year;	Evaluation of senior executives is an ongoing process. No formal stand alone evaluation was done for the year ended 30 June 2013	Remuneration Policy
• If a performance evaluation of senior executives took place a statement as to whether it was in accordance with the process disclosed;	n/a	
• A statement as to where a copy of matters reserved for the board is publicly available;	Yes. BioProspect website	Board Charter
• A statement as to where a copy of matters delegated to senior executives is publicly available; and	Yes. BioProspect website	Board Charter
• A statement as to where a copy of the board charter is publicly available.	Yes. BioProspect website	Board Charter

Structure the board to add value (ASXCGC Principle 2)

ASX Recommendation 2.1	BioProspect's response	Corporate Policy
• The majority of the board should be independent directors.	See commentary below	Board Charter
ASX Recommendation 2.2		
• The Chair should be an independent director	See commentary below	Board Charter
ASX Recommendation 2.3		
• The roles of the chair and chief executive officer (CEO) should not be exercised by the same individual.	Mr Ben Cooper is Executive Director/CEO Mr Winton Willesee is Chairman	Board Charter for Managing Director's or CEO's responsibilities.
ASX Recommendation 2.4		
• The board should establish a nomination committee.	See Disclosure of non-compliance with ASX recommendations on page 27.	Not applicable
ASX Recommendation 2.5		
• Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Available on Company's website.	Board Performance Review

Corporate Governance Statement (continued)

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

ASX Recommendation 2.6	BioProspect's response	Corporate Policy
• The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;	See Director's Report page 3.	
• The names of the directors considered to constitute independent directors and the Company's materiality thresholds;	See Structure of the Board below (page 20.)	
• The existence of any of the relationships set out in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of these relationships;	Not applicable.	
• A statement whether or not there is a procedure agreed by the board for directors to take independent professional advice at the expense of the Company;	Yes. See Structure of the Board below (page 20.)	
• A statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board;		
• The period of office held by each director in office at the date of the annual report;	See Director's Report page 3.	
• The names of members of the nomination committee and their attendance at meetings of the committee, or where a Company does not have a nomination committee, how the functions of a nomination committee are carried out;	BioProspect does not have a Nomination Committee. See Disclosure of non-compliance with ASX recommendations on page 27.	
• Whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed;	A performance evaluation of the board and directors did not take place during 2013.	Board Performance Review
• A description of the procedure for the selection and appointment of new directors and re-election of incumbents should be made publicly available;	See Corporate Policy on BioProspect's website	
• The charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee should be made publicly available;	Not applicable. See Disclosure of non-compliance with ASX recommendations on page 27.	
• The board's policy for the nomination and appointment of directors should be made publicly available.	See Corporate Policy on BioProspect's website.	

Corporate Governance Statement (continued)

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

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

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

Structure of the Board

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

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

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

Name	**Position**	**Name**	**Position**
W Willesee	Chairperson	P May	Non-Executive Director

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

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

Name	**Term in Office**	**Name**	**Term in Office**
W Willesee	2.1 years	B Cooper	1.2 years
P May	0.75 years		

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

Board Committees

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

Election of Directors

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

BIOPROSPECT'S ESTABLISHED VALUES UNDERPIN ITS ACTIVITIES

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

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

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

Corporate Governance Statement (continued)

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

ASX Recommendation 3.1	BioProspect's response	Corporate Policy
• A statement that the entity has established a code of conduct as to the :- (a) Practices necessary to maintain confidence in the Company's integrity; (b) Practices necessary to take into account their legal obligations and the expectations of their stakeholders; and (c) Responsibilities and accountability of individuals for reporting and investigating reports of unethical practices;	See commentary below. Code of Conduct amended and endorsed on 31 January 2012.	A Code of Conduct has been established.
ASX Recommendation 3.2		
• Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Company formulated and agreed on a new diversity policy this year	Diversity Policy endorsed on 31 January 2012
ASX Recommendation 3.3		
• Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No measurable objectives set prior to June 2013	The Company does not comply with this recommendation. Due to its size and within the current financial environment it is unlikely to offer any new positions.
ASX Recommendation 3.4		
• Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.	There are no women on the Board or in the management team of BioProspect Limited or its subsidiaries as at 30 June 2013 Further details are contained below.	The Company has disclosed below the gender proportions below this table.

Companies should actively promote ethical and responsible decision-making.

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

Code of Conduct

The Board amended and endorsed a Code of Conduct Policy on 31 January 2012 that formalises the obligations of all BioProspect people including directors to behave ethically, act within the law, avoid conflicts of interest and act honestly in all business activities. The Company complies with CGC principles and recommendations 3.1.1 and 3.1.2.

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

Diversity
The Board designed and endorsed a Diversity Policy on 31 January 2012 that formalises the obligations and responsibilities of directors and senior executives in implementing diversity. Due to its size, and within the current financial environment, the BioProspect Limited Group does not currently have separate measurable objectives for the policy. Therefore the Company does not comply with CGC Principles and Recommendation 3.2 and 3.3 pertaining to disclosure for achieving gender diversity.

At 30 June 2013 the statistics on the gender of employees is as follows:

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

There are no women on the Board or in the management team of BioProspect Limited as at 30 June 2013

Safeguard integrity in financial reporting (ASXCGC Principle 4)

ASX Recommendation 4.1	BioProspect's response	Corporate Policy
• The board should establish an audit committee.	See commentary below (page 23)	
ASX Recommendation 4.2		
• The audit committee should consist of: - Only non-executive directors; - Consists of a majority of independent directors; - Is chaired by an independent chair who is not chair of the board; - Has at least three members	See commentary below (page 23)	
ASX Recommendation 4.3		
• The audit committee should have a formal charter	See commentary below. Charter amended and endorsed 31 January 2012.	Audit Committee Charter
ASX Recommendation 4.4		
• Details of the names and qualifications of those appointed to the audit committee; • If the board has not established an audit committee a statement as to how the functions of the audit committee are carried out; • The number of meetings of the audit committee; • A statement as to where a copy of the audit committee charter is publicly available; and • A statement as to the procedures for the selection, appointment and rotation of external audit engagement partners.	See commentary below (page 23) See commentary below (page 23) No separate meetings held Available on BioProspect's website. See commentary below on page 23 and Charter on BioProspect's website.	 Audit Committee Charter Audit Committee Charter

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

Corporate Governance Statement (continued)

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

Audit Committee
At the date of this report the Board does not have a formal audit committee. Due to the reduction in the number of executives and Board Members, the board decided that the duties of the audit committee would be dealt with by the main board.

The Board however amended and endorsed an Audit Committee Charter on 31 January 2012 in the event that at some time in the future it would have sufficient directors to formally constitute an Audit Committee.

