



BioProspect on track

BioProspect's commercialisation activities are on track, and we remain focused on successful growth despite challenging conditions.

The Company is appreciative of its loyal shareholders, but we don't take this loyalty for granted. While many are attracted to us due to our natural range of sustainable, environmentally friendly products and technologies, ultimately shareholders need financial returns and this is what we aim to deliver.

In this regard, shareholders will be pleased to hear of a recent surge of new orders for REGEN® products, after the REGEN® Pain Relief Spray was featured on Channel Nine's top-rating *A Current Affair*.

The sales boost has been greatly encouraging in our efforts to expand the REGEN® therapeutic and DEMURE® skin care product ranges in Australia and selected overseas markets.

Yet we are focusing much attention currently on the development of AGRIPRO™ and GI-Guard® products for horses, as part of our push into the global \$15 billion a year animal health products market.

In September 2010, we announced the securing of a new supply source of the key ingredient for these products, Conifer Green Needle Complex (CGNC). This is an enormous boost for the future of our natural animal products range, as BioProspect now has certainty of supply at a more competitive price.

An efficacy study is about to commence on GI-Guard® Oral Paste in horses, targeting the product's effectiveness in addressing the common horse complaint of equine gastric ulcer syndrome (EGUS). The study will form part of BioProspect's application for product registration, which is anticipated within a year.

Commercialisation efforts are also continuing for natural termite solution TERMILONE®, which is being evaluated for its potential in a range of markets. And in the same area, BioProspect is supporting partner Bio-Gene Technology Limited in the development of natural insecticide Qcide®.

Meanwhile, the Board and management continue to evaluate new business opportunities in the fields of novel and natural technologies which are consistent with our long-term growth strategy.

Like our shareholders, we are impatient for success. We share your desire of achieving consistent growth in shareholder value, along with a return for the environment, community and other stakeholders.

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As any experienced technology investor will point out, investing in new fields of research is always a long-term endeavour. The rewards come to those who have the vision to see the opportunity, undertake the appropriate research and development activities and achieve successful commercialisation.

BioProspect has that vision, and the right team in place to achieve it.

Yours sincerely

Peter May
Chief Operating Officer

Welcome to the latest edition of BioNews, our regular investor newsletter aimed at keeping you informed of our activities.

We welcome your continued support as we further progress commercialisation of our products.



Did you know?

Thoroughbred horse racing is known as the sport of kings, and it generates kingly wealth. In 2008, the global horseracing market was estimated at generating US\$115 billion a year, according to the International Federation of Horseracing Authorities.

With equine gastric ulcer syndrome (EGUS) reported to affect up to 93% of racehorses, BioProspect has an extremely large – and lucrative – market to target for its natural, environmentally friendly alternative.



Colin Johnston

*Company Secretary/CFO
Dip. Bus Accounting, CPA, GAICD*

Colin Johnston joined BioProspect in March 2004 as Company Secretary and Chief Financial Officer. With more than 40 years' experience in finance and management, he is responsible for ensuring the Company's compliance with corporate governance standards and the preparation of financial and management reports.

Prior to joining BioProspect, Colin held the role of CFO and Company Secretary for Griffin Corporation Australia Pty Ltd, a subsidiary of DuPont, a position he held for four years after previously serving as Finance Manager for Crop Care Australasia Pty Ltd. He started his career as a trainee accountant with ICI Australia Pty Ltd (now part of the Orica group).

Why did you join BioProspect?

I joined BioProspect because it gave me the opportunity to become Company Secretary and CFO of a listed company. Working for large companies like Orica, you don't always get the same opportunity to make a direct impact on a company's financial future.

What's been your biggest career achievement?

There's been too many to recollect, but I'd have to say that keeping BioProspect going during the good times and tough times has been a major achievement. Biotech is a very tough business and securing investor support can be difficult in such a specialised field. Successfully communicating with shareholders with various holding sizes has been another achievement.

What inspires you?

People like the late Norman Borlaug, the Noble Prize-winner who fathered the 'Green Revolution' in food production, really inspire me. Sometimes you have to go against the established wisdom if you want to achieve scientific breakthroughs.

What do you do in your spare time?

I'm on the boards of several non-profit organisations, including local community groups.



Researchers test GI-Guard® Oral Paste on a horse as part of a safety study. Photo courtesy of SCEC Pty Ltd.

PROJECT UPDATE – AGRIPRO™

AGRIPRO™ picks up speed

BioProspect has developed new regulatory and commercial pathways for the rollout of natural, environmentally friendly AGRIPRO™ products for the animal health market. The market for over the counter animal health products globally exceeds \$15 billion a year, with more than 40% spent on companion animals.

The Company's current focus is on GI-Guard® Oral Paste for Horses and AGRIPRO™ Topical Gel, both aimed at the equine healthcare market.

