



in  
side

BEAUTIFUL TIMES AT  
BIOPROSPECT

2

PROJECT UPDATES  
- BIOEFFECTIVES®  
- TERMILONE®

3

INVESTOR  
INFO

4

## BioProspect spreads its wings



Welcome to the second edition of BioNews, our investor newsletter aimed at keeping you up-to-date on the exciting activities taking place at BioProspect.

The past six months have been extremely hectic, but we are beginning to see the fruits of our labour. In early July, our natural termite solution, TERMILONE® cleared an initial regulatory hurdle with the Australian Pesticides and Veterinary Medicines Authority (APVMA).

The key regulator completed its initial assessment pending a full evaluation under a low toxicity product category, which is due for completion in 2010.

We are moving quickly to develop an international brand for Re-Gen™, targeting the fast-growing Chinese cosmetics market

There has already been widespread interest in this groundbreaking product in Australia and overseas, and we eagerly await regulatory approval.

Less than a fortnight later we initiated a major safety study on the use of Conifer Green Needle Complex (Bioeffective® A) in horses as a natural health treatment for illnesses such as equine gastric ulcer syndrome (EGUS).

The study is a major investment by the company, but we have great confidence in its potential as a safe and natural alternative for the international animal health market.

Our biggest news has been the acquisition of Re-Gen™, a specialist provider of skin care and human health products based on natural Australian ingredients, including emu oil.

The Re-Gen™ products are a perfect fit with BioProspect's natural health range, and we are moving quickly to develop an international brand with our first target the fast-growing Chinese cosmetics market.

As a natural products company, BioProspect has a sustainable business model based on the growing demand for environmentally safe and natural solutions.

This is increasingly being recognised by stockmarket investors, and it has been encouraging to see the recent rise in the company's market capitalisation and investment from new shareholders.

This year our Annual General Meeting will again be held in Melbourne, and I look forward to meeting many of our shareholders in person and sharing our exciting growth plans.

We thank you for your support as we enter a new phase in the company's development, in which we turn our sustainable products into cash-generating investments for the benefit of all our valued shareholders.

Yours sincerely

**Peter May**  
Chief Executive Officer

### Did you know?

Once considered decadent and anti-revolutionary, cosmetics are suddenly in strong demand from China's newly rich consumers.

From images of 'peasant beauty' to the Westernised tastes of the new century, Chinese women have made cosmetics the fifth-largest consumer market in the world's No. 3 economy.



**Dr Michael Quinlan**

*BioProspect Chairman  
MBB, MD, LL.D, FRACP*

Dr Quinlan joined BioProspect in May 2003 as a Non-Executive Director and was appointed Chairman in November 2008.

One of Western Australia's leading physicians, Dr Quinlan has had a distinguished career in medicine and medical research. He is currently Chancellor of the University of Notre Dame, and has also served as a Clinical Professor of Medicine at the University of Western Australia (UWA) as well as Professor of Medicine at Notre Dame.

Dr Quinlan's charitable activities include being Chairman of the St John of God Foundation and a trustee for the St John of God Australia Ltd. He was a director of the Raine Medical Research Foundation, UWA for 21 years and is a director of the Feilman Foundation, the Ear Science Institute of Australia and the Child Health Research Foundation of WA.

**Why did you join BioProspect?**

My interest in BioProspect's work with plant extracts started with boronia oil extraction and purification in Western Australia. Oil from boronia plants is extremely valuable and it's only one of thousands of native plant species. As a physician I can appreciate the medicinal potential of these plants, and their potential to aid science in our search for medical cures.

**What's been your biggest career achievement?**

Apart from my work with BioProspect, having a family and children, it would have to be helping establish the University of Notre Dame, the College of Health and the Fremantle School of Medicine.

**What inspires you?**

I strive to make a contribution in whatever way I can, whether it's helping people or taking up a new challenge. It's important to have a big vision – you can always scale down, but it's hard to build it up.

**What do you do in your spare time?**

When I'm not working on company, university or charity activities, I enjoy spending time at our family farm at Margaret River, WA, with our sons.



Beautiful times at BioProspect

**PROJECT UPDATE – RE-GEN™**

BioProspect was delighted to announce the company's expansion into the lucrative natural skin care and health care markets in August, with the acquisition of Melbourne-based Re Gen Wellness Products Pty Ltd. The Re-Gen™ range offers an array of outstanding products based on natural ingredients, including emu oil, and is seen as a promising extension of BioProspect's natural product portfolio across animal and human health care markets.

