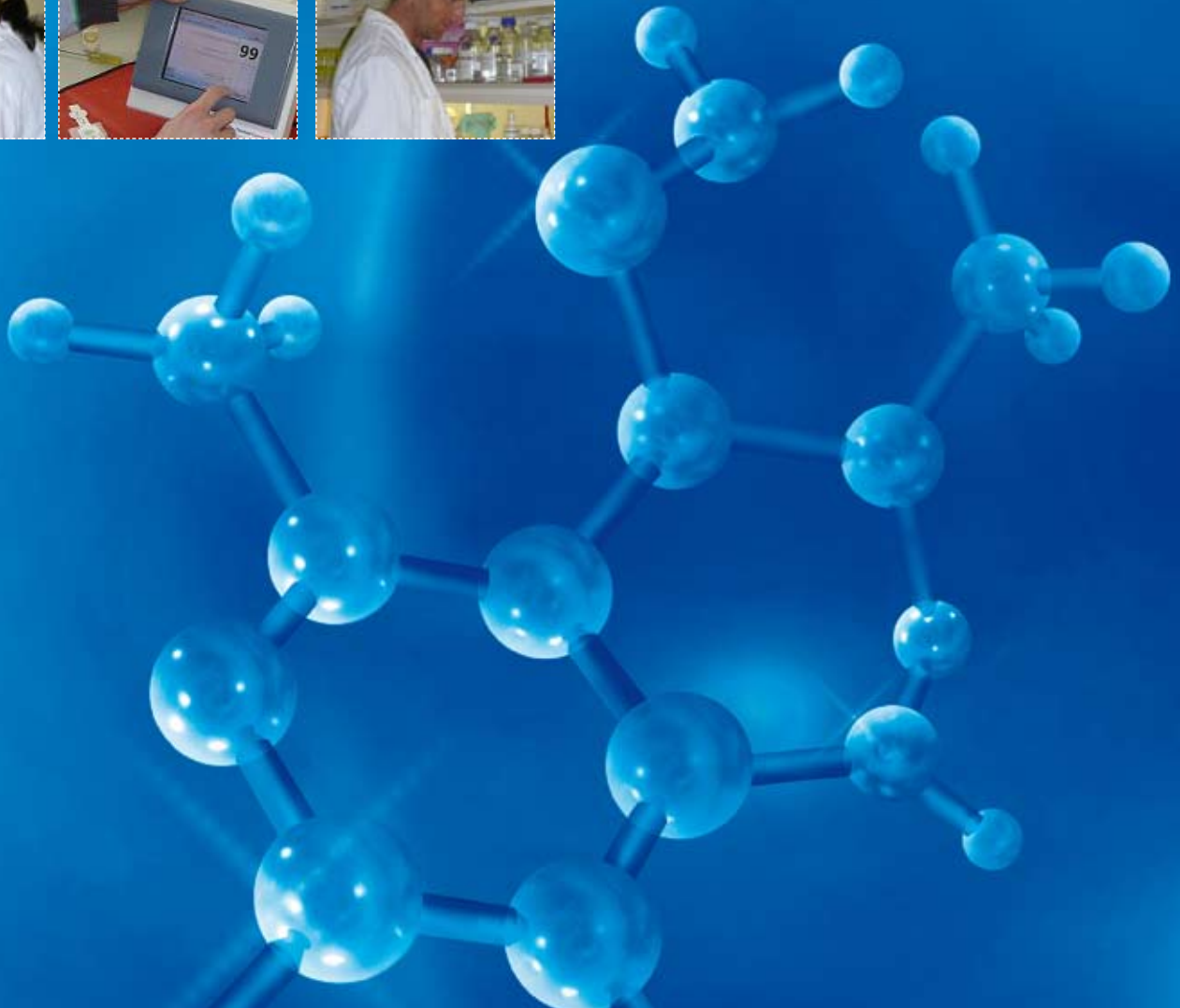


08

2008 Annual Report



> Bridging Biotechnology Borders



BioPharmica Limited

ACN 095 912 002



BioPharmica Limited

08

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Company Information

Directors

David Breeze – Chairman/Managing Director

Seng Yap – Non-Executive Director

Greg Gilbert – Non-Executive Director
(appointed 3 October 2007)

Hock Goh – Non Executive Director
(appointed 31 October 2007)

Charles Murphy – Executive Director
(resigned 3 October 2007)

Scientific Advisors

Professor Peter Klincken

Registered Office

14 View Street, North Perth
Western Australia 6006

Principal Business Address

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Western Australia 6006

Telephone: (08) 9328 8366

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Website: www.biopharmica.com.au

E-mail: admin@biopharmica.com.au

Auditor

Bentleys

Level 1

12 Kings Park Road, West Perth
Western Australia 6005

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



Chairman's Letter

Dear Shareholder,

I would like to extend my gratitude to Mr Seng Yap for his commitment as Chairman of BioPharmica Ltd during the year, until his departure for family reasons. We look forward to his continued contribution as a Non-Executive Director. I would also like to congratulate Dr Peter King on his appointment as Chief Executive Officer. I believe this appointment will be of great benefit to BioPharmica and its shareholders as BioPharmica progresses its technologies and assets towards commercial realisation.

BioPharmica's investments have received wide media coverage during the year, including publications in the international journals 'Blood' and 'Cell Motility and Cytoskeleton' and in Australian Life Scientist, Biotech Daily and The Australian. The HLS5 Project has been presented at two conferences during the year; Professor Peter Klinken addressed the 20th Year Lorne Cancer Meeting and Dr Louise Winteringham of WAIMR presented at the American Society of Hematology (ASH).

Research during the year on tumour suppressor gene HLS5 has revealed significant findings. HLS5 has been implicated in the switching of erythroid (immature red blood cell) to myeloid (white cell) cell lineages. Since findings indicate that minor changes in HLS5 levels can result in pronounced biological responses, there is the potential for modulation of this gene to be of significant clinical relevance for blood cell differentiation and leukaemia.

In addition, it has been demonstrated that increased expression of the HLS5 gene in human cancer cells can profoundly suppress tumour growth. Through Molecular Discovery Systems and in conjunction with the Western Australian Institute for Medical Research, BioPharmica has undertaken high throughput screening of a 70,000 strong synthetic compound

library to identify molecules that could modulate HLS5 activity. This screening program has yielded a number of 'hits' that demonstrate potential for further anti-tumour analyses and drug development.

During the year, Molecular Discovery Systems (MDSYSTEMS) successfully concluded a collaboration with GE Healthcare optimising and validating high content cell-based screening protocols on the MDSYSTEMS' owned GE In Cell Analyser 1000, a state-of-the-art high content image based screening platform. This work will underpin future screening programs to discover and validate novel drug candidates and to identify their mechanism of action.

Diagnostic Array Systems (DAS) is nearing completion of the clinical validation of its novel BacTrak system, a genetic microarray device able to simultaneously and rapidly detect respiratory pathogens responsible for a range of important diseases from a single sputum sample. Further work is continuing to optimise the speed and accuracy of the test protocol and DAS is now preparing to look for international licensing and commercial partners to progress the technology to an optimal commercial outcome.

Significantly, BioPharmica (in partnership with Swinburne University of Technology) has signed a collaboration agreement in Tokyo with leading

international electronics and communications manufacturing group Fujikura Limited to facilitate the production of the SERS fibre-optic nanoprobe, the core technology to be used in specialised molecular detection spectrometers. These devices have significant potential in biosensing and biohazard monitoring as well as in a field portable format, in environmental and military applications. The objective is for Fujikura to become the manufacturer and possible global product distributor and licensee of the nanoprobe device technology.

The development work at Cortical Dynamics to refine the BAR anaesthesia monitoring system continues to make further progress. This includes enhancement of the proprietary mathematical algorithms developed to calculate the Brain Anaesthesia Response (BAR) index, and improvements to the electronic electroencephalograph (EEG) measurement hardware and software. Cortical Dynamics' intended listing on the ASX is progressing, with preparation of the Prospectus. Subject to suitable market conditions, the initial public offering in Cortical Dynamics will be presented in due course.

