Appendix 4E

Preliminary final report
Period ending on 30 June 2010

Name of entity

BIOPROSPECT LIMITED

ABN or equivalent company reference

58 008 130 336

The information contained in this report relates to the following years:

Current year ended	30 June 2010
Previous year ended	30 June 2009

Results for announcement to the market

				$'000
Revenue from ordinary activities	Down	77.3%	To	43
(Loss) from ordinary activities after tax attributable to members	Up	8.8%	To	(3,301)
Net (loss) for the period attributable to members	Up	8.8%	To	(3,301)
Basic loss per share (cents per share)	Up	4.8%	To	(0.65)
Diluted loss per share (cents per share)	Up	4.8%	To	(0.65)

Dividends	Amount per security	Franked amount per security
Financial year ended 30 June 2010		
Final dividend	-	-
Interim dividend	-	-
Financial year ended 30 June 2009		
Final dividend	-	-
Interim dividend	-	-

Dividend payments

Date the final 2010 dividend is payable	N/A
Record date to determine entitlements to the dividend	N/A
Date final dividend was declared	N/A

Total dividend per security (interim *plus* final)

	Current year	Previous year
Ordinary securities	-	-

Total dividends paid on all securities

	Current year $'000	Previous year $'000
Ordinary securities	-	-
Total	-	-

Net Tangible Assets

	Current year	Previous year
Net tangible assets per ordinary security	0.18 cents	0.5 cents

Annual meeting

The annual meeting will be held as follows:

Place	Melbourne
Date	29 November 2010
Time	2.00 pm
Approximate date the annual report will be available	TBA

This report is based on accounts that are in the process of being audited.

Michael F. Quinlan

___________________________________ Date: 31 August 2010

Print name: Dr Michael Quinlan
Chairman

REVIEW AND RESULTS OF OPERATIONS

Operating Results for the Year

The company generated a trading loss after tax of $3,301,454 some $265,994 higher than 2009. However, to give a clearer picture, fixed costs need to be separated from impairment impacts as follows:-

Fixed Costs

Total fixed costs for 2010 at $2,831,023 were some $1,005,255 higher than 2009 for the following key reasons:-

- An increase in employee costs ($193,538) due to the appointment of a new Managing Director and full year costs of the Chief Operating Officer;
- An increase in legal fees associated with contracts pertaining to the Re Gen Wellness Products Pty Ltd acquisition and new consulting agreements;
- Sales and marketing expenses increased by $149,636 due to activities associated with the Re Gen Wellness Product's portfolio (advertising, product samples, trademark searches), promoting the *AGRIPRO*™ and *GI-Guard*™ brands (trademarks) and corporate advertising;
- An increase in consulting and advisory services ($203,122) associated with regulatory, marketing and promotion costs for Re Gen Wellness Products Pty Ltd; and
- Administration expenses were some $158,000 higher than 2009 due to local and overseas travel costs associated with Re Gen Wellness Products Pty Ltd.

Impairment and amortisation

- Amortisation of the Solagran licence for 2010 at $311,963 was some $155,980 lower than 2009 reflecting the last 9 months amortisation of the 30 month development agreement; and
- An impairment write down of the second issue of 22,500,000 shares and 22,500,000 options to Solagran that were issued on 5 March 2010 for a value of $585,000(see note 12 Intangibles).

Review of Financial Condition

Capital Structure

On 15 September 2009, 434,783 shares were issued to Mr Peter May, Chief operating Officer and to Mr Colin Johnston, Chief Financial Officer as part of their remuneration review for the year ended 30 June 2009.

On 28 January 2010, a placement was completed for 21,428,571ordnary shares at an issue price of 3.5 cents, (along with 21,428,571options expiring 31 March 2010 at an exercise price of 5 cents per share, plus a free 1 :1 attaching new class of options exercisable at 5 cents per share on or before 31 December 2013). This raised $750,000 (before costs).

On 5 March 2010, 22,500,000 shares (along with 22,500,000 options expiring 30 March 2010 at an exercise price of 5 cents per share) were issued to Solagran Limited at a value of $585,000 in consideration for the licence associated with the Bioeffectives® Development Agreement.

On 30 April 2010, a placement was completed for 7,820,000 ordinary shares at an issue price of 2 cents, along with a free 1:1 attaching new class of options exercisable at 5 cents per share on or before 31 December 2013. This issue raised $156,400 (before costs).

On 18 June 2010, the company completed a share purchase plan that was offered to all shareholders resulting in an issue of 23,454,484 shares at an issue price of 1.8 cents per share, raising $422,180 (before costs).