Purified emu oil has unique skin-penetrating and softening properties due to its natural transdermal solvency (TDS).

High in essential fatty acids Omega 3, 6 and 9 and Vitamin E, the oil is a key ingredient in the Re-Gen™ beauty, therapeutic and dietary products and has already attracted the attention of industry majors.

BioProspect is working hard with its project partners to transform Re-Gen™ into an international brand, with skincare, bodycare and health and wellness product ranges currently under development.

**Cosmetics is China's fifth-largest consumer market and is forecast to reach annual sales of \$20 billion by 2010**

China is the initial focus due to existing product approvals and established distribution channels, giving BioProspect a head start in securing near-term cash flow from the business.

Cosmetics is China's fifth-largest consumer market and is forecast to reach annual sales of \$20 billion by 2010. The Chinese healthcare market was valued at \$6.5 billion in 2005 for traditional medicines alone, and is set to exceed \$11 billion by 2015, according to independent research.

While the rest of the world suffered economic gloom, retail sales in China actually increased by 17% in the year to August 2009, according to *The Economist*.

Chinese women are a key market for Re-Gen™, and their appetite for aspirational Western brands is on the rise, particularly in the high-end shopping centres which average half a million people in foot traffic every week, as reported by *Business Review Weekly*.

"China is rapidly becoming an economic superpower, and its increasingly affluent urban consumers want the same quality and range of products available in Western countries," said BioProspect CEO, Peter May.

"Add to this the traditional Chinese acceptance of natural products, and the demand for the Re-Gen™ natural product range branded 'Made in Australia' is set to be enormous."

Mr May's track record of successful overseas product registration and market development will stand the company in good stead as it moves to place Re-Gen™ on the shelves of leading Chinese retail outlets alongside other international brands.

Should China prove successful, other Asian markets such as Malaysia and Singapore are potential targets. Plans are already underway to relaunch Re-Gen™ products in Australia.

"Targeting Chinese consumers a winning strategy" was the headline in the *Australian Financial Review's* September 30 edition, and BioProspect couldn't agree more.

## PROJECT UPDATE – BIOEFFECTIVES®

### Horse safety study gathering pace

A major safety study on the use of Conifer Green Needle Complex (Bioeffective® A) in horses as a natural health treatment is off and running. The intensive, five-month study in Sydney on over 20 horses follows encouraging results from a 2008 screening trial in the United Arab Emirates, which tested the natural compound's efficacy as a treatment for equine gastric ulcer syndrome (EGUS).

EGUS is one of the horse industry's most common gastric complaints and has been reported to affect up to 90% of racehorses and cause poor performance and behavioural problems. It is hoped Bioeffective® A will provide a safe and natural alternative to existing treatments, with the added benefit of being safe for use in conjunction with other medicines.

BioProspect CEO, Peter May said the new \$200,000 study showed the company's confidence in Bioeffective® A as a major breakthrough for the international animal health market.

The study will be based on international veterinary guidelines established by VICH (International Cooperation on Harmonisation of Technical Requirements for Registration of Veterinary Medicinal Products), ensuring the acceptance of trial data across all major regulatory regimes, including the US and Europe.

In Australia, Bioeffective® A is already registered by the Therapeutic Goods Administration (TGA) for use in complementary human medicine, significantly reducing registration requirements for the horse product.



"We've now confirmed the market opportunity and the regulatory pathway that will allow for the commercialisation of Bioeffective® A in the Australian market by 2010, and ultimately in overseas markets," Mr May said.

"Along with horses, opportunities have been identified in food production animals such as poultry, pigs, beef and dairy cattle."

## PROJECT UPDATE – TERMILONE®

### Good news for BioProspect, bad news for termites

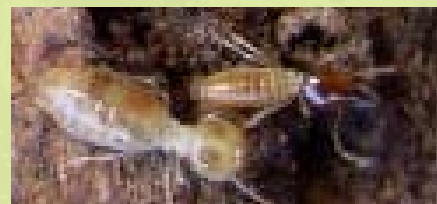
Termites beware! BioProspect's natural termite solution, TERMILONE® has moved a step closer to regulatory approval, with the Australian Pesticides and Veterinary Medicines Authority (APVMA) completing its preliminary assessment of the active constituent, Eremophilone Oil.

This accomplishment means the product will now be given a full evaluation by the key regulatory body, which is expected by late 2009. If successful, the next step will be the registration of end-use products for timber treatments and soil-applied termiticides in Australia in preparation for commercialisation.

