



BioProspect's expanding Frontier

The past six months have been another busy and productive period for BioProspect.

In July 2011, following extensive due diligence, BioProspect shareholders approved the acquisition of a 25% stake in Frontier Gasfields, an Australian energy explorer with a suite of oil and gas assets in the Philippines and China.

BioProspect's Managing Director, Charles Pellegrino, described the Frontier investment as offering considerable potential, diversifying our risk profile.

Led by its chairman Peter Jermyn, who has more than 30 years experience in the public company arena, together with experienced senior executives, Frontier has assembled a strong management team to drive its project development.

Working with partners such as Otto Energy and BHP Billiton, Frontier's projects have excellent potential in the energy-hungry Asia-Pacific region.

In August, BioProspect increased its stake in Frontier to 50% following the securing of BHP Billiton as a farm-in partner on SC55 in the Philippines, with an option to acquire a 75% interest in Frontier.

BioProspect has strengthened its Board to oversee the Frontier investment, with the appointment this month of Winton Willesee as the Company's new chairman and non-executive director.

Mr Willesee is a director of a number of ASX-listed resource/energy companies, and his experience in this sector together with his financial market expertise will greatly assist BioProspect as it enters a new phase in its development.

Mr Willesee's appointment followed the retirement on September 16 of BioProspect's long-serving chairman, Dr Michael Quinlan. First appointed a director in May 2003, Dr Quinlan made a considerable contribution to the Company's development.

Meanwhile, BioProspect's efforts to commercialise its natural product range, including AGRIPRO® and REGEN®, have continued to pick up speed.

In July, the Company expanded into the Middle East, with new agreements signed for the testing and supply of active ingredients and market development of the AGRIPRO® natural animal health products, including GI-GUARD® Oral Paste for horses.

"Frontier has considerable potential and diversifies BioProspect's risk profile."

Shareholders may have also seen "REGENerate," our new REGEN® newsletter which put the spotlight on key products REGEN® Pain Relief Spray and REGEN® Emu Oil Capsules.

REGEN® continues to attract solid sales due to the distribution agreement with Doward International, with recent promotional activities including participation in the Pharmacy Expo 2011 in Sydney and the ASICS Sport & Leisure Expo, held in conjunction with the Gold Coast Airport Marathon.

Drawing a sporting comparison, business is a marathon, not a sprint, and this is an important consideration for shareholders as BioProspect enters the second decade of its life on the ASX.

With a promising new interest in Asian energy, together with an existing natural product range, your Company is well prepared to win the race for investment success.

Yours sincerely

Peter May
Chief Operating Officer

Welcome to this year's second edition of BioNews, our investor newsletter aimed at keeping you up to date on our activities.

BioProspect continues to grow its business and we welcome your support as key to our successful development.



Happy 10th birthday!

Shareholders may be aware that this year marks a very special anniversary for the Company.

On January 29, 2001, BioProspect was floated on the Perth branch of the Australian Securities Exchange, with a goal of developing new products from the bioprospecting of natural flora.

Ten years later, despite the impact of the global financial crisis and other external pressures, the Company continues to flourish.

BioProspect's commitment remains unchanged: to deliver shareholder value from natural resources, commercialising research and development for the benefit of all.



PROFILE

Winton Willesee

Chairman

BBus., DipEd., PGDipBus., MCom., FFin, CPA, MAICD, ACIS

Winton Willesee joined BioProspect in September 2011 as a non-executive director and chairman. An experienced public company director, Winton is chairman of Cove Resources Limited and Mining Group Limited, and a director of Base Resources Limited, Coretrack Limited, Newera Resources Limited and Otis Energy Limited.

He brings to the BioProspect Board extensive experience in company administration, corporate governance, company public listings, merger and acquisition transactions, reconstructions and corporate finance.

Why did you join BioProspect?

I've followed the BioProspect story since its listing in early 2001 when, as a private client adviser, I helped raise some of the IPO funds. Since then, the Company has changed significantly and now holds a much larger and diverse suite of assets. With these exciting assets and opportunities, coupled with the excellent support from major shareholders, I was delighted to be invited to join the Board and help BioProspect move forward into its next chapter.

What's been your biggest career achievement?

I've worked with a large number of companies over the years, ranging from start-up IPO's looking to make a mark, distressed companies hoping to survive and successful companies looking to the next level. However, whatever the state of the company, one of the most rewarding aspects is to see the satisfaction and sense of achievement from all stakeholders when a project comes together as planned and is successful. I look forward to that same sense of achievement with BioProspect.

What inspires you?

I am inspired by the efforts of people who lead by example.

What do you do in your spare time?

What little spare time I have I spend with my wife and two sons.



PROJECT UPDATE – FRONTIER GASFIELDS

Energy for Asia

Analysts are becoming increasingly bullish on demand for energy from Asia, the world's fastest-growing economic region.