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

Make timely and balanced disclosure (ASXCGC Principle 5)

ASX Recommendation 5.1	BioProspect's response	Corporate Policy
• Companies should establish written policies designed to ensure; (a) Compliance with ASX Listing Rule disclosure requirements; and (b) To ensure accountability at a senior executive level for that compliance; and • Disclose those policies or a summary of those policies.	See commentary below- Continuous Disclosure. See commentary below and Corporate Policy available on BioProspect's website.	Continuous Disclosure.
ASX Recommendation 5.2		
• A statement as to where the continuous disclosure policy or a summary is publicly available.	Available on BioProspect's website.	Continuous Disclosure

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

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

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

Respect the rights of shareholders (ASXCGC Principle 6)

ASX Recommendation 6.1	BioProspect's response	Corporate Policy
• A statement that the entity has designed a communications policy: (a) For promoting effective communication with shareholders; and (b) Encouraging shareholder participation at AGM's; and	See commentary below (page 24)	Investor Relations

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

ASX Recommendation 6.1(continued)	**BioProspect's response**	**Corporate Policy**
• Disclosure that policy or a summary of that policy.	See commentary below	Investor Relations
ASX Recommendation 6.2		
• A statement at to where the communications policy or a summary is publicly available.	Available on BioProspect's website	Investor Relations

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

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

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

Auditor Attends the Annual General Meeting

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

Recognise and manage risk (ASXCGC Principle 7)

ASX Recommendation 7.1	**BioProspect's response**	**Corporate Policy**
• Companies should establish policies for the oversight and management and management of material business risks and disclose a summary of those policies.	See commentary below - page 25	Risk Management Policy
ASX Recommendation 7.2		
• The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	See commentary below - page 25	
ASX Recommendation 7.3		
• The board should disclose whether it has received assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.	See commentary below - page 25 Letter provided annually by CEO and CFO to board. See commentary below (page 25)	

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

ASX Recommendation 7.4		
• A statement that the board has received the report from management under Recommendation 7.2;	Letter received for year ended 30 June 2013	
• A statement that the board has received assurance from the CEO and CFO under Recommendation 7.3; and	Assurance letter received for year ended 30 June 2013	
• A statement as to where the entity's policies on risk oversight and management of material business risks are publicly available.	Available on Company's website	Risk Management Policy

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

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

Business Risks

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

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

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

Financial Integrity Risks

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

Legal Compliance Risks

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

Corporate Governance Statement (continued)

Remunerate fairly and responsibly (ASXCGC Principle 8)

ASX Recommendation 8.1	**BioProspect's response**	**Corporate Policy**
• The board should establish a remuneration committee	No separate committee established. See Disclosures of Non-Compliance on page 27.	
ASX Recommendation 8.2		
• The remuneration committee should be structured so that it consists of: • A majority of independent directors; • Is chaired by an independent chair; • Has at least 3 members.	No separate committee established. See Disclosures of Non-Compliance on page 27.	
ASX Recommendation 8.3		
• Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives;	See comment below (page 27)	
ASX Recommendation 8.4		
• The names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of the remuneration committee are carried out;	No separate committee established. See Disclosures of Non-Compliance on page 27.	
• The existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors;	No retirement benefit schemes exist apart from superannuation	
• The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee should be publicly available;	No separate committee established. See Disclosures of Non-Compliance on page 27.	
• A summary of the Company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes should be publicly available.	See comments below page 27	Securities Trading Policy

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

Corporate Governance Statement (continued)

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

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

BioProspect's discussion on Board policy for determining the nature and amount of emoluments of Board members and senior executives of the Company and the relationship between such policy and the Company's performance is provided in the Remuneration Report section of the Directors' Report on page 10.

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

Disclosure of non-Compliance with ASX Recommendations

Nomination Committee
ASXCGC Principle 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2013, BioProspect did not have a separately established nomination committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the Board's responsibilities. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Board Performance evaluation
ASXCGC Principle 2.5 requires that a statement be made in the annual report as to whether a performance evaluation for the Board has taken place in the reporting period. Evaluation of the Board is an ongoing process. No formal evaluation was conducted during the year ended 30 June 2013.

Audit Committee.
ASXCGC Principle 4.1 requires that the Company has established an audit committee. During the year ended 30 June 2013, BioProspect Limited did not have a formal audit committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the Board's responsibilities. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate audit committee.

Remuneration
ASXCGC Principle 8.1 requires the establishment of a remuneration committee. During the year ended 30 June 2013, BioProspect did not have a separately established remuneration committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the main Board's responsibilities. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate remuneration committee.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

	Note	CONSOLIDATED 2013 $	2012 $
Sale of goods		19,230	49,147
Other income	5	9,353	72,036
Revenue		28,583	121,183
Cost of sales		(24,164)	(442,662)
Gross Profit/ (Loss)		4,419	(321,479)
Finance costs	5	(193,564)	(103,817)
Depreciation	5	(3,532)	(22,774)
Employee costs	5	(256,401)	(789,645)
Impairment of intangibles	12	-	(300,000)
Impairment of financial assets	13	-	(2,758)
Inventory written off		(174,701)	-
Research and development expenses		(2,573)	(388,192)
Other expenses	5	(470,361)	(1,648,640)
Loss before income tax		(1,096,713)	(3,577,305)
Income tax benefit	6	-	250,350
Loss attributable to members of BioProspect Limited		(1,096,713)	(3,326,955)
Other comprehensive income			
-items that may be reclassified to profit or loss			
Net loss on revaluation of available for sale financial assets		-	(23,908)
Total other comprehensive income for the period net of tax		-	(23,908)
Total comprehensive income attributable to members of BioProspect		(1,096,713)	(3,350,863)
Basic earnings per share (cents per share)	7	(0.04)	(0.21)
Diluted earnings per share (cents per share)	7	(0.04)	(0.21)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2013

	Note	CONSOLIDATED 2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	180,937	85,321
Trade and other receivables	9	40,618	47,752
Inventories	10	-	169,034
Prepayments		9,091	9,091
Total Current Assets		230,646	311,198
Non-current Assets			
Available for sale investments	13	5,188,265	5,161,553
Property, plant and equipment	14	-	3,532
Total Non-current Assets		5,188,265	5,165,085
TOTAL ASSETS		5,418,911	5,476,283
LIABILITIES			
Current Liabilities			
Trade and other payables	15	441,383	653,881
Borrowings	17	1,950,000	-
Provisions	16	-	24,258
Total Current Liabilities		2,391,383	678,139
Non-current Liabilities			
Borrowings	17	450,000	2,250,000
Other payables	18	39,375	103,817
Total Non-current Liabilities		489,375	2,353,817
TOTAL LIABILITIES		2,880,758	3,031,956
NET ASSETS		2,538,153	2,444,327
EQUITY			
Issued capital	20 (a)	36,650,527	35,459,988
Reserves		2,911,950	2,911,950
Accumulated losses		(37,024,324)	(35,927,611)
TOTAL EQUITY		2,538,153	2,444,327

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

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2013

	Issued Capital	Accumulated Losses	Available for Sale Financial Assets Revaluation Reserve	Share Based Payments Reserve	Total Equity
	$	$	$	$	$
At 1 July 2011	**31,210,774**	**(32,600,656)**	**23,908**	**2,543,511**	**1,177,537**
Comprehensive income					
Loss for the period	-	(3,326,955)	-	-	(3,326,955)
Other comprehensive income					
Available for sale financial assets	-	-	(23,908)	-	(23,908)
Total comprehensive income	-	(3,326,955)	(23,908)	-	(3,350,863)
Transactions with owners					
Shares issued	4,296,400	-	-	-	4,296,400
Share issue costs	(47,186)	-	-	-	(47,186)
Share options issued	-	-	-	368,439	368,439
Total transactions with owners	4,249,214	-	-	368,439	4,617,653
At 30 June 2012	**35,459,988**	**(35,927,611)**	**-**	**2,911,950**	**2,444,327**
At 1 July 2012	**35,459,988**	**(35,927,611)**	**-**	**2,911,950**	**2,444,327**
Comprehensive income					
Loss for the period	-	(1,096,713)	-	-	(1,096,713)
Other comprehensive income					
Available for sale financial assets	-	-	-	-	-
Total comprehensive income	-	(1,096,713)	-	-	(1,096,713)
Transactions with owners					
Shares issued	1,261,004	-	-	-	1,261,004
Share issue costs	(70,465)	-	-	-	(70,465)
Share options issued	-	-	-	-	-
Total transactions with owners	1,190,539	-	-	-	1,190,539
At 30 June 2013	**36,650,527**	**(37,024,324)**	**-**	**2,911,950**	**2,538,153**

