

# Appendix 4E

## Preliminary final report Period ending on 30 June 2014

Name of entity

BIOPROSPECT LIMITED
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ABN or equivalent company  
reference

58 008 130 336
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The information contained in this report relates to the following years:

Current year ended	30 June 2014
Previous year ended	30 June 2013

*Results for announcement to the market*

**\$'000**

<b>Revenue from ordinary activities</b>	Down	100%	To	nil
<b>(Loss) from ordinary activities after tax attributable to members</b>	Down	61%	To	(429)
<b>Net (loss) for the period attributable to members</b>	Down	61%	To	(429)
<b>Basic loss per share (cents per share)</b>	Down	64%	To	(0.015)
<b>Diluted loss per share (cents per share)</b>	Down	64%	To	(0.015)
<b>Dividends</b>	Amount per security		Franked amount per security	
<u>Financial year ended 30 June 2014</u>				
Final dividend	-		-	
Interim dividend	-		-	
<u>Financial year ended 30 June 2013</u>				
Final dividend	-		-	
Interim dividend	-		-	

### Dividend payments

Date the final 2014 dividend is payable

N/A
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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

Ordinary securities

**Total**

Current year \$'000	Previous year \$'000
-	-
-	-

## Net Tangible Assets

Net tangible assets per ordinary security

Current year	Previous year
0.04 cents	0.1 cents

## Annual meeting

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the annual report will be available

TBA
TBA
TBA
TBA

This report is based on accounts that are unaudited.



Date: 29 August 2014

Print name: Robert Lees  
Company Secretary

# REVIEW AND RESULTS OF OPERATIONS

## Operating Results for the Year

The BioProspect Limited and its controlled entities ("BPO" or "the Company") generated a loss after tax of \$428,332 (2013: loss of \$1,096,713).

Key highlights include:

- the Company sold 25.58% of its interest in the Frontier Oil Corporation ("FOC"). This has resulted in \$1,690,425 in net funds received and a profit on sale of \$463,194. Of the funds received, \$1,200,000 was applied to the redemption of convertible notes;
- the Group has incurred \$108,251 in legal and consulting costs in relation to the acquisition of its investment in Invatec Health Pty Limited ("Invatec") and the associated licence in Heartlink;
- as a consequence of the investment in Invatec and Heartlink, the Company has increased its board and administration in order to provide the appropriate level of support.

## Statement of financial position

Key changes in the statement of the financial position of the Group include:

### Convertible Notes

- Convertible Note holders agreed to the conversion of the remaining Notes into a new series (Series A) totalling \$1,200,000 paying 8% interest and maturing on 30 June 2015. The notes are convertible at the lower of 0.1 cents per share or a discount to the 5 day VWAP of shares traded on ASX prior to the conversion;
- \$300,000 in the new convertible notes (Series A) were issued at the same time for accrued convertible note interest to 18 August 2013, the date of conversion to the new series of Convertible Notes. These notes will incur interest at 8% and have a maturity date of 30 June 2015. The notes are convertible at the lower of 0.1 cents per share or a discount to the 5 day volume weighted average share price ("VWAP") traded on ASX prior to the conversion;
- the further issue of Series B Convertible Notes which are to be converted into ordinary shares and approval for conversion will subject to shareholder approval, be convertible into ordinary shares of the Company at the lower of 0.3 cents per share or a discount to the 5 day VWAP traded on ASX prior to the conversion. At 30 June 2014, \$395,000 had been raised by issue of series B Convertible notes and is subject to an interest rate of 8%. The Company has previously announced that it intends to raise up to \$1 million by the issue of the series B Convertible Notes;

### Invatec and Healthlink Investment

- the Company entered into an option to acquire up to 80% of Invatec (see below for description) by a two stage transaction. The Company has initiated stage 1 where it will subscribe for up to 35% of the shares in Invatec by sole funding. As at 30 June 2014, the Company had invested \$643,750 in Invatec. Subject to entering into any restructure arrangements, the Company can acquire a further 45% of the shares in Invatec by a share sale from existing shareholders (to take BPO's holding it to 80%) in exchange for 20% of the ordinary shares in the Company;
- in addition, the Company has also taken an option to acquire certain intellectual property from a company known as Heartlink. This cost of this investment was \$300,000 and was funded by way of issue of shares in the Company;

### Investment in FOC

- the Company retains at 15% shareholding in FOC with a carrying value of \$3.9million. This investment is held for resale and the Company has written down the value of this investment to the amount recently received

## Capital Structure

The Company has issued 300 million shares, which have been used to finance the acquisition of the Heartlink licence and acquisition of Invatec.

## **Cash Reserves**

The company's cash reserves at the end of the financial year amounted to \$96,249. Since 30 June 2014, the Company has raised \$395,000 in the series B Convertible Notes. The Company also intends to undertake a capital raising.

## **Net debt**

The Group has a net debt position of \$2.1 million. As previously announced, the Group expects that it will convert all Convertible Notes into ordinary shares and to raise funds. These initiatives will reverse the above position.

