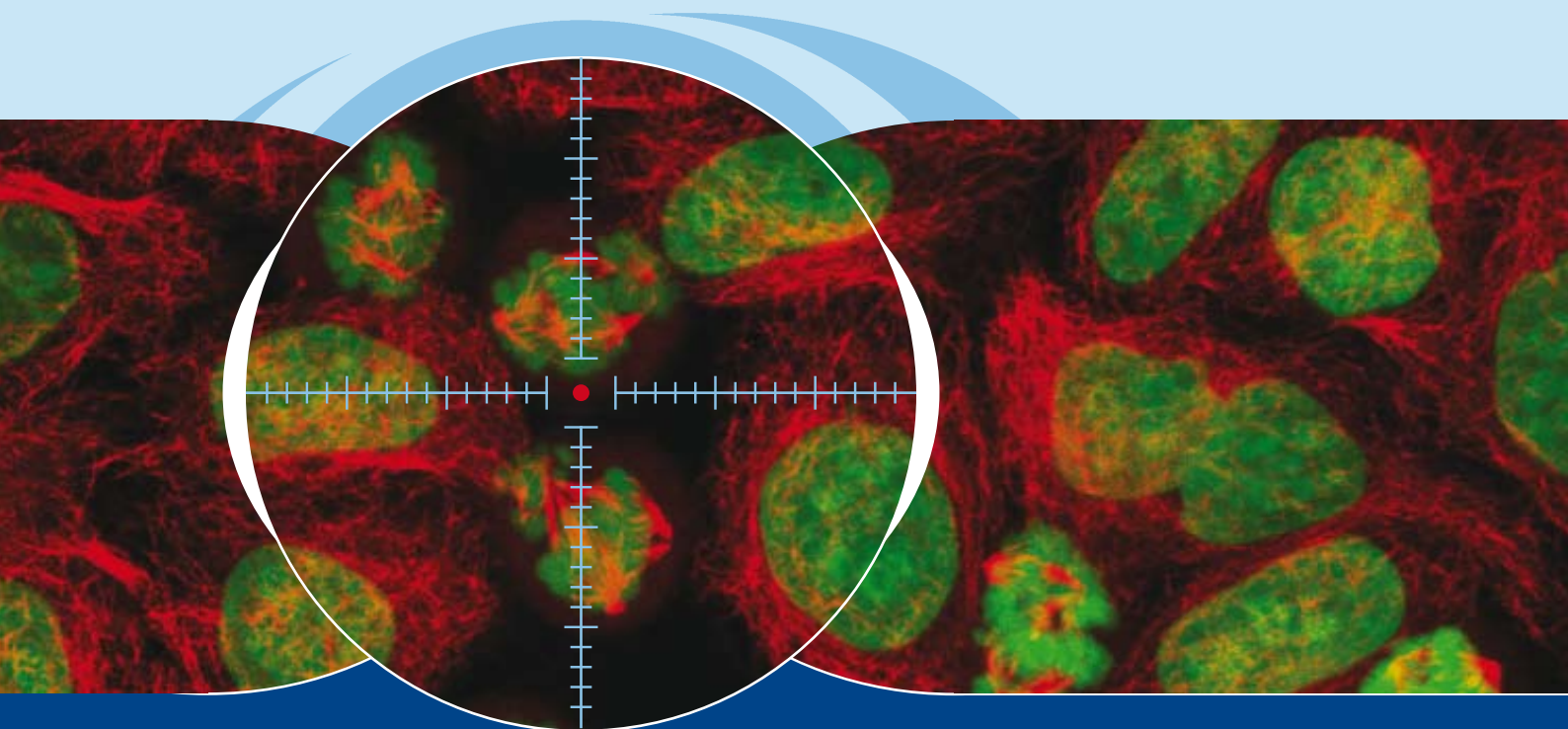




*BioPharmica Limited*

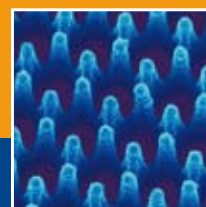
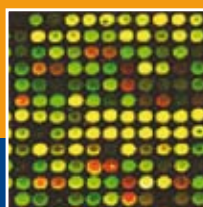
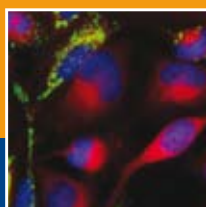
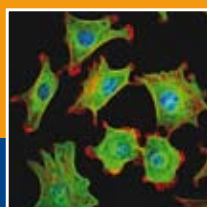


**BioPharmica Limited** 2009 ANNUAL REPORT

| Bridging Biotechnology Borders |

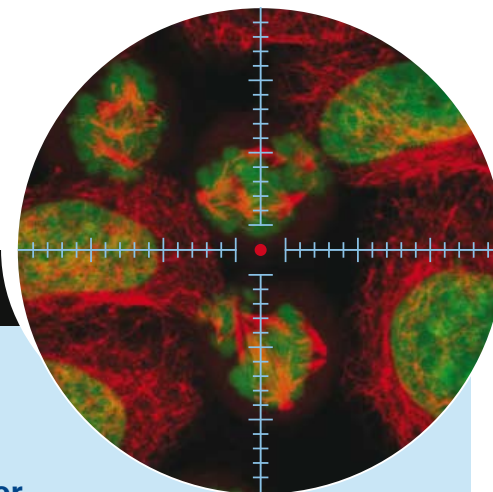
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## BioPharmica Limited



### Directors

David Breeze – Chairman/Managing Director  
 Seng Yap – Non-Executive Director  
 Greg Gilbert – Non-Executive Director  
 Hock Goh – Non Executive Director

### Scientific Advisors

Professor Peter Klinken

### Registered Office

14 View Street, North Perth  
 Western Australia 6006

### Principal Business Address

14 View Street, North Perth  
 Western Australia 6006  
 Telephone: (08) 9328 8366  
 Facsimile: (08) 9328 8733  
 Website: [www.biopharmica.com.au](http://www.biopharmica.com.au)  
 E-mail: [admin@biopharmica.com.au](mailto:admin@biopharmica.com.au)

### Auditor

**PKF**  
 Level 7  
 BGC Centre  
 28 The Esplanade, Perth  
 Western Australia 6000

### Share Registry

**Security Transfer Registrars Pty Ltd**  
 770 Canning Highway, Applecross  
 Western Australia 6153

### Australian Securities Exchange Listing

**Australian Securities Exchange Limited**  
 (Home Exchange: Perth, Western Australia)  
 ASX Code: BPH

### Australian Business Number

41 095 912 002

# company information

## Chairman's Letter

### Dear Shareholder,

The challenging year past has culminated in some excellent developments for BioPharmica.

Three of BioPharmica's projects have advanced to a stage where discussions have been initiated on commercialisation with domestic and international companies.

The most recent development in the novel anti-mitotic cancer therapeutic area addresses a market valued in excess of one billion dollars (US) per year.

A team of expert cancer cell biology researchers at BioPharmica Limited have used state-of-the-art technology to screen synthetic molecules and natural extracts for new anti-cancer drugs. Using high-content imaging and computational analyses, these drug screening efforts have now yielded a new class of potential anti-cancer drugs. The new anti-cancer drugs potentially inhibit cell proliferation, resulting in pronounced killing of all human cancer cell lines tested to date. An exceptional opportunity exists for a drug development company to participate in this lead compound development programme.

BioPharmica is working with the Western Australian Institute for Medical Research (WAIMR) to develop and validate HLS5 as a novel tumour suppressor gene. A concerted research effort by leading Australian scientists has revealed that HLS5 works through multiple pathways that may target cancer as well as a range of other diseases such as Huntington's, Parkinson's and HIV infection.

BioPharmica now owns 100% of the intellectual property of the HLS5 project and its derivatives developed during the research and development following on from the signing of a new agreement with the University of Western Australia (UWA).

Diagnostic Array Systems is working with BioPharmica and RMIT University to develop and commercialise BacTrak™, a diagnostic tool that will enable pathology laboratories and the emergency departments of hospitals to provide patients with fast and accurate identification of disease causing bacteria from a single sputum sample.





During the year, Cortical Dynamics received and analysed a comprehensive dataset from a European clinical research centre from a study that used the same design as our latest opioid trial. The analysis of this European data set using the BAR methodology unambiguously indicates that the effects of remifentanyl and propofol on brain electrical activity can be differentiated. These results underscore the significant potential of the BAR methodology to separately monitor hypnotic and analgesic state using brain electrical activity recorded during surgery. It is expected that this data sharing will lead to collaboration with a number of European centres of anaesthetic monitoring excellence.

I would like to thank Mr Seng Yap for his contributions to BioPharmica during his tenure on BioPharmica's Board, and, since his recent departure, welcome Ms Deborah Ambrosini to the Board. Ms Ambrosini's commitment and work ethic to date have benefitted BioPharmica immensely, and I am sure her continued contribution to the future direction and development of BioPharmica will be well received by shareholders.

I thank all the scientists, consultants and especially the BioPharmica team for their continued dedication and enthusiasm throughout a challenging year. As a result of their determination and commitment, BioPharmica is well positioned for excellent future developments.



Yours Sincerely,

**Mr David Breeze**  
Chairman



## Company Focus and Developments

BioPharmica Limited [ASX: BPH] is an Australian Securities Exchange listed company developing biomedical research and technologies within Australian Universities and hospital institutes. In addition to its in-house drug discovery resources, BioPharmica provides early stage funding and research, project management and commercialisation strategies for proof of concept for a direct collaboration, a spin-out company or to secure a licence, whilst the institutional partner provides the infrastructure and the scientific research collaboration.



Three of BioPharmica's projects have advanced to a stage where discussions have been initiated on commercialisation with domestic and international companies. The most recent development in the anti-mitotic cancer therapeutics area addresses a market valued in excess of one billion dollars (US) per year.

BioPharmica currently partners with several academic institutions including the Western Australian Institute for Medical Research (WAIMR), Swinburne University of Technology (SUT) and The Royal Melbourne Institute for Technology (RMIT) University.

### Project Portfolio

#### Novel Anti-Mitotic Cancer Therapeutics

A team of expert cancer cell biology researchers at BioPharmica Limited have used state-of-the-art technology to screen synthetic molecules and natural extracts for new anti-cancer drugs. Using high-content imaging and computational analyses, these drug screening efforts have now yielded a new class of drugs that potentially inhibit cancer cell proliferation.



**Dr Robin Scaife**  
Principal Scientist

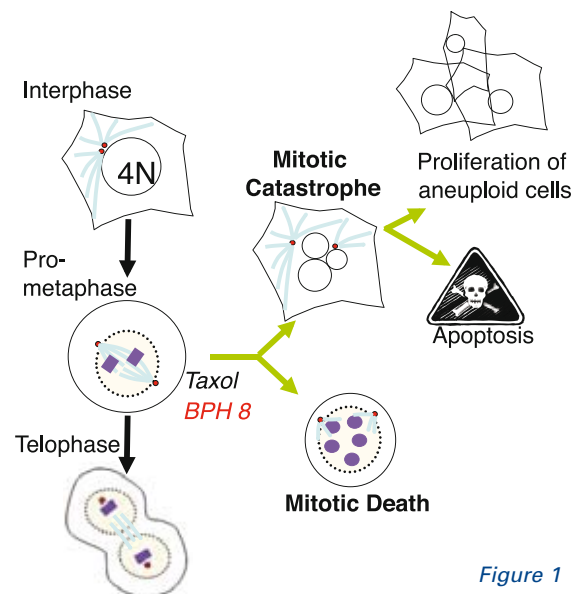


Figure 1

This new class of anti-mitotic drugs, discovered by BioPharmica's cancer cell biology researcher Dr Robin Scaife, has undergone extensive development toward pre-clinical testing of anti-cancer activity. Detailed analyses of chemical analogues of the new drug have yielded a new drug that exhibits nearly 1000 times the biological activity of the initial compound derived by the aforementioned screening process.

The new drug has also recently undergone testing in animals to rule out adverse toxic side effects. Animals exposed to very high levels of the new drug exhibited no signs of acute toxicity. BioPharmica's new anti-mitotic drug is, therefore, primed for pre-clinical testing of anti-tumour activity.

The inhibition of cell proliferation and induction of cancer cell death is due to the anti-mitotic activity of these new drugs. Anti-mitotic drugs, such as



## Summary of the Opportunity

An exceptional opportunity exists for a drug development company to co-develop a drug candidate validation program in the field of anti-mitotic cancer therapeutics.

### Background

Unregulated cell proliferation and evasion of cell death (apoptosis) are two of the fundamental hallmarks of cancer. While a number of pharmacological agents can target cell proliferation or apoptosis, anti-mitotic agents have proven to be among the most clinically effective anti-cancer drugs. The exceptional tumour inhibitory activity of anti-mitotic drugs is due to their unique ability to link perturbation of cell proliferation (metaphase arrest) with apoptosis (mitotic death and/or catastrophe) (Figure 1, page 4).