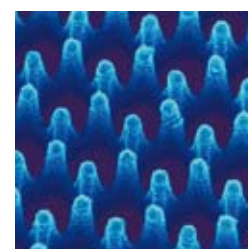
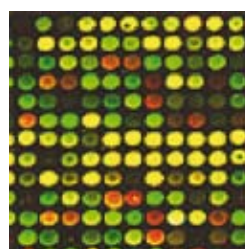
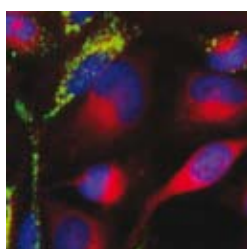
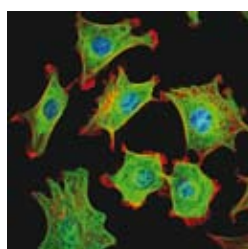
Stock market conditions for the Biotechnology sector in the year have been very adverse. The sector declined almost 30% in the year to June 2008. The removal by the new Federal Government of the Commercial Ready programme in the Federal Budget was a further significant negative move. The White Paper from the Government due for release in October will be an important milestone for the industry.

I thank all of the scientists, consultants and the BioPharmica team for their ongoing dedication and enthusiasm throughout the year. As a result of their determination and commitment, BioPharmica is well positioned for significant progress in the coming period.

Yours Sincerely,



Mr David Breeze
Chairman



Company Focus and Developments



BioPharmica Limited (BPH)

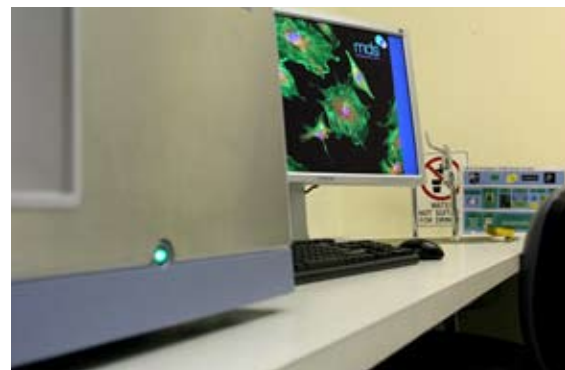
BioPharmica Limited [ASX: BPH] is an Australian Stock Exchange listed company developing biomedical research and technologies within Australian Universities and hospital institutes. BioPharmica provides early stage funding, project management and commercial strategies, whilst the institutional partner provides the potential opportunity, the majority of the infrastructure and the core research expertise.

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

Technologies currently being developed include a diagnostic test of infectious disease, a brain function monitoring system, a novel cellular target for cancer therapeutics and diagnostics and fibre-optic nanoprobe for use in field-portable biosensor devices.

BioPharmica's investments have received wide media coverage during the year, including publications in the international journals 'Blood' and 'Cell Motility and Cytoskeleton' and in Australian Life Scientist, Biotech Daily and The Australian. There have also been two HLS5 based conference presentations; Professor Peter Klinken addressed the 20th Year Lorne Cancer Meeting and Dr Louise Winteringham of WAIMR, presented at the American Society of Hematology (ASH).

BioPharmica projects have received funding contributions from grant bodies including the Australian Government (Commercial Ready Grant), the Western Australian Government (MOU Grant) and the French Muscular Dystrophy Association.



Project Portfolio

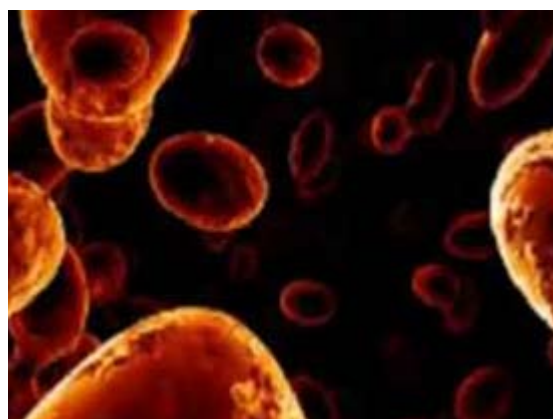
BioPharmica is working with the University of Western Australia and the Western Australian Institute for Medical Research (WAIMR) to develop and validate HLS5 as a novel tumour suppressor gene. A concerted research effort by leading Australian scientists has revealed that HLS5 works through multiple 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.

BioPharmica has developed an extensive patent portfolio around HLS5 both as a potential therapeutic target and underpinning its involvement in a variety of disease pathways. BioPharmica has moved its portfolio of technology surrounding HLS5 forward such that we are now approaching international pharmaceutical companies for expressions of interest either for licensing of the technology portfolio or to establish a commercial research partnership.

Recent research has resulted in several significant findings, demonstrated by the two announcement extracts below. The first is derived from a high-profile publication earlier this year (HLS-5 regulates erythroid differentiation by modulating GATA-1 activity, *Blood*, Feb 2008; 111: 1946 – 1950) and the second relates to important recent findings by the research team:

- "Here it is shown that HLS5 impedes erythroid maturation by restricting cell proliferation and inhibiting haemoglobin synthesis through suppression of the action of the critical GATA1 transcription factor. This effect, in conjunction with the influence of HLS7/Myeloid Leukaemia Factor 1 (Mlf1) on erythroid cell morphology, substantiates the cooperative regulatory role of HLS5 and HLS7/Mlf1 in erythroid to myeloid cell lineage switching. Since the findings indicate that minor changes in HLS5 levels can result in pronounced biological responses there is the potential for modulation of this gene to be of significant clinical relevance."

- "...increased expression of the HLS5 gene in human cancer cells can profoundly suppress tumour growth. BioPharmica has undertaken an extensive screening programme of compounds that can modulate HLS5 activity. The initial high-throughput screening of 70,000 synthetic compounds was recently completed, yielding 43 molecules that demonstrate potential for further anti-tumour analyses and drug development. The evaluation of the growth-inhibitory activity and therapeutic potential of these molecules is actively being pursued at WAIMR in conjunction with other leading specialist research facilities in Australia. Recent research results indicate that several of these compounds can profoundly suppress growth of human cancer cells. Further, by computer modelling it has been determined that nearly all of these growth-inhibitory molecules demonstrate drug-like qualities and are, therefore, highly suitable candidates for pharmaceutical development. BioPharmica intends to progress this drug pipeline toward pre-clinical testing of anti-cancer activity."



Company Focus and Developments

Highlights

Highlights of research to date include:

- Increased HLS5 gene expression in cancer cells inhibited their growth
- Increased HLS5 gene expression caused a decreased tumour burden in mice that were injected with human cancer cells.
- HLS5 has been mapped to chromosome 8p21, a locus associated with several tumour suppressor genes. Furthermore, deletions at this locus are associated with breast, prostate, ovarian, and hepatic tumours.
- HLS5 mRNA expression is lowered in many cancers, including human breast, hepatic, and ovarian cancers, suggesting that decreased HLS5 expression correlates with the development of tumours.

- The growth-inhibitory activity of HLS5 may involve several mechanisms of action and pathways that can target cancerous cells;
- HLS5 inhibits cell cycle progression and induces apoptosis.
- HLS5 acts on hormone receptors such as the oestrogen and androgen receptors to affect hormone dependent cancers.
- HLS5 is involved in ubiquitination and sumoylation and therefore may also have a role in a range of neurodegenerative diseases including Huntington's, Parkinson's, and Alzheimer's disease, as well as in other conditions such as polyglutamine disease, HIV infection and diabetes.

In addition to validating HLS5 as a biomarker and tumour suppressor gene, a number of tools and assays have been developed to enable:

- functional studies of HLS5, including mechanism of action and pathway studies;
- the screening of compounds that may inhibit, up-regulate and/or activate HLS5; and
- the development of diagnostic and prognostic assays for HLS5 in breast cancer and other cancers.

These tools and assays have been developed by the research team at WAIMR and in collaboration with Molecular Discovery Systems (MDSsystems), a wholly owned subsidiary of BioPharmica Limited.