## **About Invatec and Heartlink**

Invatec has developed a method for diagnosing mental health disorders including depression, generalised anxiety disorder, acute psychosis and panic disorder by analysing a subject's heart rate data. In a separate agreement with Heartlink, the Company has exercised its option to acquire an exclusive licence to use and exploit Patented Technology covering the project (stage 1 option) with a further option to acquire the entire patent suite and all associated intellectual property (stage 2 option).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED 2014 \$	2013 \$
Sale of goods		-	19,230
Profit on sale of investment		463,194	-
Other income	5	6,976	9,353
<b>Revenue</b>		<b>470,170</b>	<b>28,583</b>
Cost of sales		-	(24,164)
<b>Gross Profit/ (Loss)</b>		<b>470,170</b>	<b>4,419</b>
Finance costs	5	(108,014)	(193,564)
Depreciation	5	-	(3,531)
Employee costs	5	(138,833)	(241,055)
Inventory written off		-	(174,701)
Research and development expenses		(15,091)	(2,573)
Other expenses	5	(636,564)	(485,708)
<b>Loss before income tax</b>		<b>(428,332)</b>	<b>(1,096,713)</b>
Income tax benefit	6	-	-
<b>Loss attributable to members of BioProspect Limited</b>		<b>(428,332)</b>	<b>(1,096,713)</b>
<b>Other comprehensive income</b>			
Net loss on revaluation of available for sale financial assets		-	-
<b>Total other comprehensive income for the period net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to members of BioProspect</b>		<b>(428,332)</b>	<b>(1,096,713)</b>
Basic earnings per share (cents per share)	7	(0.015)	(0.04)
Diluted earnings per share (cents per share)	7	(0.015)	(0.04)

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

# Consolidated Statement of Financial Position

## AS AT 30 JUNE 2014

	Note	CONSOLIDATED 2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	96,249	180,937
Trade and other receivables	9	132,393	40,618
Prepayments		9,091	9,091
<b>Total Current Assets</b>		<b>237,733</b>	<b>230,646</b>
<b>Non-current Assets</b>			
Available for sale investments	10	3,861,034	5,188,265
Intangibles assets	11	943,750	-
<b>Total Non-current Assets</b>		<b>4,804,784</b>	<b>5,188,265</b>
<b>TOTAL ASSETS</b>		<b>5,042,517</b>	<b>5,418,911</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	431,240	441,382
Borrowings	13	1,500,000	1,950,000
<b>Total Current Liabilities</b>		<b>2,391,382</b>	<b>2,391,382</b>
<b>Non-current Liabilities</b>			
Borrowings	13	395,000	450,000
Other payables	14	6,005	39,375
<b>Total Non-current Liabilities</b>		<b>401,005</b>	<b>489,375</b>
<b>TOTAL LIABILITIES</b>		<b>2,880,758</b>	<b>2,880,758</b>
<b>NET ASSETS</b>		<b>2,710,271</b>	<b>2,538,153</b>
<b>EQUITY</b>			
Issued capital	15 (a)	37,250,977	36,650,527
Reserves		2,911,950	2,911,950
Accumulated losses		(37,452,656)	(37,024,324)
<b>TOTAL EQUITY</b>		<b>2,710,271</b>	<b>2,538,153</b>

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 2014

	Issued Capital	Accumulated Losses	Available for Sale Financial Assets Revaluation Reserve	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2012</b>	<b>35,459,988</b>	<b>(35,927,611)</b>	<b>-</b>	<b>2,911,950</b>	<b>2,444,327</b>
<b>Comprehensive income</b>					
Loss for the period	-	(1,096,713)	-	-	(1,096,713)
<b>Other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income</b>	-	(3,326,955)	(23,908)	-	(3,350,863)
<b>Transactions with owners</b>					
Shares issued	1,261,004	-	-	-	1,261,004
Share issue costs	(70,465)	-	-	-	(70,465)
<b>Total transactions with owners</b>	<b>1,190,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,190,539</b>
<b>At 30 June 2013</b>	<b>36,650,527</b>	<b>(37,024,324)</b>	<b>-</b>	<b>2,911,950</b>	<b>2,538,153</b>
<b>At 1 July 2013</b>	<b>36,650,527</b>	<b>(37,024,324)</b>	<b>-</b>	<b>2,911,950</b>	<b>2,538,153</b>
<b>Comprehensive income</b>					
Loss for the period	-	(428,332)	-	-	428,332)
<b>Other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income</b>	-	(428,332)	-	-	428,332)
<b>Transactions with owners</b>					
Shares issued	600,450	-	-	-	600,450
Share issue costs	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2014</b>	<b>37,250,977</b>	<b>(37,452,656)</b>	<b>-</b>	<b>2,911,950</b>	<b>2,710,271</b>