These products are based on Conifer Green Needle Complex (CGNC), a natural substance with low toxicity that is extracted from the green needles of Scots Pine and Norway Spruce trees. These complex plant extracts have anti-bacterial, anti-viral and anti-oxidant characteristics with applications in disease and infection control, including equine gastric ulcer syndrome (EGUS).

EGUS can affect any horse, but studies show that performance horses and racehorses are the most affected. One recent study found that up to 93% of racehorses suffer from gastric ulceration, with symptoms including poor performance, behavioural changes and weight loss. Foals are also particularly vulnerable, with around half at risk of developing stomach ulcers.

In September 2010, BioProspect announced it had signed an alternative supplier of CGNC, following a dispute with original supplier Solagran. The new supplier offers certainty of supply along with superior pricing, boding well for the launch of the new horse products.

BioProspect is also planning an efficacy study with GI-Guard® Oral Paste in horses to be undertaken by Sydney-based research organisation SCEC Pty Ltd, which conducted the previous successful horse safety study.

The new study will specifically target EGUS, with the results to form part of the Company's registration application with the APVMA.

GI-Guard® Oral Paste (90% CGNC) has potential for its effect not only on ulcers, but for its long-term impact on metabolism in aiding infection control and recovery. AGRIPRO™ Topical Gel (7.5% CGNC) is being developed for the treatment of surface wounds and abrasions, which represent a significant component of the equine healthcare market.

Helped by new APVMA guidelines and CGNC's existing approval for use in complementary human medicine, BioProspect anticipates the registration process for such natural veterinary health products being completed within 12 months.

"Product registration in Australia will not only enable the new horse treatments to be sold in this country, but will also enable a 'free sale certificate' to be issued by the APVMA to confirm country of origin registration.

"This will facilitate registration in other key regional markets," said BioProspect's COO, Peter May.

BioProspect is also examining the potential for other products in animal, human health and nutrition, including feed supplementation for companion and food production animals such as pigs, beef, dairy cattle and poultry, where the Company has already undertaken trials.

"We're determined to commercialise these safer, environmentally friendly and natural alternatives to current synthetics, delivering a win-win outcome for our Company as well as the animals," Mr May said.

PROJECT UPDATE – REGEN®

Healing spray a winner

Re-Gen Wellness Products was acquired by BioProspect in 2009 to extend the Company's product range into natural skin care and healthcare markets, and deliver near-term cashflows from product sales. After considerable investment in market research and product development, Re-Gen is showing its potential for BioProspect shareholders.

In May 2010, BioProspect announced the launch of the new REGEN® Pain Relief Spray as the flagship in a new range of REGEN® therapeutic products. Developed for use by sufferers of arthritis and muscular and joint pain, the product utilises a unique blend of natural plant oils combined with emu oil as an excipient ingredient.

The product features the unique properties of *Transdermal Solvency*®, and has natural skin penetrating and anti-inflammatory properties.

According to Arthritis Australia, nearly 4 million Australians are affected by arthritis, costing the economy around \$24 billion a year in medical care, loss of earnings and lost production. While a cure isn't yet on the horizon, the effectiveness of REGEN® Pain Relief Spray in treating pain caused by arthritis and injury was highlighted by a September 13 report from the Nine Network's top-rated *A Current Affair*.

"Recovery is a lot easier using the spray," said a cricketer who was interviewed, and the comments of the Australian senior national team player were supported by another young AFL footballer.

The TV report sparked a surge of sales inquiries and has given the REGEN® range a timely boost as BioProspect looks to grow it into a successful, stand-alone business.



REGEN® Pain Relief Spray was featured in a September 13, 2010 report by Nine's *A Current Affair*.

Additional products in the new therapeutic range include REGEN® Pain Relief Rub, REGEN® Emu Oil Capsules, REGEN® Pure Emu Oil and REGEN® Massage Oil.

Meanwhile, BioProspect has also reviewed the DEMURE® skin care product range and refined it to a core range of 12 products with proven and novel formulations.

Chinese regulatory approval is being sought for the new product range, with the aim of facilitating sales through distribution partners into the \$20 billion a year Chinese cosmetics market.

BioProspect's Managing Director, Charles Pellegrino, said the Company was confident of developing the necessary regulatory, distribution and marketing channels to ensure REGEN®'s success.

"We've refined our strategy to achieve our commercialisation targets, and we now have a pathway towards sales across the Australian and international markets," he said.

"REGEN® offers enormous promise, and we're excited by the potential of this proven product range."

PROJECT UPDATE – TERMILONE®

Commercialisation milestones approach

Natural termite solution TERMILONE®'s progress towards commercialisation is set to reach a major milestone, with the upcoming release of field trial results from North Queensland and manufacturing study results from Southern Cross University (SCU).

BioProspect is developing natural, environmentally safe TERMILONE® as a soil-applied termiticide and timber treatment. Based on Eremophilone Oil extracted from the native Australian tree species *Eremophila mitchellii*



(False Sandalwood), the product has low mammalian toxicity, making it safe for pest control workers, household pets and the environment.