Molecular Discovery Systems (MDSsystems)

MDSsystems 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.

The core expertise areas of MDSsystems are;

- High content cell and tissue based imaging utilising the MDSsystems owned GE Healthcare InCell analyser and related fluorescent microscopy techniques.
- Image analysis and the design, verification and validation of image analysis routines.
- The design and development of novel cell based assays for hit discovery and validation in drug discovery.

Following conclusion of the successful collaboration with GE Healthcare, the primary focus of MDSystems has been high content screening of exploits natural and synthetic drug libraries utilising commercially available and proprietary cell based assays. These studies are being used to identify novel drug candidates and/or to validate the mechanism of action of novel compounds. The combination of molecular based assays with advanced image acquisition and analysis maximises the amount and quality of information obtained from an individual assay, thereby providing a powerful research tool for drug discovery. In addition to its own research, MDSystems undertakes service contracts in all its areas of expertise and provides core services for the HLS5 project research.

MDSystems is also providing high throughput screening services to the Laing Group at WAIMR for a project funded by the French Muscular Dystrophy Association titled: "In vitro drug screening: re-activating cardiac actin to treat skeletal muscle actin disease."



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

The selection of the pathogens for BacTrak was determined initially by conducting "thought leader" interviews, and validated by an online survey of practising clinical microbiologists. The final configuration of the array, along with the other components required to perform the test are being tested and refined by the DAS scientists and undergoing in-house clinical validation trials at the RMIT laboratories.

DAS has patented the BacTrak technology, and is now preparing to seek international licensing and/or commercial partners to progress it to the global diagnostic market.

DAS was awarded a grant of \$237,232 towards this project which will conclude later in 2008.

SERS Nanoprobes

BioPharmica, in collaboration with Swinburne University of Technology (SUT), is working to commercialise the SERS Nanoprobe, a device that allows the microscopic tip of an optical fibre to be used in biosensing devices. BioPharmica has been collaborating with SUT since 2004 on this project and has a 52% interest in the technology.



SERS (Surface Enhanced Raman Spectroscopy) is a powerful, sensitive and versatile technique for detecting chemicals at trace levels in complex mixtures. Dr Stoddart's team at the Centre for Atom Optics and Ultrafast Spectroscopy has combined the sensitivity of SERS with unique miniaturised fibre optic technology. The team's proprietary nanostructured honeycomb optical fibre (HOF) represents a breakthrough in the field of SERS spectroscopy and the resulting nanoprobe forms the core detection element enabling the manufacture of compact, portable SERS spectrometers with potential in medical, military and environmental applications.

BioPharmica has signed a collaboration agreement in Tokyo with leading international electronics and communications manufacturing group Fujikura Limited. Fujikura is one of Japan's foremost manufacturers of electric wire and cabling solutions, and leads the world in optical fibre

Company Focus and Developments

and network manufacturing technology. Fujikura employs over 43,000 people worldwide with sales in 2007 of over US\$5 billion.

The signing of the collaborative agreement is to facilitate production of the fiberoptic nanoprobe. SUT will process and test pre-form optical fibre samples delivered by Fujikura in order to determine the best manufacturing procedure for the optimal nanoprobe structure. SUT will then deliver a report to Fujikura describing the method used for routine manufacture and commercial scale-up, with the objective of Fujikura becoming the manufacturer and possible global product distributor and licensee of the nanoprobe device technology.



Cortical Dynamics

Cortical Dynamics is working with BioPharmica and Swinburne University of Technology (SUT) to develop and commercialise the Brain Anaesthesia Response (BAR) index monitoring system. The BAR Monitor is designed to measure and analyse the electrical activity of the human brain (EEG) in order to assist anaesthetists to keep patients optimally anaesthetised and minimise the risk of awareness during surgery. 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.

International patent coverage is pending regarding the use of the BAR Monitor in a range of applications. During the year, a further stage of successful clinical trials at Royal Melbourne Hospital was completed. The purpose of this study was to establish whether the physiologically based EEG analysis used in the BAR index monitoring system performed better than the current industry standard BIS index for depth of anaesthesia estimation in the presence of opioid drugs. Both the BAR and BIS indices were found to decrease, as expected, with a reduction in the assessed level

of consciousness. However, the spread of BIS values at low levels of awareness was significantly greater than that of the corresponding BAR values implying greater uncertainty in the indicated depth of anaesthesia when relying on the BIS index under these conditions.

Further analysis suggested that for a given clinically assessed level of consciousness a greater variation in the recorded BIS value occurs for a given level of the administered opioid drug (remifentanyl). In contrast the BAR index produced similar results across all target remifentanyl brain concentrations for a given level of consciousness, implying that the BAR index is potentially a more robust measure of functional brain state than the BIS.

Development work refining the proprietary mathematical algorithms developed to calculate the BAR index continue, as do improvements to the electronic EEG measurement hardware and software. 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' intended listing on the ASX is progressing, with preparation of the Prospectus continuing. Subject to suitable market conditions, the Initial Public Offering in Cortical Dynamics Ltd will be presented in due course.



Directors' Report

The directors of BioPharmica Ltd present their report on the company and its controlled entities for the financial year ended 30 June 2008.

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 (appointed 3 October 2007)

H Goh (appointed 31 October 2007)

C R Murphy (resigned 3 October 2007)

Company Secretary

Ms Deborah Ambrosini was appointed Company Secretary on the 7th of May 2008. She also holds the position of Financial Controller of the Company and has over 10 years experience in Corporate accounting roles. The position was previously held by Mr David Breeze who will continue in his role as Chairman of the Board of Directors.

Principal Activities

Biotechnology Activity Update

- BioPharmica is a company dedicated to the ideals of Personalized Medicine through the applied development of discoveries made from fundamental research. Globally, healthcare has moved away from mass produced solutions to biotechnology programmes designed to address the issues of the individual.
- BioPharmica is currently working to commercialise a portfolio of Australian biomedical research projects with leading universities, medical institutes and hospitals targeting large global markets. It is recognised world wide that Australian research and invention is as rich and diverse as its natural resources.

- BioPharmica is committed to facilitating the development of biomedical research in order to compete internationally, producing marketable intellectual property and a movement to the development path within a much reduced time frame.
- BioPharmica has a diverse portfolio of projects undergoing pre-clinical and clinical development in the production of diagnostic arrays, nanotechnology, biomarkers and therapeutics. The research and development program is designed around state of the art technology, specifically to deliver validated, individually tailored healthcare solutions.

High Content Screening

BioPharmica established the 100% owned entity MDSystems to develop and validate high content screening protocols and cell based assays utilising the GE Healthcare InCell Analyzer. The resulting development pipeline currently includes a number of compounds with potential anti-cancer properties and a number of molecules demonstrating modulation activity relating to the HLS5 tumour suppressor gene.

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 with relevance to anaesthesia and neurodiagnosis.

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.

Directors' Report

Operating Results

The consolidated loss of the economic entity after providing for income tax and accounting for minority interest amounted to \$1,160,864 (2007 \$1,266,019).

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) Completion of a successful collaboration between Molecular Discovery Systems and GE Healthcare (b) positive results from the clinical trial of Cortical Dynamics' brain function monitoring technology (c) the signing of a development agreement with Fujikura, Japan to optimise the manufacturing process for the SERS fibre optic nanoprobe for use in biosensor applications (d) national filing of a number of key HLS5 patents and the publication of important HLS5 research (e) the identification of several compounds showing drug development potential through their ability to modulate HLS5 levels and inhibit the growth of cancer cells.

Financial Position

The net assets of the economic entity decreased by \$463,707 to \$3,338,480 at 30 June 2008. This decrease has largely resulted from the following factors:

- Cash balances decreasing by \$1,240,595
- Investments using the equity method decreasing by \$255,893
- Trade and other receivables increasing by \$414,063
- The consolidated entity posting a net loss of \$1,160,864 after accounting for minority interests

Significant Changes in State of Affairs

There were no other significant changes in the state of affairs of the economic entity other than that referred to in the financial statements or notes thereto.