### Data

In light of the clinical success of the anti-mitotic microtubule drug Taxol<sup>®</sup>, the identification of new and improved anti-mitotic pharmacophores remains one of the primary objectives of current oncology drug discovery. Indeed, in addition to improved microtubule drugs (Ixabepilone), inhibitors of Polo/Aurora kinases (BI-2536/VX-680) and mitotic kinesins (Ispinesib, GSK-923295) have recently emerged as highly promising new anti-cancer therapeutics.

### Our Technology

BioPharmica has recently identified new anti-mitotic agents that induce mitotic arrest and apoptosis. While these actives do not affect the microtubule cytoskeleton in interphase cells, they perturb the function of the mitotic spindle (Figure 2), thereby selectively linking cell division with cell death.

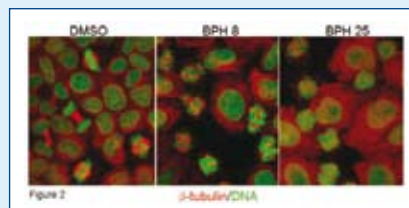


Figure 2

In addition to defining the molecular and cellular modes of action of these compounds, BioPharmica is also actively pursuing hit optimization through in silico and in vitro medicinal chemistry.

the blockbuster microtubule cancer drug Taxol<sup>®</sup>, are considered to be among the most clinically important cancer drugs discovered to date[1], generating revenue well in excess of one billion USD/yr[2],[3]. In light of this clinical success, the pharmaceutical industry has invested heavily in the discovery and development of new and improved anti-mitotic drugs. In addition to resulting in improved microtubule cancer therapeutics, such as the recently FDA approved anti-mitotic drug Ixabepilone (BMS-247550), these intensive drug

discovery efforts have also yielded several new classes of highly promising anti-cancer drugs that are currently undergoing clinical testing and development. The anti-mitotic compounds recently discovered by researchers at BioPharmica clearly have the potential to similarly become a new high value anti-cancer drug.

An exceptional opportunity exists for a drug development company to participate in this lead compound development program.

[1] "Taxol<sup>®</sup> has become one of the most valuable cytotoxic chemotherapeutic agents we have in clinical oncology. It has proven effective in ovarian, breast, lung, and head and neck cancer and it has contributed immensely to the quality of life of cancer patients," ([www.medicalnewstoday.com/articles/26471.php](http://www.medicalnewstoday.com/articles/26471.php))

[2] "In 2000, BMS reported its annual sales of Taxol<sup>®</sup> was \$1.592 billion - equal to excess \$4.3 million per day" ([www.21cecpharm.com/px](http://www.21cecpharm.com/px))

[3] "A taxane is a type of chemotherapy that stops cell division in order to fight tumors. Sales of taxanes were approximately \$2 billion in 2007," ([www.wikinvest.com/stock/Abraxis\\_BioScience\\_\(ABII\)](http://www.wikinvest.com/stock/Abraxis_BioScience_(ABII)))

## Company Focus and Developments

### HLS5

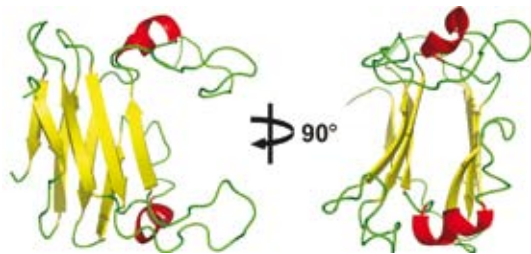
BioPharmica is working with the Western Australian Institute for Medical Research (WAIMR) to develop and validate HLS5 as a novel tumour suppressor gene. A concerted research effort by leading Australian scientists has revealed that HLS5 works through multiple pathways that may target cancer as well as a range of other diseases such as Huntington's, Parkinson's and HIV infection. HLS5 has attracted over \$1 million in research funding from the NHMRC, Cancer Council of WA, the National Breast Cancer Foundation and the Medical Research Foundation of Royal Perth Hospital.



**Professor Peter Klinken**  
Director, WAIMR

Led by WAIMR Director Professor Peter Klinken, a collection of approximately 70,000 drug-like molecules have been screened, and a number of compounds have been identified that can increase activity levels of the HLS5 gene promoter.

The discovery is very encouraging and a great step forward in the quest to create new cancer treatments. We expect that these compounds will greatly slow down the growth of cancer cells considering the role HLS5 plays in keeping cell growth at a normal rate.



BioPharmica has developed an extensive patent portfolio and has exclusive rights to the tumour suppressor gene HLS5, both as a potential therapeutic target and also underpinning its involvement in a variety of disease pathways. The patent portfolio of technology surrounding HLS5 is currently going through National Phase filings in Australia and Europe, and the patent "Tumour



Suppressor Factor" No. 7560253 has been issued as a patent in the United States of America. The tumour suppressor gene HLS5 had has a large volume of data gathered with the continued support of the Western Australian Institute for Medical Research.

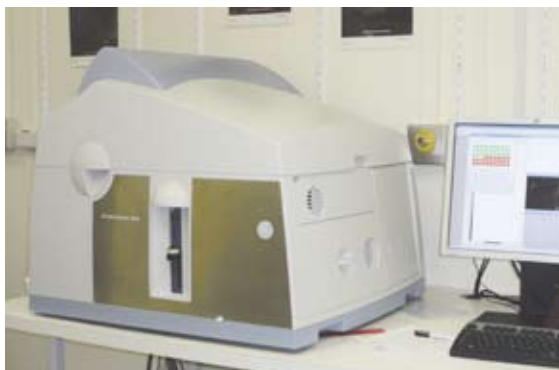
BioPharmica now owns 100% of the intellectual property of the HLS5 project and its derivatives developed during the research and development following on from the signing of a new agreement with the University of Western Australia (UWA). In exchange for the ownership of the intellectual property BioPharmica will pay the UWA an agreed net royalty upon commercialisation.



### Molecular Discovery Systems (MDSystems)

MDSystems was established to acquire high content information from cell and tissue based assays through image acquisition and analysis to create a range of direct and indirect commercial opportunities.

Research and development is focused on therapeutic and diagnostic discovery and validation using molecular imaging techniques.



*InCell Analyser 1000*

The MDSystems owned InCell Analyser 1000 combines high resolution imaging and high-content analysis to provide a technology that rapidly detects and quantifies components of the cell much faster than conventional methods.

MDSystems was contracted in December 2008 by Professor Kanti Bhoola of the Centre for Asthma, Allergy and Respiratory Research at the Lung Institute of Western Australia (LIWA) to assist in the characterisation of protein expression in human lung and mesothelioma cancer cells. The expression of five proteins within these cells and their response to treatment was required to support previous findings within Professor Bhoola's research programme.

MDSystems was also contracted by Professor Nigel Laing (WAIMR) to screen for drugs that may reverse inherited neuromuscular diseases. A cell based assay of actin expression was used to screen a collection of pharmaceuticals using high content imaging.

Image capture and analysis of the prepared plates was conducted at the MDSystems laboratory, by BioPharmica scientist Rachel Ramsdale, and



**Rachel Ramsdale**  
*Research Scientist*

provided analytical results documenting protein location and abundance. The first phase of the project concluded with highly satisfactory results and the second phase of the project 'The effect of bradykinin on mitogenesis' is underway.

As a result of this work, interest has been generated as to other potential applications of the InCell Analyser 1000 for research purposes. MDSystems and LIWA are currently negotiating the incorporation of MDSystems' analysis technology into other research programmes.

### **Floppy Baby Syndrome**

MDSystems is currently collaborating with The Laing Neuromuscular Diseases Group to screen medications that might increase heart actin in skeletal muscles, which could potentially offer a treatment for many patients born with Floppy Baby Syndrome.

In a world first, Western Australian scientists have recently cured mice of a devastating muscle disease that causes a Floppy Baby Syndrome, a congenital myopathy disorder that causes babies to be born without the ability to properly use their muscles. The research has been published online in the Journal of Cell Biology and reveals how the team's efforts have cured mice born with the condition.

The currently incurable genetic disease renders most of the affected children severely paralysed and can take the lives of many of these children before the age of one.



### **Diagnostic Array Systems (DAS)**

Diagnostic Array Systems (DAS) is working with BioPharmica Limited and RMIT University to develop and commercialise BacTrak™, a diagnostic tool that will enable pathology laboratories and the emergency departments of hospitals to provide patients with fast and accurate identification of disease causing bacteria from a single sputum sample. The test has important implications for the clinical management of infectious diseases by identifying the specific bacteria responsible for a disease and suggesting the most effective therapy. Utilisation of the novel test is intended to provide more information, more quickly, than alternative

## Company Focus and Developments

methods. It has the potential to accelerate therapeutic treatment, lead to a reduction in hospitalisations and help reduce the overuse of antibiotics.

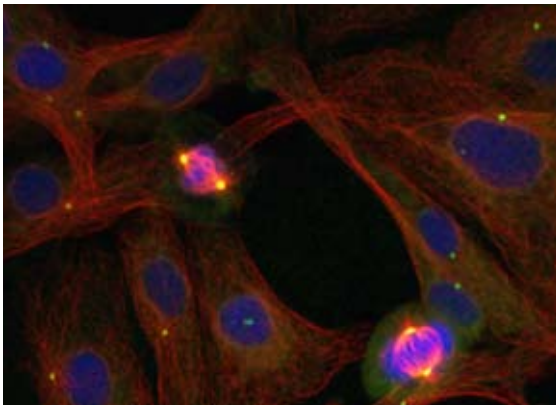
The DAS project BacTrak™ was given clinical funding in 2007 with the award of an AusIndustry Commercial Ready Grant. DAS has completed the term of the grant and met its objectives to develop BacTrak™ - a diagnostic genetic microarray for the identification of microbial pathogens causing a range of lung diseases.

The grant, in conjunction with BioPharmica funding, has assisted in the development of BacTrak™ which includes a number of key features which underpin its commercial potential. These include:

- Rapid simultaneous detection of 16 respiratory pathogens including Tuberculosis (TB), Legionella, and Methycillin Resistant Staphylococcus Aureus (MRSA).
- Results within hours rather than days using the current culture gold standard.
- Sensitivity and positive confirmation for the 16 pathogens from easily obtained clinical sputum samples.

Direct benefits from the project development include:

- Earlier, pathogen specific treatment;
- Shorter length of hospital stay;
- Earlier potential isolation of hospital patients; and
- Reduction in the over-prescription of broad-spectrum antibiotics.



The ability of BacTrak™ to detect respiratory pathogens, including TB, Legionella and MRSA from a single sputum sample is of immense importance and potential value. Given the global significance of TB in particular it is hoped large volume manufacturing by a suitable IVD manufacturer should deliver a low cost diagnostic kit suitable for deployment in both developing and third world countries.

BioPharmica is now actively marketing BacTrak™ with a view to identifying a strategic partner to deliver a commercial version of this unique diagnostic tool.

DAS holds intellectual property for the BacTrak™ technology in Australia. International patent filing is currently progressing through national phase in Canada, China, Europe, Japan and United States (PCT/AU2006/001056).



### Cortical Dynamics

Cortical Dynamics is working with BioPharmica and Swinburne University of Technology (SUT) to develop and commercialise a unique depth of anaesthesia monitoring system for use during major surgery. The core technology is based on real time analysis of the patients electroencephalograph (EEG) using a proprietary algorithm based on a mathematically and physiologically detailed understanding of the brain's rhythmic electrical activity. The theory, developed by Professor David Liley who heads the scientific team at Cortical Dynamics, for the first time provides a meaningful way of relating brain electrical activity to the underlying physiological processes that generate it. Cortical Dynamics is confident that the resulting Brain Anaesthesia Response (BAR) analysis methodology and index will be a more sensitive measure of the state of the brain during anaesthesia than the current alternatives. Alternative technologies are based on detecting empirical correlations between subjective assessments of the level of consciousness and a



range of parameters derived from the quantitative analysis of EEG. This brain activity monitor also has potential in neuro-diagnostic applications, including the detection of the early onset of neurodegenerative diseases such as Alzheimer's and Parkinson's, and in drug monitoring associated with these conditions.

Two clinical trials, utilising the BAR methodology, have been completed at the Royal Melbourne Hospital. These trials were designed to evaluate the BAR technology in the presence of agents that affect the level of anaesthesia which are known to be problematic to monitor using existing technology. To date, the results of both sets of trials have provided support for the increased sensitivity of the BAR algorithm enabling enhanced detection of anaesthetic drug effect.