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

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2013

	Note	CONSOLIDATED 2013 $	2012 $
Cash flows from operating activities			
Receipts from customers		23,898	52,397
Grants Received		-	55,383
Payment to suppliers and employees		(1,200,656)	(1,654,666)
Research and development expenditure		-	(216,647)
Income tax R&D offset received		-	250,350
Net cash flows used in operating activities	8 (a)	(1,176,758)	(1,513,183)
Cash flows from investing activities			
Interest received		7,937	32,719
Purchase of plant and equipment		-	(3,633)
Proceeds from sale of available for sale investments		-	37,649
Investment in Frontier Oil	13	(26,712)	(2,625,000)
Net cash flows used in investing activities		(18,775)	(2,558,265)
Cash flows from financing activities			
Proceeds from issues of shares and options		1,166,085	198,000
Transaction costs of issue of shares		(24,936)	(9,250)
Proceeds from issue of convertible notes		150,000	2,250,000
Net cash flows from financing activities		1,291,149	2,438,750
Net increase / (decrease) in cash and cash equivalent		95,616	(1,632,698)
Cash and cash equivalents at beginning of the year		85,321	1,718,019
Cash and cash equivalents at end of the year	8	180,937	85,321

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

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial statements have been prepared on a going concern basis. As disclosed in note 20 the consolidated entity's ability to continue as a going concern is dependent upon its ability to generate sufficient cash from future operations and to raise additional capital.

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

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

(b) New accounting standards for Application in Future Periods

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

AASB 9: Financial Instruments, AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2015).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The changes also incorporate the classification and measurement requirements for financial liabilities, and the recognition and de-recognition requirements for financial instruments. The standard is not expected to impact the consolidated entity.

The changes made to accounting requirements include:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The Standard:

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

The standard is not expected to impact the consolidated entity.

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

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

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

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

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

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

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

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

The standard is not expected to impact the consolidated entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The standard is not expected to impact the consolidated entity.

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

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

The standard is not expected to impact the consolidated entity.

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

This Standard gives effect to many consequential changes arising from the issuance AASB 10 *Consolidation*, AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in Other Entities*.

The standard is not expected to impact the consolidated entity.

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

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

The standard is not expected to impact the consolidated entity.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The standard is not expected to impact the consolidated entity.

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

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

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

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

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

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

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

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

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

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

This Standard is not expected to impact the consolidated entity.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

This standard removes all the individual key management personnel disclosures contained in Aus paragraphs 29.1 to 29.9.3 of AASB 124. The changes apply to each disclosing entity, or group of which a disclosing entity is the parent that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act for their first annual reporting period beginning on or after 1 July 2013. This standard is not available for early adoption.

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, AASB 12, AASB 101 & AASB 127] (applicable for annual reporting periods commencing on or after 1 July 2013).

This Standard adds to or amends the Tier 2 disclosure requirements for AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements and AASB 127 Separate Financial Statements. The standard is not expected to impact the consolidated entity.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039 (applicable for annual reporting periods commencing on or after 1 January 2013).

This standard makes an amendment to Australian Accounting Standard AASB 1048 Interpretation of Standards arising from the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia. The standard is not expected to impact the consolidated entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

This standard makes amendments to a number of Australian Accounting Standards and Interpretation 12 Service Concession Arrangements. These amendments arise from the following sources:

- the issuance of International Financial Reporting Standard Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) by the International Accounting Standards Board (IASB) in June 2012. The transition guidance amendments to AASB 10 and related Standards clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments;
- the decision of the AASB in September 2012 to defer the mandatory application of AASB 10 Consolidated Financial Statements and related Standards to not-for-profit entities until annual reporting periods beginning on or after 1 January 2014 – early application by not-for-profit entities is permitted from 1 January 2013;
- editorial corrections made by the IASB to its Standards and Interpretations (IFRSs); and
- editorial corrections made by the AASB to its pronouncements.

The standard is not expected to impact the consolidated entity.

AASB 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, AASB 2, AASB 8, AASB 10, AASB 107, AASB 128, AASB 133, AASB 134 & AASB 2011-4] (applicable for annual reporting periods commencing on or after 1 July 2013).

This Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2), to ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements. The standard is not expected to impact the consolidated entity.

AASB 1055 Budgetary Reporting and AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements (applicable for annual reporting periods commencing on or after 1 July 2014).

AASB 2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in a single, topic-based, Standard AASB 1055 Budgetary Reporting. These standards are not expected to impact the consolidated entity.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The consolidated entity has not yet assessed the impact of this standard.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139] (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard makes amendments to AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This standard is no expected to impact the consolidated entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of BioProspect Limited and its controlled entities as at 30 June 2013 (the consolidated entity).

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

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

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(e) Segment reporting

Operating segments are identified and segment information is disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Profit or Loss and Other Comprehensive Income, and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the annual financial statements have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

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

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

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

(iii) Rendering of services
Revenue is recognised immediately when performance of the service has been completed, otherwise it is recognised using the percentage of completion method based on the actual service provided as a proportion of the the total services to be provided.

(iv) Licence fee
Revenue is recognised when performance of the service has occurred.

All revenue is stated net of the amount of GST.

(g) Government grants

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

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

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of Profit or Loss and Other Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

(h) Borrowing costs

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

All other borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

(i) Leases

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

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

Operating lease payments are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised as a liability and amortised on a straight line basis in the Statement of Profit or Loss and Other Comprehensive Income as an integral part of the total lease expense over the life of the lease term.

(j) Cash and cash equivalents

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

(k) Trade and other receivables

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

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

(l) Inventories

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

(m) Investments and other financial assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

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

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

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

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

(v) Impairment
At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(n) Investment in associate

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

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

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes directly in equity and discloses this in the Statement of Profit or Loss and Other Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investment in associate (continued)

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

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

(o) Income tax

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

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

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

• when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference cannot be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

• when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

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

(p) Other taxes

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

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

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

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

(q) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All repairs and maintenance are recognised in profit or loss as incurred. Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Category of plant and equipment	Useful life	Useful life
	2013	2012
Office Equipment	4-5 yrs	4-5 yrs
Computer Hardware	2.5 yrs	2.5 yrs
Furniture and Fittings	2.5-5 yrs	2.5-5 yrs

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

Derecognition and disposal

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Intangible assets

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

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

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

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

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

(s) Impairment of non-financial assets other than goodwill

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

(t) Trade and other payables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Interest-bearing loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

(v) Provisions

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

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

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

(w) Employee benefits

Wages, salaries, annual leave and sick leave

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

Liabilities for annual leave are measured as the amount unpaid at the end of the reporting period at current pay rates in respect of employee's services up to that date.

Long service leave

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

As of the 30 June 2013, the Group did not have any employees with service to necessitate a provision for annual leave or long service leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Share-based payment transactions

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

(y) Contributed equity

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

(z) Earnings per share

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

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

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

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

(aa) Business combinations

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

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

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

All transaction costs incurred in relation to the business combination are expensed to the Statement of Profit or Loss and Other Comprehensive Income.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant accounting judgment

Impairment of assets and investments

The group determines whether non-current assets (excluding goodwill and indefinite useful life intangible assets) should be tested for impairment based on identified impairment triggers. At the end of each reporting period management assesses the impairment triggers based on their knowledge and judgement. Where an impairment trigger is identified, an estimate of the recoverable amount is required.