After Balance Date Events

Other than referred to in these financial accounts there have not been any matters or circumstance that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

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 54

Shares held – 10,056,402

Unlisted Options held – 2,000,000

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

S K Yap

Non-Executive Director – Age 53

Shares held – 1,700,000

Unlisted Options held – 4,000,000

Seng Yap 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 Limited.

G Gilbert

Non-Executive Director – Age 60

Appointed 3 October 2007

Shares held – nil

Unlisted Options held – 2,000,000

Mr Gilbert 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.

He 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.

He 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

C R Murphy

Executive Director – Age 36

Resigned 3 October 2007

Shares held – nil

Unlisted Options held – 2,000,000

Charles Murphy has been a corporate consultant to a wide range of companies and industries including Biotechnology, Bioinformatics, Mining, Telecommunications and other advanced technology companies in business planning, strategy, corporate development, structuring and capital raising.

He has also previously held senior management positions that have incorporated business and corporate development within Venture Capital funded and private equity funded ITC start-up companies.

Mr Murphy has lived and worked in Asia and also has experience in export marketing throughout the Asia Pacific region. Mr Murphy holds a Masters Degree in Business Administration (MBA) and a Bachelor Degree in Asian Studies and Marketing.

H Goh

Non-Executive Director – Age 53

Appointed 31 October 2007

Shares held – nil

Unlisted Options held – 2,000,000

Mr Hock Goh 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 Ltd, 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 Limited.

Remuneration Report

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

Remuneration Policy

The remuneration policy of BioPharmica Ltd 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.

Directors' Report

Details of Remuneration for the year ended 30 June 2008

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:

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	-	-	-	-
G Gilbert	18,748	-	-	-	-
H Goh	16,666	-	-	-	-
C Murphy	31,450	-	-	-	581
D Ambrosini	-	-	-	-	-

2008 (continued)

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
G Gilbert	-	-	72,200	90,948	79.38
H Goh	-	-	72,200	88,866	81.25
C Murphy	-	-	-	32,031	-
D Ambrosini	-	-	1,181	1,181	100.00

2007

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and fees	Cash profit share	Non-cash benefit	Other	Superannuation
D L Breeze	98,000	-	-	-	-
S K Yap	25,000	-	-	-	-
G Gilbert	-	-	-	-	-
H Goh	-	-	-	-	-
C Murphy	123,000	-	-	-	2,250

2007 (continued)

Key Management Person	Long-term Benefits		Share-based payment		Total	Performance Related
	Other	Equity	Options	\$	%	
D L Breeze	-	-	-	98,000	-	
S K Yap	-	-	-	25,000	-	
G Gilbert	-	-	-	-	-	
H Goh	-	-	-	-	-	
C Murphy	-	-	4,712	129,962	-	

Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance	Granted as	Options Exercised	Net Change	Balance	Total	Total	Total
	1.7.2007	Compensation		Other	30.6.2008	Vested	Exercisable	Unexercisable
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	-
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	-
C R Murphy	4,000,000	-	-	(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.

Shareholdings

Number of Shares Held by Key Management Personnel

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

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

Directors' Report

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 an increase in the revenue for the last two years; however the share price has been adversely affected by the current market conditions. The board is of the opinion that these results can be attributed in part to the previously described remuneration policy. The board is of the opinion that the decline in the share price is wholly attributable to the current market conditions.

	2006	2007	2008
Revenue	314,341	578,436	1,158,052
Net Loss	(795,653)	(1,266,019)	(1,160,864)
Share price at Year end	\$0.125	\$0.22	\$0.046

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 Ltd. 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.

Meetings of Directors

During the financial year, three meetings of directors (including committees of directors) were held. Attendances by each director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
D L Breeze	3	3
S K Yap	3	3
G Gilbert	2	2
H Goh	1	1
C R Murphy	1	-

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 \$7,656.

D Breeze

S K Yap

G Gilbert

H Goh

Options

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

Grant Date	Date of Expiry	Exercise Price	Number Under Option
2 August 2004	8 April 2009	\$0.205	6,000,000
20 December 2007	31 October 2010	\$0.15	6,000,000
1 June 2008	30 June 2013	\$0.15	4,150,000

During the year ended 30 June 2008, no ordinary shares of BioPharmica Ltd were issued on the exercise of options granted under the BioPharmica Ltd 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.

Directors' Report

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 2008.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 19.

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



David Breeze

Dated this 27 August 2008

Auditor Independence Declaration

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our review of the financial report of BioPharmica Limited and Controlled Entities for the half year ended 30 June 2008 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



RANKO MATIĆ
Director

DATED at PERTH this 27th day of August 2008



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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

The Board and management are committed to corporate governance and to the extent that they are applicable to the Company have followed the “Principles of Good Corporate Governance and Best Practice Recommendations” issued by the Australian Stock Exchange (“ASX”) Corporate Governance Council.

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 Committees. 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 10 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
<p>Recognise and publish the respective roles and responsibilities of the board and management</p> <p><i>Principle 1: Lay solid foundation for management and oversight</i></p> <p>1.1 Formalise and disclose the functions reserved to the Board and those delegated to management</p>	Adopted
<p>Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</p> <p><i>Principle 2: Structure the board to add value</i></p> <p>2.1 A majority of the Board should be independent</p> <p>2.2 The chairperson should be an independent director</p> <p>2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual</p> <p>2.4 The board should establish a nomination committee</p> <p>2.5 Provide the information indicated in 'Guide to reporting on Principle 2'</p>	<p>Adopted except as follow:-</p> <p>2.2 The Chairman does not satisfy the Independence Test. The Board considers that the Chairman's role as Chairman of the Board is appropriate given his experience in business.</p> <p>2.4 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 Executive Committee.</p>

Corporate Governance Statement

	Action taken and reasons if not adopted
<p>Actively promote ethical and responsible decision-making</p> <p><i>Principle 3: Promote ethical and responsible decision-making</i></p> <p>3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:</p> <p style="margin-left: 20px;">3.1.1 the practices necessary to maintain confidence in the Company's integrity</p> <p style="margin-left: 20px;">3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices</p> <p>3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees</p> <p>3.3 Provide the information indicated in 'Guide to Reporting on Principle 3'</p>	Adopted
<p>Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting</p> <p><i>Principle 4: Safeguard integrity in financial reporting</i></p> <p>4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.</p> <p>4.2 The Board should establish an audit committee</p> <p>4.3 Structure the audit committee so that it consists of:</p> <ul style="list-style-type: none"> • Only non-executive directors • A majority of independent directors • An independent chairperson who is not the chairperson of the Board • At least three members <p>4.4 The audit committee should have a formal operating charter</p> <p>4.5 Provide the information indicated in the 'Guide to reporting on Principle 4'</p>	Adopted except as follows:-

	Action taken and reasons if not adopted
<p>Promote timely and balanced disclosure of all material matters concerning the Company</p> <p><i>Principle 5: Make timely and balanced disclosure</i></p> <p>5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance</p> <p>5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'</p>	Adopted
<p>Respect the rights of shareholders and facilitate the effectiveness of those rights</p> <p><i>Principle 6: Respect the rights of shareholders</i></p> <p>6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.</p> <p>6.2 Request the external audit to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report</p>	Adopted
<p>Establish a sound system of risk oversight and management and internal control</p> <p><i>Principle 7: Recognise and manage risk</i></p> <p>7.1 The Board or appropriate Board committee should establish policies on risk oversight and management</p> <p>7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:</p> <p style="padding-left: 20px;">7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board</p> <p style="padding-left: 20px;">7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p> <p>7.3 Provide the information indicated in the 'Guide to reporting on Principle 7'</p>	Adopted

