



**ABN: 58 008 130 336**

## **ASX Half-Yearly Report to 31 December 2013**

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

**The Information provided in this Half Yearly Report should be read  
in conjunction with the Company's 2013 Annual Financial Report.**

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### SUMMARY RESULTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2013

The following is a summary of the financial results for the 6 months ended 31 December 2013 (previous corresponding period 31 December 2012).

#### 1. SUMMARY RESULTS

	Increase/ (Decrease) %	Six months ended 31 December 2013 \$	Six months ended 31 December 2012 \$
<b>Revenue</b> from ordinary activities	1,830%	469,192	24,310
<b>Profit/(Loss)</b> from ordinary activities after tax attributable to members	106%	43,827	(733,538)
<b>Profit/(Loss)</b> for the period attributable to members (NPAT)	106%	43,827	(733,538)

#### 2. COMMENTARY

During the six months to 31 December 2013, the Company recorded an after tax profit of \$43,827 (2012 loss \$733,538) due to the sale of 25.58% of its interest in the Frontier Oil Corporation investment. Of the \$1,690,425 in net funds received for the sale of the Frontier Oil Corporation investment, \$1,200,000 was applied to the redemption of convertible notes. Convertible Note holders agreed to the conversion of the remaining Notes into a new series totalling \$1,200,000 paying 8% interest and maturing on 30 June 2015. An additional \$300,000 in the new convertible notes were issued during the period to 31 December 2013 for accrued convertible note interest to 18 August 2013, the date of conversion to the new series of Convertible Notes.

#### 3. DIVIDENDS

No interim dividend has been declared for the reporting period.

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

	31 December 2013	31 December 2012
Basic earnings /(loss) per share	0.0015 cps	(0.03) cps
Diluted earnings/(loss) per share	0.0015 cps	(0.03) cps
Weighted average number of shares used in the calculation of basic EPS	2,873,310,984	2,176,446,164

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

**5. NET TANGIBLE ASSET BACKING**

	<b>31 December 2013</b>	<b>31 December 2012</b>
Net tangible asset backing per ordinary share	0.09 cents	0.10 cents

**6. COMPLIANCE STATEMENT**

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



Robert Lees  
Company Secretary  
28 February 2014



## **INTERIM FINANCIAL REPORT**

**31 DECEMBER 2013**

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

# BioProspect Limited

**ABN: 58 008 130 336**

<b>Contents</b>	<b>Page</b>
Corporate Information	3
Directors' Report	4
Auditor's Independence Declaration	8
Condensed Consolidated Statement of Profit or Loss	9
Condensed Consolidated Statement of Comprehensive income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Cash Flows	12
Condensed Consolidated Statement of Changes in Equity	13
Notes to the Financial Statements	14
1. Basis of preparation	14
2. Revenue and expenses	16
3. Available for sale investments	17
4. Issued Capital	17
5. Operating Segments	18
6. Related Party Transactions	23
7. Borrowings	24
8. Commitments and contingencies	24
9. Events after the end of the reporting period	24
Directors' Declaration	26
Independent Review Report	27

# BioProspect Limited

**ABN: 58 008 130 336**

## Corporate Information

### Directors

P May          Non-Executive Chairman  
B Cooper      Executive Director  
S Elkhouri    Non-Executive Director

### Auditors

William Buck (QLD)  
Level 21, 307 Queen Street  
Brisbane QLD 4000

### Company Secretary

R Lees

### Bankers

Westpac Banking Corporation

### Registered Office

Suite 605, Level 6  
50 Clarence Street  
Sydney NSW 2000  
Telephone: +61 2 9299 9580  
Facsimile: +61 2 9299 9501

### Home Exchange

Australian Securities Exchange  
2 The Esplanade  
Perth WA 6000

### Share Register

Computershare Investor Services Pty Ltd  
117 Victoria Street  
West End QLD 4101  
Telephone: 1300 850 505  
Facsimile: +61 3 9473 2500

### Internet Address

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

# BioProspect Limited

**ABN: 58 008 130 336**

## Directors' Report

The Directors submit the financial report of BioProspect Limited ('BPO') and its controlled entities for the half-year ended 31 December 2013.