Cash on hand

The company's cash reserves at the end of the financial year amounted to $738,672.

Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2010

	Note	CONSOLIDATED 2010 $	2009 $
Sale of goods		1,456	-
Finance revenue	5	41,517	189,124
Revenue		42,973	189,124
Cost of sales		834	-
Gross Profit		42,139	189,124
Finance costs	5	(6,490)	(7,080)
Amortisation and depreciation	5	(322,849)	(473,816)
Employee costs	5	(830,287)	(437,898)
Impairment of available for sale investment	13	-	(925,000)
Impairment of licence	12	(585,000)	-
Research & development expenses		(717,946)	(711,979)
Other expenses	5	(1,276,300)	(668,811)
Loss before income tax		(3,696,733)	(3,035,460)
Income tax benefit	6	395,279	-
Loss attributable to members of BioProspect Limited		(3,301,454)	(3,035,460)
Basic earnings per share (cents per share)	7	(0.65)	(0.6)
Diluted earnings per share (cents per share)	7	(0.65)	(0.6)

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

Consolidated Statement of Comprehensive Income
AS AT 30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
Loss for the period	(3,301,454)	(3,035,460)
Other comprehensive income		
Net gain (loss) on revaluation of available for sale financial assets	93,750	-
Total other comprehensive income for the period	93,750	-
Total comprehensive income attributable to members of BioProspect	(3,207,704)	(3,035,460)

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

Consolidated Statement of Financial Position
AS AT 30 JUNE 2010

	Note	CONSOLIDATED 2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	738,672	2,143,018
Trade and other receivables	9	69,363	24,748
Inventories	10	160,843	-
Prepayments		13,635	6,930
Total Current Assets		982,513	2,174,696
Non-current Assets			
Intangibles	12	50,000	311,963
Available for sale investments	13	343,750	225,000
Property, plant and equipment	14	32,306	11,876
Total Non-current Assets		426,056	548,839
TOTAL ASSETS		1,408,569	2,723,535
LIABILITIES			
Current Liabilities			
Trade and other payables	15	209,803	167,018
Provisions	16	18,127	12,131
Total Current Liabilities		227,930	179,149
Non-current Liabilities			
Other payables	17	83,087	83,086
Total Non-current Liabilities		83,087	83,086
TOTAL LIABILITIES		311,017	262,235
NET ASSETS		1,097,552	2,461,300
EQUITY			
Issued capital	18 (a)	28,084,860	26,240,904
Reserves		2,393,227	2,299,477
Accumulated losses		(29,380,535)	(26,079,081)
TOTAL EQUITY		1,097,552	2,461,300

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 2010

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share Based Payments Reserve	Total Equity
	$	$	$	$	$
At 1 July 2008	**26,240,904**	**(23,043,621)**	**-**	**2,478,327**	**5,675,610**
Comprehensive income					
Loss for the period	-	(3,035,460)	-	-	(3,035,460)
Other comprehensive income					
Available for sale financial assets	-	-	-	-	-
Total comprehensive income	-	(3,035,460)	-	-	(3,035,460)
Transactions with owners					
Shares issued	-	-	-	(178,850)	(178,850)
Total transactions with owners	-	-	-	(178,850)	(178,850)
At 30 June 2009	**26,240,904**	**(26,079,081)**	**-**	**2,299,477**	**2,461,300**

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share Based Payments Reserve	Total Equity
	$	$	$	$	$
At 1 July 2009	**26,240,904**	**(26,079,081)**	**-**	**2,299,477**	**2,461,300**
Comprehensive income					
Loss for the period	-	(3,301,454)	-	-	(3,301,454)
Other comprehensive income					
Available for sale financial assets	-	-	93,750	-	93,750
Total comprehensive income	-	(3,301,454)	93,750	-	(3,207,704)
Transactions with owners					
Shares issued	1,933,580	-	-	-	1,933,580
Share issue costs	(89,624)	-	-	-	(89,624)
Total transactions with owners	1,843,956	-	-	-	1,843,956
At 30 June 2010	**28,084,860**	**(29,380,535)**	**93,750**	**2,299,477**	**1,097,552**

