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in side

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

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

BioProspect's international expansion

I would like to start by stating our support for the people of Australia, New Zealand and Japan affected by recent tragic natural disasters. While BioProspect suffered minimal impact from the January floods, the events of this year have shown the destructive power of nature and even more importantly, the ability of people everywhere to come together at a time of crisis.

BioProspect has made a strong start to 2011, announcing in February the signing of an exclusive distribution agreement with Doward International for the natural REGEN® therapeutic range. The agreement with Doward has put REGEN® products on the shelves of pharmacies across Australia, adding to the $100,000 in sales achieved for REGEN® since late 2010.

New promotional programs, website and products are planned for the REGEN® range, which is led by the flagship REGEN® Pain Relief Spray.

Commercialisation evaluation is also continuing of the complementary L'AZURE™ and DEMURE® cosmetic brands, targeting both domestic and international markets.

Meanwhile, the signing of a terms sheet with a New Zealand-based company, focusing on the dairy sector initially, has boosted the prospects for AGRIPRO® and GI-GUARD® natural animal health products.

In February, GI-GUARD® Oral Paste for horses cleared a regulatory hurdle with its acceptance through screening by the Australian Pesticides and Veterinary Medicines Authority (APVMA), with further commercialisation efforts under review.

BioProspect is fortunate to have the support of a range of investors, as demonstrated by recent successful rights issues and share placements which have raised more than $5 million in the past five months for product and market development.

In February, the Company announced it was evaluating potential investment opportunities, and it was pleasing to see the market's positive response to our March announcement of a planned investment in the oil and gas sector.

Although subject to due diligence, BioProspect's planned investment in privately owned Frontier Gasfields will provide exposure to a suite of Asian oil and gas assets, potentially enhancing shareholder value, reducing risk and generating ongoing cash flow.

"The agreement with Doward has put REGEN® products on the shelves of pharmacies across Australia, adding to the $100,000 in sales achieved for REGEN® since late 2010."

Importantly, the Company's core business remains focused on commercialising its natural product range, including REGEN®, AGRIRPO® and GI-GUARD® products, and supporting Bio-Gene in commercialising natural insecticide Qcide.

We continue to develop these products for the benefit of shareholders, based on our vision for sustainable growth in shareholder value.

With your support, we look forward to building upon recent achievements for the benefit of all stakeholders.

Yours sincerely

Peter May
Chief Operating Officer

BioProspect Limited

Therapeutic goods booming

Australians spend more than $2 billion a year on therapeutic goods, including herbal and complementary medicines, according to government data.

Importantly for BioProspect's REGEN® range of natural therapeutic products, demand continues to increase as consumers seek natural alternatives for ailments including arthritis.

And with cashed-up Asian consumers willing to consider new natural therapeutic products, demand for REGEN® products in the region is set to continue rising.

David Leach

BSc(Hon), PhD, MRACI, CChem

David Leach has worked closely with BioProspect since the Company's inception, and has been involved in the initial discoveries and development of natural insecticide Qcide and natural termite solution TERMILONE®. He has over 25 years' experience in the field of natural products and analytical organic chemistry, with a strong focus on the biological activity of natural products.

A sought-after speaker on natural products from Australian flora, David has published extensively and contributed to three patent applications, including BioProspect's Eremophilone. Currently an Adjunct Professor at Southern Cross University (SCU) and Director of private research company DNL Phytochemica, David continues to play an important advisory role to BioProspect.

How did you become involved with BioProspect?

My first involvement with BioProspect was as Director/Research Manager at Australian Phytochemicals Ltd, a joint venture between SCU and BioProspect. This involved the early bioprospecting work on Western Australia and Queensland flora and the development of the Qcide and TERMILONE® patents. It was very exciting to work on such pioneering efforts in the field of Australian plants.

What's been your biggest achievement with the Company?