### DIRECTORS

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

Winton Willesee	<i>Non-Executive Chairman - Resigned 15 November 2013</i>
Peter May	<i>Non-Executive Director &amp; appointed Non-Executive Chairman 15 November 2013</i>
Ben Cooper	<i>Executive Director</i>
Silvi Elkhouri	<i>Non-Executive Director - Appointed 15 November 2013</i>

## REVIEW AND RESULTS OF OPERATIONS

### Financials

During the six months to 31 December 2013, the Company recorded an after tax profit of \$43,827 (2012 – Loss \$733,538). The profit was due to the sale of 25.58% of our investment in Frontier Oil Corporation and the wind back of and the cost reductions in the business activity of the Human Health/Skin Care and Agriculture/Animal Health segments.

Of the \$1,690,425 in net funds received for the sale of the Frontier Oil Corporation investment, \$1,200,000 was applied to the redemption of convertible notes. Convertible Note holders agreed to the conversion of the remaining Convertible Notes into a new series totalling \$1,200,000 paying 8% interest and maturing on 30 June 2015. An additional \$300,000 in the new convertible notes were issued during the period to 31 December 2013 for accrued convertible note interest to 18 August 2013, the date of conversion to the new series of Convertible Notes.

## Development Projects

### AGRIPRO

Limited progress has been made on this project due to the restricted availability of cash resources. Intellectual property associated with AGRIPRO® is being maintained.

### REGEN

Intellectual property associated with the Re Gen business, including REGEN® and DEMURE® trademarks, are being maintained as core assets. Raw material and finished goods stocks have been sold or disposed of.

### TERMILONE

Intellectual property associated with TERMILONE®, including patents, registrations and trademark, are being maintained as core assets.

### FRONTIER

The Company announced on 7 August 2013 that it had entered into an agreement to sell 110,000,000 of its 430,000,000 shares held in Frontier Oil Corporation ("FOC"), FOC also announced FOC's intention to list on the Philippines Stock Exchange.

# **BioProspect Limited**

**ABN: 58 008 130 336**

## **Directors' Report (continued)**

### **INVATEC AND HEARTLINK OPTION AGREEMENTS**

#### **INVATEC TRANSACTION AGREEMENT**

BPO has entered into a deed of option with Invatec Health Pty Ltd ('Invatec') and key shareholders holding more than 94% of the shares in Invatec. The Invatec transaction is a 2 stage investment with a 6 month option term.

By the option agreement, Invatec grants an exclusive option for a 6 month period. BPO has paid a non-refundable option fee of \$50,000 to Invatec. BPO anticipates completing due diligence investigations on Invatec and its technology within a 90 day period or as agreed between the parties. Within this period the parties are to agree fuller form documents (anticipated to be a subscription agreement and shareholders agreement). Exercise of the option is subject to conditions precedent including that BPO raises at least \$1 million and obtains the agreement to the transaction of 100% of the Invatec shareholders (which may be waived by BPO). On exercise of the option, a binding agreement for the stage 1 subscription is formed.

On exercise of the stage 1 option, BPO will issue 150 million BPO shares to the shareholders of Invatec and pay \$50,000 to Invatec, which must be used to partly repay shareholder debt.

During stage 1, BPO has a right to subscribe for a 35% interest in Invatec within 2 years by sole funding Invatec. The funding is intended to be focused on independent validation trials. BPO must pay Invatec a minimum monthly amount to meet its corporate expenses (which amount is to be agreed). For every \$50,000 funded by BPO, it will be entitled to a 0.5% interest in Invatec. Thereby, a subscription of \$3.5 million will equal a 35% interest in Invatec.

BPO may cease funding at any time by providing 3 months written notice to Invatec.