Corporate Governance Statement

	Action taken and reasons if not adopted
<p>Fairly review and actively encourage enhanced board and management effectiveness</p> <p><i>Principle 8: Encourage enhanced performance</i></p> <p>8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives</p>	Adopted
<p>Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined</p> <p><i>Principle 9: Remunerate fairly and responsibly</i></p> <p>9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the cost and benefits of these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.</p> <p>9.2 The Board should establish a remuneration committee</p> <p>9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives</p> <p>9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders</p>	<p>Adopted except as follows:-</p> <p>9.2 The Company is not of a size that justifies having a separate Remuneration Committee. However, matters typically dealt with by such committee are dealt with by the full Board.</p>
<p>Recognise the legal and other obligations of all legitimate stakeholders</p> <p><i>Principle 10: Recognise the legitimate interest of stakeholders</i></p> <p>10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders</p>	Adopted

Income Statement

for the year ended 30 June 2008

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2	173,836	197,125	168,767	249,406
Other income	2	984,216	381,311	654,538	318,672
Share of associates profit/(loss)		(34,428)	2,701	(34,428)	2,701
Administration expenses		(266,683)	(125,719)	(198,857)	(103,101)
Advertising and Promotion expenses		-	(1,392)	-	(894)
Impairment expense		-	(216,935)	-	-
Consulting and Legal expenses		(294,032)	(338,673)	(239,621)	(292,851)
Research and Development expenses		(465,063)	(624,499)	(441)	(115,884)
Depreciation and amortisation expense		(199,108)	(213,954)	(7,754)	(3,984)
Employee expense		(749,144)	(175,834)	(716,379)	(59,950)
Insurance expenses		(24,214)	(8,830)	(23,602)	(6,067)
Mailing and Distribution expenses		(42,079)	-	(42,079)	-
Listing and Prospectus expenses		-	(2,824)	-	(2,824)
Service Fees		(131,040)	(131,040)	(131,040)	(131,040)
Travelling expenses		(21,596)	(47,594)	(15,205)	(47,579)
Other expenses from ordinary activities		(109,558)	(33,234)	(28,297)	(26,328)
<i>Operating Loss Before Income Tax</i>		(1,178,893)	(1,339,391)	(614,398)	(219,723)
Income tax expense		-	-	-	-
Operating Loss from continuing operations		(1,178,893)	(1,339,391)	(614,398)	(219,723)
<i>Operating Loss for the year</i>		(1,178,893)	(1,339,391)	(614,398)	(219,723)
<i>Operating Loss attributable to minority equity interest</i>		18,029	73,372	-	-
Operating Loss attributable to members of the parent entity		(1,160,864)	(1,266,019)	(614,398)	(219,723)
<i>Earnings Per Share – Basic earnings per share (cents per share)</i>	6	(1.68)	(2.07)		

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2008

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Current Assets					
Cash and cash equivalents	7	836,130	2,076,725	705,290	1,814,650
Trade and other receivables	8	834,943	420,880	659,909	383,938
Other current assets	9	9,957	47,718	8,342	29,515
Total Current Assets		1,681,030	2,545,323	1,373,541	2,228,103
Non-Current Assets					
Other non-current assets	9	646,862	21,153	2,124,914	471,930
Financial assets	10	242,846	182,118	901,228	1,545,971
Investments accounted for using the equity method	11	-	255,893	-	-
Intangible assets	13	1,314,269	1,262,269	751,697	751,697
Property, plant & equipment	14	173,515	368,130	8,297	11,558
Total Non-Current Assets		2,377,492	2,089,563	3,786,136	2,781,156
Total Assets		4,058,522	4,634,886	5,159,677	5,009,259
Current Liabilities					
Trade and other payables	16	259,551	379,510	90,074	149,400
Financial liabilities	17	228,700	155,129	-	-
Short-term provisions	18	7,507	19,020	5,135	12,770
Total Current Liabilities		495,758	553,659	95,209	162,170
Non Current Liabilities					
Financial Liabilities	17	224,284	279,040	164,175	50,033
Total Non Current Liabilities		224,284	279,040	164,175	50,033
Total Liabilities		720,042	832,699	259,384	212,203
Net Assets		3,338,480	3,802,187	4,900,293	4,797,056
Equity					
Issued capital	19	7,081,809	6,588,464	7,084,258	6,588,464
Option Reserve		333,032	111,191	333,032	111,191
Accumulated losses		(4,119,980)	(2,959,116)	(2,516,997)	(1,902,599)
Minority equity interest		43,619	61,648	-	-
Total Equity		3,338,480	3,802,187	4,900,293	4,797,056

The accompanying notes form part of the financial statements.

Statement of Changes in Equity for the year ended 30 June 2008

Consolidated					
Note	Ordinary Share Capital \$	Accumu- lated losses \$	Options \$	Minority Interest \$	Total \$
Balance at 1 July 2006	6,194,979	(1,693,097)	102,851	-	4,604,733
Shares issued during the financial year	19 393,485	-	-	-	393,485
Transfer to option reserve	-	-	8,340	-	8,340
Loss attributable to members of consolidated entity	-	(1,266,019)	-	-	(1,266,019)
Minority equity interest	-	-	-	61,648	61,648
Balance at 30 June 2007	<u>6,588,464</u>	<u>(2,959,116)</u>	<u>111,191</u>	<u>61,648</u>	<u>3,802,187</u>
Balance at 1 July 2007	6,588,464	(2,959,116)	111,191	61,648	3,802,187
Shares issued during the financial year	19 1,274,861	-	-	-	1,274,861
Issue of employee options	-	-	221,841	-	221,841
Inspecie Distribution	(781,516)	-	-	-	(781,516)
Loss attributable to members of consolidated entity	-	(1,160,864)	-	-	(1,160,864)
Minority equity interest	-	-	-	(18,029)	(18,029)
Balance at 30 June 2008	<u>7,081,809</u>	<u>(4,119,980)</u>	<u>333,032</u>	<u>43,619</u>	<u>3,338,480</u>

Statement of Changes in Equity for the year ended 30 June 2008

		Parent			
		Ordinary Share Capital	Accumulated losses	Options	Total
Note		\$	\$	\$	\$
	Balance at 1 July 2006	6,194,979	(1,682,875)	102,851	4,614,955
19	Shares issued during the financial year	393,485	-	-	393,485
	Transfer to option reserve	-	-	8,340	8,340
	Loss attributable to members of parent entity	-	(219,724)	-	(219,724)
	Balance at 30 June 2007	6,588,464	(1,902,599)	111,191	4,797,056
	Balance at 1 July 2007	6,588,464	(1,902,599)	111,191	4,797,056
19	Shares issued during the financial year	1,277,310	-	-	1,277,310
	Issue of employee options	-	-	221,841	221,841
	Inspecie Distribution	(781,516)	-	-	(781,516)
	Loss attributable to members of parent entity	-	(614,398)	-	(614,398)
	Balance at 30 June 2008	7,084,258	(2,516,997)	333,032	4,900,293

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2008

Note	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash Flows From Operating Activities				
	593,696	235,413	371,624	273,993
	-	(45,514)	-	-
	(1,834,070)	(1,086,417)	(1,060,406)	(1,007,194)
	82,656	132,107	81,910	127,406
	(1,157,718)	(764,411)	(606,872)	(605,795)
21				
Cash Flows From Investing Activities				
	(454,666)	-	(1,083,855)	(552,801)
	(641,000)	(409,006)	(589,001)	(115,997)
	(4,493)	(168,967)	(4,493)	(6,660)
	(1,100,159)	(577,973)	(1,677,349)	(675,458)
Cash Flows From Financing Activities				
	1,172,411	393,485	1,174,861	393,485
	(155,129)	-	-	-
	1,017,282	393,485	1,174,861	393,485
	(1,240,595)	(948,899)	(1,109,360)	(887,768)
	2,076,725	3,025,624	1,814,650	2,702,418
	836,130	2,076,725	705,290	1,814,650
7				

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2008

1. Statement of Significant Accounting Policies

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').

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 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.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity BioPharmica Ltd 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 20 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.

(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 Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. BioPharmica Ltd 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.

Notes to the Financial Statements

for the year ended 30 June 2008

1. Statement of Significant Accounting Policies (continued)

(c) Property, Plant & Equipment (continued)

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 buildings 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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2008

1. Statement of Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

(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.