The detailed results of one of these trials have now been published in the peer reviewed international journal *Computers in Biology and Medicine*, thereby providing scientific acceptance for the BAR analysis methodology. The paper entitled "Dissociating the effects of nitrous oxide on brain electrical activity using fixed order time series modeling" doi: 10.1016/j.combiomed.2008.08.011 by David T.J. Liley, Kate Leslie, Nicholas C Sinclair and Martin Feckie reports the significant results of a trial conducted to compare the sensitivity of the BAR algorithm to the market leading BIS Monitor (Aspect Medical Systems) in detecting the effects varying levels of adjuvant nitrous oxide had on measures of anaesthesia induced by the common inhaled agent sevoflurane.

**The abstract states:**

"A number of commonly used anaesthetics, including nitrous oxide (N<sub>2</sub>O), are poorly detected by current electroencephalography (EEG)-based measures of anaesthetic depth such as the bispectral index. Based on a previously elaborated theory of electrocortical rhythmogenesis we developed a physiologically-inspired method of EEG analysis that was hypothesised to be more sensitive in detecting and characterising N<sub>2</sub>O effect than the bispectral index, through its combined EEG estimates of cortical input and cortical state. By evaluating sevoflurane-

induced loss of consciousness in the presence of low brain concentrations of N<sub>2</sub>O in thirty eight elective surgical patients, N<sub>2</sub>O was associated with a statistically significant reduction in the input the frontal cortex received from other cortical and subcortical areas. In contrast the bispectral index responded only to low, but not to high, concentrations of N<sub>2</sub>O."

"The acceptance for publication of the nitrous oxide trial results represents a major milestone in the BAR project as it signifies that the fundamental algorithmic approach is deemed to be valid and useful.

Six pre-production prototypes are now available for deployment in further trials and evaluations which BioPharmica is confident will further positively differentiate the BAR monitor from existing competition.

Cortical Dynamics received and analysed a comprehensive dataset from a European clinical research centre. This data is from a study which used the same design as our latest opioid trial and has now been analysed using the BAR analysis method. The analysis of this European data set using the BAR methodology unambiguously indicates that the effects of remifentanyl and propofol on brain electrical activity can be differentiated. The detailed results of this analysis are in the process of being prepared for publication.

These results underscore the significant potential of the BAR methodology to separately monitor hypnotic and analgesic state using brain electrical activity recorded during surgery. It is expected that this data sharing will lead to collaboration with a number of European centres of anaesthetic monitoring excellence.

Cortical Dynamics' intended securities exchange listing has been postponed until a suitable period. BioPharmica notes that the global financial crisis has seen a huge reduction in the availability of retail investment funds, and that only approximately eight intended securities exchange listings have commenced to the end of July 2009, compared with seventy four for all of 2008.

## Directors' Report

The directors of BioPharmica Limited present their report on the company and its controlled entities for the financial year ended 30 June 2009.

### Directors

The names of directors in office at any time during or since the end of the year are:

D L Breeze  
S K Yap  
G Gilbert  
H Goh

### Company Secretary

Ms Deborah Ambrosini continues in her role of Company Secretary. She also holds the position of Financial Controller of the Company and has over 10 years experience in Corporate accounting roles.

### Principal Activities

#### BioPharmica's Competitive Advantages

- BioPharmica partners with academic institutions on projects that have excellent scientific merit, a strong intellectual property position and commercial potential.
- Research is carried out by the acknowledged experts in the field while BioPharmica provides the commercial direction and focus.
- BioPharmica has a balanced management system combining corporate and scientific expertise.
- The company head office is based in Perth, Western Australia, giving it an ideal position for interactions with Asia.
- BioPharmica facilitates the tech-transfer process from academia to the pharma / biotech industry and provides potential partners / licensees with attractive opportunities.

#### Summary of BioPharmica's Value Proposition

- Significant potential return for investors
- Current licence and commercial opportunities in three areas of its project portfolio
- Anti-cancer therapeutic and the Brain Anaesthesia Response (BAR) monitor both address product areas which has a potential \$1 billion US market size
- The Diagnostic Array Systems Pty Ltd (DAS) BacTrak™ product has global market application
- Commercial outcomes have capacity to significantly impact on the company in the near term.

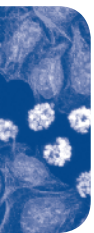
#### New Anti-Mitotic Drug Development

A new class of anti-mitotic drugs, discovered by BioPharmica's cancer cell biology researcher Dr Robin Scaife, has undergone extensive development toward pre-clinical testing of anti-cancer activity. Detailed analyses of chemical analogues of the new drug have yielded a new drug that exhibits nearly 1000 times the biological activity of the initial compound derived by screening of a chemical library. This new drug has also recently undergone testing in animals to rule out adverse toxic side-effects. Animals exposed to very high levels of the new drug exhibited no signs of acute toxicity. BioPharmica's new anti-mitotic drug is, therefore, primed for pre-clinical testing of anti-tumour activity.

#### HLS5 Project

A new agreement between the University of Western Australia and BioPharmica has been finalised to replace the HLS5 Collaborative Research and Technology Farmin Agreement.

Under the new agreement BioPharmica will own 100% of the intellectual property of the HLS5 project and its derivatives developed during the research and development. BioPharmica will continue to sole fund the development of the projects. In exchange for the ownership of the intellectual property BPH will pay the UWA an agreed net royalty upon commercialisation.





## Biomarkers and Therapeutics

Developed around novel pathways involved in multiple, key disease processes, with the linked development of diagnostic, prognostic and treatment regimes. The current development pipeline involves pre-clinical molecules for use in oncology, metabolic, neurodegenerative and infectious disease.

BioPharmica has established the 100% owned entity, Molecular Discovery Systems Pty Ltd (MDS Systems) to acquire high content information from large scale sample analysis to create a range of direct and indirect commercial opportunities. Research and development is focused on theranostic discovery and validation linking therapeutics and diagnostics.

## Drug Monitoring

Developing new technology that will provide clinicians and researchers with a substantially improved ability to detect and accurately quantify the effects of a wide range of drugs on brain function.

## Diagnostic Arrays

Identification of multiple micro-organisms in biological samples. Simple, rapid and inexpensive characterisation of disease, facilitating correct diagnosis and treatment.

## Nanoprobes

Fibre optic SERS (Surface-Enhanced Raman Spectroscopy) nanotechnology used in biosensors across a range of disciplines.

## Operating Results

The consolidated loss of the economic entity after providing for income tax and accounting for minority interests amounted to \$2,215,717 (2008 \$1,614,219).

## Dividends

The Directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

## Review of Operations

The major activities throughout the period were (a) Identification of new anti-mitotic agents that induce mitotic arrest and apoptosis, thereby presenting the opportunity for co-development of a drug candidate validation programme in the field of anti-mitotic cancer therapeutics (b) the successful conclusion of an AusIndustry Commercial Ready Grant for DAS to develop BacTrak™ - a diagnostic genetic microarray for the identification of microbial pathogens causing a range of lung diseases (c) Collaboration by MDSystems Research Scientist Rachel Ramsdale with The Laing Neuromuscular Diseases Group to screen medications that might increase heart actin in skeletal muscles, which could potentially offer a treatment for many patients born with Floppy Baby Syndrome (d) The Lung Institute of Western Australia contracted MDSystems to assist in the characterisation of protein expression in human lung and mesothelioma cancer cells, and (e) Cortical Dynamics Limited has commenced analysis with the BAR analysis method of a comprehensive dataset from a European clinical research centre. This is anticipated to lead to further collaboration with a number of European centres of anaesthetic monitoring excellence.

## Directors' Report

### Financial Position

The net assets of the economic entity decreased by \$2,052,147 to \$716,488 at 30 June 2009. This decrease has largely resulted from the following factors:

- Cash balances decreasing by \$473,398
- Trade and other receivables decreasing by \$667,407
- The consolidated entity posting a net loss of \$2,215,717 after accounting for minority interests

### Significant Changes in State Of Affairs

A team of expert cancer cell biology researchers at BioPharmica Limited have used state-of-the-art technology to screen synthetic molecules and natural extracts for new anti-cancer drugs. Using high-content imaging and computational analyses, these drug screening efforts have now yielded a new class of potential anti-cancer drugs. The new anti-cancer drugs potentially inhibit cell proliferation, resulting in pronounced killing of all human cancer cell lines tested to date.

MDSystems is currently collaborating with The Laing Neuromuscular Diseases Group to screen medications that might increase heart actin in skeletal muscles, which could potentially offer a treatment for many patients born with Floppy Baby Syndrome.

In a world first, Western Australian scientists have recently cured mice of a devastating muscle disease that causes Floppy Baby Syndrome, a congenital myopathy disorder that causes babies to be born without the ability to properly use their muscles. The research has been published online in the Journal of Cell Biology and reveals how the team's efforts have cured mice born with the condition.

### After Balance Date Events

On 7th August 2009 BioPharmica Limited (BPH) signed a new agreement with the University of Western Australia (UWA) to replace the previous Research and Collaborative Technology and Farmin Agreement which was terminated on 24th April 2009. Under the new agreement BPH will own 100% of the intellectual property of the HLS5 project and its derivatives that have been developed during the research and development. BPH will continue to sole fund the development of the projects. In exchange for the ownership of the intellectual property BPH will provide UWA an agreed net royalty upon commercialisation. The Joint Venture has been accounted as 100% interest at 30 June 2009.

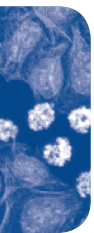
On 12th August 2009 Biopharmica Limited announced that it will be conducting a shareholder share purchase plan (SSPP) to raise capital for the continuing research and development of its projects. The SSPP will allow all eligible shareholders to purchase a maximum value of \$15,000 worth of shares and will be limited to 30% of the current share capital.

### Environmental Issues

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### Future Developments

The entity will continue to commercialise breakthrough biomedical research developed in universities, medical institutes and hospitals.





## Information on Directors

### D L Breeze

*Managing Director and Executive Chairman – Age 55*  
 Shares held – 12,904,854  
 Unlisted Options held – nil

David is a Corporate Finance Specialist with extensive experience in the stock broking industry and capital markets. He has been a corporate consultant to Daiwa Securities; was formerly Manager of Corporate Services for Eyres Reed McIntosh and the State Manager and Associate Director for the stock broking firm BNZ North's.

David has a Bachelor of Economics and a Masters of Business Administration, and is a Member of the Australian Institute of Management, an Associate Member of the Financial Services Institute of Australasia, and a Fellow of the Institute of Company Directors of Australia. He has published in the Journal of Securities Institute of Australia and has also acted as Independent Expert under the Corporations Act. He has worked on the structuring, capital raising and public listing of over 70 companies involving in excess of \$250M. These capital raisings covered a diverse range of areas including oil and gas, gold, food, manufacturing and technology.

David is Chairman of Grandbridge Limited, a publicly listed investment and advisory company and an Executive Director of MEC Resources Ltd.

### S K Yap

*Non-Executive Director – Age 54*  
 Shares held – 1,700,000  
 Unlisted Options held – 2,000,000

Seng is currently acting as a consultant for major companies in Japan and China and has extensive experience in Investment banking activities throughout the Asian region. Seng was formerly the CEO of a listed resort and gaming operator in the Philippines. He was also previously a Director for Victoria Co, the owner and operator of the Burswood Resort. Seng also served as Director for Daiwa Securities in Australia.

Seng has a Bachelor of Engineering (Information Engineering) Degree from Kyoto University as well as a Postgraduate Diploma from the Securities Institute of Australia and the Company Directors Diploma from the Australian Institute of Company Directors.

Seng is a Non-Executive director of ASX listed company MEC Resources Ltd.

### G Gilbert

*Non-Executive Director – Age 61*  
 Shares held – 961,538  
 Unlisted Options held – 2,000,000

Greg is a specialist in strategy and planning and works in the health and aged care sector. He has a Master of Science from Cranfield University in the UK and, in addition, has a Master of Health Administration from La Trobe University, an MBA from Deakin University, a BA from the University of Queensland, and a Dip.App Sc from the Royal Military College Duntroon.

Greg has an extensive background in merchant banking and banking, having held the position Global Head of Strategy and Finance and Project Director Global Credit Review with the National Australia Bank, as well as having worked in executive roles with Capel Court Investment Bank, CIBC Australia Limited and Bentley and Chau.

Greg has also worked with the National Australia Bank as an Internal Consultant on strategic operational reviews with Mckinsey and Company and Booz Allen and Hamilton consultants.

A former Lieutenant Colonel in the Australian Defence Force, he has extensive senior management experience in strategic planning, financial management, change management and project management as well as merchant banking and corporate advisory experience in mergers and acquisitions and valuations.

## Directors' Report

### H Goh

*Non-Executive Director – Age 54*

Shares held – 758,538

Unlisted Options held – 2,000,000

Hock was formerly President of Network and Infrastructure Solutions, a division of Schlumberger Limited, based in London with revenue in excess of US\$1.5 billion. He had global responsibility of Schlumberger's outsourcing services, security, business continuity and networked related business units.