4. SEGMENT REPORTING

Segment Information
Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and/or services provided by the segment;
- The manufacturing process;
- The type or class of customer for the products or service;
- The distribution method; and
- External regulatory requirements.

Types of products and services by segment

(i) Agriculture/Animal Health

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

4. SEGMENT REPORTING (continued)

(ii) Human Health/Skin Care

This market segment includes the income and expenditures pertaining to the emu oil based *REGEN®* product range and the *DEMURE®* skin care product range.

(iii) Mining and Gas Exploration

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Inter-segment transactions

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

Salaries for research and development employees have been allocated to market segments on the basis of time sheets that support claims for the research and development tax offset credit. Corporate employee costs such as directors' fees, salaries and superannuation are allocated to market segments on the basis of direct expenses and research and development salaries as a percentage of total expenses for the Group.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs.

Segment assets

In the majority of instances, segment assets are clearly identifiable on the basis of their nature (i.e. prepayments, inventories, sundry debtors). Corporate fixed assets such as computer equipment and furniture and fittings have not been allocated to market segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the liability incurred and the operations of the segment. Segment liabilities include trade and other payables.

Unallocated Items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Cash and term deposits;
- Interest received;
- Income tax expense or credit;
- Fixed assets;
- Borrowings; and
- Other payables.

4. SEGMENT REPORTING (continued)

(i) Segment performance

Twelve months ended 30 June 2013	Human Health/Skin Care $	Agriculture/ Animal Health $	Mining and Gas $	Total $
Revenue				
External sales	19,230	-	-	19,230
Total segment revenue	19,230	-	-	19,230
Inter-segment elimination	-	-	-	-
Unallocated revenue				9,353
Total consolidated revenue				28,583

Twelve months ended 30 June 2013	Human Health/Skin Care $	Agriculture/ Animal Health $	Mining and Gas $	Total $
Segment net profit/(loss)before tax	(198,844)	(62,289)	-	(261,133)
Reconciliation of segment result to group net loss before tax				
Amounts not included in segment result but reviewed by the Board:				
• Depreciation				(3,532)
Unallocated items:				
• Interest received				7,937
• Other corporate costs				(839,985)
Net loss before tax				**(1,096,713)**

4. SEGMENT REPORTING (continued)

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

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

4. SEGMENT REPORTING (continued)

(i) Segment assets

30 June 2013	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
	$	$	$	$
Segment assets	-	24,033	5,188,265	5,212,298
Unallocated assets				
• Cash				180,937
• Other				25,676
Total assets				**5,418,911**

30 June 2012	$	$	$	$
Segment assets	171,105	24,338	5,161,553	5,356,996
Unallocated assets				
• Cash				85,321
• Other				33,966
Total assets				**5,476,283**

(ii) Segment Liabilities

30 June 2013	$	$	$	$
Segment liabilities	1,431	118,542	-	119,973
Unallocated liabilities				2,760,785
Total liabilities				**2,880,758**

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

4. SEGMENT REPORTING (continued)

(ii) Revenue by geographical region

Australia

Revenue for the 2013 year consisted of $19,230 of *REGEN*® product sales and bank interest of $7,937.

For the 2012 year revenue consisted of $49,147 of *REGEN*® product sales, sales of surplus *Eremophila mitchellii* timber of $3,250, an export market development grant of $55,383 and bank interest of $13,403.

Segment revenues are based on the country in which the customer is located.

(iii) Assets by geographical region

All assets reside in one geographical region being Australia, other than the investment in Frontier Oil Corporation.

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
5. REVENUES AND EXPENSES		
(a) Other Income		
Sale of surplus timber	-	3,250
Bank interest received and receivable	7,937	13,403
EMDG Grant received	-	55,383
Other income	1,416	-
	9,353	72,036
(b) Finance costs		
Interest charges payable under convertible notes	(193,564)	(103,817)
	(193,564)	(103,817)
(c) Depreciation		
Plant and Equipment	(3,532)	(22,774)
	(3,532)	(22,774)
(d) Employee benefits expense		
Wages and salaries	(52,490)	(483,853)
Directors fees	(199,483)	(131,502)
Superannuation	(4,428)	(23,195)
Allowances/leave	-	905
Share based payments	-	(152,000)
	(256,401)	(789,645)
(e) Other expenses		
Consulting and advisory expenses	(96,764)	(862,598)
Legal fees	(78,300)	(217,234)
Listing fees	(28,541)	(63,095)
Share registry charges	(58,482)	(21,966)
Sales and marketing	(51,225)	(204,793)
Other administration expenses	(157,049)	(278,954)
	(470,361)	(1,648,640)

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
6. INCOME TAX		
Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(1,096,713)	(3,577,305)
At the statutory tax rate of 30% (2012: 30%)	(329,014)	(1,073,192)
Entertainment	-	1,159
Share based payments	-	227,805
	(329,014)	(844,228)
Tax effect of temporary differences and current year loss not brought to account	329,014	844,228
Add back R&D tax offset received (see note 2 (o))	-	250,350
Aggregate income tax benefit	-	250,350
Deferred tax asset arising from tax losses not brought to account at the end of the reporting period as realisation is not regarded as probable	6,637,510	6,308,496

The potential deferred tax asset will only be obtained if:

(i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

The Group has tax losses arising in Australia of $22,125,034 (2012: $21,028,321) with a further $2,738,991 CGT losses as at 30 June 2013 (2012: $2,738,991). The continued availability of these losses depends on the ability of the parent to satisfy the requirements of the continuity of ownership test (COT) or alternatively the same business test (SBT).

At 30 June 2013, there is no recognised or unrecognised deferred tax liability (2012: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associate, as the Group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, BioProspect Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. However, as the Group has accumulated tax losses of $22,125,034 with the majority of this in the hands of the head entity, it will be some time before the Group will actually incur a tax liability.

6. INCOME TAX (continued)

Tax accounting by members of the tax consolidated group

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

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

7. EARNINGS PER SHARE

	COMPANY	
	2013 $	2012 $
Net loss attributable to equity holders of the Company from continuing operations	(1,096,713)	(3,326,955)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	2,505,057,995	1,573,132,096

Due to the group incurring an operating loss, options and convertible notes do not have a dilutive effect. The share options on issue as detailed in Note 20 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2013. These options could potentially dilute basic earnings per share in the future.

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
8. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	29,222	85,321
Short-term deposits	151,715	-
	180,937	85,321

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

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

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
(a) Reconciliation of loss after tax to net cash flows from operations:		
Net loss	(1,096,713)	(3,326,955)
Adjustments for:		
Depreciation	3,532	22,774
Impairment of intangibles	-	300,000
Impairment of available for sale investments	-	2,758
Interest received	(7,937)	(13,403)
Interest paid convertible notes	193,564	103,817
Share based payments to directors and KMP	-	152,000
Share based payments to consultants	49,390	607,350
Loss on sale of available for sale investments	-	14,073
Changes in assets and liabilities		
(Increase)/ decrease in trade and other receivables	7,134	80,383
(Increase)/ decrease in inventories	169,034	469,911
(Increase)/ decrease in prepayments	-	699
(Decrease) / increase in trade and other payables	(470,504)	93,750
(Decrease) / increase in employee entitlements	(24,258)	(20,340)
Net cash used in operating activities	(1,176,758)	(1,513,183)