(h) Interests in Joint Ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements.

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

Notes to the Financial Statements

for the year ended 30 June 2008

1. Statement of Significant Accounting Policies (continued)

(m) 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).

(n) Borrowing Costs

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

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

(o) 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.

(p) 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.

(q) Comparative Figures

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

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. No impairment has been recognised in respect of intangibles for the year ended 30 June 2008. 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.

Key judgements — Provision for Impairment of Receivables

Included in the accounts of Consolidated entity are amounts receivable from related entities of \$646,792. 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 2008.

Key Judgments — Impairment of Intangible Assets

No impairment has been recognised in respect of intangible assets for the year ended 30 June 2008. 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.

The financial report was authorised for issue on 27th August 2008 by the board of directors.

Notes to the Financial Statements

for the year ended 30 June 2008

Note	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
2. Revenue				
Revenue				
Interest revenue : other entities	94,435	142,253	81,910	127,406
Cost recoveries	79,401	54,872	86,857	122,000
Total revenue	173,836	197,125	168,767	249,406
Other income				
Research & development rebate	984,216	381,311	654,538	318,672

3. Profit for the year

a) Expenses

Finance costs:

- related entities	31,823	45,514	-	-
Total finance costs	31,823	45,514	-	-

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 Person

D L Breeze – Executive Chairman

H Goh – Non-Executive Director (appointed 3 October 2007)

S K Yap – Non-Executive Director

G Gilbert – Non Executive Director (appointed 31 October 2007)

C Murphy – Executive Director – (resigned 2 October 2007)

D Ambrosini – Company Secretary – (appointed 7 May 2008)

Options and Rights Holdings**Number of Options Held by Key Management Personnel**

	Balance 1.7.2007	Granted as Compen- sation	Options Exercised	Net Change Other	Balance 30.6.2008	Total Vested 30.6.2008	Total Exercis- able 30.6.2008	Total Unexercis- able 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	-
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	-
C R Murphy	4,000,000	-	-	(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.

Shareholdings**Number of Shares Held by Key Management Personnel**

	Balance 1.7.2007	Received as Compen- sation	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
G Gilbert	-	-	-	-	-
H Goh	-	-	-	-	-
C R Murphy	700,000	-	-	(700,000)	-
D Ambrosini	-	-	-	-	-

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

Key management personnel remuneration has been included in the Remuneration report section of the Directors Report.

Notes to the Financial Statements

for the year ended 30 June 2008

4. Key Management Personnel Compensation (continued)

(b) Compensation Practices

The board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Key management personnel are paid six months of salary in the event of redundancy. Options not exercised before or on the date of termination do not lapse. The employment conditions of the managing director, David Breeze and other key management personnel are formalised in contracts of employment.

The employment contract stipulates 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. 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 lapse. The Board determines the proportion of fixed and variable compensation for each key management personnel.

Note	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
5. Auditors' Remuneration				
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	25,500	15,050	25,500	15,050
- other services	-	-	-	-
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	-	-	-	-
	<u>25,500</u>	<u>15,050</u>	<u>25,500</u>	<u>15,050</u>

6. Earnings per share

	Consolidated	
	2008	2007
	\$	\$
Reconciliation of Earnings to Profit or Loss		
Loss	(1,160,864)	(1,266,019)
Earnings used to calculate basic EPS	(1,160,864)	(1,266,019)
	(1,160,864)	(1,266,019)

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.

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	69,144,857	61,305,992

7. Cash and cash equivalents

	Consolidated		Parent	
	2008	2007	2008	2007
Note	\$	\$	\$	\$
Cash at Bank and in hand	354,594	1,625,804	223,754	1,363,729
Short-term bank deposits	481,536	450,921	481,536	450,921
	836,130	2,076,725	705,290	1,814,650

Reconciliation of cash

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	836,130	2,076,725	705,290	1,814,650
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8. Trade and other receivables

CURRENT

Trade receivables	24,510	83,031	-	83,031
Research and development rebate receivable	779,371	-	638,405	-
Other receivables	31,062	337,849	21,504	300,907
	834,943	420,880	659,909	383,938

Notes to the Financial Statements

for the year ended 30 June 2008

Note	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
9. Other Assets				
CURRENT				
Prepaid insurance	9,957	14,115	8,342	14,115
Prepaid – other	-	33,603	-	15,400
	<u>9,957</u>	<u>47,718</u>	<u>8,342</u>	<u>29,515</u>
NON CURRENT				
Unsecured Loans to other entities:				
Cortical Dynamics Pty Ltd	-	-	-	66,000
Diagnostic Array Systems Pty Ltd	-	-	117,065	-
Grandbridge Ltd	54,024	-	54,024	-
Molecular Discovery Systems Pty Ltd	-	-	1,378,960	389,212
University of Western Australia	592,838	16,718	574,865	16,718
Other	-	4,435	-	-
	<u>646,862</u>	<u>21,153</u>	<u>2,124,914</u>	<u>471,930</u>
10. Financial assets				
(a) Available for sale financial assets	48,949	-	901,228	1,545,971
(b) Held-to-maturity financial assets	193,897	182,118	-	-
	<u>242,846</u>	<u>182,118</u>	<u>901,228</u>	<u>1,545,971</u>
(a) Available for sale Financial Assets Comprise:				
Unlisted investments, at cost				
- shares in controlled entities	-	-	852,279	1,356,078
- shares in other corporations	48,949	-	48,949	189,893
Total available-for-sale financial assets	<u>48,949</u>	<u>-</u>	<u>901,228</u>	<u>1,545,971</u>

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	193,897	182,118	-	-

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.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
11. Investments Accounted for using the Equity Method				
Associated Companies (Note 12)	-	255,893	-	-

On the 27th of September 2007 BioPharmica Limited decreased its share in Cortical Dynamics to 3.61% through an in specie distribution to shareholders.

12. Associated Companies

Interests are held in the following companies:

	Note	Ownership Interest		Carrying amount of investment	
		2008	2007	2008	2007
		%	%	\$	\$
Unlisted:					
Cortical Dynamics Pty Ltd		3.61%	46.71%	48,949	255,893
Principal activities: Medical Research Incorporated in Australia Ordinary Shares					
				48,949	255,893

(a) Movements during the year in Equity Accounted Investment in Associated Companies

Balance at beginning of financial year	255,893	555,370	-	-
Add: New investment during the year	609,000	91,000	-	-
Share of associated company's losses after income tax	(34,428)	(51,574)	-	-
Share of associated company's reserve increments arising during the year				
Disposals during the year	(781,516)	(338,903)	-	-
Balance at end of financial year	48,949	255,893	-	-

(b) Equity accounted associate losses are broken down as follows:

Share of associates losses before income tax expense	(34,428)	(51,574)	-	-
Share of associates income tax expense	-	-	-	-
Share of associates losses after income tax	(34,428)	(51,574)	-	-

Notes to the Financial Statements

for the year ended 30 June 2008

	Note	Ownership Interest		Carrying amount of investment	
		2008 %	2007 %	2008 \$	2007 \$

Unlisted:

12. Associated Companies (continued)

(c) Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates

Current Assets	-	10,245	-	-
Non-current Assets	-	20,183	-	-
Total Assets	-	30,428	-	-
Current Liabilities	-	13,684	-	-
Non-current Liabilities	-	64,862	-	-
Total Liabilities	-	78,546	-	-
Net Assets	-	(48,118)	-	-
Revenues	-	13	-	-
Loss after income tax of associates	-	110,414	-	-

(d) On the 27th of September 2007 BioPharmica Limited decreased its share in Cortical Dynamics to 3.61% through an in specie distribution to Shareholders. Cortical Dynamics ceased to be accounted for as an associate at that date. These shares are held as bare trustee until the IPO process is completed.