Prior to that, Hock was President of Schlumberger Asia based in Beijing, China where he managed their Asian operations consisting of a broad range of services including oil field services, outsourcing, financial software and smartcards. Hock was responsible for US\$800 million in revenue and more than 2,000 employees spread across 17 countries.

In his 25 year career with Schlumberger, Hock held several other field and management responsibilities in the oil and gas industry spanning more than ten countries in Asia, the Middle East and Europe. Hock started as an oil field service engineer in Indonesia in 1980 before moving to Australia where he worked on the rigs in Roma, Queensland, Bass Strait in Victoria and the Northwest Shelf, offshore Western Australia.

Hock is also an operating partner with Baird Capital Partners, the U.S. based buyout fund of Baird Private Equity, providing change-of-control and growth capital to middle-market companies. Baird Private Equity has raised and managed \$1.7 billion in capital.

Hock is the Chairman of Netgain Systems, a network monitoring software provider. He also serves on the Board of Xaloy Holdings, a US based steel components manufacturer for the plastic industry, as well as an independent director of THISS Technologies Pte Limited, a Singapore based satellite communication provider. He received his B Eng (Hons) in Mechanical Engineering from Monash University, Australia. He also completed an Advanced Management Program at INSEAD/ France in 2004.

Hock is Chairman of ASX listed company MEC Resources Ltd.

### Remuneration Report

This report details the nature and amount of remuneration for each director of BioPharmica Limited, and for the executives receiving the highest remuneration.

D L Breeze – Executive Chairman

H Goh – Non-Executive Director

S K Yap – Non-Executive Director

G Gilbert – Non Executive Director

C R Murphy – Non Executive Director  
(resigned 2nd October 2007)

D Ambrosini – Company Secretary

### Remuneration Policy

The remuneration policy of BioPharmica Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.



The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their

remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

### Employment contracts of directors and senior executives

The employment conditions of the managing director, all of the executive directors and specified executives are formalised in contracts of employment. The directors are permanent employees of BioPharmica Limited. The employment contracts stipulate a six month resignation period. The company may terminate an employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of six months of the individual's fixed salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will not lapse.



## Directors' Report

### Details of Remuneration for the year ended 30 June 2009

The remuneration for each director and each of the executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

#### 2009

Key Management Person	Short-term Benefits			Post employment Benefits	
	Cash, Salary and fees	Cash profit share	Non-cash benefit	Other	Superannuation
D L Breeze	49,000	-	-	-	-
S K Yap	12,500	-	-	-	-
G Gilbert	-	-	-	-	-
H Goh	-	-	-	-	-
D Ambrosini	-	-	-	-	-

#### 2009 (cont'd)

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related
	Other	Equity	Options	\$	%
D L Breeze	-	74,000	-	123,000	-
S K Yap	-	-	-	12,500	-
G Gilbert	-	25,000	-	25,000	-
H Goh	-	25,000	-	25,000	-
D Ambrosini	-	-	-	-	-

#### 2008

Key Management Person	Short-term Benefits			Post-employment Benefits	
	Cash, Salary and fees	Cash profit share	Non-cash benefit	Other	Superannuation
D L Breeze	123,000	-	-	-	-
S K Yap	25,000	-	-	-	-
C R Murphy	31,450	-	-	-	581
G Gilbert	18,748	-	-	-	-
H Goh	16,666	-	-	-	-
D Ambrosini	-	-	-	-	-



## 2008 (cont'd)

Key Management Person	Long-term Benefits		Share-based payment		Total	Performance Related
	Other	Equity	Options	\$	%	
D L Breeze	-	-	-	123,000	-	
S K Yap	-	100,000	72,200	197,200	36.61	
C R Murphy	-	-	-	32,031	-	
G Gilbert	-	-	72,200	90,948	79.38	
H Goh	-	-	72,200	88,866	81.25	
D Ambrosini	-	-	1,181	1,181	100.0	

## Options and Rights Holdings

## 2009 Number of Options Held by Key Management Personnel

	Balance 1.7.2008	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009	Total Vested 30.6.2009	Total Exercisable 30.6.2009	Total Unexercisable 30.6.2009
D L Breeze	2,000,000	-	-	(2,000,000)	-	-	-	-
S K Yap	4,000,000	-	-	(2,000,000)	2,000,000	2,000,000	2,000,000	-
G Gilbert	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
H Goh	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
D Ambrosini	1,000,000	-	-	-	1,000,000	333,333	333,333	666,667

## 2008 Number of Options Held by Key Management Personnel

	Balance 1.7.2007	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008	Total Vested 30.6.2008	Total Exercisable 30.6.2008	Total Unexercisable 30.6.2008
D L Breeze	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
S K Yap	2,000,000	2,000,000	-	-	4,000,000	4,000,000	4,000,000	-
C R Murphy	4,000,000	-	-	(2,000,000)	2,000,000	2,000,000	2,000,000	-
G Gilbert	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
H Goh	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
D Ambrosini	-	1,000,000	-	-	1,000,000	-	-	1,000,000

The Net Change Other reflected above includes those options that have been forfeited by holders, options that have expired as well as options issued during the year under review.

## Directors' Report

### Shareholdings

#### 2009 Number of Shares Held by Key Management Personnel

	Balance 1.7.2008	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009
D L Breeze	10,119,102	2,846,152	-	-	12,965,254
S K Yap	1,700,000	-	-	-	1,700,000
G Gilbert	-	961,538	-	-	961,538
H Goh	-	961,538	-	-	961,538
D Ambrosini	-	-	-	-	-

#### 2008 Number of Shares Held by Key Management Personnel

	Balance 1.7.2007	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008
D L Breeze	10,056,402	-	-	-	10,056,402
S K Yap	700,000	1,000,000	-	-	1,700,000
C R Murphy	700,000	-	-	(700,000)	-
G Gilbert	-	-	-	-	-
H Goh	-	-	-	-	-
D Ambrosini	-	-	-	-	-

Net Change Other refers to shares purchased or sold during the financial year.

On 18 March 2009 the Directors were issued with shares as consideration for their 2009 Directors fees. The shares were issued at a value of 2.6 cents per share. The payment of Directors fees in shares was made after the Directors of BioPharmica voluntarily suspended cash payments to reduce current expenditure levels to ensure the company can develop its projects to a commercial status.

### Company performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue and the operating result for the last 3 years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows a decrease in the revenue from the previous year with an increase in the loss in the current year. Actions to offset the increased loss have been taken and a series of measures have been put in place to reduce the expenditure levels of the entity. The board is of the opinion that the decline in the share price is wholly attributable to the recent share market fluctuations.

	2007	2008	2009
Revenue	578,436	1,103,422	176,477
Net Loss	(1,266,019)	(1,614,219)	(2,215,717)
Share price at Year end	\$0.22	\$0.046	\$0.02



## Meetings of Directors

During the financial year, four meetings of directors (including committees of directors) were held.

Directors' Meetings		
	Number eligible to attend	Number attended
D L Breeze	4	4
S K Yap	4	4
G Gilbert	4	4
H Goh	4	4

## Indemnifying Officers or Auditors

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$13,540.

- D Breeze
- S K Yap
- G Gilbert
- H Goh

## Options

At the date of this report, the unissued ordinary shares of BioPharmica Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
17 October 2006	17 October 2011	*	500,000
29 April 2008	29 April 2013	*	500,000
20 December 2007	31 October 2010	\$0.15	6,000,000
1 June 2008	30 June 2013	\$0.15	4,150,000
16 December 2008	16 December 2013	\$0.15	1,000,000

\* The exercise price will be the average amount determined by the market price for the 5 days prior to exercise

On 16 December 2008 1,000,000 options were issued under the BioPharmica Limited Employee Incentive Option Plan. The options are exercisable at 15 cents with an expiry date of 16 December 2013. The options had a fair value of \$11,900. The fair value of the options was determined using the Black Scholes option pricing model.

## Directors' Report

During the year ended 30 June 2009, no ordinary shares of BioPharmica Limited were issued on the exercise of options granted under the BioPharmica Limited Employee Option Plan. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

### Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 21.

Signed in accordance with a resolution of the Board of Directors.



**David Breeze**

Dated this 19th August 2009



## Auditor's Independence Declaration



Chartered Accountants  
& Business Advisers

As lead auditor for the audit of BioPharmica Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of BioPharmica Limited and the entities it controlled during the year.

**PKF**

*Chartered Accountants*

**Chris Nicoloff**

*Partner*

Dated at Perth, Western Australia this 19th day of August 2009.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | [www.pkf.com.au](http://www.pkf.com.au)  
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PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

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# Corporate Governance Statement

The Board of Directors of BioPharmica Limited ("BPH" or "the Company") is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

## Corporate Governance Disclosures

BioPharmica Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

## Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise a majority or at least 50% of the Board will be independent non-executive directors;
- the Board should have at least one director with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

## Remuneration and Nomination Committees

The Company does not have a formal Remuneration or Nomination Committee. The full Board attends to the matters normally attended to by a Remuneration Committee and a Nomination committee. Remuneration levels are set by the Company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

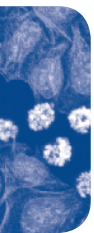
## Audit Committee

The Company does not have a formal Audit Committee. The full Board carried out the functions of an Audit Committee. Due to the status of the Company and the relatively straight forward accounts of the Company anticipated in the financial year, the Directors believe that at the moment there would be no additional benefits obtained by establishing such a committee. The Board follows the Audit Committee Charter, a copy of which is available on request.

## Board Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Chief Executive Officer. The Board ensures that the Chief Executive Officer is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company's officers, employees, contractors and consultants.





The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- Implementation of operating plans and budgets by management and Board monitoring progress against budget;
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

### Monitoring of the Board's Performance

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is to be reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

### Best Practice Recommendation

Outlined below are the 8 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council. The Company has complied with the Corporate Governance Best Practice Recommendations except as identified below.

## Action taken and reasons if not adopted

### Principle 1: Lay solid foundations for management and oversight

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the board include:

- providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, and financial plans including major capital expenditure initiatives;
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives and
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organization;
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders;

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and senior executives.

# Corporate Governance Statement

## Action taken and reasons if not adopted

### Principle 2: Structure the board to add value

The board operates in accordance with the broad principles set out in its charter. The charter details the board's composition and responsibilities.

The board seeks to ensure that :

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

### Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the board should consider whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is or has been employed in an executive capacity by the company or any other Group member within three years before commencing to serve on the board;
- within the last three years has been a principal of a material professional adviser or a material consultant to the company or any other Group member, or an employee materially associated with the service provided;
- has a material contractual relationship with the company or a controlled entity other than as a director of the Group;
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases. A transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

The board assesses independence each year. To enable this process, the directors must provide all information that may be relevant to the assessment.

### Board members

Details of the members of the board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading "Information on directors". At the date of signing the directors' report, there are three non-executive directors and one executive director, two of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

- Mr Breeze and Mr Yap both have business dealings with the Group as disclosed in note 25 to the financial report. However, these are not of a value or significance that adversely affect the directors' independence.



## Action taken and reasons if not adopted

### Term of office

The company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to the following limitations:

- on attaining the age of 72 years a director will retire, by agreement, at the next AGM and will not seek re-election.

### Chair and Chief Executive Officer (CEO)

The Chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chair.

### The CEO is responsible for implementing Group strategies and policies.

The Chairman does not satisfy the Independence test as the role of the Chairman and the CEO is exercised by the same person. The board is of the opinion that the Chairman's role as Chairman of the Board is appropriate given his experience and knowledge of the business.

### Committees

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2009, and the number of meetings attended by each director is disclosed on page 19.

It is the company's practice to allow its executive directors to accept appointments outside the company. No appointments of this nature were accepted during the year ended 30 June 2009.

The Company is not of a size at the moment that justifies having a separate Nomination Committee. However, matters typically dealt with by such a committee are dealt with by the Board of Directors.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

## Principle 3: Promote ethical and responsible decision making

The company has developed a statement of values which has been fully endorsed by the board and applies to all directors and employees. The Statement is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the company's stakeholders.

The Statement requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The purchase and sale of company securities by directors and employees is monitored by the Board.

# Corporate Governance Statement

## Action taken and reasons if not adopted

### Principle 4: Safeguard integrity in financial reporting

Adopted except as follows:-

The Company does not have a separate Audit Committee. The full Board carries out the functions of an Audit Committee. The Board has the authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Due to the status of the Company and the relatively straight forward accounts of the Company, the Directors at the moment can see no additional benefits to be obtained by establishing such a committee.

The Board follows the Audit Committee Charter, a copy of which is available on request.

### External auditors

The Board's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PKF was appointed as the external auditor in 2008. It is PKF's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 5 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

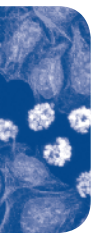
The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report. The Company is not of a size at the moment that justifies having an internal audit division.