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 2014

	Note	CONSOLIDATED 2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		-	19,230
Payment to suppliers and employees		(633,789)	(1,162,538)
<b>Net cash flows used in operating activities</b>	8 (a)	(633,789)	(1,143,308)
<b>Cash flows from investing activities</b>			
Interest received		6,976	9,353
Payments for intangible assets		(343,750)	-
Proceeds from sale of available for sale investments		1,690,425	-
Investment in Frontier Oil	10	-	(26,712)
<b>Net cash flows used in investing activities</b>		1,353,651	(17,359)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and options		450	1,176,533
Transaction costs of issue of shares		-	(70,250)
Repayment of convertible notes		(1,200,000)	-
Proceeds from issue of convertible notes		395,000	150,000
<b>Net cash flows from financing activities</b>		(804,550)	1,265,636
Net (decrease)/increase in cash and cash equivalents		(84,688)	95,616
Cash and cash equivalents at beginning of the year		180,937	85,321
<b>Cash and cash equivalents at end of the year</b>	8	96,249	180,937

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



# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2014

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### 1. CORPORATE INFORMATION

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

These financial statements are general-purpose financial statements which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis, except for 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 21 the consolidated entity's ability to continue as a going concern is dependent upon its ability to generate sufficient cash from future operations and to raise additional capital.

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

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

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

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the consolidated entity has decided not to early adopt.

#### (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 consolidated entity).

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

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

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

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Segment reporting

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

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

#### (e) Revenue recognition

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

##### *(i) Sale of goods*

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

##### *(ii) Interest income*

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

##### *(iii) Rendering of services*

Revenue is recognised immediately when performance of the service has been completed.

##### *(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.

#### (f) 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.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) 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.

#### (h) Leases

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

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

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.

#### (i) 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.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (m) Investments and other financial assets

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

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

##### *Recognition and Derecognition*

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

##### *(i) Financial assets at fair value through profit or loss*

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

##### *(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 the end of the reporting period, which are classified as non-current.

##### *(iv) Available-for-sale securities*

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not suitable to be classified as any of the three preceding categories. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the 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 at the end of the reporting period. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(m) Investments and other financial assets (continued)**

#### *(v) Impairment*

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

### **(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 statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The 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.

### **(o) Income tax**

The income tax expense (income) for the year comprises current income tax expense 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 end of the reporting period.

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference cannot be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Income tax (Continued)

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

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

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

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

#### (p) Other taxes

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

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

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

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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	Useful life
	2014	2013
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 assets' residual values, useful lives and amortisation methods are reviewed, and adjusted, at the end of each reporting period.

#### *Derecognition and disposal*

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

#### (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 at the end of each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

#### *Research and development costs*

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

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

Gains or losses arising from 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.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

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

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

#### **(t) Trade and other payables**

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

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

#### **(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 end of the reporting period.

#### **(v) Provisions**

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the 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 end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.



# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (w) Employee benefits

*Wages, salaries, annual leave and sick leave*

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

Liabilities for annual leave and long service leave are recognised in current and non-current provisions and 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 end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting period on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

As of the 30 June 2014, 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).

There were no issues of shares to directors or executives during the year ended 30 June 2014.

#### (y) Contributed equity

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

#### (z) Earnings per share

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

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

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

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

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### **(aa) Business combinations**

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

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

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting date to fair value, recognising each change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the Income Statement.

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

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

#### *(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 the end of each reporting period management assesses the impairment triggers based on their knowledge and judgement. Where an impairment trigger is identified, an estimate of 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 the end of each reporting period 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.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

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### 4. SEGMENT REPORTING

#### Segment Information

##### Identification of reportable segments

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

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

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

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

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

###### (i) Agriculture/Animal Health

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

###### (ii) Human Health/Skin Care

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

###### (iii) Mining and Gas Exploration

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

###### (iv) Invatec/Heartlink

This market segment includes the income and expenditures pertaining to the investment opportunity through the acquisition of rights to intellectual property and funding of Invatec Health Pty Ltd.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

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### 4. SEGMENT REPORTING (continued)

#### 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 (i.e. prepayments, inventories, sundry debtors). Corporate fixed assets such as computer equipment and furniture and fittings have not been allocated to market segments.

##### *Segment liabilities*

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

##### *Unallocated Items*

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

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 4. SEGMENT REPORTING (continued)

#### (i) Segment performance

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Invatec Health	Total
Twelve months ended 30 June 2014	\$	\$	\$	\$	\$
<b>Revenue</b>					
External sales	-	-	-	-	-
Total segment revenue	-	-	-	-	-
Inter-segment elimination	-	-	-	-	-
Unallocated revenue					-
<b>Total consolidated revenue</b>					-

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Invatec Health	Total
Twelve months ended 30 June 2014	\$	\$	\$	\$	\$
<b>Segment net profit/(loss) before tax</b>	(71,588)	(89,296)	463,194	(82,091)	220,219
<i>Reconciliation of segment result to group net loss before tax</i>					
Amounts not included in segment result but reviewed by the Board:					
• Depreciation					-
Unallocated items:					
• Interest received					6,976
• Other corporate costs					(655,527)
<b>Net loss before tax</b>					<b>(428,332)</b>

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 4. SEGMENT REPORTING (continued)