BPO Shareholders have approved the future appointment of Dr Stephen Addis (a key shareholder and executive of Invatec) as director of BPO after the exercise of the stage 1 option.

The key shareholders of Invatec have further granted BPO an option (stage 2 option) to acquire a further 45% of the shares in Invatec. On exercise of the stage 2 option, a binding agreement for stage 2 is formed.

By the stage 2 acquisition BPO may acquire up to an 80% interest in Invatec (the initial 35% interest plus a 45% interest).

Completion of the stage 2 acquisition is subject to conditions precedent including BPO raising a total of at least \$3.5 million since execution of the option agreement, BPO obtaining all necessary shareholder and regulatory approvals and the repayment by BPO of all moneys owing under the existing convertible notes.



# **BioProspect Limited**

**ABN: 58 008 130 336**

## **Directors' Report (continued)**

### **INVATEC TRANSACTION AGREEMENT (continued)**

On completion of the stage 2 acquisition, BPO must issue the number of shares to the vendors so that the total number of BPO shares held by the vendors (including the 150 million shares issued under stage 1) is equal to a 20% interest in the company on a fully diluted basis at that time. Additionally, BPO must pay \$250,000 to Invatec, which must be used to partly repay shareholder debt.

Following completion of stage 2, BPO has agreed to pay the sum of \$1.2 million to Invatec over a 4 year period, which funds will be used by Invatec to extinguish shareholder debt. The key vendors, Stephen Addis and Claude Solitario (as the people to whom the debt is owing), may elect to be issued with BPO shares in lieu of the cash repayment at any time prior to a repayment.

### **HEARTLINK TRANSACTION AGREEMENT**

Heartlink is an Australian public unlisted company which is the registered holder of patents in Australia, Israel, Singapore and New Zealand. Patents issued in Canada and the United States are claimed. The patents are in relation to technology that provides a method for diagnosing psychiatric disorders by the analysis of heart rate patterns. The ownership of patents in respect of this technology is relevant to the technology being developed by Invatec. By acquiring an exclusive licence to use and exploit the technology from Heartlink, it enables Invatec's technology to be developed without restriction.

BPO has entered into a licence and option deed with Heartlink. By this agreement Heartlink has granted an exclusive option to BPO in respect of the intellectual property rights. BPO has issued 25 million BPO shares to Heartlink at \$0.002 each, as a non-refundable option fee. BPO has 90 days from execution of the agreement to exercise the option. During the option period, BPO may carry out due diligence investigations upon the intellectual property rights.

Upon the exercise of the option by BPO, Heartlink grants to BPO an exclusive licence to use the intellectual property rights and exploit the technology in the relevant territory for an initial period of 2 years (stage 1). The territory over which the licence is granted is Australia, Canada, Israel, Singapore, the United States and New Zealand, being the countries in which patents are held. BPO must issue 125 million BPO shares to Heartlink upon the exercise of the option. BPO may sub-licence its rights to Invatec and BPO will be responsible for maintaining the registration and protection of the patents during the term of the licence.

At the end of the 2 year (stage 1) exclusive licence period, BPO may extend the exclusive use option for up to 25 years (stage 2). If the licence is extended, BPO must issue shares to Heartlink so that the total number of BPO shares held by Heartlink (including 150 million BPO shares already issued) is equal to a 10% interest in BPO on a fully diluted basis at that time. BPO must also pay a royalty to Heartlink. The royalty will be calculated as a percentage of the annual revenue generated by BPO or third parties that BPO has granted a right to use the technology.

# **BioProspect Limited**

**ABN: 58 008 130 336**

## **Directors' Report (continued)**

### **HEARTLINK TRANSACTION AGREEMENT (continued)**

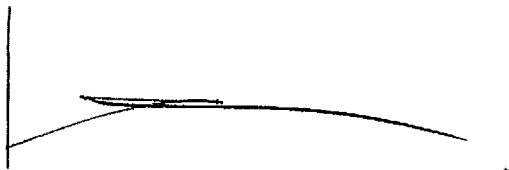
The royalty is 5% on the first \$20 million of annual revenue, 2.25% on between \$20 million and \$50 million of annual revenue, 1% between \$50 million and \$100 million of annual revenue and 0.5% over \$100 million of annual revenue.