### Principle 5 & 6: Make timely and balanced disclosures and respect the rights of shareholders

#### Continuous disclosure and shareholder communication

The company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.





## Action taken and reasons if not adopted

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders receive a copy of the company's annual (full or concise) and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, and financial reports available on the company's website.

### Principle 7: Recognise and manage risk

The board and senior executives are responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The board actively promotes a culture of quality and integrity.

The responsibility for the operation and administration of the economic entity is delegated by the board to the Chief Executive Officer. The board ensures that the Chief Executive Officer is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company's officers, employees, contractors and consultants. The board receives monthly updates as to the effectiveness of the company's management of material risks that may impede meeting business objectives.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- Implementation of operating plans and budgets by management and board monitoring progress against budget;
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

# Corporate Governance Statement

## Action taken and reasons if not adopted

### Principle 7: Recognise and manage risk (cont'd)

Control procedures cover management accounting, financial reporting, project appraisal, IT security, compliance and other risk management issues. The Chief Executive Officer is required to ensure that appropriate controls are in place to effectively manage the identified risks. This is monitored by the board on a monthly basis.

### The environment

Information on compliance with significant environmental regulations is set out in the directors' report.

### Corporate reporting

The Managing Director and CFO have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards;
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

### Principle 8: Remunerate fairly and responsibly

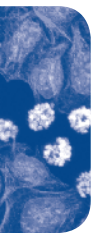
The Company is not of a size at the moment that justifies having a separate Remuneration Committee. However, matters typically dealt with by such a committee are dealt with by the board.

The board makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report". In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

The board with the Chief Executive Office also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.





# Income Statement

## for the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	2	46,792	119,206	137,628	168,767
Other income	2	129,685	984,216	(60,683)	654,538
Share of associates profit/(loss)		-	(34,428)	-	(34,428)
Administration expenses		(228,351)	(273,709)	(109,020)	(198,857)
Advertising and Promotion expenses		(2,505)	(13,882)	(2,505)	(13,882)
Consulting and Legal expenses		(197,644)	(294,032)	(173,597)	(239,621)
Research and Development expenses		(838,898)	(1,010,344)	(122,754)	(441)
Depreciation and Amortisation expenses	3	(46,339)	(44,618)	(39,906)	(37,754)
Employee expenses		(239,736)	(749,304)	(239,736)	(716,379)
Insurance expenses		(21,290)	(24,214)	(19,007)	(23,602)
Impairment expenses	11	(641,815)	-	(151,697)	-
Mailing and Distribution expenses		-	(42,079)	-	(42,079)
Service Fees		(131,040)	(131,040)	(131,040)	(131,040)
Travelling expenses		(5,467)	(21,596)	(5,301)	(15,205)
Other expenses from ordinary activities		(64,003)	(96,424)	(18,895)	(14,415)
<i>Operating Loss Before Income Tax</i>		(2,240,611)	(1,632,248)	(936,513)	(644,398)
Income tax expense		-	-	-	-
<b>Operating Loss from continuing operations</b>		(2,240,611)	(1,632,248)	(936,513)	(644,398)
<i>Operating Loss for the year</i>		(2,240,611)	(1,632,248)	(936,513)	(644,398)
<i>Operating Loss attributable to minority equity interest</i>		24,894	18,029	-	-
<b>Operating Loss attributable to members of the parent entity</b>		(2,215,717)	(1,614,219)	(936,513)	(644,398)
<i>Earnings Per Share –</i>					
<i>Basic and diluted earnings per share (cents per share)</i>	6	(3.04)	(2.33)		

The accompanying notes form part of these financial statements.

## Balance Sheet

as at 30 June 2009

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Current Assets</b>					
Cash and cash equivalents	7	372,268	845,666	334,955	705,290
Trade and other receivables	8	171,914	839,321	115,052	659,909
Financial Assets	10	88,149	349,969	2,196,413	2,124,914
Other current assets	9	18,843	9,957	17,009	8,342
<b>Total Current Assets</b>		<b>651,174</b>	<b>2,044,913</b>	<b>2,663,429</b>	<b>3,498,455</b>
<b>Non-Current Assets</b>					
Financial assets	10	48,949	242,846	901,228	901,228
Intangible assets	11	809,954	1,086,769	737,500	524,197
Property, plant & equipment	12	5,549	173,515	3,536	8,297
<b>Total Non-Current Assets</b>		<b>864,452</b>	<b>1,503,130</b>	<b>1,642,264</b>	<b>1,433,722</b>
<b>Total Assets</b>		<b>1,515,626</b>	<b>3,548,043</b>	<b>4,305,693</b>	<b>4,932,177</b>
<b>Current Liabilities</b>					
Trade and other payables	14	405,683	318,917	91,980	90,074
Financial liabilities	15	384,415	452,984	284,360	164,175
Short-term provisions	16	9,040	7,507	4,609	5,135
<b>Total Current Liabilities</b>		<b>799,138</b>	<b>779,408</b>	<b>380,949</b>	<b>259,384</b>
<b>Total Liabilities</b>		<b>799,138</b>	<b>779,408</b>	<b>380,949</b>	<b>259,384</b>
<b>Net Assets</b>		<b>716,488</b>	<b>2,768,635</b>	<b>3,924,744</b>	<b>4,672,793</b>
<b>Equity</b>					
Issued capital	17	7,308,660	7,184,660	7,311,109	7,187,109
Option Reserve	18	294,645	230,181	294,645	230,181
Accumulated losses		(6,905,542)	(4,689,825)	(3,681,010)	(2,744,497)
Minority equity interest		18,725	43,619	-	-
<b>Total Equity</b>		<b>716,488</b>	<b>2,768,635</b>	<b>3,924,744</b>	<b>4,672,793</b>

The accompanying notes form part of the financial statements.



## Statement of Changes in Equity

for the year ended 30 June 2009

Consolidated					
	Ordinary Share Capital	Accumu- lated losses	Options	Minority Interest	Total
Note	\$	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	6,588,464	(3,075,606)	111,191	61,648	3,685,697
Shares issued during the financial year	17 1,274,861	-	-	-	1,274,861
Issue of employee options	-	-	221,841	-	221,841
Expired options	18 102,851	-	(102,851)	-	-
Inspecie Distribution	(781,516)	-	-	-	(781,516)
Loss attributable to members of consolidated entity	-	(1,614,219)	-	-	(1,614,219)
Minority equity interest	-	-	-	(18,029)	(18,029)
<b>Balance at 30 June 2008</b>	<b>7,184,660</b>	<b>(4,689,825)</b>	<b>230,181</b>	<b>43,619</b>	<b>2,768,635</b>
<b>Balance at 1 July 2008</b>	7,184,660	(4,689,825)	230,181	43,619	2,768,635
Shares issued during the financial year	17 124,000	-	-	-	124,000
Issue of employee options	18 -	-	64,464	-	64,464
Loss attributable to members of consolidated entity	-	(2,215,717)	-	-	(2,215,717)
Minority equity interest	-	-	-	(24,894)	(24,894)
<b>Balance at 30 June 2009</b>	<b>7,308,660</b>	<b>(6,905,542)</b>	<b>294,645</b>	<b>18,725</b>	<b>716,488</b>



## Statement of Changes in Equity

for the year ended 30 June 2009

		Parent			
		Ordinary	Accumulated	Options	Total
		Share Capital	losses	\$	\$
Note		\$	\$	\$	\$
	<b>Balance at 1 July 2007</b>	6,588,464	(2,100,099)	111,191	4,599,556
	Shares issued during the financial year	1,277,310	-	-	1,277,310
17					
	Issue of employee options	-	-	221,841	221,841
18					
	Expired options	102,851	-	(102,851)	-
18					
	Inspecie Distribution	(781,516)	-	-	(781,516)
	Loss attributable to members of parent entity	-	(644,398)	-	(644,398)
	<b>Balance at 30 June 2008</b>	<b>7,187,109</b>	<b>(2,744,497)</b>	<b>230,181</b>	<b>4,672,793</b>
	<b>Balance at 1 July 2008</b>	7,187,109	(2,744,497)	230,181	4,672,793
	Shares issued during the financial year	124,000	-	-	124,000
17					
	Issue of employee options	-	-	64,464	64,464
18					
	Loss attributable to members of parent entity	-	(936,513)	-	(936,513)
	<b>Balance at 30 June 2009</b>	<b>7,311,109</b>	<b>(3,681,010)</b>	<b>294,645</b>	<b>3,924,744</b>

*The accompanying notes form part of these financial statements*



# Cash Flow Statement

## for the year ended 30 June 2009

Note	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash Flows From Operating Activities</b>				
	33,474	24,333	41,250	371,624
	750,380	514,295	461,266	-
	(900,742)	(2,143,503)	(563,183)	(1,060,406)
	42,142	83,094	25,046	81,910
	<b>Net cash used in operating activities</b>			
20	(74,746)	(1,521,781)	(35,621)	(606,872)
<b>Cash Flows From Investing Activities</b>				
	(249,212)	(81,066)	(334,570)	(1,083,855)
	-	(641,001)	-	(589,001)
	(144)	(4,493)	(144)	(4,493)
	<b>Net cash used in investing activities</b>			
	(249,356)	(726,560)	(334,714)	(1,677,349)
<b>Cash Flows From Financing Activities</b>				
	-	1,172,411	-	1,174,861
	(149,296)	(155,129)	-	-
	<b>Net cash provided by financing activities</b>			
	(149,296)	1,017,282	-	1,174,861
	<i>Net increase (decrease) in Cash Held</i>			
	(473,398)	(1,231,059)	(370,335)	(1,109,360)
	<i>Cash At the Beginning Of The Financial Year</i>			
	845,666	2,076,725	705,290	1,814,650
	<b>Cash At The End Of The Financial Year</b>			
7	372,268	845,666	334,955	705,290

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## for the year ended 30 June 2009

### 1. Statement of Significant Accounting Policies

#### Corporate Information

The financial report includes the consolidated financial statements and the notes of BioPharmica Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of BioPharmica Limited as an individual parent entity ('Parent Entity').

BioPharmica Limited is a company incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

The financial report was authorised for issue on 19th August 2009 by the board of directors.

#### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

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 to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

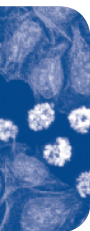
#### Going Concern

The consolidated entity and the parent entity has incurred losses for the year ended 30 June 2009 of \$2,215,717 (30 June 2008: losses of \$1,614,219) and \$936,513 (2008: \$644,398) respectively.

The consolidated entity has a working capital deficiency of \$147,964 as at 30 June 2009 (30 June 2008: surplus of \$1,265,505), the parent entity has a working capital surplus of \$2,282,480 as at 30 June 2009 (30 June 2008: surplus of \$3,239,071). Included in the working capital is a current loan payable to Grandbridge Limited of \$305,010 (2008: \$224,284), the directors have received a letter confirming that they are not actively seeking repayment for the loan payable.

The directors have reviewed their expenditure and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their director's fees. The director's fees of the company are expected to be paid via shares (subject to shareholder approval).

The company is vigorously pursuing partnering opportunities so their key technology can be further developed in order for the commercialisation phase to commence. The company is also focusing on further developing its anti-mitotic drugs program toward pre-clinical trials.





On the 12th August 2009, the directors announced its plans to conduct a shareholder share purchase plan for continuing its research and development, commercialisation and additional working capital.

The directors have prepared cash flow forecasts that indicate that the consolidated entity and the parent entity will have sufficient cashflows for a period of at least 12 months from the date of this report.

Based on the cash flow forecasts and the monitoring of operational costs, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

## Accounting Policies

### (a) Principles of Consolidation

A controlled entity is any entity BioPharmica Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 19 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased). As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

# Notes to the Financial Statements

## for the year ended 30 June 2009

### 1. Statement of Significant Accounting Policies (cont'd)

#### (b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

BioPharmica Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. BioPharmica Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office on 30 June 2006 that it had formed an income tax consolidated group to apply from 30 June 2006. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

#### (c) Property, Plant & Equipment

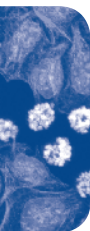
Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.





Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Computers	33 %
Office furniture	15 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### (d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

# Notes to the Financial Statements

## for the year ended 30 June 2009

### 1. Statement of Significant Accounting Policies (cont'd)

#### (e) Financial Instruments

##### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

##### Classification and Subsequent Measurement

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

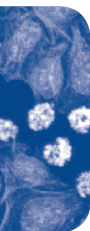
Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

###### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

###### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.