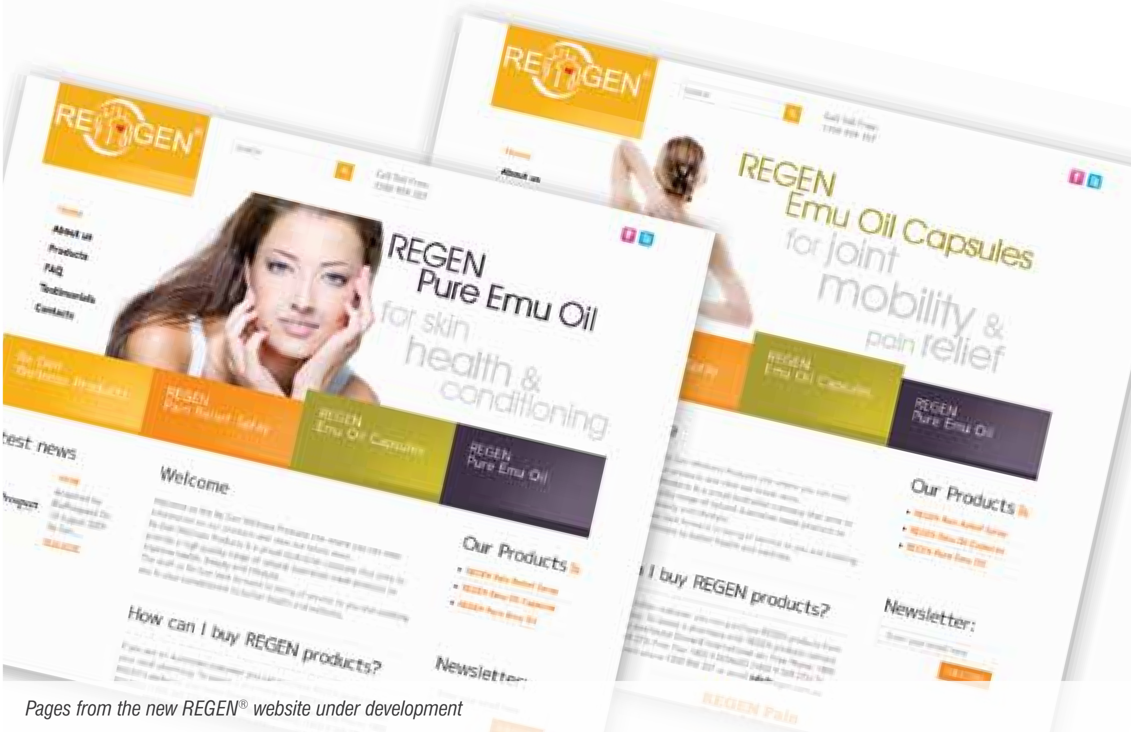
The successful registration of TERMILONE®'s active constituent, Eremophilone Oil, with the APVMA in February 2010 has been my biggest achievement with BioProspect. It was very satisfying after all the research effort.

What inspires you?

I'm inspired by nature and hence my interest in botanical insecticides and natural plant defences. I focus on taking leads from nature and using them to develop sustainable, environmentally friendly products which improve our lifestyles through a better environment.

What do you do in your spare time?

There's nothing better than going bush and exploring – you never know what you will discover out in the field.



Pages from the new REGEN® website under development

PROJECT UPDATE – REGEN®

REGEN® hits the shelves

REGEN® natural therapeutic products are rolling off pharmacy shelves after the signing of a new distribution agreement with Doward International.

Covering Australia and New Zealand, the exclusive agreement announced in February 2011 has placed the flagship REGEN® Pain Relief Spray and other products into thousands of pharmacies.

The move has added to the $100,000 in sales achieved for REGEN® since late 2010, further boosting momentum for the product range based on natural plant oils, including emu oil.

BioProspect's Managing Director, Charles Pellegrino, said the deal was a major milestone in the development of REGEN® as a successful, stand-alone business.

"BioProspect acquired REGEN® as a complementary business to our natural product portfolio, with the aim of targeting both domestic and international markets," Mr Pellegrino said.

"The agreement with Doward International has given the whole Company an enormous boost, ensuring that REGEN® products move from online distribution to bricks and mortar retail stores."

A family-owned company based in Melbourne, Doward International has more than 90 years' experience in the Australian pharmacy and retail sector, with a product range exceeding 4,000 products across Australia and internationally.

"Doward International is the perfect partner for REGEN® due to its experience in the business and broad distribution network," Mr Pellegrino said.

His comments were supported by Doward International's Gary Goodman, who predicted "solid growth in demand for the REGEN® therapeutic range, based on a productive partnership with BioProspect."

A new website is currently being developed for REGEN® *(see screen shots above)*, along with other promotions.

New products including for pain management and topical healing treatments have also been developed as part of an expanded therapeutic range.

REGEN® is making advances overseas, with market development agreements being progressed in Singapore, Malaysia, Vietnam, China and Hong Kong as well as the Middle East and Europe.

The market for traditional medicines in China alone is forecast to reach $11 billion a year by 2015, and REGEN® already has considerable experience in the Chinese market.

Adding to the Company's skincare product range was the signing of a Deed of Assignment with Nova Vita for the rights to the L'AZURE™ cosmetic range, based on natural plant extracts.