At any time during the term of the licence, the Company has an option to acquire the intellectual property rights and the technology from Heartlink. If the option is exercised before the expiry of the initial 2 year term (during stage 1), BPO must pay the consideration set out above (as if it has extended the licence and entered stage 2). If the option is exercised during the extended term (stage 2), the consideration payable is \$1.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the half-year ended 31 December 2013 under s 307C of the *Corporations Act 2001*, is set out on page 8.

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

A handwritten signature in black ink, appearing to read 'Peter May', is written over a horizontal line. The signature is stylized with a long, sweeping underline that curves upwards at the end.

Peter May

Date 28 February 2014

The Directors  
BioProspect Limited  
Suite 605, Level 6  
50 Clarence Street  
Sydney NSW 2000

### **Auditor's Independence Declaration**

As lead auditor for the review of BioProspect Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there has been:-

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

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

*William Buck*

William Buck (Qld)  
ABN 11 603 627 400

*M Ayoub*

M Ayoub  
A Member of the Firm  
Brisbane: 28 February

2014

Page 8

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# BioProspect Limited

ABN: 58 008 130 336

## Condensed Consolidated Statement of Profit or Loss FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	31 December 2013 \$	31 December 2012 \$
<b>Revenues</b>	2	469,192	24,310
<b>Expenses</b>	2		
Finance costs		(70,002)	(98,353)
Raw material and consumables used		-	(24,164)
Depreciation		-	(3,531)
Employee costs		(90,333)	(155,821)
Research and development expenses		-	(2,573)
Other expenses		(265,030)	(473,406)
<b>Profit/(Loss) before income tax</b>		43,827	(733,538)
Income tax		-	-
<b>Profit/(Loss) attributable to members of BioProspect Limited</b>		43,827	(733,538)
<b>Earnings per share</b>			
Basic profit/(loss) per share (cents per share)		0.0015	(0.03)
Diluted profit/(loss) per share (cents per share)		0.0015	(0.03)

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

# BioProspect Limited

ABN: 58 008 130 336

## Condensed Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	31 December 2013 \$	31 December 2012 \$
Profit/(Loss) for the period	43,827	(733,538)
Other comprehensive income for the period	-	-
Total comprehensive income attributable to members of BioProspect Limited	43,827	(733,538)

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

# BioProspect Limited

ABN: 58 008 130 336

## Condensed Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2013

	Notes	31 December 2013 \$	30 June 2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		242,883	180,937
Trade and other receivables		149,028	40,618
Prepayments		9,091	9,091
<b>Total Current Assets</b>		<b>401,002</b>	<b>230,646</b>
<b>Non-current Assets</b>			
Available-for-sale investments	3	3,861,034	5,188,265
Intangible assets	10	100,000	-
<b>Total Non-current Assets</b>		<b>3,961,034</b>	<b>5,188,265</b>
<b>TOTAL ASSETS</b>		<b>4,362,036</b>	<b>5,418,911</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		184,927	441,383
Borrowings	7	-	1,950,000
<b>Total Current Liabilities</b>		<b>184,927</b>	<b>2,391,383</b>
<b>Non-current Liabilities</b>			
Borrowings	7	1,500,000	450,000
Other payables		44,679	39,375
<b>Total Non-current Liabilities</b>		<b>1,544,679</b>	<b>489,375</b>
<b>TOTAL LIABILITIES</b>		<b>1,729,606</b>	<b>2,880,758</b>
<b>NET ASSETS</b>		<b>2,632,430</b>	<b>2,538,153</b>
<b>EQUITY</b>			
Issued capital	4	36,700,977	36,650,527
Reserves		2,911,950	2,911,950
Accumulated losses		(36,980,497)	(37,024,324)
<b>TOTAL EQUITY</b>		<b>2,632,430</b>	<b>2,538,153</b>