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 2010

	Note	CONSOLIDATED 2010 $	2009 $
Cash flows from operating activities			
Receipts from customers		256	100,000
Interest paid		-	-
Payment to suppliers and employees		(2,312,359)	(1,260,373)
Research & development expenditure		(696,918)	(892,789)
Income tax R&D offset received		395,279	-
Net cash flows used in operating activities	8 (a)	(2,613,742)	(2,053,162)
Cash flows from investing activities			
Interest received		41,516	326,325
Purchase of plant and equipment		(31,316)	(7,524)
Proceeds from sale of property, plant and equipment		-	274
Payments for acquisition of subsidiary		(50,000)	-
Purchase of available for sale investments		(25,000)	(25,000)
Net cash flows from (used in) investing activities		(64,800)	294,075
Cash flows from financing activities			
Proceeds from issues of shares		1,328,580	-
Transaction costs of issue of shares		(54,384)	-
Net cash flows from financing activities		1,274,196	-
Net decrease in cash and cash equivalents		(1,404,346)	(1,759,087)
Cash and cash equivalents at beginning of year		2,143,018	3,902,105
Cash and cash equivalents at end of the year	8	738,672	2,143,018

The above consolidated statement of cash flow 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 Stock exchange.

The financial statements cover the consolidated entity of BioProspect Limited and its controlled entities. The Corporations Amendment (Corporate Reporting Reform) Bill 2010 received Royal Assent on 28 June 2010. The accompanying Corporations Amendment Regulations 2010 (No.6) were made on 29 June 2010. In compliance with these legislative changes disclosures regarding the parent entity have been limited to those included in note 21.

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 report has also been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial statements have been prepared on a going concern basis. As disclosed in note 18 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 a financial report 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 report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

(b) New accounting standards and interpretations

i) Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB, which are mandatory to apply to the current period. Disclosures required by these Standards that are deemed material have been included in these financial statements on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in these financial statements include:

- The inclusion of a Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of "other comprehensive income". In this regard, such items are not longer reflected as equity movements in the Statement of Changes in Equity";
- The adoption of the separate income statement approach to the presentation of the Statement of Comprehensive Income; and
- Other financial statements are renamed in accordance with the Standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Accounting Standards not Previously Applied (continued)

Operating Segments

From 1 January 2009, operating segments are identified and segment information 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 Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the financial statements have been included.

ii) 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. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- ASSB 9: Financial Instruments and 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] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - Simplifying the requirements for embedded derivatives;
  - Removing the tainting rules associated with held-to-maturity assets;
  - Removing the requirements to separate and fair value embedded derivates for financial assets carried at amortised cost:
  - 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 and loss and there is no impairment or recycling on disposal of the instrument; and
  - Reclassifying financial assets 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 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistence and simply the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) New Accounting Standards for Application in Future Periods (continued)

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify the rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011.

  This standard makes a number of editorial amendments to a arrange of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial statementsing Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue or equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fiar value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

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 each year (the Group).

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

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

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions & balances

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

(e) Segment reporting

From 1 January 2009, operating segments are identified and segment information 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 Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report 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.

In relation to geographic segments, the company is operating within the Australian region only. The company does however, have patents for Termilone® lodged in Japan, USA and Australia for future commercialisation revenues.

(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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

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

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

(iii) Rendering of services
Revenue is recognised immediately when performance of the service has been completed.

(iv) Licence fee
Revenue is recognised when control of the goods has passed to the buyer or performance of the service has occurred.

All revenue is stated net of the amount of GST.

(g) Government grants

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

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

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

(h) Borrowing costs

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

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

(i) Leases

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

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

(j) Cash and cash equivalents

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

(k) Trade and other receivables

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

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

(l) Inventories

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

(m) Investments and other financial assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

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

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

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

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. 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.

(n) Investment in associate

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax

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

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

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 each balance sheet date 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 balance sheet date.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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; and
- 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 balance sheet.

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

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

(q) Property, plant and equipment

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

Category of plant & equipment	Useful life 2010	Useful life 2009
Office Equipment	4-5 yrs	4-5 yrs
Computer Hardware	2.5 yrs	2.5 yrs
Furniture & Fittings	2.5-5 yrs	2.5-5 yrs

The asset's residual values, useful lives and amortisation methods are reviewed, and adjusted, at each financial year end.

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.

(r) Intangible assets

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Intangible assets (continued)

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

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

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

(s) Impairment of non financial assets other than goodwill

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

(u) Interest-bearing loans and borrowings

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. 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 leave benefits

Wages, salaries, annual leave and sick leave

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

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 reporting date 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 date 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 2010, the Group did not have any employees with significant service to necessitate a provision for long service leave.

(x) Share-based payment transactions

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

During the year ended 30 June 2010, Mr Peter May (Chief Operating Officer) and Mr Colin Johnston (Chief Financial Officer) both received $10,000 worth of ordinary shares as part of their remuneration review.

