



BioProspect goes commercial

The company has been moving quickly on the development of a range of natural, environmentally friendly products across the skin care, therapeutic and animal health markets.

Investors are keenly anticipating the rewards of our efforts and I am confident we can start generating substantial cash flows in the medium term across our product range.

Since our previous newsletter, the company has made major progress in putting in place the necessary executive structure for future growth, in addition to announcing key agreements and undertaking vital market and product development work which will lay the platform for successful sales.

Our executive team has been strengthened considerably by the appointment of a new managing director, Mr Charles Pellegrino, who is utilising his significant international marketing experience to develop the exciting Re-Gen™ business.

Natural termite solution TERMILONE® has taken another significant step towards commercialisation. In February, seven years' research and development work reached a successful milestone with the Australian Pesticides and Veterinary Medicines Authority (APVMA) registering Eremophilone Oil, the product's active constituent.

We are now working towards registration of end-user products with the APVMA within the next two years, including with our US partner Ensysyex, which in December signed a new international market development agreement.

BioProspect is also moving quickly on the development of natural animal health products from Bioeffectives®. A commercialisation plan is currently part of negotiations with partner Solagran concerning products in animal health and nutrition markets, with an initial focus on horse treatments.

It was pleasing to report this week the successful completion of oral and tropical safety studies on the use of Conifer Green Needle Complex (*Bioeffective® A*) to

heal horses. New logos and product names have been developed ahead of the launch of commercial products.

Also on the commercialisation front, in January we announced the signing of a new agreement with Bio-Gene Technology Limited concerning the intellectual property rights for natural insecticide Qcide®, which is being developed as a new and environmentally friendly treatment for household pests.

It is pleasing to see the launch of online sales of Re-Gen™, and a new branding, packaging and product strategy is being rolled out

But it is with Re-Gen™ where we see the most immediate prospects of commercial sales, and it is pleasing to see the launch of online sales in Australia of Re-Gen™ health, wellness and skin care products based on natural emu oil. A new branding strategy, packaging and product design is being rolled out, including the launch of new websites and a new brand name for cosmetics.

While last year was a formative one for BioProspect, 2010 promises much more in achieving commercial product development. I believe we now have the foundations in place to deliver the success our loyal shareholders richly deserve.

Yours sincerely

Peter May
Chief Operating Officer

Welcome to BioNews, our regular investor newsletter aimed at keeping you informed on our activities.

BioProspect has made a strong start to the new year, and I'm pleased to provide another update on our progress towards commercialisation.

New website & brands coming soon!

BioProspect is set to shortly launch a new company website along with new individual websites for Re-Gen™ and other brands AGRIPRO™ and GIGUARD™ (see below). We're planning a more interactive site for investors, including audio, video and subscriber functions.

We'd love to hear your thoughts – email info@bioprospect.com to tell us what you would like to see on the new site.





Charles Pellegrino

BioProspect Managing Director

Charles Pellegrino was appointed Managing Director of BioProspect in November 2009 with the aim of developing the Re-Gen™ business. He previously served as a non-executive director following his appointment in September 2008.

Mr Pellegrino has operated in public practice for more than 15 years as an accountant and financial adviser, and is the founder and director of the Stanford Group of companies. He holds a Bachelor of Business in Accounting and a Bachelor of Arts.

Why did you accept the post of Managing Director?

I first joined BioProspect due to my passion for natural products and natural alternatives to modern medicine, as opposed to synthetic or manufactured products. My goal as Managing Director is to transform the company from a research-based biotechnology company to a fully commercialised trading entity with substantial revenues.

What's been your biggest career achievement?

Being appointed Managing Director of BioProspect is probably my biggest career achievement. To be chosen to lead the company towards commercialisation is an enormous challenge, but it's also a great opportunity and I'm enjoying it immensely.

What inspires you?

People who work selflessly for the public good such as doctors, ambulance workers and nurses really inspire me as they work tirelessly in thankless tasks for little reward. When you're having a bad day you realise that it's not that bad compared to what others are doing.

What do you do in your spare time?

My family has a substantial vineyard and winery business, Massoni Wines, based in the Pyrenees wine region of Victoria. We've grown some spectacular grapes and produced some award-winning wines, including a gold medal at the Brisbane Fine Wine Festival last year for the 2008 Massoni Pinot Noir.



Demure's
immodest
ambitions

PROJECT UPDATE – RE-GEN™

Re-Gen™ is set for a major relaunch with the development of a new premium skin care brand, Demure™, targeting high-end consumers in Australia and internationally. Trademarks are currently being secured in a number of markets along with the introduction of new products and packaging, while a fashionable new Re-Gen™ website is currently under construction (screen shot below).

Demure™ is aimed at the upwardly mobile and socially aware consumer who is concerned about sustainability. It is targeted at the modern consumer of today's fast growing Asia-Pacific region, where tastes and quality are rapidly moving upmarket.