*(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

*(v) Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

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

**(f) Impairment of Assets**

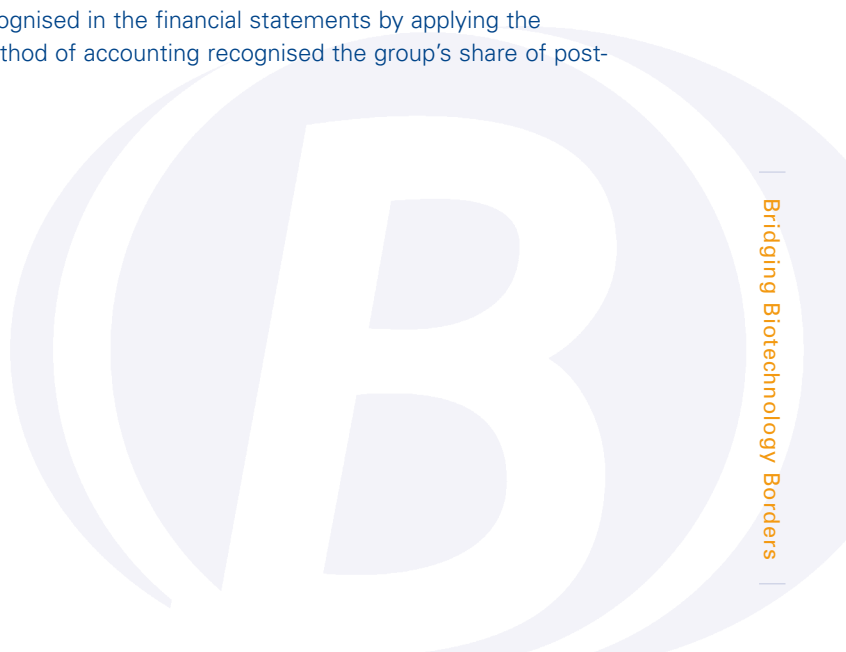
At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(g) Investments in Associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.



# Notes to the Financial Statements

## for the year ended 30 June 2009

### 1. Statement of Significant Accounting Policies (cont'd)

#### (h) Intangibles

##### Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

##### Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 20 years.

#### (i) Employee Benefits

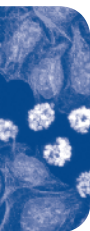
Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

##### Equity-settled compensation

The group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted. The fair value of options is measured using the Black Scholes calculation method.

#### (j) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.





**(k) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**(l) Revenue and Other Income**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**(m) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

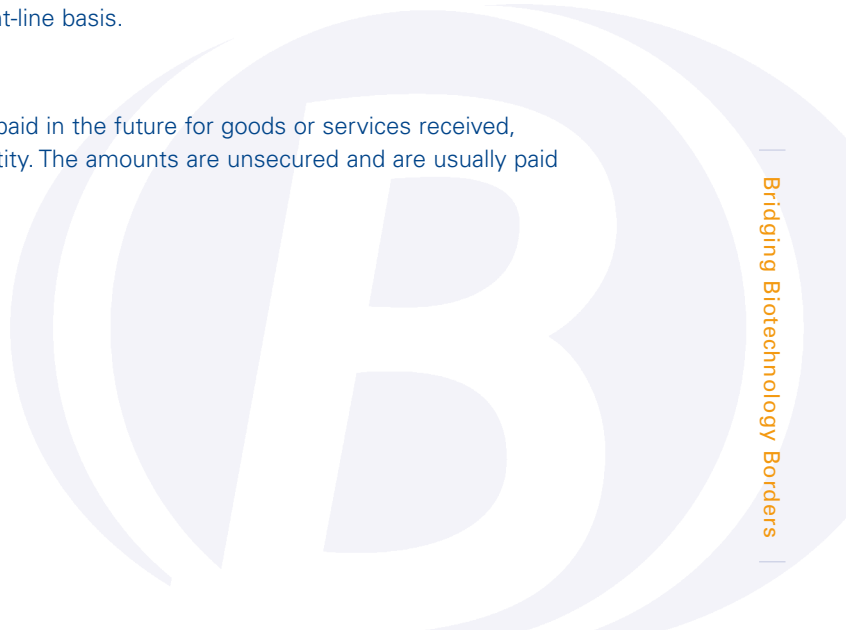
Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(n) Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

**(o) Trade and other payables**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days.



# Notes to the Financial Statements

## for the year ended 30 June 2009

### 1. Statement of Significant Accounting Policies (cont'd)

#### (p) Share based payments

The fair value of options granted under the Company's Employee Option Plan is recognized as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

#### (q) Earnings per share

Basic earnings per share (EPS) is calculated as net profit/loss attributable to members, 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.

#### (r) Joint ventures

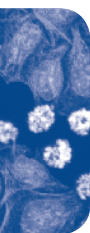
##### Interest in joint venture operation

The Group has an interest in a joint venture that is a jointly controlled operation.

The Group's interest in its joint venture operation is accounted for by recognising its interest in the assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

#### (s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.





**(t) Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

*Key estimates — Impairment*

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The goodwill has been impairment tested for the financial year. The directors believe that the goodwill associated with the SERS technology is fully impaired as there are currently no contracts in place to support this amount. The full amount of the goodwill has been recognised in the income statement.

*Key judgements — Provision for Impairment of Receivables*

Included in the accounts of Consolidated entity are amounts receivable from related entities of \$305,010. The directors believe that the full amount of the debt will be recoverable from each entity and that no provision for impairment of receivables has been made at 30 June 2009.

*Key Judgments — Impairment of Intangible Assets*

No impairment has been recognised in respect of intangible assets for the year ended 30 June 2009. The directors believe that the carrying value of all intangibles is appropriate after reviewing the status of each entity's developments. The directors are confident that the products will provide the necessary returns to the Company.

## 2. Revenue

**Revenue**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interest revenue :				
other entities	42,142	94,873	25,046	81,910
Cost recoveries	4,650	24,333	112,582	86,857
<b>Total revenue</b>	<b>46,792</b>	<b>119,206</b>	<b>137,628</b>	<b>168,767</b>
<b>Other income</b>				
Research & development rebate	129,685	984,216	(60,683)	654,538

## Notes to the Financial Statements

### for the year ended 30 June 2009

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>3. Profit for the year</b>				
<b>a) Expenses</b>				
Finance costs:				
- related entities	16,827	31,823	-	-
Depreciation and amortisation				
- Depreciation	11,339	14,618	4,906	7,754
- Amortisation	35,000	30,000	35,000	30,000
Employee expense				
- Salary	175,349	346,425	175,988	313,500
- Superannuation	18,843	31,974	13,843	28,256
- Director fees	106,247	377,016	106,247	377,016
- Share based payments	64,464	5,242	64,464	5,242
- Other payroll costs	2,172	(11,513)	113	(7,635)
Total employee costs	367,075	749,144	360,655	716,379

#### 4. Key Management Personnel Compensation

- (a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

##### **Key Management Personnel**

D L Breeze – Executive Chairman  
H Goh – Non-Executive Director  
S K Yap – Non-Executive Director  
G Gilbert – Non Executive Director  
D Ambrosini – Company Secretary

Key management personnel remuneration, shareholdings and option holdings has been included in the Remuneration report section of the Directors Report.



	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>5. Auditors' Remuneration</b>				
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	21,000	25,500	21,000	25,500
- other services	-	-	-	-
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	-	-	-	-
	<u>21,000</u>	<u>25,500</u>	<u>21,000</u>	<u>25,500</u>

## 6. Earnings per share

	Consolidated	
	2009	2008
	\$	\$
For basic and diluted Earnings Per Share		
Net Loss attributable to members of the parent	(2,215,717)	(1,614,219)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS	<b>No.</b> 72,954,727	<b>No.</b> 69,144,857

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options will result in a decreased net loss per share.

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>7. Cash and cash equivalents</b>				
Cash at Bank and in hand	168,804	364,130	131,491	223,754
Short-term bank deposits	203,464	481,536	203,464	481,536
	<u>372,268</u>	<u>845,666</u>	<u>334,955</u>	<u>705,290</u>
<b>Reconciliation of cash</b>				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	<u>372,268</u>	<u>845,666</u>	<u>334,955</u>	<u>705,290</u>

## Notes to the Financial Statements

### for the year ended 30 June 2009

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>8. Trade and other receivables</b>				
<b>Current</b>				
Trade receivables	740	24,510	-	-
Research and development rebate receivable	145,000	779,371	110,000	638,405
Other receivables	26,174	35,440	5,052	21,504
	<u>171,914</u>	<u>839,321</u>	<u>115,052</u>	<u>659,909</u>
<b>9. Other Assets</b>				
<b>Current</b>				
Prepaid insurance	6,334	9,957	4,500	8,342
Prepaid – other	12,509	-	12,509	-
	<u>18,843</u>	<u>9,957</u>	<u>17,009</u>	<u>8,342</u>
<b>10. Financial Assets</b>				
<b>Current</b>				
Held-to-maturity financial assets (b)	32,132	-	-	-
Unsecured Loans to other entities:				
Cortical Dynamics Limited	-	-	-	-
Diagnostic Array Systems Pty Ltd	-	-	150,803	117,065
Grandbridge Limited	55,645	54,023	55,645	54,024
Molecular Discovery Systems Pty Ltd	-	-	1,423,019	1,378,960
University of Western Australia JV	-	295,946	566,574	574,865
Other	372	-	372	-
	<u>88,149</u>	<u>349,969</u>	<u>2,196,413</u>	<u>2,124,914</u>
<b>Non Current</b>				
(a) Available for sale financial assets	48,949	48,949	901,228	901,228
(b) Held-to-maturity financial assets	-	193,897	-	-
	<u>48,949</u>	<u>242,846</u>	<u>901,228</u>	<u>901,228</u>



	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Available for sale Financial Assets				
Comprise:				
Comprise:				
Unlisted investments, at cost				
- shares in controlled entities	-	-	852,279	852,279
- shares in other corporations	48,949	48,949	48,949	48,949
Total available-for-sale financial assets	48,949	48,949	901,228	901,228

Available-for-sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

(b) Held-to-maturity Investments				
Comprise:				
- Security Deposit	32,132	193,897	-	-

The security deposit is held as a special condition for the Leased Rental Equipment, GE In Cell Analyser, Rental Agreement with NAB dated 28 June 2006.

## 11. Intangible assets

Patent costs capitalised				
Cost	72,454	72,454	-	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying value	72,454	72,454	-	-
Goodwill				
Cost	707,053	707,053	-	-
Accumulated impaired losses	(707,053)	(216,935)	-	-
Net carrying value	-	490,118	-	-
Acquired intellectual property				
At cost (a)	1,151,697	751,697	1,151,697	751,697
Accumulated impaired losses	(151,697)	-	(151,697)	-

# Notes to the Financial Statements

## for the year ended 30 June 2009

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>11. Intangible assets (cont'd)</b>				
Accumulated amortisation	(262,500)	(227,500)	(262,500)	(227,500)
Net carrying value	737,500	524,197	737,500	524,197
Total intangibles	809,954	1,086,769	737,500	524,197
<b>(a) Cost</b>				
(i) Tumour Suppressor Gene - HLS5	737,500	372,500	737,500	372,500
(ii) BAR Index	-	151,697	-	151,697

### (b) Movements in Carrying Amounts

	Intellectual	Capitalised	Total
	Property Costs	Patent Costs	
	\$	\$	\$
<b>Year ended 30 June 2009</b>			
Balance at the beginning of year	1,014,315	72,454	1,086,769
Additions	400,000	-	400,000
Disposals	-	-	-
Amortisation charge	(35,000)	-	(35,000)
Impairment losses	(641,815)	-	(641,815)
Closing carrying value at 30 June 2009	737,500	72,454	809,954

Patent costs include all costs associated with the filing and maintenance of the patents for the company's technologies.

Acquired intellectual property includes intellectual property acquired under the Research and Collaborative Technology and Farmin agreement. On 24 April 2009 BioPharmica Limited acquired further interest of 28.57% in the HLS5 project.

### (c) Impairment

#### Intellectual Property

The acquired intellectual property of HLS5 has been reviewed and the directors are of the opinion that there have been no impairment triggers activated during the financial year. There has been no impairment charged to the profit and loss for the period.

The investment in the SERS technology has been reviewed and the directors are of the opinion that the investment amount is fully impaired. This amount has been fully written off to the income statement.

#### Goodwill

The goodwill has been impairment tested for the financial year. The directors believe that the goodwill associated with the SERS technology is fully impaired as there are currently no contracts in place to support this amount. The full amount of the goodwill has been written off to the income statement.