The only other equity-settled transactions in place pertain to unlisted options expiring 30 September 2010 at an exercise price of 10 cents per share. The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined by using a Black-Scholes model, further details of which are given in Note 20.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(i) *Significant accounting judgment*

Impairment of assets and investments

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

(ii) *Significant accounting estimates and assumptions*

Contingent Liabilities and Contingent Assets

The group assesses contingent liabilities and contingent assets at each reporting date and will account for them only if:-
(a) they can be reliably measured;
(b) the probability that an asset or liability will eventually be recognised is greater than remote; and
(c) the items are considered *material*.

4. SEGMENT REPORTING

Segment Information
Identification of reportable segments

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

4. SEGMENT REPORTING (continued)

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 Termilone[R], the Company's natural termiticide, Qcide, the Company's natural insecticide and the Bioeffectives[R] 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.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Inter-segment transactions

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

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

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

Segment assets

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

4. SEGMENT REPORTING (continued)

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;
- Net gains on disposal of available-for-sale investments;
- Impairment of assets and other non-recurring items of revenue or expense;
- Income tax expense or credit; and
- Fixed assets;

Comparative Information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been restated to conform to the requirements of the Standard.

(i) Segment performance

	Human Health/Skin Care	Agriculture Animal Health	Total
Twelve months ended 30 June 2010	**$**	**$**	**$**
Revenue			
External sales	1,456	-	1,456
Inter-segment sales	-	-	-
Interest Revenue	-	-	-
Total segment revenue	**1,456**	**-**	**1,456**
Inter-segment elimination	-	-	-
Unallocated revenue			41,517
Total consolidated revenue			**42,973**

4. SEGMENT REPORTING (continued)

(i) Segment performance (continued)

	Human Health/Skin Care	Agriculture Animal Health	Total
Twelve months ended 30 June 2010	**$**	**$**	**$**
Segment net loss before tax	(1,038,832)	(2,106,715)	(3,145,547)
Reconciliation of segment result to group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the Board:			
• Depreciation			(10,886)
Unallocated items:			
• Interest received			41,517
• Other corporate costs			(581,817)
Net loss before tax			**(3,696,733)**

	Human Health/Skin Care	Agriculture Animal Health	Total
12 months ended 30 June 2009	**$**	**$**	**$**
Revenue			
External sales	-	-	-
Inter-segment sales	-	-	-
Interest Revenue	-	-	-
Total segment revenue	-	-	-
Inter-segment elimination	-	-	-
Unallocated revenue			189,124
Total consolidated revenue			**189,124**

4. SEGMENT REPORTING (continued)

(i) Segment performance (continued)

	Human Health/Skin Care	Agriculture Animal Health	Total
12 months ended 30 June 2009	**$**	**$**	**$**
Segment net loss before tax	(154,382)	(2,549,204)	(2,703,586)
Reconciliation of segment result to group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the Board:			
• Depreciation			(5,873)
Unallocated items:			
• Interest received			189,124
• Other corporate costs			(515,125)
Net loss before tax			**(3,035,460)**

(ii) Segment assets

	Human Health/Skin Care	Agriculture Animal Health	Total
30 June 2010	**$**	**$**	**$**
Segment assets	204,193	400,569	604,762
Unallocated assets			
• Cash			738,672
• Other			65,135
Total assets			**1,408,569**

4. SEGMENT REPORTING (continued)

(ii) Segment assets (continued)

	Human Health/Skin Care	Agriculture Animal Health	Total
30 June 2009	**$**	**$**	**$**
Segment assets	-	546,921	546,921
Unallocated assets			
• Cash			2,143,018
• Other			33,596
Total assets			**2,723,535**

(i) Segment Liabilities

30 June 2010	**$**	**$**	**$**
Segment liabilities	35,376	149,407	184,783
Unallocated liabilities			126,234
Total liabilities			**311,017**

30 June 2009	**$**	**$**	**$**
Segment liabilities	-	195,142	195,142
Unallocated liabilities			67,093
Total liabilities			**262,235**

(ii) Revenue by geographical region

Revenue for the 2010 year consisted of $1,456 of Re Gen Wellness product sales and bank interest of $41,157. For the 2009 financial year revenue consisted solely of bank interest. All revenues over the two financial years are from one geographical segment being Australia.

(V) Assets by geographical region

Currently all assets reside in one geographical region being Australia.