Research also shows that consumers place a high value on natural products that deliver benefits that their synthetic counterparts are unable to match. Purified emu oil has unique skin-penetrating and softening properties due to its natural transdermal solvency™ and skin regenerative action.

Added to this are the benefits provided by the Omega 3, 6 and 9 contained in the emu oil, which can help reduce muscle aches and pains as well as lowering blood cholesterol, among other qualities.

BioProspect will be promoting transdermal solvency™ as a unique feature of the Re-Gen™ products, which will increase from nine to 22 across the therapeutic and skin care range.

Internet sales of current products are already underway via the Re-Gen™ website (www.regen.com.au), but the company anticipates a major sales boost from the new product roll out set for the June quarter 2010.

New websites are currently being developed for not only Re-Gen™ but also Demure™.

Along with Australia, China is seen as a major potential market for Re-Gen™ products.

According to a recent McKinsey study, China's consumer market will expand from US\$890 billion a year to reach US\$2.5 trillion by 2020, becoming the world's third largest.

"China's cosmetics market is growing rapidly, and when you realise that the ratio of personal consumption to GDP in China is only 36 per cent, or half the US figure, you can see its consumer market has enormous potential for Re-Gen™," says Mr Pellegrino, BioProspect's Managing Director.



PROJECT UPDATE – TERMILONE®

Bonjour Paris, adieu termites!

News of the successful registration of natural termite solution TERMILONE®'s active constituent, Eremophilone Oil, reached Peter May while he was attending the 1st European Termite Market Conference in February. Speaking to the Paris audience as part of a presentation on the role of biopesticides in termite control, Mr May told delegates that BioProspect was on track to develop TERMILONE® products including a timber treatment, barrier treatment and colony treatment against termites within the next two years.

"The termite industry is rapidly moving towards green pest management practices, and this is exactly the reason why natural and environmentally safe TERMILONE® has attracted the attention of international companies such as US-based Ensystex," he says.

"While the United States, Japan and Australia represent the major markets for termite control products, Europe is also experiencing a growing threat from termites, especially in France, Spain and Italy. Demand for a sustainable, low-toxicity and natural product is anticipated to continue rising in this \$1 billion a year global industry."

In what has been a milestone period in the development of TERMILONE®, February 8, 2010 saw the announcement of the APVMA's registration of Eremophilone Oil as a "technical grade active constituent," paving the way for the development of end-user products.

On Christmas Eve, BioProspect announced the signing of a new international market development agreement with Ensystex, under which the North Carolina-based company will conduct efficacy testing at its own cost for the registration of TERMILONE® as a soil-applied termiticide.

Trials are underway in Townsville, north Queensland, on termite colony control and residual efficacy, while in Darwin, the CSIRO is testing TERMILONE®'s properties as a timber treatment. BioProspect is also working with its collaborators at Southern Cross University and the University of Western Sydney as it moves towards the registration of end-user products with the APVMA, and ultimately their commercialisation in international termite control markets.



Australian speakers featured at the 1st European Termite Market Conference in Paris, February 4, 2010. Left to right: Doug Howick (Timber Preservers Association of Australia), Raja Mahendran (Pest Consultant), Rob Fryatt (Xenex Associates, UK (event organiser)), Steve Broadbent (Ensystex Australasia) and Peter May.

PROJECT UPDATE – BIOEFFECTIVES®

AGRIPRO™ racing ahead

BioProspect has made major advances in commercialising natural animal health products from Bioeffectives®, with new products planned for the lucrative horseracing industry and other markets for companion and food production animals.

On February 25, BioProspect announced to Solagran its intention to proceed with the full commercialisation of Bioeffectives®, following the expiry of the evaluation period of an initial development agreement signed in August 2007.

The two companies are now discussing a commercialisation plan, including forming a special purpose company to market Bioeffectives® products in animal health and nutrition.

BioProspect is also launching AGRIPRO™, a new brand for its animal health and nutrition products, including GIGUARD™ for gastro-intestinal care. (See logos on page 1).

The move follows the successful outcome of safety studies conducted in Sydney, which tested GIGUARD™ Oral Paste for Horses and a topical gel, both based on Conifer Green Needle Complex (CGNC; Bioeffective® A) in horses.

Data from the studies involving more than 30 horses will form the basis of future submissions to the APVMA for the registration of the oral paste product for use in horses for gastro-intestinal care

and wellbeing, and the topical gel for treatment of wounds and skin conditions.

Additional studies are planned to support a more specific claim for control of equine gastric ulcer syndrome (EGUS) for the oral paste, and to generate more efficacy data for the topical gel.

Conifer Green Needle Complex is already approved by Australia's Therapeutic Goods Administration for use in listed oral and topical medicines, thereby significantly reducing the registration requirements for the APVMA.