(b) Non cash financing and investing activities

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Issue of 49,390,000 shares to Doward International for services rendered	49,390	-
Issue of 45,528,840 shares to Novus Capital for services rendered	45,529	-
Issue of 56,000,000 shares to consultants for services rendered	-	438,400
Issue of 100,000,000 options to consultants for services rendered	-	168,950
Issue of 19,000,000 shares to Directors and KMP	-	152,000
Issue of 19,000,000 options to Directors and KMP	-	33,590
Issue of 15,000,000 options to an entity associated with Winton Willesee	-	4,345
Issue of 250,000,000 shares to Frontier Gasfields shareholders as part of acquisition cost	-	2,000,000
Issue of 100,000,000 options to Frontier Gasfields shareholders as part of acquisition cost	-	161,553
	94,919	2,958,838

	CONSOLIDATED 2013 $	2012 $
9. TRADE AND OTHER RECEIVABLES		
Trade debtors	-	-
Other debtors	40,618	47,752
	40,618	47,752

Terms and conditions

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

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

		CONSOLIDATED 2013 $	2012 $
10. INVENTORIES			
Finished goods			
REGEN® finished goods		-	268,336
Plant extracts at cost		-	-
Stock provision		-	(161,002)
Total finished goods		-	107,334
Raw materials			
REGEN® raw materials and work in progress		-	267,010
CGNC and other raw materials		-	66,049
Stock provision		-	(271,359)
Total raw materials		-	61,700
Total inventories		-	169,034
11. INVESTMENT IN ASSOCIATE HELD FOR SALE			
Investment in Astrum	(a)	-	-

11. INVESTMENT IN ASSOCIATE HELD FOR SALE (continued)

	Ownership interest 2013	Ownership interest 2012
(a) Astrum Therapeutics Pty Ltd – Ordinary shares	**28.76**%	28.76%

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

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

		CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
(i) *Share of associate's profits (losses).*			
Revenue		-	-
Profit / (loss) before income tax		-	-
Income tax expense		-	-
Profit / (loss) after income tax expense		-	-
(ii) *Carrying amount of investment in associate*			
Balance at the beginning of the financial year		-	-
- share of associates net profit (losses) for the financial year		-	-
- impairment write down		-	-
Carrying amount of investment in associate at the end of the year	(1)	-	-
(iii) *Accumulated losses of the* group *attributable to associate*			
Balance at the beginning of the financial year		596,762	596,762
Share of associates net profit (losses)		-	-
Balance at the end of the financial year		596,762	596,762
(iv) *Share of associate's statement of financial position*			
Current assets		-	-
Non-current assets		-	-
		-	-
Current Liabilities		-	-
Net assets		-	-

(1) As the carrying value of the investment is recorded as nil, no further share of loss was taken up in 2013 or 2012.

(b) Current Asset classification

The directors of BioProspect have resolved that in the absence of a sufficiently attractive offer BioProspect will retain its current 28.76% shareholding in Astrum Therapeutics.

12. INTANGIBLES

	CONSOLIDATED 2013 $	2012 $
Licence		
Nova Vita licence		
At cost	-	250,000
Accumulated amortisation	-	-
Impairment	-	(250,000)
Net carrying amount	-	-
Goodwill		
Re Gen Wellness Products Pty Ltd		
At cost	-	50,000
Additions	-	-
Impairment	-	(50,000)
Net carrying amount	-	-
Reconciliation of carrying amount		
Net carrying amount at beginning of year	-	300,000
Additions	-	-
Amortisation	-	-
Impairment	-	(300,000)
Net carrying amount	-	-

Nova Vita Licence

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

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

Directors conducted an impairment test on the Nova Vita licence during 2012. As the Company was no longer actively pursuing this market, the Directors decided to write this licence off.

Goodwill

As announced on 10 August 2009, the Company acquired 100% of Re Gen Wellness Products Pty Ltd, facilitating the Company's expansion into natural healthcare and skin care products, which was a new market segment for the business.

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

Directors conducted an impairment test in 2012 to ensure that the goodwill was valued at its recoverable amount and due to the slow progress with sales of Re Gen Wellness products, directors decided to write down the value of goodwill to zero.

13. OTHER FINANCIAL ASSET – AVAILABLE FOR SALE FINANCIAL ASSETS

		CONSOLIDATED	
		2013	2012
	Notes	$	$
Frontier Gasfields Pty Ltd – at cost	(i)	-	5,161,553
Frontier Oil Corporation – at cost	(i)	5,188,265	-
Australian listed shares at fair value	(ii)	2,758	2,758
Impairment		(2,758)	(2,758)
		5,188,265	5,161,553

(i) Frontier Gasfields and Frontier Oil Corporation

On 13 June 2012, BioProspect executed a share sale agreement with Frontier Oil Corporation (FOC) whereby BioProspect would receive 430,000,000 shares in FOC for its 2,500,000 shares held in Frontier. The sale agreement was subject to various conditions including FOC obtaining shareholder and Philippines Securities Exchange 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 Exchange approval was obtained in January 2013 and the Company incurred a cost of $26,712 to process the transfer. The value of the investment in Frontier Oil Corporation was determined by the directors based on the original cost of investment in Frontier Gasfields Pty Ltd plus the $26,712 transfer costs.

(II) Listed Shares

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

As at 30 June 2013, BioProspect still owned 47,544 shares. However, on 3 March 2012 Solagran Limited went into voluntary suspension and ceased trading leaving BioProspect directors with no option but to impair the investment down to zero.

	CONSOLIDATED	
	2013	2012
	$	$
14. PROPERTY, PLANT & EQUIPMENT		
Plant and equipment		
At cost	-	20,706
Accumulated depreciation	-	(17,174)
Net carrying amount	-	3,532
Reconciliations		
Plant and equipment		
Carrying amount at beginning	3,532	22,673
Additions	-	3,633
Depreciation expense	(3,532)	(22,774)
Net carrying amount	-	3,532

		2013 $	2012 $
15. TRADE AND OTHER PAYABLES- CURRENT			
Trade payables	(i)	16,242	108,114
Accrued interest	(ii)	258,005	-
Other creditors and accruals	(iii)	147,336	160,792
		421,583	268,906
Related party payables	(iv)	19,800	384,975
		441,383	653,881

Terms and conditions relating to the above financial instruments

(i) Trade creditors are non-interest bearing and normally settled on 30 day terms.
(ii) This amount reflects the interest accrual on the convertible notes that have been issued, as detailed in Note 17 below. Interest is only payable on the date of maturity of the notes.
(iii) Other creditors are non-interest bearing and have repayment terms between 30 and 90 days.
(iv) Details of the terms and conditions of related party payables are set out in Note 22.

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

16. PROVISIONS - CURRENT

	CONSOLIDATED	
	2013 $	2012 $
Annual Leave		
At 1 July	24,258	32,665
Charged to income statement	-	18,753
Utilised	(24,258)	(27,160)
	-	24,258

17. BORROWINGS

Convertible Notes Current	1,950,000	-
Convertible Notes Non-Current	450,000	2,250,000
Total Convertible Notes	2,400,000	2,250,000

The Company has issued 12 convertible notes with a face value of $100,000 and 24 with a face value of $50,000 during the last financial year. Some have been issued to related parties with the majority of the funds raised ($1,950,000) used to finance the investment in Frontier Gasfields Pty Ltd. Terms of the convertible notes are as follows:

- The notes accrue interest at a rate of 8% per annum;
- Maturity date of the notes range from 18 August 2013 to 20 April 2017;
- The notes are unsecured;
- Conversion price of the notes is the lower of 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; and
- Each share issued from the conversion of the notes will have a free attaching listed option (ASX:BPOO) or, should the conversion occur after the expiry of these, an option with a conversion price of 3 cents and a duration of not less than 24 months.
- The convertible notes were partly redeemed and or restructured after the end of the reporting period. Refer note 26.