The international market for termite control products is estimated to exceed \$1 billion a year, with demand increasing for natural alternatives due to increasing restrictions on synthetic treatments.

Results announced in April 2010 from a Darwin field trial conducted by the CSIRO showed that timber treated with TERMILONE® withstood attack from common termite species *Coptotermes acinaciformis*, although proving less effective against the more localised but aggressive *Mastotermes darwiniensis* species found in the northern tropics.

In June, BioProspect bioassay test results showed that relatively high minimum rates of TERMILONE® would be required to control

termites when used as a barrier treatment. The upcoming field trial assessment from partner Ensysyex Corporation will provide more conclusive evidence on the activity required for a commercially viable product.

Meanwhile, the SCU manufacturing study is focused on commercial-scale processing to determine the efficiency and cost of extraction.

TERMILONE® may also have other commercial uses, with potential applications seen for the aromatic Eremophilone Oil in the cosmetics industry for use in fragrance manufacture.

"BioProspect is critically assessing the potential and performance of TERMILONE®, with a range of potential target markets identified for related products," BioProspect's Peter May said.

"For now, it's a case of 'watch this space' as we get the final data together to confirm its future commercial potential."

Investor support boosts projects

The past year has been a roller-coaster ride for Australian sharemarket investors, and BioProspect has been no exception. From a high of 6 cents on February 8 – the date BioProspect announced regulatory approval for TERMILONE®'s active constituent, Eremophilone Oil – the price of BPO shares has fluctuated along with that of the broader market.



As an innovative Australian developer of novel and natural technologies, BioProspect has a long-term growth horizon, and is fortunate to have shareholders and investors who support this vision.

BioProspect is committed to delivering long-term growth in shareholder value.

Here's some reasons why an investment in BPO shares is worthwhile:

- Investing in an innovative, Australian developer of novel and natural technologies
- Providing support for environmentally friendly, sustainable natural products with potential to improve human and animal health
- Gaining investment exposure to a diversified natural product range, encompassing AGRIPRO™ animal health and nutrition products, REGEN® therapeutic products, the DEMURE® skincare range, natural termite solution TERMILONE® and natural insecticide Qcide®
- Obtaining a "triple bottom line" return on investment – ecological, social and financial performance

According to a *BiotechnologyNews* report dated September 7, investor confidence in the biotech sector is still lagging following the global financial crisis, although it noted that "there will always be investor appetite for quality assets".

Investor support for BioProspect has been seen in the encouraging response to capital raisings conducted in 2009/10, including a successful Share Purchase Plan completed in June 2010 which raised \$422,180 before issue costs.

BioProspect has committed these funds along with those from other capital raisings towards its commercialisation activities, which according to Managing Director Charles Pellegrino continue to pick up steam.

"We are united with our shareholders in seeking to achieve a successful, commercial future for our natural product range," Mr Pellegrino said.

"Over the past year we've shown our ability to surmount obstacles to achieve our targets, such as the recent securing of an alternative supply source of CGNC. When the going gets tough, the tough get going and that's exactly what we've done.

"We are also evaluating a number of other new business opportunities consistent with our long-term strategy. As always, it's a matter of maximising our limited resources to achieve success.

"We're impatient for results, we know our shareholders are and we're determined to deliver."

Director reshuffle

BioProspect is reviewing its Board composition following the recent departure of two non-executive directors, Kamran Shamsi in June 2010 and Leo Khouri in September 2010. Both made significant contributions to the Company's commercialisation activities and corporate governance.

Mr Khouri will continue to provide strategic and financial advice to BioProspect in his capacity as director and owner of Gun Capital Management Pty Ltd, and is committed to ensuring the Company's successful growth.

BioProspect's pioneering work continues to attract media interest. Here's some of the latest coverage:

Business Spectator

"BioProspect secures new supplier for Conifer Green Needle Complex" (September 21, 2010)

Nine Network's A Current Affair

"Arthritis oil" (September 13, 2010)

Australian R&D Review

"Termite nemesis" (June 2010)

Sky News Business TV

Interview with Peter May (May 13, 2010)

Australian Forest and Timber

"Keeping termites at bay, naturally" (May 1, 2010)

BioTechnologyNews.net

"BioProspect encouraged by CSIRO field trial" (April 27, 2010)

Australian Life Scientist

"BioProspect keeps the termites at bay" (April 23, 2010)

Brisbane Business News

"Prospects sound for horse gel" (April 13, 2010)



AGM reminder

BioProspect shareholders can obtain the latest update on the Company's results with the upcoming release of the Annual Report and the Annual General Meeting.

The AGM will be held in Melbourne at 2 p.m. on Monday, November 29 at a venue to be announced in the Notice of Meeting. We look forward to seeing you there!

Company contacts

BioProspect Limited
320 Adelaide Street
Brisbane QLD 4000

P +61 (0)7 3229 5755
F +61 (0)7 3229 4655

E info@bioprospect.com
W www.bioprospect.com

ASX code: BPO