With forecasts that liquefied natural gas (LNG) prices will jump 70% this year from new Japanese and Chinese demand, and oil demand continuing to rise, the prospects are excellent for Frontier's suite of oil and gas projects in the Philippines and China.

According to *EnergyNewsBulletin*, LNG producers in Asia have been given a "once in a lifetime" opportunity as Japan boosts imports following the shutdown of much of its nuclear industry, and as China increases purchases. The Middle Kingdom is now the world's largest energy consumer, with energy demand continuing to grow in line with the industrialisation of China, India and other countries in the region.

What does this mean for BioProspect?

Ultimately it means strong demand and rising prices for any oil or gas that may be produced by Frontier Gasfields' projects in the Philippines and China.

BioProspect's confidence in the quality of Frontier's projects and its potential for success was shown by its announcement on August 23, of an increase in its Frontier shareholding to 50%.

The move to increase BioProspect's stake from 25% to 50% followed the securing of BHP Billiton as a farm-in partner to drill at least one well on SC55, located offshore Palawan Islands in the Philippines.

BioProspect has the option to increase its stake in Frontier to 75%, pending notification that the first exploration well has commenced on SC55.

According to operator Otto Energy, SC55 spans 9,880 square kilometres and contains both carbonate and sandstone reservoir targets, with a number of "significant oil prospects" as well as gas prospects identified.

Frontier also reported in July progress at SC52, an oil and gas project at Luzon Island in the Philippines.

According to Frontier, a rig was being sent to the site to initiate the re-entry and testing of Nassiping-2, an existing well containing an untested gas discovery in Cagayan Valley.

Located only 700 metres from the national power grid, SC52 provides scope for the potential development of a medium-scale gas to electricity project.

At another Philippines project, SC69, operator Otto Energy has announced the acquisition of 210 km² of high quality 3D seismic data, which it expects to be ready for interpretation later this year.

In July, Frontier strengthened its management team with the appointment of James Parry as chief operating officer and Freddie Rillera as exploration manager.

Both executives have considerable experience in the Philippines oil and gas industry, with Mr Parry credited with playing a key role in bringing the country's largest producing oilfield, Galoc, into production.

Frontier's chairman Peter Jermyn has more than 30 years experience in the public company arena in the legal, financial and corporate sectors.

"The quality of companies involved and the experience of Frontier's management team have increased our confidence in this investment, and we look forward to working closely with Frontier to maximise its value," BioProspect's Managing Director, Charles Pellegrino said.

Winning the race

Home to the world's richest horse race – the US\$10 million Dubai World Cup – the Middle East is a key target market for BioProspect's AGRIPRO® range of natural animal health products.

In July 2011, BioProspect made it onto a faster track with the signing of new Middle East agreements for the testing, supply of active ingredients and market development of AGRIPRO® products, including GI-GUARD® Oral Paste for horses.

A Supply Agreement has been signed concerning pine needle extract as well as other plant extracts for AGRIPRO® products, with an Agency Agreement completed focusing on market development opportunities in the region, including products to aid performance horses.

Under a Consultancy Agreement, horse trials with GI-GUARD® Oral Paste are currently underway in the United Arab Emirates (UAE), involving Sharjah Equine Hospital facilities and with expert advice from consultant Dr Mieke de Rijck.

The return to the UAE follows promising results from a previous screening trial held in 2008 involving horses from Sharjah's Albidayer Stud, owned by a member of the UAE royal family.

Based on natural pine needle extract, the new horse product is being developed in horses for gastro-intestinal care and wellbeing, and as an alternative to current synthetic treatments for



conditions such as Equine Gastric Ulcer Syndrome (EGUS). EGUS affects up to 90% of racehorses, causing poor performance, behavioural changes and weight loss.

The application with the Australian Pesticides and Veterinary Medicines Authority (APVMA) for registration of GI-GUARD® as a natural veterinary health product has progressed to the review stage, with a product chemistry data package submitted to facilitate the process.

Once efficacy data from the UAE study is available along with safety data, BioProspect expects to complete the requirements for product registration.

BioProspect's Chief Operating Officer, Peter May, said the strategic collaborations were an important boost to the commercialisation of the AGRIPRO® range.

"Demand for natural alternatives to synthetic treatments continues to rise, and AGRIPRO® and GI-GUARD® have an important role to play to satisfy consumer needs," Mr May said.

"BioProspect is focused on quickly commercialising these natural product ranges to take advantage of the growing demand."

Runs on the board

REGEN® therapeutics continues to post runs on the board – literally.

A record field of nearly 25,000 competitors took part in this year's Gold Coast Airport Marathon, and REGEN® was there at the associated ASICS Sport & Leisure Expo to showcase its products to the fitness-conscious crowd.

BioProspect's Peter May said the expo had seen strong interest in REGEN® products, which are based on natural plant oils, including emu oil.

"REGEN® products such as REGEN® Pain Relief Spray are designed for active people, including sufferers of joint and muscular aches and pains," he said.