Twelve months ended  
30 June 2013

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
Revenue	\$	\$	\$	\$
External sales	19,230	-	-	19,230
Total segment revenue	-	-	-	-
Inter-segment elimination	-	-	-	-
Unallocated revenue				9,353
<b>Total consolidated revenue</b>				<b>19,230</b>

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Total
Twelve months ended 30 June 2013	\$	\$	\$	\$
<b>Segment net loss before tax</b>	-	-	-	-
<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				9,353
• Other corporate costs				(1,090,891)
<b>Net loss before tax</b>				<b>(1,096,713)</b>

#### 4. SEGMENT REPORTING (continued)

##### (ii) Segment assets

30 June 2014

	Human Health/Skin Care	Agriculture/ Animal Health	Mining and Gas	Invatec Health	Total
	\$	\$	\$	\$	\$
Segment assets	-	-	3,861,034	943,750	4,804,784
Unallocated assets					
• Cash					96,249
• Other					141,484
<b>Total assets</b>					<b>5,042,517</b>

30 June 2013

	\$	\$	\$	\$	\$
Segment assets	-	-	5,188,265	-	5,188,265
Unallocated assets					
• Cash					180,937
• Other					49,709
<b>Total assets</b>					<b>5,418,911</b>

##### (iii) Segment Liabilities

30 June 2014

	\$	\$	\$	\$	\$
Segment liabilities	-	-	-	-	-
Unallocated liabilities					2,391,382
<b>Total liabilities</b>					<b>2,391,382</b>

30 June 2013

	\$	\$	\$	\$	\$
Segment liabilities	-	-	-	-	-
Unallocated liabilities					2,880,758
<b>Total liabilities</b>					<b>2,880,758</b>

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 4. SEGMENT REPORTING (continued)

**(i) Revenue by geographical region**

**Australia**

Revenue for the 2014 year consisted of \$1,690,425 from the sale of Frontier Oil Corporation shares *REGEN*® product sales and bank interest of \$6,976.

For the 2013 year revenue consisted of \$19,230 of *REGEN*® product sales and bank interest of \$9,353.

**(ii) Assets by geographical region**

All assets reside in one geographical region being Australia.

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>5. REVENUES AND EXPENSES</b>		
<b>(a) Other Income</b>		
Bank interest received and receivable	6,976	9353
Gain on disposal of Frontier Oil Corporation Shares	463,194	-
	470,170	9,353
<b>(b) Finance costs</b>		
Interest charges payable under convertible notes	(108,014)	(193,564)
	(108,014)	(193,564)
<b>(c) Depreciation</b>		
Plant and Equipment	-	(3,531)
	-	(3,531)
<b>(d) Employee benefits expense</b>		
Wages and salaries	-	(53,044)
Directors fees	(138,833)	(183,583)
Superannuation	-	(4,428)
	(138,833)	(241,055)
<b>(e) Other expenses</b>		
Consulting and advisory expenses	(253,044)	(118,664)
Legal fees	(93,160)	(78,300)
Listing fees	(37,287)	(28,541)
Share registry charges	(14,123)	(58,482)
Sales and marketing	(23,787)	(51,225)
Other administration expenses	(215,162)	(150,496)
	(636,563)	(485,708)



# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>6. INCOME TAX</b>		
<b>Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate</b>		
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	(428,332)	(1,096,713)
At the statutory tax rate of 30% (2013: 30%)	(128,500)	(329,014)
Research and development deduction	-	-
Entertainment	-	-
Share based payments	-	-
Other	-	-
	(128,500)	(329,014)
Tax effect of temporary differences and current year loss not brought to account	128,500	329,014
Add back R&D tax offset received (see note 2 (o))	-	-
Aggregate income tax benefit	-	-
Deferred tax asset arising from tax losses not brought to account at the end of the reporting period as realisation is not regarded as probable	6,766,010	6,637,510

The potential deferred tax asset will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

The Group has tax losses arising in Australia of \$22,553,530 (2013: \$22,125,034) with a further \$2,738,991 capital losses as at 30 June 2014 \$2,738,991 (2013: \$2,738,991). The continued availability of these losses depends on the ability of the parent to satisfy the requirements of the continuity of ownership test (COT) or alternatively the same business test (SBT).

At 30 June 2014, there is no recognised or unrecognised deferred tax liability (2013: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associate, as the Group has no liability for additional taxation should such amounts be remitted.

### Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, BioProspect Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. However, as the Group has accumulated tax losses of \$22,553,600 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.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

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### 6. INCOME TAX (continued)

#### Tax accounting by members of the tax consolidated group

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

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

### 7. EARNINGS PER SHARE

	COMPANY	
	2014	2013
	\$	\$
Net loss attributable to equity holders of the company from continuing operations	(428,332)	(1,096,713)
	<b>Number of Shares</b>	<b>Number of Shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share:	2,903,662,290	2,505,057,995

The consolidated entity currently does not have options on issue. Options could potentially dilute basic earnings per share in the future.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>8. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	6,343	29,222
Short-term deposits	89,906	151,715
	<u>96,249</u>	<u>180,937</u>

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

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

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>(a) Reconciliation of loss after tax to net cash flows from operations:</b>		
<b>Net loss</b>	(428,332)	(1,096,713)
<b>Adjustments for:</b>		
Depreciation	-	3,531
Interest received	(6,976)	(9,353)
Interest paid convertible notes	108,014	193,564
Share based payments to consultants	-	94,919
<b>Changes in assets and liabilities</b>		
(Increase)/ decrease in trade and other receivables	(91,775)	7,134
(Increase)/ decrease in inventories	-	169,034
(Decrease) / increase in trade and other payables	(116,683)	(276,941)
(Decrease) / increase in employee entitlements	-	(24,258)
<b>Net cash used in operating activities</b>	<u>(633,789)</u>	<u>(1,143,308)</u>

### (b) Non cash financing and investing activities

	CONSOLIDATED	
	2014	2013
	\$	\$
Issue of 49,390,000 shares to Doward International for services rendered	-	49,390
Issue of 45,528,840 shares to Novus Capital for services rendered	-	45,529
Issue of 25,000,000 shares to Heartlink as option fee	50,000	-
Issue of 125,000,000 shares to Heartlink for exercise of option	250,000	-
Issue of 150,000,000 shares to Invatec for exercise of option	300,000	-
	<u>600,000</u>	<u>94,919</u>

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>9. TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	-	-
Other debtors	132,393	40,618
	<u>132,393</u>	<u>40,618</u>

### Terms and conditions

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

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

## 10. OTHER FINANCIAL ASSET – AVAILABLE FOR SALE FINANCIAL ASSETS

		CONSOLIDATED	
	Notes	2014	2013
		\$	\$
Frontier Oil Corporation – at directors valuation		3,861,034	5,161,553
Australian listed shares at fair value	(ii)	2,758	2,758
Impairment		(2,758)	(2,758)
		<u>3,861,034</u>	<u>5,161,553</u>

### (i) Frontier Oil Corporation

During the period June 2012 through to June 2013 the company has acquired 430,000,000 shares in Frontier Oil Corporation ('FOC') for a total investment cost of \$5,161,553. 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, net funds of \$1,690,425 were received for the sale of the Frontier Oil Corporation investment.

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.

### (II) Listed Shares

During the year ended 30 June 2013, BioProspect disposed of 560,000 shares in Solagran Limited due to the completion of the development agreement and the 2010 legal dispute whereby BioProspect and Solagran agreed to commercialise CGNC on their own terms.

As at 30 June 2014, BioProspect still owned 47,544 shares. However, on 3 March 2012 Solagran Limited went into voluntary suspension and ceased trading leaving BioProspect directors. Accordingly, the balance of this investment has been impaired, in full.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 11. INTANGIBLES

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>Licence</b>		
<b>Heartlink</b>		
At cost	300,000	-
Accumulated amortization	-	-
Impairment	-	-
Net carrying amount	300,000	-
<b>Investment</b>		
<b>Invatec Health Pty Ltd</b>		
At cost	643,750	-
Additions	-	-
Impairment	-	-
Net carrying amount	643,750	-
<b>Reconciliation of carrying amount</b>		
Net carrying amount at beginning of year	-	-
Additions	943,750	-
Amortisation	-	-
Impairment	-	-
Net carrying amount	943,750	-

#### Heartlink Licence

Heartlink is an Australian public unlisted company. It is the registered holder of the Patents. The Patents are held in Australia, Canada, Israel, Singapore, the United States and New Zealand. These patents are in relation to technology that provides a method for diagnosing psychiatric disorders by the analysis of heart rate patterns.

The Company obtained and exercised an option for the exclusive licence to be able to use and exploit this Patented Technology, which is complementary to the processes being developed by Invatec. By acquiring the licence to use and exploit the Patented Technology from Heartlink, it enables Invatec's technology to be developed as the Company will hold all relevant intellectual property rights (which rights may be used by Invatec).

#### Invatec Health Transaction

The Company has entered into a 2 stage transaction. BPO has a right to subscribe for a 35% interest in Invatec (stage 1 subscription) upon exercise of the option by sole funding Invatec and the independent validation trials. The investment to fund Invatec and independent validation trials is capped to a maximum of \$3,500,000 over 2 years. For every \$50,000 funded by BPO, it will be entitled to a 0.5% interest in Invatec. Thereby, a subscription of \$3,500,000 will equal a 35% interest in Invatec.

On completion of stage 1, BPO will have a further option to acquire a further 45% interest in Invatec by way of a share sale from the existing shareholders (stage 2 acquisition). If both stage 1 and stage 2 are completed, BPO will acquire an 80% interest in Invatec with the existing shareholders retaining a 20% interest. The option agreement and the stages of the Invatec Transaction are set out in more detail below.