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$

13. Intangible assets				
Patent costs capitalised				
Cost	72,454	20,454	-	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying value	72,454	20,454	-	-
Goodwill				
Cost	707,053	707,053	-	-
Accumulated impaired losses	(216,935)	(216,935)	-	-
Net carrying value	490,118	490,118	-	-

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Acquired intellectual property				
At cost (a)	751,697	751,697	751,697	751,697
Net carrying value	751,697	751,697	751,697	751,697
Total intangibles	1,314,269	1,262,269	751,697	751,697

(a) Cost

(i) Tumour Suppressor Gene - HLS5	600,000	600,000	600,000	600,000
(ii) BAR index	151,697	151,697	151,697	151,697

(b) Movements in Carrying Amounts

	Intellectual Property Costs	Capitalised Patent Costs	Total
	\$	\$	\$
Year ended 30 June 2008			
Balance at the beginning of year	1,241,815	20,454	1,262,269
Additions	-	52,000	52,000
Disposals	-	-	-
Amortisation charge	-	-	-
Impairment losses	-	-	-
Closing carrying value at 30 June 2008	1,241,815	72,454	1,314,269

Notes to the Financial Statements for the year ended 30 June 2008

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
14. Property, Plant and Equipment				
Plant and Equipment:				
At cost	526,582	576,956	24,370	22,302
Accumulated depreciation	(353,067)	(208,826)	(16,073)	(10,744)
Total Property, Plant and Equipment	173,515	368,130	8,297	11,558

(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.

	Plant and Equipment	Total
	\$	\$
Economic Entity:		
Balance at the beginning of the year	368,130	368,130
Additions	4,493	4,493
Disposals	-	-
Adjustment to leased asset	-	-
Depreciation expense	(199,108)	(199,108)
Carrying amount at the end of the year	173,515	173,515
Parent Entity:		
Balance at the beginning of the year	11,558	11,558
Additions	4,493	4,493
Disposals	-	-
Depreciation expense	(7,754)	(7,754)
Carrying amount at the end of the year	8,297	8,297

15. Income Tax Expense

(a) The components of tax expense

comprise:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
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% (2007: 30%)

Economic entity	353,668	401,817	-	-
Parent entity	-	-	184,319	65,917
Add tax effect of:				
Non deductible expenses	4,670	2,824	2,591	2,824
Prior year tax loss used in Research and development clawback	206,724	240,726	206,724	240,726
Tax benefit of revenue losses not recognised	(306,657)	(344,460)	(135,229)	(8,560)
Less tax effect of:				
Research and development clawback income related to prior periods	(258,405)	(300,907)	(258,405)	(300,907)
Income tax attributable to parent entity	-	-	-	-
Balance of franking account at year end	-	-	-	-
	%	%	%	%
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	1,046	8,081	(962)	8,581
Tax losses:				
- operating losses	1,181,552	874,895	671,157	535,928
- capital losses	26,342	26,342	26,342	26,342

Notes to the Financial Statements

for the year ended 30 June 2008

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
16. Trade and other payables				
Trade payables	186,024	316,793	973	116,325
Sundry payables and accrued expenses	73,527	62,717	89,101	33,075
	<u>259,551</u>	<u>379,510</u>	<u>90,074</u>	<u>149,400</u>
17. Financial Liabilities				
Current				
Secured Liabilities				
Lease Liability	23			
		<u>228,700</u>	<u>155,129</u>	<u>-</u>
		<u>228,700</u>	<u>155,129</u>	<u>-</u>
Non Current				
Secured Liabilities				
Lease Liability	23			
		<u>-</u>	<u>228,701</u>	<u>-</u>
Non-current borrowings		<u>224,284</u>	<u>50,339</u>	<u>164,175</u>
		<u>224,824</u>	<u>279,040</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.

18. Provisions

Employee entitlements:				
Opening balance at 1 July		19,020	7,277	12,770
Reduction in provision		<u>(11,513)</u>	<u>11,743</u>	<u>(7,635)</u>
Balance at 30 June		<u>7,507</u>	<u>19,020</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.

Consolidated		Parent	
2008	2007	2008	2007
\$	\$	\$	\$
No.	No.	No.	No.

19. Issued Capital

70,210,788 (2006: 61,311,560) fully paid ordinary shares

7,081,809	6,588,464	7,084,258	6,588,464
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The Company has no authorised capital and the issued shares do not have a par value.

(a) Ordinary Shares

At the beginning of reporting period	61,311,560	61,304,060	61,311,560	61,304,060
Shares Issued during the year	8,899,228	7,500	8,899,228	7,500
At reporting date	70,210,788	61,311,560	70,210,788	61,311,560

Capital Raising

Options were exercised during the year resulting in the issue of 3,318,228 (2007: 7,500) fully paid ordinary shares at 20c each raising \$663,646 (2007: \$1,500).

Fully Paid Ordinary Share Capital

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

(b) Options

The market price of the company's ordinary shares at 30 June 2008 was 4.6 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.

Notes to the Financial Statements

for the year ended 30 June 2008

19. Issued Capital (continued)

(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 2008 and 30 June 2007 are as follows:

Note	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash and cash equivalents	836,130	2,076,725	705,290	1,814,650
Trade and other receivables	834,943	468,598	659,909	413,453
Trade and other payables	(259,551)	(379,510)	(90,074)	(149,400)
Working capital position	1,411,522	2,165,813	1,275,125	2,078,703

20. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2008	2007
Parent Entity				
BioPharmica Ltd	Investment	Australia		
Subsidiaries of BioPharmica Ltd				
Molecular Discovery Systems Pty Ltd	BioMedical Research	Australia	100.00	100.00
Diagnostic Array Systems Pty Ltd	BioMedical Research	Australia	51.82	51.82

Note	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
21. Cash Flow Information				
(a) Reconciliation of Cash Flow from Operations with Profit after income tax				
Operating loss after income tax	(1,178,893)	(1,339,391)	(614,398)	(219,723)
Non-cash flows in profit:				
Depreciation	199,108	201,782	7,754	3,984
Impairment	-	216,935	-	-
Share based payment expense	324,291	8,340	321,841	8,340
Management Fee	-	-	(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	(383,001)	(200,770)	(254,467)	(166,679)
(Increase)/decrease in prepayments	10,581	(57,864)	21,173	(29,515)
(Increase)/decrease in other assets	-	136,508	-	(240,520)
(Increase)/decrease in associated entities	-	(2,701)	-	(2,701)
Increase/(decrease) in provisions	(11,513)	11,743	(15,551)	13,410
Increase/(decrease) in trade payables and accruals	(152,719)	261,007	(75,378)	27,609
Cash flow from operations	(1,157,718)	(764,411)	(606,872)	(605,795)
(b) Non-cash Financing and Investing Activities				
i) In Specie Distribution				
69,160,788 ordinary shares were redistributed to shareholders during the 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	-

Notes to the Financial Statements

for the year ended 30 June 2008

22. 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.

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

2008	Weight Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate 1 Year of less	Fixed Interest Rate 1 to 5 Years	Non- Interest Bearing \$	Total \$
Financial Assets						
Cash and cash equivalents	3.85	836,130	-	-	-	836,130
Trade and other receivables	-	-	-	-	834,943	834,943
Other financial assets	-	-	-	-	9,957	9,957
Total Financial Assets		836,130	-	-	844,900	1,681,030
Financial Liabilities						
Trade and sundry payables	-	224,284	-	-	259,551	483,835
Lease liabilities	11.38	-	228,700	-	-	228,700
Total Financial Liabilities		224,284	228,700	-	259,551	712,535

2007	Weight Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate 1 Year of less	Fixed Interest Rate 1 to 5 Years	Non- Interest Bearing \$	Total \$
Financial Assets						
Cash and cash equivalents	6.30	2,076,725	-	-	-	2,076,725
Trade and other receivables	-	-	-	-	420,880	420,880
Other financial assets	-	-	-	-	47,718	47,718
Total Financial Assets		2,076,725	-	-	468,598	2,545,323
Financial Liabilities						
Trade and sundry payables	-	50,339	-	-	379,510	429,849
Lease liabilities	11.38	-	155,129	228,701	-	383,830
Total Financial Liabilities		50,339	155,129	228,701	379,510	813,679

Notes to the Financial Statements

for the year ended 30 June 2008

22. Financial Risk Management (continued)

Parent Entity

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

2007	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
Financial Assets				
Cash and cash equivalents	6.30	1,814,650	-	1,814,650
Trade and other receivables	-	-	383,938	383,938
Other financial assets	-	-	29,515	29,515
Total Financial Assets		1,814,650	413,453	2,228,103
Financial Liabilities				
Trade and sundry payables	-	-	149,400	149,400
Lease liabilities	-	-	-	-
Total Financial Liabilities		-	149,400	149,400

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.
- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- 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.