Under the agreement, BioProspect has gained ownership of all intellectual property (IP) associated with the range, which complements the current DEMURE® range of 12 core cosmetic products.

On the regulatory front, BioProspect has further strengthened its product IP with the full registration of the REGEN® and DEMURE® trademarks and associated logos in Australia.

"In footy terms, the REGEN® business is really starting to kick some goals after some solid build-up play," Mr Pellegrino said.

"Winning isn't in doubt if we stick to our game plan, introduce new players when we need to and maintain the consistency which has laid the foundations for our success."

PROJECT UPDATE – AGRIPRO®

Dairy, horse products eyed

The development of natural AGRIPRO® animal health products continues to pick up speed, with a number of markets being targeted for commercialisation.

In February, BioProspect announced further progress towards the development of GI-GUARD® Oral Paste for horses, with the APVMA accepting the Company's application for screening under a Category 2 classification. The registration application was submitted in late 2010 as part of the planned parallel submission of product chemistry and efficacy and safety data.

The Company is reviewing further efficacy trials, after completing a pilot study on six horses that sought to assess the efficacy of the product in preventing gastric ulceration or ameliorating the symptoms. While the study showed certain trends, further studies are considered necessary to support the efficacy claim.

The potential for AGRIPRO® products in the dairy industry is being assessed under a December 2010 agreement with a New Zealand-based agricultural products company.

Under a terms sheet signed with the company, a specialist in dairy cattle products, opportunities are being assessed for both AGRIPRO® and GI-GUARD® products and for collaboration in product development, regulatory and market development programs.

GI-GUARD® Oral Paste for horses is among a number of animal health products being developed.

While the initial focus is on New Zealand, the potential exists to expand the territory to other international markets due to the partner company's global network.

BioProspect has completed commercial arrangements for the supply of Conifer Green Needle Complex (CGNC), the key ingredient based on plant extracts, in addition to finalising the branding strategy for AGRIPRO® and GI-GUARD® as registered trademarks in key target markets across Australia and Asia.

Potential formulations of CGNC products include gel, salve, pellets and block products, for both companion and food production animals including pigs, dairy cattle and poultry.

"AGRIPRO® and GI-GUARD® have enormous potential as natural, environmentally friendly products," BioProspect's Chief Operating Officer, Peter May, said.

"We have a number of potential commercial arrangements under consideration, and are looking to rapidly commercialise these products across a range of markets."

PROJECT UPDATE – FRONTIER GASFIELDS

Exploring new frontiers

BioProspect showed its readiness to enter new fields with its March 3, 2011 announcement of a planned $1 million investment in Frontier Gasfields Pty Ltd. Subject to due diligence and shareholder approval, the investment will give the Company a stake in a portfolio of oil and gas assets in China and the Philippines held by the privately owned Australian company.

The move followed the Company's previous announcement that it was reviewing potential investment opportunities seen as enhancing shareholder value.

The market response was immediate, quickly winning favour with investors as the share price and volume traded hit year highs on the back of this and other positive announcements on natural product development.

Announcing the decision, BioProspect's Managing Director, Charles Pellegrino, said the Company "continually evaluates attractive investment opportunities," adding that it made a "compelling investment case."

"Our core business remains the successful commercialisation of natural products, including REGEN® therapeutics and AGRIPRO® natural animal health products," Mr Pellegrino said.

"However, by gaining exposure to the lucrative Asian oil and gas business, we have reduced overall risk through diversification and increased the potential for generating ongoing cash flow to support the development of our sustainable products."

Frontier's portfolio includes a gas recovery joint venture on the Shengli Oilfield in China, and three oil and gas concessions in the Philippines.

"Asian energy demand continues to rise in line with the region's ongoing industrialisation, and we see great potential for these projects," Mr Pellegrino said.

"Our Board includes two directors with invaluable resources industry experience, namely Jacob Khouri and Anthony Langdon.

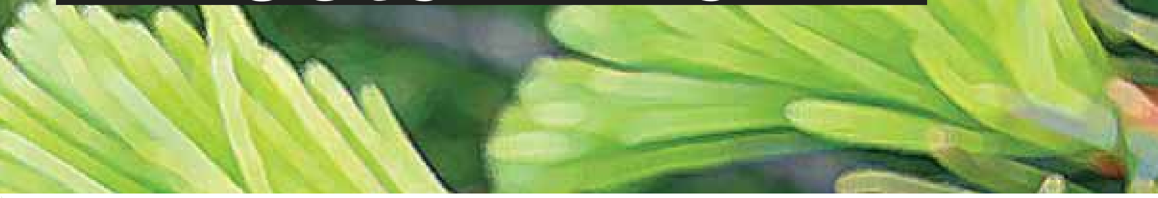
"We have also engaged the appropriate personnel to undertake the due diligence process, and both our shareholders and directors keenly await the outcome," he added.