	CONSOLIDATED 2013 $	2012 $
18. OTHER PAYABLES (NON-CURRENT)		
Other creditors and accruals	39,375	103,817

This amount reflects the interest accrual on the convertible notes that have been issued, as detailed in Note 17 above. Interest is only payable on the date of maturity of the notes.

19. PROVISIONS (NON-CURRENT)

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

20. ISSUED CAPITAL

	2013 $	2012 $
(a) Issued and paid up capital		
Ordinary shares issued and fully paid	36,650,527	35,459,988

(b) Movements in shares on issue		Number of shares 2013	Number of shares 2012	$ 2013	$ 2012
Beginning of the financial year		1,612,170,347	1,116,570,347	35,459,988	31,210,774
Issued during the year:					
- options exercised	(i)	8	-	-	-
- share placements	(ii)	240,000,000	170,600,000	240,000	1,706,000
- rights Issue	(iii)	926,085,177	-	926,085	-
- payment to Frontier Gasfields shareholders		-	250,000,000	-	2,000,000
- share issues to KMP		-	19,000,000	-	152,000
- share issues to consultants	(iv)	94,918,840	56,000,000	94,919	438,400
Less share issue costs		-	-	(70,465)	(47,186)
End of the financial year		2,873,174,372	1,612,170,347	36,650,527	35,459,988

Notes:

(i) On 15 August 2012, the Company issued 8 ordinary shares on the exercise of an option raising 24 cents.

(ii) On 16 August 2012, the Company issued 240,000,000 ordinary shares at an issue price of 0.01 cent per shares. This issue raised $240,000 (before issue costs)

(iii) On 19 October 2012, the Company completed its rights issue of 926,085,177 shares at an issue price of 0.01 of a cent. This issue raised $926,085 (before issue costs)

(iv) On 28 February 2013, the Company issued 49,390,000 ordinary shares to shareholders of Doward International in consideration for marketing expenses and 45,528,840 ordinary shares to Novus Capital as payment for underwriting commission on the October 2012 rights issue. Both issues were at 0.01 cents per share.

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

20. ISSUED CAPITAL (continued)

(c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Going concern statement
As at 30 June 2013 the Company was in a net asset position of $2,538,153 (2012: $2,444,327) and had incurred losses of $1,096,713 (2012: $3,326,955) and had cash outflows from operations of $1,176,758 (2012: $1,513,183) for the year then ended.

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 realise the investment in Frontier Oil Corporation for at least its carrying value and lenders converting the convertible notes of $1,950,000 and accrued interest of $258,005 maturing within 12 months of balance date to equity. As detailed in note 26, since balance date $1,200,000 in convertible notes were redeemed. The balance of convertible notes of $1,200,000 and accrued interest of $297,381 has been converted to a new series of convertible notes maturing 30 June 2015.

Based on the above factors and the Company's history of being able to adequately raise funds the directors believe the group 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.

(d) Share Options

Options over ordinary shares:	**2013 No. of Options**	**2012 No. of Options**
Unlisted Options		
Exercisable on or before 31 December 2013 at 5 cents per share		
Outstanding at beginning of year	29,248,571	29,248,571
Issued during the year	-	-
Outstanding at end of year	29,248,571	29,248,571
Exercisable on or before 31 December 2013 at 3 cents per share		
Outstanding at beginning of year	19,000,000	-
Issued during the year	-	19,000,000
Outstanding at end of year	19,000,000	19,000,000
Listed Options		
Exercisable on or before 31 December 2013 at 3 cents per share		
Outstanding at beginning of year	1,270,813,564	711,113,564
Exercised during the year	(8)	-
Issued during the year	-	559,700,000
Outstanding at end of year	1,270,813,556	1,270,813,564
Total options over unissued ordinary shares	1,319,062,127	1,319,062,135

Movements in share options for the twelve months ended 30 June 2013

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

20. ISSUED CAPITAL (continued)

(e) Terms and conditions of contributed equity

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

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

Ordinary shares have no par value.

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
21. AUDITORS' REMUNERATION		
The auditor of BioProspect Limited is William Buck (Qld)		
Amounts received or due and receivable for:		
- audit or review of the financial report of the entity and any other entity in the group	36,500	43,107
- other services in relation to the entity and any other entity in the group		
- tax compliance	7,700	7,200
- AGM attendance	790	777
	44,990	51,084

22. KEY MANAGEMENT PERSONNEL

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

30 June 2013		Balance at 1 July 12	Granted As Remuneration	Options Forfeited	Net Change Other	Balance At 30 June 13	Vested at 30 June 13 Total
Directors							
W Willesee		15,000,000	-	-	-	15,000,000	15,000,000
C Pellegrino	(a)	6,000,000	-	-	(6,000,000)	-	-
B Cooper		-	-	-	-	-	-
J Khouri	(b)	3,000,000	-	-	(3,000,000)	-	-
P May	(c)	-	-	-	2,000,000	2,000,000	2,000,000
Executives							
P May	(c)	2,000,000	-	-	(2,000,000)	-	-
C Johnston	(d)	2,000,000	-	-	(2,000,000)	-	-
R Lees	(e)	-	-	-	-	-	-
Total		**28,000,000**	**-**	**-**	**(11,000,000)**	**17,000,000**	**17,000,000**

(a) Resigned 19 November 2012
(b) Resigned 18 September 2012
(c) Appointed 19 November 2012
(d) Resigned 30 September 2012
(e) Appointed 30 September 2012

22. KEY MANAGEMENT PERSONNEL (continued)

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

30 June 2012	Balance at 1 July 11	Granted As Remuneration	Options Forfeited	Net Change Other	Balance At 30 June 12	Vested at 30 June 12 Total
Directors						
W Willesee (a)	-	15,000,000	-	-	15,000,000	15,000,000
C Pellegrino	-	6,000,000	-	-	6,000,000	6,000,000
B Cooper (b)	-	-	-	-	-	-
A Langdon (c)	-	3,000,000	-	(3,000,000)	-	-
J Khouri	-	3,000,000	-	-	3,000,000	3,000,000
E Khouri (d)	-	-	-	-	-	
Dr M Quinlan(e)	883,382	3,000,000	-	(3,883,382)	-	-
Executives						
P May	-	2,000,000	-	-	2,000,000	2,000,000
C Johnston	-	2,000,000	-	-	2,000,000	2,000,000
Total	**883,382**	**34,000,000**	**-**	**(6,883,382)**	**28,000,000**	**28,000,000**

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

(b) Shareholdings of key management personnel (consolidated)

Shares held in BioProspect Limited (number)

30 June 2013		Balance 1 July 12	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 13
Directors						
W Willesee		-	-	-	-	-
C Pellegrino	(a)	6,000,000	-	-	(6,000,000)	-
B Cooper		-	-	-	-	-
J Khouri	(b)	3,000,000	-	-	(3,000,000)	-
P May	(c)	-	-	-	2,652,175	2,652,175
Executives						
P May		2,652,175	-	-	(2,652,175)	-
C Johnston	(d)	2,434,783	-	-	(2,434,783)	-
R Lees	(e)	-	-	-	-	-
Total		**14,086,958**	**-**	**-**	**(11,434,783)**	**2,652,175**

(a) Resigned 19 November 2012
(b) Resigned 18 September 2012
(c) Appointed 19 November 2012
(d) Resigned 30 September 2012
(e) Appointed 30 September 2012

22. KEY MANAGEMENT PERSONNEL (continued)

(b) Shareholdings of key management personnel (continued)