TERMILONE® is a unique product which has been developed from the native Australian tree species *Eremophila mitchellii* (False

Sandalwood) as a natural and environmentally safe termite control and timber treatment. Once a secret of outback farmers, the product possesses extremely low human and environmental toxicity, making it safe for those that come into contact with it such as pest control workers, pets and home owners.

BioProspect CEO, Peter May said interest in TERMILONE® was already high, with the product helping to turn the spotlight on the company.



"US research company Ensystem Corporation is continuing its evaluation of TERMILONE® for use as a soil-applied termiticide, with the option of entering into a commercial agreement on its international distribution," he said.

Over the next 12 months, BioProspect will complete a manufacturing study on TERMILONE® and undertake environmental testing in conjunction with its scientific collaborators, in preparation for end-use product registration.

Patent approval was obtained in Australia in October 2008 and patents are pending in the United States and Japan.

Research indicates that termites are the most economically destructive wood and cellulose-consuming insect in the world.

"In Australia alone the pests cause hundreds of millions of dollars worth of damage, so we are very confident of strong sales once we reach the commercialisation stage," Mr May said.



Termites are the world's most destructive wood and cellulose-consuming insect.

## Re-Gen™ rejuvenates investor interest

BioProspect's acquisition of Re-Gen™ has clearly caught the attention of investors, with the company's share price having made gains in recent months.

The company's continued progress towards commercialisation of its natural termite solution TERMILONE® and the Bioeffectives® range of plant extracts for animal health and nutrition has given BioProspect a strong and sustainable business model.

BioProspect has made major advances over the past year, but FY 2010 will be when we really hit our straps with the rollout of Re-Gen products into China

But it is the near-term potential of the lucrative Chinese retail market that has excited many investors. Some 350 million Chinese are forecast to migrate to the cities by 2025, creating a massive consumer market of 220 cities of over one million people each.

Re-Gen™ has already obtained seven product approvals in China, and with a network of key collaborators, distributors, packaging and promotional support in place, the company is confident of success in China's expanding multi-billion dollar cosmetics market.

But according to the latest large shareholder to join BioProspect's registry, there are a number of reasons for investing in this Australian company:

- Tight control over corporate overheads during the research and development stage
- Continued commercialisation activities and survived the global financial crisis
- Natural product portfolio across the animal and human markets in the agricultural, pesticide and skin and health care sectors; and
- The potential of Re-Gen™ in China and other markets, with its unique qualities and potential for rapid product rollout

This latest investor is not the only one to join the biotech revolution. In August 2009, despite one of the toughest "bear" markets in years, US biotech companies raised US\$530 million in venture capital, according to US life sciences firm Burrill & Company.

More than \$12 billion in initial public offerings (IPOs) are reportedly planned for the Australian stockmarket as investor wallets begin to open up, including three life sciences IPOs.

It's all good news for BioProspect's 3,000 shareholders, but CEO Peter May says the best is yet to come.

"BioProspect has made major advances over the past year, but FY 2010 will be when we really hit our straps with the rollout of Re-Gen™ products into China, and the commercialisation of TERMILONE® and Bioeffectives® products," he said.

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

**Australian Breeding and Racing:**  
"New equine gastric study launched" (July 17, 2009)

**Australian Life Scientist:**  
"Eye on emu for BioProspect" (May 11, 2009)

**BioTechnologyNews.net:**  
"BioProspect takes option on emu oil firm" (May 7, 2009)

**Brisbane Business News:**  
"Natural selection" (June 2009)

**Courier Mail:**  
"Good oil" (August 11, 2009)

**Ethical Investor:**  
"BioProspect expands into skincare, human health products" (August 4, 2009)

**PCT Online:**  
"Termilone clears first regulatory hurdle" (July 9, 2009)

**Queensland Business Review:**  
"BioProspect acquires Re-Gen Wellness" (August 10, 2009)

## Annual Report due

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.

Shareholders have the option of receiving either the Annual Report's printed version or an electronic version via email. The report will be in two sections, with all shareholders receiving the non-financial section to ensure awareness of the company's significant developments over the past 12 months.

The AGM is scheduled for 2 p.m. on Tuesday, November 24 at the Parkview Hotel, 562 St Kilda Rd, Melbourne. We look forward to seeing you there!

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## New Directors

BioProspect has recently announced the appointment of two new directors to its Board, with Mr Kamran Shamsi joining in August as the second nominee of Solagran Limited, and longstanding supporter and major shareholder Mr Leo Khouri joining in September. Both new directors have hit the ground running, and we welcome their contribution to BioProspect's development as a leading natural product provider.