While an attractive investment, Mr Pellegrino said the Frontier deal would not divert the Company's attention from its natural and sustainable product range.

"Sustainability is at the heart of our business and integral to our future growth, and BioProspect's core business remains the commercialisation of sustainable and natural Australian products," he said.

"The investment in Frontier is an investment in energy assets, including a project which will involve recovering gas which otherwise would have been vented into the atmosphere, and is commensurate with our focus on sustainability."

investor info



Sharemarket's positive response

BioProspect's share price hit record highs in early March, following a series of positive announcements concerning natural product development and culminating with the announced planned investment in Frontier Gasfields. The privately owned explorer's portfolio of oil and gas assets in China and the Philippines is seen as adding value for BioProspect, and shareholders have been quick to express their support.

In a promising sign, trading in BioProspect shares has continued to remain strong, despite considerable market volatility caused by international crises in Japan and Libya.

BioProspect's attractiveness to investors due to its expanding range of natural products has been shown by the success of capital raisings conducted in late 2010 and early this year.

These included a $2.28 million capital raising announced in October 2010, comprising a private placement and non-renounceable rights issue, to fund the development of AGRIPRO® products.

In February 2011, BioProspect announced a successful $3 million private placement arranged by Novus Capital, for the purpose of advancing commercialisation efforts.

Commenting on the success of the capital raisings, BioProspect's Managing Director, Charles Pellegrino said: "We are very pleased by the continued investor support for our commercialisation activities.

"Stringent capital management is key to our successful growth, and we are focused on increasing shareholder value."

Recent floats on the Australian Securities Exchange of biotechs, including Canada-based agritech Bioniche and US-based REVA Medical, have shown that investor sentiment is improving towards the sector.

"Investors are paying more for risk, and the resource market has been bubbling along for 12 months now and some of that money is starting to filter into the technology and life science space," RBS Morgans research director Scott Power was quoted saying by *BiotechnologyNews.net* in a December 16 report.

With market confidence slowly returning in the wake of recent overseas events, BioProspect sees strong potential for further gains in the year ahead on the back of commercial successes.

"Investors and shareholders are looking for technology businesses that are sustainable, in attractive markets and with proven commercial potential," Mr Pellegrino said.

"BioProspect has shown our ability to deliver commercial outcomes, and our recent investment in the energy field gives shareholders another reason to re-evaluate our potential. We have consistently stated that we're open to new opportunities seen accretive to shareholder value, while focused on our attractive, natural and environmentally friendly product range.

"It's this mix which makes BioProspect worth taking a look at, for investors seeking long-term growth in shareholder value and with the right balance of risk and return."

New director appointed

BioProspect has strengthened its Board with the appointment of Jacob Khouri as a Non-Executive Director, effective February 16, 2011.

Jacob has a broad range of corporate experience, having served as a director of Gun Capital Corporate and Gun Capital Management and been involved in a range of ASX-listed companies, as well as founding his own successful mechanical engineering business.

Welcoming his appointment, Managing Director Charles Pellegrino said, "Jacob adds international expertise and a fresh vision on new trends and sustainability, which will prove invaluable to BioProspect's successful growth as a nimble, market-leading Company."

BioProspect in the news

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

PetroleumNews.net

"From natural health products to oil investment"
(March 3, 2011)

Courier Mail

"Go with the flow"
(March 4, 2011)

Ethical Investor

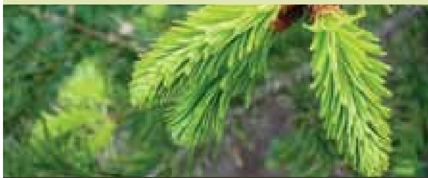
"BioProspect signs distribution agreement with Doward International"
(February 24, 2011)

Business Spectator

"BioProspect appoints director"
(February 22, 2011)

BiotechnologyNews.net

"BioProspect sells, signs"
(February 15, 2011)



New share registry address

BioProspect's share registry has moved!

Please note the new contact details for the Company's share registry, Computershare, effective March 7:

Street address: 117 Victoria Street, West End, QLD, 4101

Postal address: GPO Box 523, Brisbane, QLD, 4001

Enquiries within Australia
- 1300 552 270

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