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

# BioProspect Limited

ABN: 58 008 130 336

## Condensed Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	31 December 2013 \$	31 December 2012 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	-	20,646
Payments to suppliers and employees	(362,395)	(774,337)
Research and development expenditure	-	(2,573)
<b>Net cash flows used in operating activities</b>	<b>(362,395)</b>	<b>(756,264)</b>
<b>Cash flows from investing activities</b>		
Interest received	5,998	3,664
Payment for intangible assets	(50,000)	-
Proceeds from sale of available for sale investments	1,690,425	-
<b>Net cash flows generated from investing activities</b>	<b>1,646,423</b>	<b>3,664</b>
<b>Cash flows from financing activities</b>		
Proceeds from share applications received	450	1,166,085
Share issue costs	-	(69,965)
Repayment of convertible notes	(1,200,000)	-
Proceeds from issue of convertible notes	-	150,000
Interest paid	(22,532)	-
<b>Net cash flows from (used in) financing activities</b>	<b>(1,222,082)</b>	<b>1,246,120</b>
<b>Net increase in cash and cash equivalents</b>	<b>61,946</b>	<b>493,520</b>
Cash and cash equivalents at beginning of period	180,937	85,321
<b>Cash and cash equivalents at end of period</b>	<b>242,883</b>	<b>578,841</b>

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

# BioProspect Limited

ABN: 58 008 130 336

## Condensed Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Issued Capital	Accumulated Losses	Share Option Reserve	Total Equity
	\$	\$	\$	\$
<b>At 1 July 2012</b>	<b>35,459,988</b>	<b>(35,927,611)</b>	<b>2,911,950</b>	<b>2,444,327</b>
<b>Comprehensive income</b>				
Loss for the period	-	(733,538)	-	(733,538)
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	-	(733,538)	-	(733,538)
<b>Transactions with owners</b>				
Shares issued	1,166,085	-	-	1,166,085
Share issue costs	(69,965)	-	-	(69,965)
<b>Total transactions with owners</b>	1,096,120	-	-	1,096,120
<b>At 31 December 2012</b>	<b>36,556,108</b>	<b>(36,661,149)</b>	<b>2,911,950</b>	<b>2,806,909</b>
	\$	\$	\$	\$
<b>At 1 July 2013</b>	<b>36,650,527</b>	<b>(37,024,324)</b>	<b>2,911,950</b>	<b>2,538,153</b>
<b>Comprehensive income</b>				
Profit for the period	-	43,827	-	43,827
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	-	43,827	-	43,827
<b>Transactions with owners</b>				
Shares issued	50,450	-	-	50,450
<b>Total transactions with owners</b>	50,450	-	-	50,450
<b>At 31 December 2013</b>	<b>36,700,977</b>	<b>(36,980,497)</b>	<b>2,911,950</b>	<b>2,632,430</b>

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



# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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### I. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

These interim financial statements are intended to provide users with an update on the latest annual financial statements of BioProspect Limited and its controlled entities (the consolidated entity). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2013, together with any public announcements made since 1 July 2013.

Other than that disclosed below the same accounting policies and methods of computation have been followed in these interim financial statements as were applied in the most recent annual financial statements.

### CHANGES IN ACCOUNTING POLICY

The consolidated entity had to change some of its accounting policies as a result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

- Principles of consolidation – new standard AASB 10 *Consolidated Financial Statements*, and
- Accounting for employee benefits – revised AASB 119 *Employee Benefits*.

Other new standards that are applicable for the first time for the December 2013 half-year report are AASB 13 Fair Value Measurement, AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle. The adopting of these standards has not affected accounting policies or amounts recognised in these financial statements

#### (i) Principles of consolidation – subsidiaries

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated entity has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to those entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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### I. BASIS OF PREPARATION (continued)

#### CHANGES IN ACCOUNTING POLICY (continued)

##### (ii) *Employee benefits*

The adoption of the revised AASB 119 Employee Benefits resulted in changes to the entity's accounting policy with regard to employee entitlements. The consolidated entity does not have any annual leave therefore there is no impact on the consolidated entity.