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
5. REVENUES AND EXPENSES		
(a) Finance Revenue		
Bank interest received and receivable	41,517	189,124
	41,517	189,124
(b) Finance costs		
Finance charges payable under operating lease	(6,490)	(7,080)
	(6,490)	(7,080)
(c) Amortisation and depreciation		
Amortisation of licence	(311,963)	(467,943)
Depreciation	(10,886)	(5,873)
	(322,849)	(473,816)
(d) Employee benefits expense		
Wages and salaries	(552,480)	(370,702)
Directors fees	(171,698)	(192,621)
Superannuation	(55,619)	(42,627)
Allowances/leave	(30,490)	(10,799)
Share based payments	(20,000)	178,851
	(830,287)	(437,898)
(e) Other expenses		
Consulting and advisory expenses	(493,291)	(290,169)
Legal fees	(79,925)	(14,294)
Listing fees	(37,986)	(14,977)
Share registry charges	(27,470)	(19,494)
Sales and marketing	(171,849)	(22,213)
Other administration expenses	(465,779)	(307,664)
	(1,276,300)	(668,811)

	CONSOLIDATED 2010 $	2009 $
6. INCOME TAX		
Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(3,696,733)	(3,035,460)
At the statutory tax rate of 30% (2009: 30%)	(1,109,020)	(910,638)
Research and development deduction	(58,025)	(60,603)
Entertainment	3,976	297
Share based payments	6,000	(53,655)
Other	508,490	266,987
	(648,579)	(757,612)
Tax effect of temporary differences and current year loss not brought to account	648,579	757,612
R&D tax offset received	395,279	-
Aggregate income tax benefit (expense)	395,279	-
Deferred tax asset arising from tax losses not brought to account at reporting date as realisation is not regarded as probable	5,406,226	4,799,714

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 realizing the benefit.

The Group has tax losses arising in Australia of $18,020,752 (2009: $15,858,820) with a further $140,225 capital losses as at 30 June 2010. 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 2010, there is no recognised or unrecognized deferred tax liability (2009: $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.

6. INCOME TAX (continued)

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 $18,020,752 with the majority of this in the hands of the head entity, it will be some time before the Group will actually incur a tax liability.

Tax accounting by members of the tax consolidated group

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

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

7. EARNINGS PER SHARE

	CONSOLIDATED	
	2010 $	2009 $
Net loss attributable to equity holders of the company from continuing operations	(3,301,754)	(3,035,460)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	505,999,794	487,040,944

Due to the Group incurring an operating loss, options do not have a dilutive effect.

	CONSOLIDATED	
	2010 $	2009 $
8. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	738,672	1,732,277
Short-term deposits	-	410,741
	738,672	2,143,018

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.

8. CASH AND CASH EQUIVALENTS (continued)

	CONSOLIDATED 2010 $	2009 $
(a) Reconciliation of loss after tax to net cash flows from operations:		
Net loss	(3,301,454)	(3,035,460)
Adjustments for:		
Depreciation	10,886	5,873
Amortisation	311,963	467,943
Impairment of non-current assets	585,000	925,000
Share transactions costs not paid	(35,240)	-
Interest received	(41,516)	(326,325)
Share options expensed	-	(178,851)
Share issues expensed to KMP	20,000	-
Changes in assets and liabilities		
(Increase)/ decrease in trade and other receivables	(44,615)	282,506
(Increase)/ decrease in inventories	(160,843)	-
(Increase)/ decrease in prepayments	(6,705)	40,985
(Decrease) / increase in trade and other payables	42,785	(223,771)
(Decrease) / increase in non-current liabilities	1	(498)
(Decrease) / increase in employee entitlements	5,996	(10,564)
Net cash used in operating activities	(2,613,742)	(2,053,162)

(b) Non cash financing and investing activities

	2010 $	2009 $
Issue of 22,500,000 shares to Solagran for payment of licence	585,000	-
Issue of 22,500,000 options to Solagran for payment of licence	-	-
Issue of 869,566 shares to KMP	20,000	-

9. TRADE AND OTHER RECEIVABLES

	Note	2010 $	2009 $
Trade debtors	(i)	1,200	-
Other debtors	(ii)	68,163	24,748
		69,363	24,748

Terms and conditions

(i) Trade debtors are non-interest bearing and generally on 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.
(ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms of 30 days. An allowance for doubtful debts is made when there is objective evidence that a sundry debtor or other receivable is impaired.
(iii) For terms and conditions relating to related party receivables refer to Note 19.
(iv) None of the trade and other receivables are contractually overdue.