"The expo really demonstrated that marathon runners are not just the young and fit. Participants covered a range of ages, including older athletes who find pain relief products essential to help them get over the line."

The Gold Coast event followed REGEN's® participation in the Pharmacy Expo 2011 held at Darling Harbour, Sydney. Pharmacy Expo brought together 3,000 pharmacy personnel, offering the opportunity to educate REGEN® retailers.

A media campaign including print, radio and TV advertising has helped profile the brand, with former Australian Rules footballer Rene Kink ("The Incredible Hulk") reinforcing its active and sporting image.

In June, the first REGEN® newsletter, "REGENerate" was released via the REGEN® website (www.regen.com.au).

Following February's signing of a distribution agreement with Doward International, REGEN® products have been rolled out on pharmacy shelves nationwide.

New point of sale materials including display stands and posters are advertising the brand in pharmacies.

Product development has continued, with REGEN® Pain Relief Gel listed on the Australian Register of Therapeutic Goods. Similar to REGEN® Pain Relief Spray, the new product contains a unique blend of natural oils and specialised plant extracts for pain relief.

REGEN® has a promising future both in Australia and overseas. Stay tuned on REGEN® news by subscribing to website updates (see the Newsletter section on the homepage).



Shareholders back BioProspect

Volatility has been the order of the day in global financial markets in recent months, with investors becoming accustomed to rapid shifts in sentiment.



While not immune to such swings, BioProspect has been fortunate to retain the support of shareholders.

In February 2011, BioProspect announced a successful \$3 million private placement to fund commercialisation activities, including potential investment opportunities.

A portion of these funds were used a month later in the \$1 million initial investment in Frontier Gasfields, an oil and gas explorer with projects in the Philippines and China.

The move was well supported by shareholders, with the BioProspect share price (BPO) hitting recent highs in early March following a series of positive announcements concerning natural product development and Frontier.

Demonstrating investor support for BioProspect, in August the Company announced a \$1.2 million convertible note issue to fund working capital and an additional investment in Frontier.

Managing Director Charles Pellegrino said the issue of the convertible notes to two significant shareholders had enabled the Company to "be well positioned to benefit from the potential growth of the Frontier projects."

He added that the major shareholders "support the Company's investment opportunity delivered by Frontier into oil and gas exploration and have indicated that they are prepared to assist the Company further."

Investor sentiment for biotechnology companies has improved this year, as shown by new biotech listings including GI Dynamics, Reva Medical and Bluechiip.

The move by mining entrepreneurs such as Andrew Forrest into biotech also promises to deliver increased capital for the sector.

The billionaire founder of Fortescue Metals has secured a 46% stake in medical device supplier Allied Medical, and according to the company's chairman, Chris Catlow, he may have started a trend.

"Considering the strong performance of a number of biotechnology companies over the past year or so, we can expect to see a number of investors from other sectors start to look at biotechnology investments more closely," Catlow was quoted saying by *BiotechnologyNews.net* in a June 28 report.

BioProspect's Mr Pellegrino said the Company had the right mix of projects to retain shareholder support and grow market value.

"BioProspect is committed to delivering returns to shareholders," he said.

"Our investment in Frontier Gasfields and the ongoing commercialisation of our natural products have strong potential for long-term growth, and by capitalising on our opportunities we are confident of achieving success."

R&D tax boost

A new Research and Development (R&D) tax credit scheme introduced in August promises to deliver greater benefits to biotechnology companies. Replacing the previous R&D tax concession, the new scheme offers a 45% refundable tax credit on R&D expenditure to companies with a turnover of less than \$20 million and a 40% offset to all others.

"For small biotech companies it's going to mean significant difference to their R&D programs and inject substantial new funds into the industry and that will stimulate new investment," AusBiotech CEO Anna Lavelle told *BiotechnologyNews.net* in an August 25 report.

"A biotechnology company's R&D program is its fundamental reason for being, and the tax credit therefore speaks to its core business activities – the production of intellectual property – which ultimately flows on to new treatments, diagnostics and other life-changing and saving solutions for the community."

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

The Age

"Aussie biotech grabs foothold in Asia"
(August 30, 2011)

Australian Life Scientist

"Biotech spotlight: big deals"
(June, 2011)

BiotechnologyNews.net

"Pine needle extract relieves horse maladies"
(July 26, 2011)

Brisbane Business News

"BioProspect moves into Asian energy"
(April, 2011)

Oil & Gas Review

"Philippines investment a good move"
(September, 2011)

Queensland Business Review

"BioProspect finalises Frontier investment"
(July 22, 2011)



AGM reminder

It's that time of the year again!

Shareholders are invited to attend BioProspect's upcoming Annual General Meeting, set for 2pm Wednesday, November 23 at the Parkview Hotel, 562 St Kilda Road, Melbourne.

And for those unable to attend the AGM, you can read all about BioProspect's progress in the 2011 Annual Report, due out next month. As always, we welcome your feedback!

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