#### Going concern statement

As at 31 December 2013 the consolidated entity was in a net asset position of \$2,632,430 (30 June 2013: \$2,538,153) and a profit for the period ended 31 December 2013 of \$43,827 (2012: Loss \$733,538) and had net cash outflows from operations for the period of \$362,395 (2012: \$756,264).

The consolidated entity's ability to continue as a going concern is dependent upon the generation of cash from operations, the sufficiency of current cash reserves to meet existing obligations, the ability to reschedule planned research and development activity if considered necessary; lenders either converting the convertible notes of \$1,500,000 and accrued interest of \$44,679 (predominantly held by a majority shareholder) maturing on 30 June 2015 to equity, or renegotiating the maturity date of amounts owing prior to their expiry date. In addition as disclosed in Note 9, the company announced on 28 January 2014 that it had secured a \$1 million convertible note facility.

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

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

### 2. REVENUE AND EXPENSES

	31 December 2013 \$	31 December 2012 \$
<b>REVENUE</b>		
Interest received	5,998	3,664
Gain on disposal of Frontier Oil Corporation Shares	463,194	-
Sales revenue	-	20,646
Total Revenue	469,192	24,310
<b>EXPENSES</b>		
<b>(i) Finance costs</b>		
Interest payable on convertible notes	70,002	98,353
<b>(ii) Employee benefits expense</b>		
Wages and salaries	-	70,256
Directors' fees	90,333	80,583
Superannuation	-	4,427
Allowances	-	555
	90,333	155,821
<b>(iii) Other expenses</b>		
Consulting and advisory expenses	104,595	144,177
Legal fees	66,274	53,123
Listing fees	16,464	26,690
Share registry	14,124	52,100
Sales and marketing	-	3,335
Stock write downs	-	169,034
Other administrative expenses	63,573	24,947
	265,030	473,406

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

<b>3 AVAILABLE FOR SALE INVESTMENTS</b>	<b>31 December 2013</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Frontier Oil Corporation - at cost (i)	3,861,034	5,188,265
Australian listed shares at fair value	2,758	2,758
Provision for impairment	(2,758)	(2,758)
<b>Total available-for-sale investments</b>	<b>3,861,034</b>	<b>5,188,265</b>

### (i) Frontier Oil Corporation

On 7 August 2013, BioProspect announced the sale of 110,000,000 shares out of a total of 430,000,000 Frontier Oil Corporation (FOC) shares held.

The investment is stated at original cost less disposals during the half-year, due to this being an investment in an unlisted entity and is therefore difficult to obtain fair value. The directors do not believe that this investment has been impaired.

<b>4 ISSUED CAPITAL</b>	<b>31 December 2013</b>	<b>30 June 2013</b>
<b>Issued and paid up capital</b>		
Issued and fully paid	\$36,700,977	\$36,650,527
Number of shares on issue at reporting date	2,898,189,372	1,612,170,347
Number of options on issue at reporting date	-	1,319,062,127

### Movements in share capital for the six months ended 31 December 2013

- On 31 December 2013, 15,000 ordinary shares at 3 cents on exercise of an option;
- On 31 December 2013, 25,000,000 ordinary shares at 0.2 cents to acquire the Heartlink option;

### Movements in share options for the six months ended 31 December 2013

- Prior to expiry on 31 December 2013, an option holder exercised 15,000, 3 cent options raising \$450. On 31 December 2013, the remaining 1,270,798,556 Options at 3 cents per share exercisable on or before 31 December 2013 expired.
- On 31 December 2013, 29,248,571 unlisted Options at 5 cents per share exercisable on or before 31 December 2013 expired.
- On 31 December 2013, 19,000,000 unlisted Options at 3 cents per share exercisable on or before 31 December 2013 expired.