Shares held in BioProspect Limited (number)

30 June 2012		Balance 1 July 11	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 12
Directors						
W Willesee	(a)	-	-	-	-	-
C Pellegrino		-	6,000,000	-	-	6,000,000
B Cooper	(b)	-	-	-	-	-
J Khouri		-	3,000,000	-	-	3,000,000
M Quinlan	(c)	1,325,072	3,000,000	-	(4,325,072)	-
A Langdon	(d)	-	3,000,000	-	(3,000,000)	-
Executives						
P May		652,175	2,000,000	-	-	2,652,175
C Johnston	(e)	434,783	2,000,000	-	-	2,434,783
Total		**2,412,030**	**19,000,000**	**-**	**(7,325,072)**	**14,086,958**

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

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

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

Purchases

Pellegrino Travel Centre
During the year ended 30 June 2013, the Company incurred $nil (2012: $1,790) of travel expenses through Pellegrino Travel Centre, a company which is owned by a relative of Mr C Pellegrino, a former non-executive director of BioProspect Limited. The amount outstanding to Pellegrino Travel Centre as at 30 June 2013 was $nil (2012: nil).

Gun Capital Corporate
During the year ended 30 June 2013, the Company incurred $27,000 (2012: $157,000) in consulting services provided by Gun Capital Corporate Pty Ltd, a company which is owned by Mr Leo Khouri, (father of 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 including the purchase of computer equipment. The amount outstanding to Gun Capital Corporate Pty Ltd as at 30 June 2013 was $nil (2012: $115,500).

Obelisk SAL
During the year ended 30 June 2013, the Company incurred $2,573 (2012: $311,077) of consulting services provided by Obelisk SAL, a company which is owned by Mr Leo Khouri, father of non-executive director Mr Jacob Khouri. The consulting services covered the access to and supply of CGNC for trials associated with GI-Guard® Oral Paste and other *AGRIPRO®* products for use in animal health and nutrition. Obelisk SAL also provided consulting services in relation to establishing European markets for the *REGEN®* therapeutic and *DEMURE®* skin care product ranges. The amount outstanding to Obelisk SAL as at 30 June 2013 was $nil (2012: $153,486).

22. KEY MANAGEMENT PERSONNEL (continued)

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

Azalea Consulting
During the year ended 30 June 2013, the Company incurred $12,000 (2012: $5,309) of consulting services provided by Azalea Consulting Pty Ltd, a company owned by Mr Winton Willesee, Chairman and non-executive director. The consulting services exclude director's fees and covered the use of secretarial and other office costs pertaining to the Perth, WA registered office address. The amount outstanding to Azalea Consulting as at 30 June 2013 was $3,000 (2012: $5,225).

Cooper Consulting
During the year ended 30 June 2013, the Company incurred $nil (2012: $4,200) of consulting services provided by Cooper Corporate Consulting Pty Ltd, a company owned by Mr Benjamin Cooper, an executive director. This excludes director's fees for Mr Cooper as the Company's representative on Frontier Gasfields Pty Ltd/Frontier Oil Corporation board. The amount outstanding to Cooper Corporate as at 30 June 2013 was $nil (2012: $4,620).

Terms and conditions of transactions with related parties

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

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

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

	Consolidated	
	2013	**2012**
	$	**$**
Non-current Assets		
Property, plant and equipment	-	-
Accumulated depreciation	-	-
NBV Property, plant and equipment	-	-
Current Liabilities		
Trade and other payables	29,541	281,756
Total liabilities	29,541	281,756
Expenses		
Sales and marketing	-	82,743
Consulting and advisory expenses	29,573	168,820
Research and development	-	226,022
Other administration expenses	12,000	20,404
Total Expenses	41,573	497,989

(d) Compensation by category (KMP and directors)

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits	321,738	603,936
Post-employment benefits	4,428	22,249
Share-based payments	-	152,000
Total compensation	326,166	778,185

23. RELATED PARTY DISCLOSURES

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

	Country of Incorporation	Class of Shares	% Equity Interest		Investment * $	
Name			**2013**	**2012**	**2013**	**2012**
BioProspect Australia Limited	Australia	Ord	100%	100%	4,024,341	4,024,341
Australian Phytochemicals Limited	Australia	Ord	100%	100%	1,323,464	1,323,464
BioProspect America Pty Ltd	Australia	Ord	100%	100%	2	2
Re Gen Wellness Products Pty Ltd	Australia	Ord	100%	100%	50,000	50,000

* - Cost before provisioning. Refer to Note 11 and 13 for further investment disclosures. The carrying amount of the investment is recognised in the separate parent entity financials net of provisions.

During the year BioProspect Limited issued convertible notes amounting to $150,000 to a related party which has accrued $9,962 interest at a rate of 8%. These notes mature 30 June 2015.

Refer to Note 22 for further disclosures regarding related parties.

		CONSOLIDATED 2013 $	2012 $
24. EXPENDITURE COMMITMENTS			
Gun Capital Corporate	(a)	3,000	3,000
Due not later than one year		3,000	3,000

(a) Corporate services

Gun Capital Corporate Pty Ltd (GCC) 2013: $3,000 **2012:** $3,000

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risk exposures and responses

Credit risk
Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's maximum exposures to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Group minimises concentrations of credit risk in relation to trade receivables by having payment terms of 30 days and receivable balances are monitored on an ongoing basis.

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

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

	CONSOLIDATED	
	2013	**2012**
	$	**$**
Financial assets		
Cash and cash equivalents	180,937	85,321

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

At 30 June 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss Higher/ (lower)		Equity Higher/ (lower)	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Consolidated				
+ 1% (100 basis points)	1,809	10,086	1,809	(10,086)
- 0.5 % (50 points)	(905)	(5,043)	(905)	5,043

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain sufficient funds to finance its current operations and additional funds to ensure its long-term survival. The Group has no finance facilities in place and therefore it is currently dependent on capital raisings, convertible notes and government tax incentives for short term survival. Refer to note 20 for further details. The maturity date of convertible notes is as follows:

30 June 2013

	Maturing in < 1 year $	Maturing in 1 - 5 years $	Maturing in > 5 years $
Convertible notes	1,950,000	450,000	-

30 June 2012

	Maturing in < 1 year $	Maturing in 1 - 5 years $	Maturing in > 5 years $
Convertible notes	-	2,250,000	-

Foreign exchange risk

The Group has minor exposure to foreign currency exchange movements. The consulting arrangements with Obelisk SAL are in US$.

Fair value

The carrying amount of all recognised financial assets and financial liabilities is considered a reasonable approximation of their fair value.

26. EVENTS AFTER THE REPORTING PERIOD

Financing

On the 7 August 2013 the Company announced the sale of 25.58% of its holding in Frontier Oil Corporation for $1.79 million after costs. The proceeds of the sale were used to redeem convertible notes of $1,200,000. The balance of convertible notes of $1,200,000 and accumulated interest of $297,381 were converted to a new series of convertible notes which will incur interest at 8% and have a maturity date of 30 June 2015. The notes are convertible at the lower of 0.1 cents per share or a discount to the 5 day VWAP of shares traded on ASX prior to the conversion.

Given the improved investment climate for the biotech industry and the developments in the circumstances surrounding the Company's investment in Frontier Oil Corporation, the directors are reviewing their strategy for the Company's investment in Frontier Oil Corporation including whether or not an in-specie distribution of its shares in Frontier Oil Corporation is in the best interests of the Company and its shareholders.