	2008		2007	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Financial Assets				
Available-for-sale financial assets at fair value	901,228	901,228	2,076,725	2,076,725
Held-to-maturity financial assets	-	-	-	-
Derivative financial assets	-	-	-	-
Loans and receivables	834,943	834,943	420,880	420,880
	<u>1,736,171</u>	<u>1,736,171</u>	<u>2,497,605</u>	<u>2,497,605</u>
Financial Liabilities				
Debentures	-	-	-	-
Bills of exchange and promissory notes	-	-	-	-
Other loans and amounts due	452,984	452,984	434,169	434,169
Converting and redeemable preference shares	-	-	-	-
Other liabilities	259,551	259,551	379,510	379,510
	<u>712,535</u>	<u>712,535</u>	<u>813,679</u>	<u>813,679</u>

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

At 30 June 2008, 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	
	2008	2007	2008	2007
Change in profit				
— Increase in interest rate 1%	8,361	20,767	7,053	18,146
— Decrease in interest rate by 0.5%	(4,180)	(10,384)	(3,526)	(9,073)
Change in Equity				
— Increase in interest rate by 1%	8,361	20,767	7,053	18,146
— Decrease in interest rate by 0.5%	(4,180)	(10,384)	(3,526)	(9,073)

Notes to the Financial Statements

for the year ended 30 June 2008

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
23. Capital and Leasing Commitments				
Finance Lease Commitments				
Payable – minimum lease payments				
- not later than 12 months	228,700	155,129	-	-
- between 12 months and 2 years	-	228,701	-	-
- greater than 2 years	-	-	-	-
Minimum lease payments	228,700	383,830	-	-
Less future finance charges	(16,616)	(48,651)	-	-
Present value of minimum lease payments (note 22)	212,084	335,179	-	-

The finance lease on plant and equipment which commenced on 27 April 2006 is a three year lease with an option to refinance at the end. The equipment is being leased directly from Technology Leasing Ltd with lease payments due monthly in advance.

24. Segment Information

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

25. Events after the Balance Sheet Date

Other than referred to there have not been any matters or circumstance that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

26. Related Party Transactions

(a) Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 20 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	
	2008	2007
	No.	No.
<i>Ordinary Shares</i>		
Held as at the date of this report by directors and their director-related entities in:		
BioPharmica Ltd	<u>11,756,402</u>	<u>10,481,402</u>
<i>Other Equity Instruments</i>		
<i>Options</i>		
Held as at the date of this report by directors and their director-related entities in:		
BioPharmica Ltd	<u>12,000,000</u>	<u>5,000,000</u>

(d) Directors

The Company has agreements with Kanou Pty Ltd and Trandcorp Pty Ltd on normal commercial terms procuring the services of Seng Yap and David Breeze respectively to provide product development services. \$123,000 (2007: \$248,250) was paid during the year.

(e) Controlling Entities

The parent entity in the economic entity is BioPharmica Ltd. Management fees were charged to Diagnostic Array Systems for the period ending 30 June 08 of \$32,274 (2007 :\$72,000)

27. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2008:

On 20th December 2007, Hock Goh, Seng Yap and Gregory Gilbert were each granted 2,000,000 share options to take up ordinary shares at an exercise price of \$0.15 each. The options are exercisable on or before 31st October 2010. The options hold no voting or dividend rights and are not transferable.

On 20th December 2007 Seng Yap was granted 1,000,000 shares in the Company at a issue price of 10 cents as payment for his services as Chairman of the board of Directors of Biopharmica Limited.

Notes to the Financial Statements

for the year ended 30 June 2008

27. Share-Based Payments (continued)

On 1st June 2008 Deborah Ambrosini was granted 1,000,000 share options in the Company to take up ordinary shares at an exercise price of \$0.15. The options are exercisable on or before 30 June 2013. The options hold no voting or dividends rights and are not transferable.

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				Parent Entity			
	2008		2007		2008		2007	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	5,000,000	-	-	-	5,000,000	-	-	-
Granted	6,000,000	0.15	2,000,000	0.18	6,000,000	0.15	2,000,000	0.18
Granted			3,000,000	0.125	-	-	3,000,000	0.125
Forfeited	(5,000,000)	-	-	-	(5,000,000)	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Outstanding at year-end	6,000,000	-	5,000,000	-	6,000,000	-	5,000,000	-
Exercisable at year-end	6,000,000	-	5,000,000	-	6,000,000	-	5,000,000	-

No options exercised during the year ended 30th June 2008.

The weighted average fair value of the options granted during the year was \$216,600.

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	33 months
Underlying share price	\$0.085
Expected share price volatility	90%
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 \$321,841 (2007: \$nil), and relates, in full, to equity.

28. Changes in Accounting Policies

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.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group	
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Mineral			
	AASB 102	Inventories			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
	AASB 1023	General Insurance Contracts			
	AASB 1038	Life Insurance Contracts			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.7.2009

Notes to the Financial Statements

for the year ended 30 June 2008

28. Changes in Accounting Policies (continued)

AASB Amendment	AASB	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			
	AASB 138	Intangible Assets			
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 25 to 60 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 2008 and of the performance for the year ended on that date of the company and economic entity;
2. 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.
3. 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

Independent Audit Report

To the Members of BioPharmica Limited

We have audited the accompanying financial report of BioPharmica Limited (the company) and BioPharmica Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in page 13 to 15 of the directors' report and not in the financial report.



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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 control 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 Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

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 judgment, 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 and the remuneration disclosures in the directors' report.

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



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a. The financial report of BioPharmica Limited and BioPharmica Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
- c. the remuneration disclosures that are contained in pages 13 to 15 of the directors' report comply with Accounting Standard AASB 124.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Ranko Matić".

RANKO MATIĆ
Director

DATED at PERTH this 27th day of August 2008

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 22nd August 2008

1. Substantial Shareholder

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

Shareholder	Shares	%
Trandcorp Pty Ltd	9,882,700	14.08

2. Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	154	91,596	0.13
1,001 – 5,000	257	779,504	1.11
5,001 – 10,000	232	2,067,320	2.94
10,001 – 100,000	819	29,385,519	41.85
100,001 and over	98	37,886,849	53.96
	1,560	70,210,188	100.00

The number of shareholders with less than a marketable parcel is 673, holding in total 3,263,952 shares.

3. Voting Rights - Shares

All ordinary shares issued by BioPharmica Ltd 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

70,160,788

6. Twenty Largest Shareholders as at 22 August 2008

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	9,822,700	14.08
Grandbridge Ltd	6,778,200	9.65
S Yap	1,700,000	2.42
Mac Tech (Australia) Pty Ltd	700,000	1.00
E Miglas	660,000	0.94
T P Coleman and M Marciniak	583,560	0.83
P Zuzza	532,000	0.76
Lewis Securities Ltd	490,000	0.70
M B L and P Lee	477,700	0.68
P Abourizk	469,000	0.67
W H Lantzke	465,000	0.66
Kinetas Pty Ltd	424,000	0.60
Comsca Pty Ltd	405,149	0.58
Superfold Pty Ltd	400,000	0.57
Batra One Pty Ltd	348,500	0.50
Robinia Partners Pty Ltd	329,024	0.47
C Breeze	303,000	0.43
Paul Malone Services Pty Ltd	300,000	0.43
P and A Balsarini	300,000	0.43
M R Breeze	300,000	0.43
	25,787,833	36.83

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