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued) FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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### 5. OPERATING SEGMENTS

#### Segment Information

##### Identification of reportable segments

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

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

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

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

##### Types of products and services by segment

(i) *Agriculture/Animal Health*

This market segment includes the income and expenditures pertaining to *TERMILONE®*, the Company's natural termiticide, *Qcide®*, and the *AGRIPRO®* and *GI-GUARD®* range of plant extracts derived from coniferous trees.

(ii) *Human Health/Skin Care*

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

(iii) *Mining and Gas Exploration*

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

##### Basis of accounting for purposes of reporting by operating segments

###### *Accounting policies adopted*

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

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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### 5. OPERATING SEGMENTS (continued)

#### *Inter-segment transactions*

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

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

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

#### *Segment assets*

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

#### *Segment liabilities*

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

#### *Unallocated Items*

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

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

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

### 5. OPERATING SEGMENTS (continued)

#### (i) Segment performance

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
Six months ended 31 Dec 2013	\$	\$	\$	\$
<b>Revenue</b>				
Sale of investment	-	-	463,194	463,194
Total segment revenue	-	-	-	463,194
Unallocated revenue				5,998
<b>Total consolidated revenue</b>				<b>469,192</b>
	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
Six months ended 31 Dec 2013	\$	\$	\$	\$
<b>Segment net profit before tax</b>	-	-	463,194	463,194
<i>Reconciliation of segment result to group net loss before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
Unallocated items:				
• Interest received				5,998
• Other corporate costs				(425,365)
<b>Net profit before tax</b>				<b>43,827</b>

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

### 5. OPERATING SEGMENTS (continued)

#### (i) Segment performance

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

\* Segment net loss includes stock write downs of \$169,034 for the human health/skin care segment.



# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

### 5. OPERATING SEGMENTS (continued)

#### (ii) Segment assets

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
31 Dec 2013	\$	\$	\$	\$
Segment assets	100,000	24,033	3,861,034	3,885,067
Unallocated assets				
• Cash				242,883
• Other				134,086
<b>Total assets</b>				<b>4,362,036</b>

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

#### (iii) Segment Liabilities

31 Dec 2013	\$	\$	\$	\$
Segment liabilities	-	-	-	-
Unallocated liabilities				(1,729,606)
<b>Total liabilities</b>				<b>(1,729,606)</b>

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued) FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

### 5. OPERATING SEGMENTS (continued)

#### (iii) Segment Liabilities (continued)

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
30 June 2013	\$	\$	\$	\$
Segment liabilities	1,431	118,542	-	119,973
Unallocated liabilities				2,760,785
<b>Total liabilities</b>				<b>2,880,758</b>

#### (iv) Revenue by geographical region

Other than the gain on sale of the FOC shares revenue for the 2013 and 2012 financial half years is comprised primarily from activities from one geographical segment, being Australia.

#### (v) Assets by geographical region

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

### 6. RELATED PARTY TRANSACTIONS

#### Purchases

##### Azalea Consulting

During the half-year ended 31 December 2013, the company incurred \$5,000 (2012: \$6,000) of consulting services provided by Azalea Consulting Pty Ltd, a company owned by Mr Winton Willesee, former Chairman and non-executive director. The consulting services covered the use of secretarial and other office costs pertaining to the Perth, WA registered office address. The amount outstanding to Azalea Consulting Pty Ltd as at 31 December 2013 was nil (2012: \$6,000).

#### *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.

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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### 7. BORROWINGS

The Company announced on 7 August 2013, that the Convertible Note holders had agreed that after the repayment of \$1.2m of maturing Convertible Notes (matured 18 August 2013) to the issue of convertible notes amounting to \$1,500,000 to existing note holders. This consisted of \$1,200,000 to redeem the remaining \$1,200,000 in multiple series of existing Convertible Notes and \$300,000 for interest payable to 18 August 2013. The balance of interest due of \$22,532 was paid to the Convertible Note holders on redemption.