BPO may cease funding at any time by providing 3 months written notice to Invatec. Full details were provided to shareholder in the 19 February 2014 Notice of General Meeting.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>12. TRADE AND OTHER PAYABLES- CURRENT</b>			
Trade payables	(i)	140,884	108,114
Other creditors and accruals	(ii)	255,801	160,792
		<u>396,685</u>	<u>268,906</u>
Related party payables	(iii)	34,555	384,975
		<u>431,240</u>	<u>653,881</u>

#### 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 18.

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

### 13. BORROWINGS

Borrowings - Current	Convertible Notes (Series A)	1,500,000	1,950,000
Borrowings - Non-Current	Convertible Notes (Series B)	395,000	450,000
	Total Convertible Notes	<u>1,895,000</u>	<u>2,400,000</u>

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 Series A 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;
- they 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.

The terms of the series B Convertible Notes are the same as those for the Series A, except for the conversion price – it is 0.3 cents or 80% of the 5 day VWAP and there is no options attaching. The Conversion of the series B into ordinary shares is subject to shareholder approval.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 2014 \$	2013 \$
<b>14. OTHER PAYABLES (NON-CURRENT)</b>		
Other creditors and accruals	6,005	39,375

This amount reflects the interest accrual on the convertible notes that have been issued during the year, as detailed in Note 13 above. Interest is only payable on the date of maturity on the notes.

	2014 \$	2013 \$
<b>15. ISSUED CAPITAL</b>		
<b>(a) Issued and paid up capital</b>		
Ordinary shares issued and fully paid	37,250,977	36,650,527

	Number of shares		\$	\$
	2014	2013	2014	2013
<b>(b) Movements in shares on issue</b>				
Beginning of the financial year	2,873,174,372	1,612,170,347	36,650,527	35,459,988
Issued during the year:				
- options exercised (i)	15,000	8	450	-
- share placements (ii)	-	240,000,000	-	240,000
- rights Issue (iii)	-	926,085,177	-	926,085
- share issues to consultants (iv)	-	94,918,840	-	94,919
- share issues to Heatlink	150,000,000	-	300,000	-
- share issues to Invatec	150,000,000	-	300,000	-
Less share issue costs	-	-	-	(70,465)
End of the financial year	3,173,189,372	2,873,174,372	37,250,977	36,650,527

### Notes:

- (i) On 31 December 2013, the company issued 15,000 ordinary shares on the exercise of an option raising \$450.
- (ii) On 16 August 2012, the Company issued 240,000,000 ordinary shares at an issue price of 0.02 cent per shares. This issue raised \$240,000 (before issue costs)
- (iii) On 19 October 2012, the Company completed its rights issue of 926,085,177 shares at an issue price of 0.01 of a cent. This issue raised \$926,085 (before issue costs)
- (iv) On 28 February 2013, the Company issued 49,390,000 ordinary shares to Doward International in consideration for marketing expenses and 45,528,840 ordinary shares to Novus Capital as payment for underwriting commission on the October 2012 rights issue. Both issues were at .01cents per share.

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 15. ISSUED CAPITAL (continued)

#### (c) Capital management

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

#### Going concern statement

As at 30 June 2014 the company was in a net asset position of \$2,710,271 (2013: \$2,538,153) and had incurred losses of \$428,332 (2013: \$1,096,713) and had cash outflow from operations of \$84,688 (2013: cash inflow \$95,616) for the year then ended.

The consolidated entity's ability to continue as a going concern is dependent upon the generation of cash from operations, the sufficiency of current cash reserves to meet existing obligations, the ability to reschedule planned research and development activity if considered necessary and lenders converting the convertible notes of \$1,5000,000 and accrued interest of \$103,565 maturing 30 June 2015 to equity. As announced, the Company intends to convert the Convertible Notes into ordinary shares and secondly, undertake a capital raising of at least \$2 million.

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.

#### (d) Share Options

##### Options over ordinary shares:

	2014 No of Options	2013 No of Options
<b>Unlisted Options</b>		
<b>Exercisable on or before 31 December 2013 at 5 cents per share</b>		
Outstanding at beginning of year	29,248,571	29,248,571
Issued during the year	-	-
Lapsed during the year	(29,248,571)	-
Outstanding at end of year	-	29,248,571
<b>Exercisable on or before 31 December 2013 at 3 cents per share</b>		
Outstanding at beginning of year	19,000,000	-
Issued during the year	-	-
Lapsed during the year	(19,000,000)	19,000,000
Outstanding at end of year	-	19,000,000
<b>Listed Options</b>		
<b>Exercisable on or before 31 December 2013 at 3 cents per share</b>		
Outstanding at beginning of year	1,270,813,556	1,270,813,564
Exercised during the year	(15,000)	(8)
Issued during the year	-	-
Lapsed during the year	(1,270,798,556)	-
Outstanding at end of year	-	1,270,813,556
<b>Total options over unissued ordinary shares</b>		- 1,319,062,127

#### Movements in share options for the twelve months ended 30 June 2014

- On the 31 December 2013, an option holder exercised 815,000 – 3 cent options raising \$450.



# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 15. ISSUED CAPITAL (continued)

#### (e) Terms and conditions of contributed equity

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

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

Ordinary shares have no par value.