	Note	CONSOLIDATED 2010 $	2009 $
10. INVENTORIES			
Finished Goods			
Re Gen finished goods		77,010	-
AGRIPRO finished goods		31,425	-
Plant extracts at cost		927,110	927,110
Write down of inventory		(927,110)	(927,110)
Sub total Finished Goods		108,435	-
Raw materials			
Re Gen raw materials and Work in progress		52,408	-
Total inventories at the lower of cost and net realisable value		160,843	-
11. INVESTMENT IN ASSOCIATE HELD FOR SALE			
Investment in Astrum	(a)	-	-

	Ownership interest 2010	2009
(a) Astrum Therapeutics Pty Ltd – Ordinary shares	**28.76%**	28.76%

(i) Astrum Therapeutics Pty Ltd is an unlisted Australian drug discovery company focused on Type 2 Diabetes Mellitus ("T2DM"). BioProspect acquired 33.3% of this company on 1 April 2005.

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

	CONSOLIDATED 2010 $	2009 $
(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 consolidated entity 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 balance sheet*		
Current assets	-	10,307
Non-current assets	-	375
	-	10,682
Current Liabilities	-	(4,669)
Net assets	-	6,013

11. INVESTMENT IN ASSOCIATE HELD FOR SALE (continued)

(1) As the carrying value of the investment is recorded as nil, no further share of loss was taken up in 2010 or 2009.

(b) Current Asset classification

As at the 30 June 2007, the investment in Astrum had been reclassified from a non-current asset to a current asset due to the directors' assessment of the investment.

The directors had conducted an impairment test to ensure the investment is valued at its estimated recoverable amount (the higher of its fair value less costs to sell and its value in use) and were not satisfied that the investment was valued accordingly. The directors at their Board meeting in July 2007 therefore decided to write the investment in Astrum down to zero, on the basis that its 33.3% shareholding in an unlisted drug discovery company requiring additional funding to support its research program would be of minimal value. The directors have advised Astrum that BioProspect will no longer participate in any further capital raisings and that its 33.3% shareholding is available for sale. The directors and executive team are firmly focused on TERMILONE[R] and the Bioeffectives[R] product range.

During the year ended 30 June 2008, Astrum was successful in raising additional capital, such to the extent that BioProspect's investment has been diluted from 33.3% to 28.8%. However, the directors of Bioprospect have not changed their position since June 2007 and still seek a potential investor to acquire their current shareholding.

12. INTANGIBLES

Licence

As previously announced on 22 August 2007, BioProspect signed a development and distribution agreement with Solagran Limited for an exclusive licence pertaining to the Bioeffectives® range of products. During October and November 2007, all obligations pertaining to the issue of shares to various parties and cash payments for the licence were settled. The net result of the various transactions was that the licence has been valued at a gross cost of $1,169,858 (issue of shares and options aggregating to $3,307,358 and cash payment of $800,000 offset by an increase in the fair value of the investment in Solagran by $2,937,500) which was amortised over the life of the development agreement (30 months ending 22 February 2010). During the period, an amortisation charge of $311,963 (2009:$467,943) was incurred against the gross cost, resulting in a net value of $nil as at 30 June 2010. (2009:$311,963)

On the 27 February 2010, BioProspect advised Solagran of formal notice to proceed to commercialization of the Bioeffectives® range of products. Under the terms of the original development and distribution agreement BioProspect was required to issue the following shares and options to Solagran:

- 22,500,000 ordinary shares. These were issued on 5 March 2010 at a market price of 2.6 cents for a total value of $585,000. This amount was classified as an intangible licence pertaining to the future distribution of the Bioeffectives® range of products.
- 22,500,000 options expiring 31 March 2010 at an exercise price of 5 cents per share. These were issued also on 5 March 2010 for nil value because the exercise price of 5 cents was well over the current market price of 2.6 cents, thus the likelihood of these options being exercised was negligible. Subsequently, Solagran did not exercise their rights over the options by 31 March 2010.

Directors have conducted an impairment test to ensure the licence is valued at its recoverable amount as at 30 June 2010. The directors have formed the view that due to the ongoing difficult negotiations with Solagran over the path to commercialization, they believe the investment is impaired and subsequently have written off the full $585,000 as at 30 June 2010.

12. INTANGIBLES (continued)

	CONSOLIDATED 2010 $	2009 $
Licence		
Solagran licence		
At cost	1,754,858	1,169,858
Accumulated amortization	(1,169,858)	(857,895)
Impairment	(585,000)	-
Net carrying amount	-	311,963
Reconciliation of carrying amounts		
Net carrying amount at beginning of year	311,963	779,906
Additions	585,000	-
Amortisation	(311,963)	(467,943)
Impairment	(585,000)	-
Net carrying amount	-	311,963

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 is a new market segment for the business.

Under the Share Sale Agreement, an upfront payment of $50,000 has been made, with additional payments contingent on sales performance and contribution to cash flow over a six year period ending 30 June 2015.
The range of potential undiscounted amounts of all future payments that the company could be required to make under the contingent consideration arrangement can not be estimated due to the limited trading history of the entity acquired.