27. SHARE-BASED PAYMENT PLANS

(1) Recognised share-based payment expenses

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

	CONSOLIDATED 2013 $	2012 $
Expense arising from equity-settled share-based payment transactions	-	152,000

Director and KMP options

2012

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

Refer to note 22 for option holdings by directors.

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

	2013 $	2012 $
49,390,000 shares issued to Doward International	49,390	-
45,528,840 shares issued to Novus Capital Limited	45,529	-
2,000,000 shares issued to Howard Fox	-	12,800
2,000,000 shares issued to Boambee Sciences Pty Ltd	-	12,800
2,000,000 shares issued to Wayne Loh	-	12,800
50,000,000 shares issued to Novus Capital Limited	-	400,000
50,000,000 options issued to Novus Capital Limited	-	83,242
50,000,000 options issued to Obelisk SAL	-	85,703
	94,919	607,345

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

	2013 $	2012 $
250,000,000 shares issued to Frontier Gasfields shareholders	-	2,000,000
100,000,000 options issued to Frontier Gasfields shareholders	-	161,553
	-	2,161,553
TOTAL SHARE-BASED PAYMENTS	94,919	2,920,903

(2) Weighted average remaining contractual life

The remaining contractual life of existing options (BPOO) is 0.5 years.

(3) Range of exercise price

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

27. SHARE-BASED PAYMENT PLANS (continued)

(4) Option pricing model

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

The following table lists the inputs to the model used for the year ended 30 June 2013:

	Black-Scholes
Dividend yield (%)	0.000
Expected volatility (%)	24.540
Risk-free interest rate (%)	4.910
Expected life of options (years)	0.5
Option exercise price ($)	0.030
Weighted average share price at measurement date $	0.006

29. PARENT ENTITY INFORMATION

	2013 $	2012 $
Net loss attributable to members of BioProspect Limited	(1,131,730)	(3,326,955)
Change in market value of available for sale financial assets	-	(23,908)
Other comprehensive income	-	-
Total comprehensive income for the year attributable to members of BioProspect Limited	**(1,131,730)**	**(3,350,863)**
Current assets	206,287	115,625
Total assets	**5,394,552**	**5,280,709**
Current liabilities	2,271,409	482,206
Total liabilities	**2,760,785**	**2,836,023**
Issued Capital	36,650,527	35,459,988
Share based payments reserve	2,911,950	2,911,950
Retained earnings	(36,928,710)	(35,927,252)
Total equity	**2,633,767**	**2,444,686**
Contingent liabilities	-	-
Guarantees in relation to debt of subsidiaries	-	-
Capital and other expenditure commitments not provided for in the financial statements	3,000	3,000
Future operating leases not provided for in the financial statements	-	-

DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

(a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the Company are in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the of the group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes to the financial statements are prepared in compliance with International Financial Reporting Standards as made by the International Accounting Standards Board.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2013.

On behalf of the Board

Winton Willesee
Chairman

18 September 2013
Perth Western Australia

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

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising of BioProspect Limited (the Company) and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

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William Buck

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

Auditor's Opinion

In our opinion:

a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter regarding Going Concern

Without qualifying our opinion, attention is drawn to Note 20 (c) to the financial statements which indicates that as at 30 June 2013 the consolidated entity was in a net asset position of $2,538,153 (2012: $2,444,327) but had incurred losses of $1,096,713 (2012: $3,326,955) and had cash outflows from operations of $1,176,758 for the year then ended (2012: $1,513,183). These conditions, along with other matters as set out in Note 20 (c) indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of BioProspect Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of BioProspect Limited for the year ended 30 June 2013 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 report refers only to the 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 audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

William Buck (Qld)
ABN 11 603 627 400

J. A. Latif
A Member of the Firm

Dated this 18th day of September, 2013

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 September 2013.

(a) Distribution of equity securities

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

	Ordinary shares		Options	
	No. of Holders	**No. of Shares**	**No. of Holders**	**No. of Options**
1 – 1,000	289	223,948	12	6,170
1,001 – 5,000	183	601,103	24	78,213
5,001 – 10,000	438	4,097,472	40	348,953
10,001 – 100,000	1,086	49,232,458	267	12,515,683
100,001 and over	986	2,818,019,391	337	1,257,864,537
	2,982	2,873,174,372	680	1,270,813,556

The number of shareholders holding less than a marketable parcel of shares are:	2,351

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

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

		Number of Shares Held	% Held
1	Mining Investments Limited	668,238,192	23.26
2.	Pitt Street Absolute Return Fund Ltd	257,046,487	8.95
3	Middle East Petroleum Services Ltd	95,000,000	3.31
4.	Ausepen Pty Ltd	60,000,000	2.09
5.	Bernard Laverty Pty Ltd	56,000,000	1.95
6.	The Robert Martin Rowley Super Fund	52,016,975	1.81
7.	Round-up Solutions Pty Ltd	50,000,000	1.74
8.	Doward International Pty Ltd	49,390,000	1.72
9.	Citicorp Nominees Pty Ltd	47,996,674	1.67
10.	Novus Capital Limited	45,528,840	1.58
11.	Bell Potter Nominees Ltd	37,700,000	1.31
12.	Dentost Pty Ltd	37,500,000	1.31
13.	HSBC Custody Nominees (Aust) Limited	35,733,001	1.24
14.	Hawthorn Grove Investments Pty Ltd	32,500,000	1.13
15.	Panther Petroleum Limited	31,041,667	1.08
16.	Vivnat (Curtin) Pty Ltd	30,000,000	1.04
17.	Alimond Pty Ltd	28,000,000	0.97
18.	Nova Vita Pty Ltd	25,000,000	0.87
19.	Mr Andrew Brian Teasdale	24,720,775	0.86
20.	Sanperez Pty Ltd	22,500,000	0.78
		1,685,912,611	58.68

ASX ADDITIONAL INFORMATION (CONTINUED)

(c) Optionholders – options quoted on ASX

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

		Number of Options Held	% Held
1.	Mining Investments Limited	256,460,169	20.18
2.	Pitt Street Absolute Return Fund	96,346,233	7.58
3	Obelisk SAL	50,000,000	3.93
4.	Middle East Petroleum Services Ltd	50,000,000	3.93
5.	Mining Investments Limited	37,000,000	2.91
6.	Bell Potter Nominees Ltd	36,081,712	2.84
7.	Citicorp Nominees Pty Limited	30,015,000	2.36
8.	U5 Pty Ltd	21,000,000	1.65
9.	Mr Antoine Aboukhalil	20,000,000	1.57
10.	Aviwed Pty Ltd <Mellers Family A/C>	20,000,000	1.57
11.	Panther Petroleum Limited	18,750,000	1.48
12.	Greenfields Securities Pty Ltd	18,666,667	1.47
13.	Suburban Holdings Pty Ltd	18,500,000	1.46
14.	Trayburn Pty Ltd	17,700,000	1.39
15.	Mr Andrew Brian Teasdale	15,813,850	1.24
16.	Kelfield Investments Pty Ltd	15,000,000	1.20
17.	Azalea Family Holdings Pty Ltd	15,000,000	1.18
18.	Dentost Pty Ltd	15,000,000	1.18
19.	Hawthorn Grove Investments Pty Ltd	15,000,200	1.18
20.	S F P Superannuation Pty Ltd	12,500,000	0.98
		778,833,631	61.31

(d) Unquoted Securities

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

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

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

(e) Voting Rights

All ordinary shares carry one vote per share without restriction.

Option holders have no voting rights.

(f) Restricted Securities

As at 16 September 2013, the Company had 94,918,840 shares issued 28 February 2013 restricted until 28 February 2014.