## 12. Property, Plant and Equipment

Plant and Equipment:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
At cost	515,732	526,582	24,515	24,370
Accumulated depreciation	(510,183)	(353,067)	(20,979)	(16,073)
Total Property, Plant and Equipment	5,549	173,515	3,536	8,297

### (a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	2009	Total	2008	Total
	\$	\$	\$	\$
Economic Entity:				
Balance at the beginning of the year	173,515	173,515	368,130	368,130
Additions	144	144	4,493	4,493
Disposals	-	-	-	-
Adjustment to leased asset	-	-	-	-
Depreciation expense	(168,110)	(168,110)	(199,108)	(199,108)
Carrying amount at the end of the year	5,549	5,549	173,515	173,515
Parent Entity:				
Balance at the beginning of the year	8,297	8,297	11,558	11,558
Additions	144	144	4,493	4,493
Disposals	-	-	-	-
Depreciation expense	(4,905)	(4,905)	(7,754)	(7,754)
Carrying amount at the end of the year	3,536	3,536	8,297	8,297

## Notes to the Financial Statements

### for the year ended 30 June 2009

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>13. Income Tax Expense</b>				
(a) The components of tax expense comprise:				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)				
Economic entity	(649,820)	489,674	-	-
Parent entity	-	-	280,954	184,319
Add tax effect of:				
Non deductible expenses	112,077	4,670	69,032	2,591
Prior year tax loss used in Research and development clawback	200,357	206,724	200,357	206,724
Tax benefit of revenue losses not recognised	(1,577,917)	(546,025)	(1,034,975)	(135,229)
Temporary differences	1,915,302	-	1,046,540	-
Less tax effect of:				
Research and development clawback income related to prior periods	-	(258,405)	-	(258,405)
Income tax attributable to parent entity	-	-	-	-
	30%	30%	30%	30%
Weighted average rate of tax	-	-	-	-
(c) Deferred Tax Assets				
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1b occur.				
Temporary difference	5,112	1,046	2,400	(962)
Tax losses:				
- operating losses	1,577,917	1,258,196	1,034,975	671,157
- capital losses	26,342	26,342	26,342	26,342



	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>14. Trade and other payables</b>					
Trade payables		194,410	245,390	35,734	973
Sundry payables and accrued expenses		211,273	73,527	56,246	89,101
		<u>405,683</u>	<u>318,917</u>	<u>91,980</u>	<u>90,074</u>

#### 15. Financial Liabilities

Current

Secured Liabilities

Lease Liability	22	79,405	228,700	-	-
Current borrowings – unsecured		<u>305,010</u>	<u>224,284</u>	<u>284,360</u>	<u>164,175</u>
		<u>384,415</u>	<u>452,984</u>	<u>284,360</u>	<u>164,175</u>

Secured Liabilities: Consists of a GE IN CELL 1000 Analyser.

Security consists of National Australia Bank (the lender) holding charge over the asset.

Current borrowings are unsecured, non interest bearing and repayable on demand.

#### 16. Provisions

Employee entitlements:

Opening balance at 1 July		7,507	19,020	5,135	12,770
Reduction/addition to provision		<u>1,533</u>	<u>(11,513)</u>	<u>(526)</u>	<u>(7,635)</u>
Balance at 30 June		<u>9,040</u>	<u>7,507</u>	<u>4,609</u>	<u>5,135</u>

##### Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report



# Notes to the Financial Statements

## for the year ended 30 June 2009

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>17. Issued Capital</b>				
74,980,016 (2008: 70,210,788) fully paid ordinary shares	7,308,660	7,184,660	7,311,109	7,187,109

The Company has no authorised capital and the issued shares do not have a par value.

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
	No.	No.	No.	No.
<b>(a) Ordinary Shares</b>				
At the beginning of reporting period	70,210,788	61,311,560	70,210,788	61,311,560
Shares Issued during the year	4,769,228	8,899,228	4,769,228	8,899,228
At reporting date	74,980,016	70,210,788	74,980,016	70,210,788

### Capital Raising

There were no options exercised during the year (2008: 3,318,228).

### Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### (b) Options

There were 12,150,000 employee options on issue at the end of the year:

Total number	Exercise price	Expiry date
500,000	*	17 October 2011
500,000	*	29 April 2013
6,000,000	\$0.15	31 October 2010
4,150,000	\$0.15	30 June 2013
1,000,000	\$0.15	16 December 2013
<u>12,150,000</u>		

\* The exercise price will be the average amount determined by the market price for the 5 days prior to exercise.

The market price of the company's ordinary shares at 30 June 2009 was 2 cents.

The holders of options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

The difference between the total market value of options issued during the period, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that period.



**(c) Capital risk management**

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

The focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2009 and 30 June 2008 are as follows:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash and cash equivalents	372,268	845,666	334,955	705,290
Trade and other receivables	171,914	839,321	115,052	659,909
Trade and other payables	(405,683)	(318,917)	(91,980)	(90,074)
Working capital position	138,499	1,366,070	358,027	1,275,125

**18. Reserves**

Options Reserve	294,645	230,181	294,645	230,181
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**(a) Option Reserve**

The option reserve records items recognized as expenses on the valuation of Director and Employee share options.

Reconciliation of movement	2009 \$	2008 \$	2009 \$	2008 \$
Opening balance	230,181	111,191	230,181	111,191
Options charges during the year	64,464	221,841	64,464	221,841
Expired options	-	(102,851)	-	(102,851)
Closing balance	294,645	230,181	294,645	230,181

# Notes to the Financial Statements

## for the year ended 30 June 2009

### 19. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2009	2008
<b>Parent Entity</b>				
BioPharmica Ltd	Investment	Australia		
<b>Subsidiaries of BioPharmica Ltd</b>				
Molecular Discovery Systems Pty Ltd	BioMedical Research	Australia	100.00	100.00
Diagnostic Array Systems Pty Ltd	BioMedical Research	Australia	51.82	51.82

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>20. Cash Flow Information</b>				
<b>(a) Reconciliation of Cash Flow from Operations with Profit after income tax</b>				
Operating loss after income tax	(2,240,611)	(1,632,248)	(936,513)	(614,398)
Non-cash flows in profit:				
Loss on acquisition of joint venture	49,651	-	-	-
Depreciation and amortisation	208,943	229,108	39,906	7,754
Impairment	641,815	-	151,697	-
Share based payment expense	188,464	324,291	188,464	321,841
Management Fee	170,685	-	(16,746)	(32,274)
Share of Associates Loss	-	34,428	-	34,428
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and other receivables	643,792	(384,704)	528,405	(254,467)
(Increase)/decrease in other assets	152,902	10,581	(8,667)	21,173
Increase/(decrease) in provisions	1,533	(11,513)	(527)	(15,551)
Increase/(decrease) in trade payables and accruals	108,080	(91,724)	18,360	(75,378)
<b>Cash flow from operations</b>	<b>(74,746)</b>	<b>(1,521,781)</b>	<b>(36,621)</b>	<b>(606,872)</b>



	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(b) Non-cash Financing and Investing Activities</b>				
i) In Specie Distribution				
69,160,788 ordinary shares were redistributed to shareholders during the prior year as part of the In Specie distribution undertaken by the Company. The share value was based on the fair value at the time of the distribution.	-	781,516	-	781,516
<b>(c) Financing Facilities</b>				
Credit card facility (limit)	20,000	20,000	-	-

## 21. Financial Risk Management

### (a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and loans to and from subsidiaries. The main purpose of non-derivative financial instruments is to raise finance for group operations policies.

#### i. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

##### Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

##### Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows.

##### Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

# Notes to the Financial Statements

## for the year ended 30 June 2009

### 21. Financial Risk Management (cont'd)

#### b) Financial Instruments

##### i. Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

#### Consolidated Group

2009	Weight Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate 1 Year or less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>						
Cash and cash equivalents	2.75	372,268	-	-	-	372,268
Trade and other receivables	-	-	-	-	171,914	171,914
Other financial assets	4.20	32,132	-	-	56,017	88,149
<b>Total Financial Assets</b>		<b>404,400</b>	<b>-</b>	<b>-</b>	<b>227,931</b>	<b>632,331</b>
<b>Financial Liabilities</b>						
Trade and sundry payables	-	-	-	-	405,683	405,683
Lease liabilities	11.38	-	79,405	-	-	79,405
Financial liabilities		-	-	-	305,010	305,010
<b>Total Financial Liabilities</b>		<b>-</b>	<b>79,405</b>	<b>-</b>	<b>710,693</b>	<b>790,098</b>

2008	Weight Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate 1 Year or less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>						
Cash and cash equivalents	3.85	845,666	-	-	-	845,666
Trade and other receivables	-	-	-	-	839,321	839,321
Other financial assets	-	193,897	-	-	349,969	543,866
<b>Total Financial Assets</b>		<b>1,039,563</b>	<b>-</b>	<b>-</b>	<b>1,189,290</b>	<b>2,228,853</b>
<b>Financial Liabilities</b>						
Trade and sundry payables	-	-	-	-	318,917	318,917
Lease liabilities	11.38	-	228,700	-	-	228,700
Financial liabilities		-	-	-	224,284	224,284
<b>Total Financial Liabilities</b>		<b>-</b>	<b>228,700</b>	<b>-</b>	<b>543,201</b>	<b>771,901</b>



## Parent Entity

2009	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>				
Cash and cash equivalents	2.75	334,955	-	334,955
Trade and other receivables	-	-	115,052	115,052
Other financial assets	-	-	2,196,413	2,196,413
<b>Total Financial Assets</b>		<b>334,955</b>	<b>2,311,465</b>	<b>2,646,420</b>
<b>Financial Liabilities</b>				
Trade and sundry payables	-	-	91,980	91,980
Lease liabilities	-	-	-	-
Financial liabilities	-	-	284,360	284,360
<b>Total Financial Liabilities</b>		<b>-</b>	<b>376,340</b>	<b>376,340</b>

2008	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>				
Cash and cash equivalents	3.85	705,290	-	705,290
Trade and other receivables	-	-	659,909	659,909
<b>Other financial assets</b>	-	-	8,342	8,342
<b>Total Financial Assets</b>		<b>705,290</b>	<b>668,251</b>	<b>1,373,541</b>
<b>Financial Liabilities</b>				
Trade and sundry payables	-	-	90,074	90,074
Lease liabilities	-	-	-	-
<b>Financial liabilities</b>		<b>-</b>	<b>164,175</b>	<b>164,175</b>
<b>Total Financial Liabilities</b>		<b>-</b>	<b>254,249</b>	<b>254,249</b>

### ii. Net Fair Values

The net fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

# Notes to the Financial Statements

## for the year ended 30 June 2009

### 21. Financial Risk Management (cont'd)

#### b) Financial Instruments (cont'd)

	2009		2008	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
<b>Financial Assets</b>				
Available-for-sale financial assets at fair value	48,949	48,949	48,949	48,949
Loans and receivables	260,063	260,063	1,189,290	1,189,290
	309,012	309,012	1,238,239	1,238,239
<b>Financial Liabilities</b>				
Other loans and amounts due	384,415	384,415	452,984	452,984
Trade payables	405,583	405,583	318,919	318,919
	789,998	789,998	771,903	771,903

#### iii. Sensitivity Analysis

##### Interest Rate Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks

##### Interest Rate Sensitivity Analysis

The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
<b>Change in profit</b>				
— Increase in interest rate 1%	6,897	12,459	9,108	21,275
— Decrease in interest rate by 0.5%	(3,449)	(6,229)	(4,504)	(10,638)
<b>Change in Equity</b>				
— Increase in interest rate by 1%	6,897	12,459	9,108	21,275
— Decrease in interest rate by 0.5%	(3,449)	(6,229)	(4,504)	(10,638)



	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>22. Capital and Leasing Commitments</b>				
<b>Finance Lease Commitments</b>				
Payable – minimum lease payments				
- not later than 12 months	79,404	228,700	-	-
- between 12 months and 2 years	-	-	-	-
- greater than 2 years	-	-	-	-
Minimum lease payments	79,404	228,700	-	-
Less future finance charges	-	(16,616)	-	-
Present value of minimum lease payments (note 22)	79,404	212,084	-	-

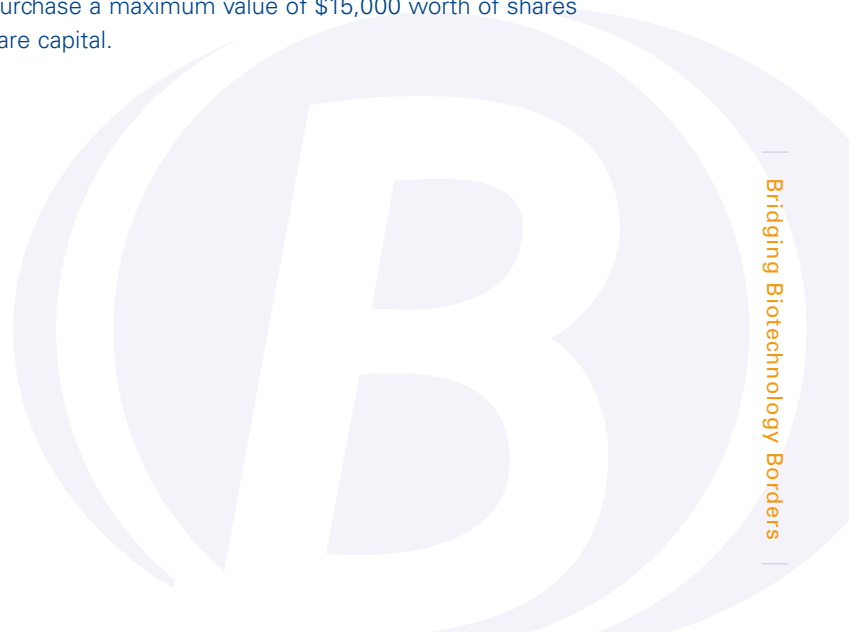
### 23. Segment Information

The economic entity operates predominantly in one industry, namely the biomedical research sector through its wholly owned subsidiary Molecular Discovery Systems Pty Limited. These activities are predominantly in Australia.