The Directors have conducted an impairment test to ensure that the goodwill is valued at its recoverable amount as at 30 June 2010. The directors have formed the view that even though progress has been slow with the introduction of the Re Gen product range, the potential for sales to occur within the next few months is still very strong and the underlying business opportunities are still sound. Therefore Directors have decided not to write down the goodwill that arose on the acquisition.

Details of the acquisition are as follows:

	Consolidated 30 June 2010 $
Consideration Paid	
The purchase consideration consisted of :	
- Cash	50,000
	50,000
Net Assets Acquired	
Fair values of assets and liabilities acquired at acquisition date:	
- Trade receivables	-
- Inventories	-
	-
Goodwill on consolidation	50,000

13. NON-CURRENT ASSETS- AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
At fair value		
Australian listed shares	343,750	225,000
	343,750	225,000

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

BioProspect acquired 2,500,000 shares in Solagran Limited (SLA) on 11 December 2007 @20 cents per share ($500,000). The value of the investment as at 30 June 2009, based on the closing market price was $222,500.

On 12 December 2008, BioProspect acquired 250,000 contributing shares in Solagran Limited as part of a non-renounceable rights issue @ $0.10 per share for a total cost of $25,000. The value of the investment as at 30 June 2009, based on the closing market price was $2,500.

On 27 November 2009, BioProspect paid the remaining call of 10 cents owing on the 250,000 contributing shares in Solagran Limited.

As at 30 June 2010, the value of 2,750,000 SLA shares, based on the closing market price was $343,750

	Note	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
14. PROPERTY, PLANT & EQUIPMENT			
Plant and equipment			
At cost		69,001	37,685
Accumulated depreciation		(36,695)	(25,809)
Net carrying amount		32,306	11,876
(a) Reconciliations			
Plant and equipment			
Carrying amount at beginning		11,876	10,499
Additions		31,316	7,524
Disposals		-	(274)
Depreciation expense		(10,886)	(5,873)
Net carrying amount		32,306	11,876
15. TRADE AND OTHER PAYABLES- CURRENT			
Trade payables	(i)	111,915	106,155
Other creditors and accruals	(ii)	79,563	60,863
		191,478	167,018
Related party payables			
Other related parties	(iii)	18,325	-
		209,803	167,018

15. TRADE AND OTHER PAYABLES- CURRENT (continued)

Terms and conditions relating to the above financial instruments
(i) Trade creditors are non-interest bearing and normally settled on 30 day terms.
(ii) Other creditors are non-interest bearing and have repayment terms between 30 and 90 days.
(iii) Details of the terms and conditions of related party payables are set out in Note 19.

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

	CONSOLIDATED	
Annual Leave	**2010**	**2009**
	$	**$**
At I July 2009	12,131	22,695
Arising during the year	40,764	24,757
Utilised	(34,768)	(35,321)
Current 2010	18,127	12,131

	CONSOLIDATED	
	2010	**2009**
	$	**$**
17. PAYABLES (NON-CURRENT)		
Other creditors and accruals	83,087	83,086

This amount reflects the payable by the consolidated entity under the Benefit Sharing Agreement entered into with the State of Queensland on 9 November 2001. The $83,087 reflects the 2010 fair value of the $100,000 minimum royalty payable on 9 November 2011.

	CONSOLIDATED	
	2010	**2009**
	$	**$**
18. ISSUED CAPITAL		
(a) Issued and paid up capital		
Ordinary shares issued and fully paid	28,084,860	26,240,904

		Consolidated	
(b) Movements in shares on issue		**#**	**$**
Beginning of the financial year		487,040,944	26,240,904
Issued during the year:			
- share placements	(i)	29,248,571	906,400
- payment for licence	(ii)	22,500,000	585,000
- Share issues to KMP	(iii)	869,566	20,000
- Share Purchase Plan	(iv)	23,454,484	422,180
Less share issue costs		-	(89,624)
End of the financial year		563,113,565	28,084,860

18. ISSUED CAPITAL (continued)

(b) Movements in shares on issue (continued)

Notes:

(i) On 28 January 2010, a placement was completed for 21,428,571ordnary shares at an issue price of 3.5 cents, (along with 21,428,571options expiring 31 March 2010 at an exercise price of 5 cents per share, plus a free 1 :1 attaching new class of options exercisable at 5 cents per share on or before 31 December 2013). The issue of shares and options was passed at a special general meeting held on 3 June 2010.