The market for such products is enormous, given that conditions such as EGUS are said to afflict up to 90% of racehorses. The Australian thoroughbred racing industry was estimated in 2000 at \$8 billion, with \$2.4 billion a year invested in land, buildings and breeding stock.

Known as the "sport of kings," BioProspect already has noble connections in the racing industry after a successful trial in the United Arab Emirates at a stud owned by a member of the royal family.

PROJECT UPDATE – QCIDE®

IP deal boosts Qcide®

Qcide®'s development as a new, environmentally friendly treatment for public and household pests has been boosted by January's signing of a new intellectual property agreement with partner Bio-Gene Technology Limited. The Western Australia-based company is working to develop products from Qcide®, a natural product developed from the leaves of Australian native *Eucalyptus cloeziana* (Gympie Messmate). Qcide® has been shown to be effective against a range of insect pests, including houseflies and mosquitoes.

Bio-Gene has launched a grow-out program in north Queensland of the tree. The licensing deal will deliver substantial fees and royalties to BioProspect in line with Qcide®'s development.



Investor confidence strengthens

Investor confidence in BioProspect and the broader biotechnology sector has strengthened in recent months, aided by the company's progress towards commercialisation and a general improvement in equity and financial markets.

As of close of ASX trading on March 24, 2010, BioProspect's share price was showing a one-year return of 100%, according to *Bloomberg* data. The share price hit a 12-month high on February 8 following the announcement of regulatory approval for TERMILONE®'s active constituent, with investors expressing confidence in the company's future.

Comments expressed on a popular investor website included "fantastic news... BPO has excellent long term advantages... the road to mega \$\$\$ is there now for all to see."

BioProspect's share price hit a one-year high on news of regulatory approval for TERMILONE®

Supporting the more positive sentiment has been an improvement in capital markets, with an increase in secondary financing levels for four straight quarters to December 2009 and the sector's first new IPO in 15 months, in February 2010.

PWC life science partner Craig Lawn was quoted in *BiotechnologyNews.net* as seeing a stronger outlook for 2010.

"..Signs point towards the market continuing to respond positively to biotechs making good progress with early indications of funds being injected into life sciences from US VCs [venture capital firms] in recent quarters," he was quoted as saying.

"This has been followed up by substantial secondary raisings both in the US and locally."

New executive structure

BioProspect has put in place a new executive team and board to deliver the next phase of growth in the company's development. In November 2009, then non-executive director Mr Charles Pellegrino accepted the position of Managing Director in a move aimed at utilising his experience in international marketing, with a particular focus on developing the Re-Gen™ brand across international skin and healthcare markets.

Mr Peter May was appointed as Chief Operating Officer following a stint as CEO, ensuring the company maintains the strong momentum gained in the commercialisation of its natural product range.

The appointments followed the previous additions of new directors Mr Kamran Shamsi and Mr Leo Khouri last year, giving BioProspect an experienced team with a broad range of skills and the necessary commercial acumen critical to its long-term success.



In March 2010, AusBiotech's annual CEO survey also found a more confident and positive outlook among industry leaders. According to a *BiotechnologyNews.net* report, 89% predicted business growth for the year ahead, with 70% planning to hire more staff.

Respondents forecast a combined \$800 million would be invested in research and development (R&D) during the year, despite concern over government changes to R&D tax concessions.

According to BioProspect Managing Director Charles Pellegrino, the outlook for the company remains strong.

"BioProspect has strengthened its board and management, and is rapidly developing a lucrative natural product portfolio encompassing the skin, healthcare, animal health and pest control markets," he says.

"The company's focus on natural, environmentally safe and sustainable products is entirely in tune with the needs of modern consumers and industry.

"The next year will see us take the commercialisation process to the next level, and I'm extremely confident we can deliver increased shareholder value."

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

Agrow:

"Australian OK for BioProspect termiticide" (February 9, 2010)

Australasian Biotechnology magazine:

"Termites under attack from natural solution" (December 2009)

Australian:

Criterion column (February 17, 2010)

Australian Life Scientist:

"BioProspect and Bio-Gene Technology sign agreement" (January 21, 2010)

BiotechnologyNews.net:

"Termite oil gets the tick" (February 9, 2010)

Life Science Lab:

"Killing insects naturally" (February 16, 2010)

Pest Control Technology magazine:

"TERMILONE market development deal signed with US company" (March 23, 2010)

Sky News Business TV:

Live to air TV interview with Peter May (December 10, 2009)



Register for updates

Keep up to the date with all the latest news on BioProspect!

Email us at info@bioprospect.com to join our mailing list.

We look forward to your feedback.

New offices

BioProspect now has its own office in Melbourne and has also moved into larger premises in Brisbane. The new head office address for all inquiries is as follows:

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