### 24. Events after the Balance Sheet Date

On 7th August 2009 BioPharmica Limited (BPH) signed a new agreement with the University of Western Australia (UWA) to replace the previous Research and Collaborative Technology and Farming Agreement which was terminated on 24th April 2009. Under the new agreement BPH will own 100% of the intellectual property of the HLS5 project and its derivatives that have been developed during the research and development. BPH will continue to sole fund the development of the projects. In exchange for the ownership of the intellectual property BPH will provide UWA an agreed net royalty upon commercialisation. The Joint Venture has been accounted as 100% interest at 30 June 2009.

On 12th August 2009 Biopharmica Limited announced that it will be conducting a shareholder share purchase plan (SSPP) to raise capital for the continuing research and development of its projects. The SSPP will allow all eligible shareholders to purchase a maximum value of \$15,000 worth of shares and will be limited to 30% of the current share capital.



# Notes to the Financial Statements

## for the year ended 30 June 2009

### 25. Related Party Transactions

#### (a) Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 19 to the financial statements.

#### (b) Directors' Remuneration

Details of the directors' remuneration and retirement benefits is located in the Directors Report.

#### (c) Directors' Equity Holdings

	Parent	
	2009	2008
	No.	No.
<i>Ordinary Shares</i>		
Held as at the date of this report by directors and their director-related entities in:		
BioPharmica Ltd	16,588,330	11,756,402
<i>Other Equity Instruments</i>		
Options		
Held as at the date of this report by directors and their director-related entities in:		
BioPharmica Ltd	6,000,000	12,000,000

#### (d) Directors

The Company has agreements with Kanou Pty Limited and Trandcorp Pty Limited on normal commercial terms procuring the services of Seng Yap and David Breeze respectively to provide product development services. \$123,000 (2008: \$123,000) was paid during the year.

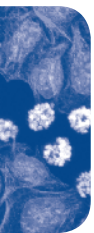
#### (e) Controlling Entities

The parent entity in the economic entity is BioPharmica Limited. Management fees were charged to Diagnostic Array Systems for the period ending 30 June 09 of \$71,332 (2008 :\$32,274)

Related party loans exist between BioPharmica and its subsidiaries 2009:\$1,402,203 (2008:\$2,013,421). The loans are unsecured and have no fixed repayment date.

#### (f) Interest in Joint Venture

A loan receivable exists between BioPharmica and the Joint Venture \$524,363. This amount is repayable to BioPharmica upon commercialisation of the HLS5 project or any of its associated technologies.





## 26. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2009:

On 18 March 2009 Mr David Breeze, Mr Hock Goh and Mr Greg Gilbert were issued shares in the company as consideration for their 2009 director fees. A total of 4,769,228 shares were issued having a total value of \$124,000.

At balance date, no share option has been exercised.

All options granted to key management personnel are ordinary shares in BioPharmica Limited, which confer a right of one ordinary share for every option held.

	Consolidated Group			
	2009		2008	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	11,150,000	-	5,000,000	-
Granted	1,000,000	0.15	11,150,000	0.15
Granted	-	-	-	-
Forfeited	-	-	(5,000,000)	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	12,150,000	-	11,150,000	-
Exercisable at year-end	8,383,333	-	6,000,000	-

No options were exercised during the year ended 30th June 2009.

The weighted average fair value of the options granted during the year was \$11,900.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.15
Weighted average life of the option	60 months
Underlying share price	\$0.025
Expected share price volatility	95%
Risk free interest rate	7.25%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$139,464 (2008: \$321,841), and relates, in full, to equity.

# Notes to the Financial Statements

## for the year ended 30 June 2009

### 27. Contingent Liabilities

A claim for outstanding consulting fees has been brought against the parent entity. The case is currently in pre trial stages with the first discussions to resolve the matter taking place in June 09. The claim is being vigorously defended by the parent entity as they believe all fees have been paid in accordance with the agreed contracts.

### 28. Interests in Joint Ventures

#### (a) Jointly controlled operations

BioPharmica Limited has a joint venture operation with the University of Western Australia, for the research and development of the intellectual property of HLS5 project and its derivatives. During the year ended 30 June 2008, BioPharmica had a 55% interest in the joint venture. As detailed in Note 24, on the 7th August 2009, BioPharmica Limited and UWA signed a new agreement, in which BioPharmica Limited owns 100% of the joint venture, effective 24 April 2009. Therefore for the year ended 30 June 2009, the joint venture has ceased and it is now a 100% owned unincorporated entity of BioPharmica Limited.

#### (b) Accounting for Jointly controlled operations

The Group's interest is accounted for in accordance with its accounting policy disclosed in Note 1 (r).

#### (c) Share of Assets, Liabilities and Expenses of the Joint Venture

Current Assets	Consolidated	
	2009	2008
	\$	\$
	At 100%	At 55%
Cash and cash equivalents	2,408	9,535
Receivables	16,455	4,378
Total current assets	18,863	13,913
Total Assets	18,863	13,913
Trade and other payables	279,175	59,366
Financial liabilities	570,127	296,892
Total current liabilities	849,302	356,258
Total liabilities	849,302	356,258
Share of expenses	488,093	423,298

#### (d) Commitments and Contingencies

There are no capital commitments or contingencies noted in relation to the jointly controlled operations.



## 29. Prior Period Error

During the financial year, management undertook a review of the Research and Collaborative Technology and Farmin Agreement between BioPharmica Limited and the University of Western Australia. It was determined that this agreement was an interest in a joint controlled operation in accordance with the requirements of AASB 131 'Interest in Joint Ventures'.

Therefore in accordance with AASB 131, BioPharmica Limited is required to recognise its share of assets, liabilities, expenses and income in respect of the joint controlled operation in proportion to their holdings.

The omission has had the effect of understating the total assets and loss of the business by a net amount of \$423,355 at 30 June 2008.

The correction of this error has had the following effect on the balance sheet:

Effect of Changes as at 30 June 2008	Consolidated		
	Prior to Adjustment	Required Adjustment	Post Adjustment
Financial assets	646,862	(296,893)	349,969
Intangibles	1,086,769	0	1,086,769
Total assets	3,831,022	(282,979)	3,548,043
Total liabilities	720,042	59,366	779,408
Total loss	(1,208,893)	(423,355)	(1,632,248)
Total retained earnings	(4,347,480)	(342,345)	(4,689,825)
Total Equity	3,110,980	(342,345)	2,768,635
Basic Earnings Per Share	(1.72)	(0.61)	(2.33)



# Notes to the Financial Statements

## for the year ended 30 June 2009

### 30. Changes in Accounting Policies

The consolidated group changed its accounting policy for the year ending 30 June 2009 relating to the amortisation of intangibles. Patents associated with the HLS5 Tumour Suppressor Gene were previously considered to have an indefinite life and no amortisation charge was recognized. The group has now reassessed the life of these patents as being 20 years from the grant date of 24th November 2000.

The aggregate effect of the change in the accounting policy on the financial report for the year ending 30 June 2008 is as follows :

	30 June 2008 Consolidated			30 June 2008 Parent		
	Previously Stated	Adjustment	Restated	Previously Stated	Adjustment	Restated
<b>Income statement</b>						
Amortisation charge	199,108	30,000	229,108	7,754	30,000	37,754
Loss Before Income Tax	(1,178,893)	(30,000)	(1,208,893)	(614,398)	(30,000)	(644,398)
Basic Earnings per share	(1.68)	(0.04)	(1.72)	-	-	-
Diluted Earnings per share	(1.68)	(0.04)	(1.72)	-	-	-
	<b>30 June 2008</b>			<b>30 June 2008</b>		
<b>Balance sheet</b>						
Intangible Assets	1,314,269	(227,500)	1,086,769	751,697	(227,500)	524,197
Retained Earnings	(4,119,980)	(227,500)	(4,347,480)	(2,516,997)	(227,500)	(2,744,497)



The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Group
<p><i>AASB 101 Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards &amp; Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101</i></p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.
<p><i>AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 &amp; 12</i></p> <p>This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The adoption of this standard will have no impact on the group.
<p><i>AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB 2008-3 Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p>This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards incorporate many changes which will have a significant impact on the profit and loss for entities entering into business combinations.</p>	Beginning 1 July 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.

# Notes to the Financial Statements

## for the year ended 30 June 2009

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Group
<p><i>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 &amp; 1038 arising from AASB 8</i></p> <p>This standard supersedes AASB 114 Segment Reporting, introducing a US GAAP approach of management reporting as part of the convergence project with FASB.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	AASB 8 is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.
<p><i>AASB 2008-1 Amendments to Australian Accounting Standards: Share-Based Payments: Vesting Conditions and Cancellations</i></p> <p>This clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i></p> <p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i></p> <p>AASB 2008-6 amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary.</p>	Beginning 1 July 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.



New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p>AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</p> <p>This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 and AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p>Interpretation 17 Distributions of Non-cash Assets to Owners</p> <p>This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.



## Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 29 to 67 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and economic entity;
2. the financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 1.
3. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
4. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**David Breeze**  
*Executive Chairman*

Dated this 19th day of August 2009



# Independent Auditor's Report



Chartered Accountants  
& Business Advisers

## To the Members of BioPharmica Limited

### Report on the Financial Report

We have audited the accompanying financial report of BioPharmica Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both BioPharmica Limited and the consolidated entity. The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

#### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### **Auditor's Responsibility**

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

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

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

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# Independent Auditor's Report



Chartered Accountants  
& Business Advisers

## **Independence**

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

## **Auditor's Opinion**

In our opinion:

- (a) the financial report of BioPharmica Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the entity's and consolidated entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial statements and notes or financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 14 to 17 of the financial report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## **Auditor's Opinion**

In our opinion the Remuneration Report of BioPharmica Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Acts 2001.

**PKF**

Chartered Accountants

**Chris Nicoloff**

Partner

Dated at Perth, Western Australia this 19th day of August 2009



## Additional Securities Exchange Information

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this report as follows.

The information is made up to 13th August 2009

### 1. Substantial Shareholder

The name of the substantial shareholder listed in the company's register is:

Shareholder	Shares	%
Trandcorp Pty Ltd	12,728,852	16.98

### 2. Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	155	89,807	0.12
1,001 – 5,000	256	771,887	1.03
5,001 – 10,000	227	2,024,504	2.70
10,001 – 100,000	767	27,459,620	36.62
100,001 and over	102	44,634,198	59.53
	1,507	74,980,016	100.00

The number of shareholders with less than a marketable parcel is 171, holding in total 103,195 shares.

### 3. Voting Rights - Shares

All ordinary shares issued by BioPharmica Limited carry one vote per share without restriction.

### 4. Voting Rights - Options

The holders of employee options do not have the right to vote.

### 5. Restricted Securities

The Company does not have any restricted securities.

#### Shares

Number of Shares free of escrow 74,980,160

## Additional Securities Exchange Information

### 6. Twenty Largest Shareholders as at 13 August 2009

The names of the twenty largest shareholders of the ordinary shares of the company are:

Name	Number of ordinary fully paid shares	% held of issued ordinary capital
Trandcorp Pty Ltd	9,545,000	12.73
Grandbridge Limited	6,778,200	9.04
Trandcorp Pty Ltd	3,183,852	4.25
Comsec Nom PL	2,100,296	2.80
S Yap	1,700,000	2.27
Goh Hock	961,538	1.28
Gregory Gilbert	961,538	1.28
Mac Tech Aust PL	700,000	0.93
Lee Madam Biau Luan	477,700	0.64
Abourizk Pauline	469,000	0.63
Lantzke Hugh William	465,000	0.62
Kinetas PL	424,000	0.57
Superfold PL	400,000	0.53
Miglas Eugene	400,000	0.53
Etrade Aust Nom PL	389,370	0.52
Teitzel Gilbert and Sally	350,000	0.47
Paticoa Nom PL	333,338	0.44
Cheal Stephen James	321,700	0.43
Batras One PL	317,500	0.42
Breeze Cliff	303,000	0.40
	<b>30,581,032</b>	<b>40.78</b>





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