Terms of the new convertible notes are as follows:

- Each note has a face value of \$50,000;
- The notes accrue interest at a rate of 8% per annum;
- Maturity date of the notes is 30 June 2015 - \$1.5m;
- The notes are unsecured;
- Conversion price of the notes is the lower of 0.1 cents or 80% of the 5 day VWAP of BioProspect's share price on the ASX immediately prior to the conversion of the notes;
- Each share issued from the conversion of the notes will have a free attaching option or, should the conversion occur after the expiry of these, an option with the same conversion price as the shares and a duration of not less than 36 months; and
- Shareholders approved the convertibility of \$1.2m Convertible Notes at the Company's Annual General Meeting held 15 November 2013.

### 8. COMMITMENTS AND CONTINGENCIES

There were no changes in the Group's commitments and contingencies since 30 June 2013.

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

Since 31 December 2013 the company announced on 28 January 2014 that the company had secured a \$1m Convertible Note facility from a consortium of existing shareholders.

The key terms of the Note funding facility are as follows:

- The facility is to be drawn down in 3 tranches.
- Tranche 1 - \$400,000 is available immediately upon completion of Due Diligence and the decision to proceed with Stage 1 of the Invatec transaction.
- Tranche 2 - \$300,000 is available upon commencement of an Independent Validation study of the Invatec Technology.
- Tranche 3 - \$300,000 is available as needed following the second draw down but must be drawn by 30 June 2015.
- each Convertible Note issued would have a face value of \$25,000
- conversion price of the lesser of 0.3 cents per ordinary share, or the 5 day volume weighted average price of the Company's ordinary shares on the ASX immediately prior to the issue of a conversion notice by the Noteholder to the Company;

# BioProspect Limited

ABN: 58 008 130 336

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

### 9. EVENTS AFTER THE END OF THE REPORTING PERIOD (continued)

- the Notes issued upon each drawdown can be converted at any time up to the Maturity Date of 31 December 2016. If the Convertible Note is not converted within 18 months (by 31 December 2016) of the final Draw Down, the notes are repayable at the election of the Facility providers.
- the Notes will accrue interest at a rate of 8% per annum; and
- the Notes are unsecured.

The capital raised under the Convertible Notes Issue will be used to fund the evaluation of the Invatec Transaction and provide for the current working capital requirements of the Company.

There have been no other events subsequent to year end which would have a material effect on the company's financial statements at 31 December 2013.

### 10. INTANGIBLE ASSETS

	31 December 2013 \$	30 June 2013 \$
Invatec option fee	50,000	-
Heartlink option fee	50,000	-
	<u>100,000</u>	<u>-</u>

# BioProspect Limited

ABN: 58 008 130 336

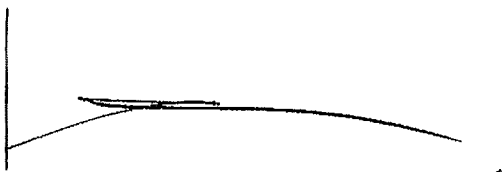
## Directors' Declaration

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

In the opinion of the directors:

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
  - b. complying with the Accounting Standard AASB 134 "*Interim Financial Reporting*" and the Corporations Regulations 2001.
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Peter May', is written over a horizontal line. The signature is fluid and cursive.

Peter May  
Chairman  
28 February 2014

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BioProspect Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

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

### *Independence*

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

Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland

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

### *Conclusion*

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

### *Emphasis of matter regarding Going Concern*

Without qualifying our conclusion, attention is drawn to Note 1 to the financial statements which indicates that as at 31 December 2013 the consolidated entity was in a net asset position of \$2,632,430 (30 June 2013: \$2,538,153) and had a profit for the period ended 31 December 2013 of \$43,827 (2013: \$733,538 loss) and had net cash outflows from operations for the period of \$362,395 (2012: \$756,264). These conditions, along with other matters as set out in Note 1 indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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



William Buck (Qld)  
ABN 11 603 627 400



M Ayoub  
A Member of the Firm  
Brisbane, 28 February 2014