On 30 April 2010, a placement was completed for 7,820,000 ordinary shares at an issue price of 2 cents, along with a free 1:1 attaching new class of options exercisable at 5 cents per share on or before 31 December 2013.

(ii) On 5 March 2010, 22,500,000 shares (along with 22,500,000 options expiring 30 March 2010 at an exercise price of 5 cents per share) were issued to Solagran Limited at a value of $585,000 in consideration for the licence associated with the Bioeffectives® Development Agreement.

(iii) On 15 September 2009, 434,783 shares were issued to Mr Peter May, Chief operating Officer and to Mr Colin Johnston, Chief Financial Officer as part of their remuneration review for the year ended 30 June 2009.

(iv) On 18 June 2010, the company completed a share purchase plan that was offered to all shareholders resulting in an issue of 23,454,484 shares at an issue price of 1.8 cents per share.

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

(c) Capital management

Going concern statement

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. As at 30 June 2010 the company was in a net asset position of $1,097,552 (2009: $2,461,300) and had incurred losses for the year ended of $3,301,454 (2009: $3,035,460). The directors believe that the going concern basis is appropriate due to the fact that the company has a strong history of capital raising when it was needed.

The recent acquisition of Re-gen Wellness Products was completed because of the forecast positive cash flows the business could generate in the future to BioProspect. However, despite progress being slow because of product registration delays, the directors are still of the view that the business will generate revenues and cash within the next six months. The consolidated entity's ability to continue as a going concern is therefore dependent upon its ability to generate sufficient cash from operations and to raise additional capital.

(d) Share Options

Options over ordinary shares:	No of Options
Exercisable on or before 31 December 2013 at 5 cents per share	
Outstanding at beginning of year	-
Issued during the year	29,248,571
Outstanding at end of year	29,248,571
Exercisable on or before 30 September 2010 at 10 cents per share	
Outstanding at beginning of year	5,000,000
Forfeited during the year	-
Outstanding at end of year	5,000,000
Total options over unissued ordinary shares	34,248,571

18. 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.

19. RELATED PARTY DISCLOSURES

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

Name	Country of Incorporation	Class of Shares	% Equity Interest 2010	% Equity Interest 2009	Investment * $ 2010	Investment * $ 2009
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%	-	50,000	-

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

20. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

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

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
Expense (reversal) arising from equity-settled share-based payment transactions	20,000	(178,850)

(ii)The expense recognised for acquisition of the Solagran licence is shown in the table.

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
22.5m shares issued to Solagran Limited	585,000	-
22.5m options issued to Solagran Limited	-	-
	585,000	-

TOTAL SHARE-BASED PAYMENTS	605,000	(178,850)

20. SHARE-BASED PAYMENT PLANS (continued)

(b) Recognised share-based payment expenses

Director and KMP options
At the company's AGM held on 4 November 2007, shareholders approved a new class of unlisted options specifically for directors and key management personnel. These options are exercisable on or before 30 September 2010 at an exercise price of $0.10 per share.

Please refer to note 20 for option holding by directors.

(c) Weighted average remaining contractual life

As there have been no options issued during 2010, the remaining contractual life as at 30 June 2010 is 0.3 years (2009: 1.3 years).

(d) Range of exercise price

The range of exercise price for options outstanding at the end of the year was $0.10 (2009: $0.10).

(e) Range of exercise price

As there were no options granted during the year, the weighted average fair value of options granted was nil (2009: $nil).

(f) 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 2008:

	Black-Scholes
Dividend yield (%)	0.00
Expected volatility (%)	24.54
Risk-free interest rate (%)	6.15
Expected life of options (years)	2.80
Option exercise price ($)	0.10
Weighted average share price at Measurement date	0.041

21. PARENT ENTITY INFORMATION

	2010 $	2009 $
Net (loss) profit attributable to members of BioProspect Limited	(3,301,4540	(3,035,460)
Change in market value of available for sale financial assets	93,750	-
Total comprehensive income for the year attributable to members of BioProspect Limited	**(3,207,704)**	**(3,035,460)**
Current assets	769,779	2,164,196
Total assets	**1,326,353**	**2,707,743**
Current liabilities	228,801	246,443
Total liabilities	**228,801**	**246,443**
Issued Capital	28,084,860	26,240,904
Share based payments reserve	2,299,477	2,299,477
Asset revaluation reserve	93,750	-
Retain earnings	(29,380,534)	(26,079,081)
Total equity	**1,097,552**	**2,461,300**
Contingent liabilities	-	-
Guarantees in relation to debt of subsidiaries	-	-
Capital expenditure commitments not provided for in the financial statements	-	-
Future operating leases not provided for in the financial statements	-	-