	CONSOLIDATED 2014 \$	2013 \$
<b>16. AUDITORS' REMUNERATION</b>		
The auditor of BioProspect Limited is William Buck (Qld)		
Amounts received or due and receivable for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated entity -	37,779	40,765
- other services in relation to the entity and any other entity in the consolidated entity -	37,779	40,765
- tax compliance	8,150	8,490
- due diligence advice	-	-
- AGM attendance	-	-
	45,929	49,255

### 17. KEY MANAGEMENT PERSONNEL

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

		30 JUNE 2014	BALANCE AT 1 JULY 13	GRANTED AS REMUNERATION	OPTIONS FORFEITED	NET CHANGE OTHER	BALANCE AT 30 JUNE 14	VESTED AT 30 JUNE 14 TOTAL
<b>DIRECTORS</b>								
W Willesee	(a)		15,000,000	-	-	(15,000,000)	-	-
B Cooper	(b)		-	-	-	-	-	-
P May			2,000,000	-	-	-	2,000,000	2,000,000
S Elkhouri	(c)		-	-	-	4,000,000	4,000,000	4,000,000
V Fayad	(d)		-	-	-	-	-	-
C Solitario	(e)		-	-	-	-	-	-
<b>EXECUTIVES</b>								
R Lees			-	-	-	-	-	-
<b>Total</b>			<b>17,000,000</b>	<b>-</b>	<b>-</b>	<b>(11,000,000)</b>	<b>6,000,000</b>	<b>6,000,000</b>

(a) Resigned 15 November 2013

(b) Resigned 28 April 2014

(c) Appointed Director 15 November 2013

(d) Appointed Director 28 April 2014

(e) Appointed Director 28 April 2014

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 17. KEY MANAGEMENT PERSONNEL (continued)

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

30 JUNE 2013		BALANCE AT 1 JULY 12	GRANTED AS REMUNERATION	OPTIONS FORFEITED	NET CHANGE OTHER	BALANCE AT 30 JUNE 13	VESTED AT 30 JUNE 13 TOTAL
<b>DIRECTORS</b>							
W Willesee		15,000,000	-	-	-	15,000,000	15,000,000
C Pellegrino (a)		6,000,000	-	-	(6,000,000)	-	-
B Cooper		-	-	-	-	-	-
J Khouri (b)		3,000,000	-	-	(3,000,000)	-	-
P May (c)		-	-	-	2,000,000	2,000,000	2,000,000
<b>EXECUTIVES</b>							
P May (c)		2,000,000	-	-	(2,000,000)	-	-
C Johnston (d)		2,000,000	-	-	(2,000,000)	-	-
R Lees (e)		-	-	-	-	-	-
<b>Total</b>		<b>28,000,000</b>	<b>-</b>	<b>-</b>	<b>(11,000,000)</b>	<b>17,000,000</b>	<b>17,000,000</b>

- (a) Resigned 15 November 2013  
(b) Resigned 18 September 2012  
(c) Appointed Director 19 November 2012 – resigned as CEO 19 November 2012  
(d) Resigned 30 September 2012  
(e) Appointed 30 September 2012

#### (b) Shareholdings of key management personnel (consolidated)

Shares held in BioProspect Limited (number)

30 JUNE 2014		BALANCE 1 JULY 13	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER	BALANCE 30 JUNE 14
<b>DIRECTORS</b>						
W Willesee (a)		-	-	-	-	-
B Cooper (b)		-	-	-	-	-
P May		2,652,175	-	-	2,652,175	2,652,175
S Elkhouri (c)		-	-	-	4,000,000	4,000,000
V Fayad (d)		-	-	-	-	-
C Solitario (e)		-	-	-	69,342,443	69,342,443
<b>Executives</b>						
R Lees		-	-	-	-	-
<b>Total</b>		<b>2,652,175</b>	<b>-</b>	<b>-</b>	<b>75,994,618</b>	<b>75,994,618</b>

- (a) Resigned 15 November 2013  
(b) Resigned 28 April 2014  
(c) Appointed Director 15 November 2013  
(d) Appointed Director 28 April 2014  
(e) Appointed Director 28 April 2014

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 17. KEY MANAGEMENT PERSONNEL (continued)

#### (b) Shareholdings of key management personnel (consolidated-continued))

Shares held in BioProspect Limited (number)

30 JUNE 2013		BALANCE 1 JULY 12	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER	BALANCE 30 JUNE 13
<b>DIRECTORS</b>						
W Willesee		-	-	-	-	-
C Pellegrino	(a)	6,000,000	-	-	(6,000,000)	-
B Cooper		-	-	-	-	-
J Khouri	(b)	3,000,000	-	-	(3,000,000)	-
P May	(c)	-	-	-	2,652,175	2,652,175
<b>Executives</b>						
P May	(c)	2,652,175	-	-	(2,652,175)	-
C Johnston	(d)	2,434,783	-	-	(2,434,783)	-
R Lees	(e)	-	-	-	-	-
<b>Total</b>		<b>14,086,958</b>	<b>-</b>	<b>-</b>	<b>(7,325,072)</b>	<b>5,652,175</b>

(a) Resigned 19 November 2012

(b) Resigned 18 September 2012

(c) Appointed Director 19 November 2012 – Resigned as CEO 19 November 2012

(d) Resigned 30 September 2012

(e) Appointed 30 September 2012

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

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

##### Azalea Consulting

During the year ended 30 June 2014, the company incurred \$5,000 (2013: \$12,000) of consulting services provided by Azalea Consulting Pty Ltd, a company owned by Mr Winton Willesee, Chairman and non-executive director. The consulting services exclude directors' fees and covered the use of secretarial and other office costs pertaining to the Perth, WA registered office address. The amount outstanding to Azalea Consulting as at 30 June 2014 was nil (2013: \$3,000).

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 17. KEY MANAGEMENT PERSONNEL (continued)

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

##### *Terms and conditions of transactions with related parties*

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

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

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

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current Assets</i>		
Property, plant and equipment	-	-
Accumulated depreciation	-	-
<b>NBV Property, plant and equipment</b>	-	-
<i>Current Liabilities</i>		
Trade and other payables	-	-
<b>Total liabilities</b>	-	-
<b>Expenses</b>		
Sales and marketing	-	-
Consulting and advisory expenses	-	-
Research and development	-	-
Other administration expenses	5,000	21,900
<b>Total Expenses</b>	5,000	21,900

#### (d) Compensation by category (KMP and directors)

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	138,833	306,392
Post-employment benefits	-	4,428
Share-based payments	-	-
<b>Total compensation</b>	138,833	310,820

### 18. 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.

<b>Name</b>	<b>Country of Incorporation</b>	<b>Class of Shares</b>	<b>% Equity Interest</b>		<b>Investment * \$</b>	
			<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
BioProspect Australia Limited	Australia	Ord	100%	100%	4,024,341	4,024,341
Australian Phytochemicals Limited	Australia	Ord	100%	100%	1,323,464	1,323,464
BioProspect America Pty Ltd	Australia	Ord	100%	100%	2	2
Re Gen Wellness Products Pty Ltd	Australia	Ord	100%	100%	50,000	50,000

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

#### Risk exposures and responses

##### Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's maximum exposures to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Group minimises concentrations of credit risk in relation to trade receivables by having payment terms of 30 days and receivable balances are monitored on an ongoing basis with the result that the Group has currently never had an exposure to bad debts.

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

##### Interest rate risk

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

	CONSOLIDATED	
	2014	2013
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	96,249	180,937

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

**At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:**

	Post tax loss		Equity	
	Higher/ (lower)	Higher/ (lower)	Higher/ (lower)	Higher/ (lower)
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Consolidated</b>				
+ 1% (100 basis points)	2,537	3,401	(2,537)	(3,401)
- 0.5 % (50 points)	(1,903)	(1,700)	1,903	1,700

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### **Liquidity risk**

The Group's objective is to maintain sufficient funds to finance its current operations and additional funds to ensure its long-term survival. The Group has no finance facilities in place and therefore it is currently dependent on capital raisings and government tax incentives for short term survival. Refer to note 21 for further details.

#### **Foreign exchange risk**

The Group has minor exposure to foreign currency exchange movements.

#### **Fair value**

The carrying amount of all recognised financial assets and financial liabilities is considered a reasonable approximation of their fair value due to their short term nature.

### 21. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

### 22. SHARE-BASED PAYMENT PLANS

#### (1) Recognised share-based payment expenses

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

	CONSOLIDATED	
	2014	2013
	\$	\$
Expense arising from equity-settled share-based payment transactions	-	-

Refer to note 17 for option holdings by directors.

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

49,390,000 shares issued to Doward International	-	49,390
45,528,840 shares issued to Novus Capital Limited	-	45,529
	-	94,919
<b>TOTAL SHARE-BASED PAYMENTS</b>	-	94,919

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 23. PARENT ENTITY INFORMATION

	2014 \$	2013 \$
Net loss attributable to members of BioProspect Limited	(430,118)	(1,131,730)
Change in market value of available for sale financial assets	-	-
<b>Total comprehensive income for the year attributable to members of BioProspect Limited</b>	<b>(430,118)</b>	<b>(1,131,730)</b>
Current assets	312,698	206,287
<b>Total assets</b>	<b>5,017,803</b>	<b>5,394,552</b>
Current liabilities	1,812,698	2,271,409
<b>Total liabilities</b>	<b>2,213,704</b>	<b>2,760,785</b>
Issued Capital	37,250,977	36,650,527
Share based payments reserve	2,911,950	2,911,950
Available for sale asset revaluation reserve	-	-
Retained earnings	(37,452,656)	(37,024,324)
<b>Total equity</b>	<b>2,804,099</b>	<b>2,538,153</b>
Contingent liabilities	-	-
Guarantees in relation to debt of subsidiaries	-	-
Capital and other expenditure commitments not provided for in the financial statements	3,000	3,000
Future operating leases not provided for in the financial statements	-	-

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

There are no other events subsequent to year end which would have a material effect on the Company's financial statements at 30 June 2014.