

12 May 2014

Dear fellow Shareholder

The past few months have been a transformational period for your BioProspect Limited (“**BPO**” or “**the Company**”). As incoming Chairman and Executive Director - and fellow shareholders - we would like to outline the recent changes at BioProspect, our strategy for the success of the Company and why it is an exciting time to be a BPO shareholder. Indeed, over the next 12 months the management and board of BioProspect plans to embark on a journey that has the potential to revolutionise the way mental illnesses, particularly depression, is diagnosed and managed. We are truly excited about this potential.

#### **Acquisition of Invatec**

Last month, BioProspect announced that it would proceed with the acquisition of Invatec’s Heart Rate Variability (HRV) technology. The technology is the result of more than 10 years extensive research that was initiated at the University of Western Australia and involved the comparison of heart rate data recordings to the clinical diagnoses for thousands of patients representing all major psychiatric disorders. This clinical research established that there is a fundamental diagnostic link between psychiatric status and heart rate activity and has led to the development of what the board and management believes to be the world’s first truly evidence-based and quantitative test to diagnose and monitor mental illnesses such as depression.

#### **Background on depression**

Depression is a common and debilitating illness that affects hundreds of millions of people worldwide. Unfortunately, a routine and accurate, evidence-based test for depression has eluded the medical profession. Currently, the diagnosis of depression, and indeed all mental illnesses, relies on the clinical judgement of the physician based on professional guidelines (typically DSM-5) and is often deemed an art rather than a science. Indeed, in April 2013 the National Institute of Mental Health in the United States declared, “***we are actively seeking a diagnostic system that is evidence-based***” and said further “***we need a quantitative method for diagnosing depression***”.

It is widely recognised that subjective judgements often lead to incorrect or inadequate diagnoses, which in turn may lead to inappropriate or ineffective treatment, all of which can severely affect the quality of life of the individual and places a massive financial burden on the healthcare system. Equally, there is currently no effective quantitative method for assessing whether a prescribed treatment is working. A tool to monitor the effectiveness of treatment could make all the difference in the quality of life of affected individuals and their families, as well as significantly reducing the burden on the healthcare systems.

In the USA, clinicians are being asked to do more with less. Legislative changes have resulted in sweeping adjustments in long term care. As a result, Accountable Care Organisations are being held to an ever increasingly sophisticated standard of care for psychological and behavioural issues. The effect of the Affordable Care Act, combined with the increasing demand for services (often leading to long waiting times) is driving the need for more efficient, low cost services.

In this environment, a quantitative test which will have a significant impact on the early identification, diagnosis and monitoring of the treatment of a chronic disorder that afflicts over 350 million people worldwide, is in the board's view, likely to be well received.

Invatec - and more recently BPO - have been involved in extensive market research and discussions with many care delivery organisations, insurers, and various other industry participants, confirming that there is a demand for the HRV technology. In addition to being the world's first quantitative test for depression and other mental health disorders, it is non-invasive, easy to administer, and cost effective.

### **The strategy**

Management will employ a diligent and focussed approach in order to achieve some very important short term (less than six months) milestones, namely:

- undertake independent trials in order to further validate our research findings;
- undertake a comprehensive commercial assessment in order to determine what's needed to drive adoption of the technology; and,
- look to a means of developing revenue streams from use of the technology that does not require any approvals.

In addition, management plans to:

- pursue US FDA regulatory approval to facilitate acceptance of the technology amongst health professionals worldwide; and
- develop a strategic plan with particular emphasis on early commercialisation in the US market.

These are to be put into place over the medium term (that is, six to twelve months).

Initially our focus is to establish validation trials with prestigious mental health organisations both in Australia and internationally. The Company is presently in discussions with a number of organisations who have expressed an interest to this effect. These organisations have the capacity to not only validate our technology but also to establish its credibility internationally.

The commercial assessment will seek to confirm the technology's clinical need and market opportunity. It will include a "go-to-market" strategy, which involves:

- evaluate currently established reimbursement codes for possible early commercialisation;
- identify key opinion leaders to help promote the technology; and
- identify strategic partners to commercialize and drive its growth.

The Company is also responding to the explosion in the mobile health market, which is a large and rapidly growing market. Our view is that we have the ideal solution for the area of mental health.

### **New Management team**

None of the above will be possible without a talented and dedicated team. The Invatec team's expertise covers a variety of health industry disciplines and is well connected in the health community with strong worldwide networks in health care delivery organisations, medical device manufacturers and health insurance providers, particularly in the USA. In addition BioProspect has made a series of new board and executive appointments to help steer the Company through its next phase of growth following the acquisition of the HRV technology.

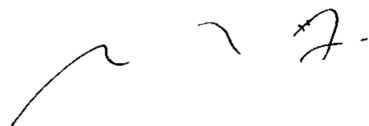
As announced on the 29 April 2014, BPO announced the following appointments:

- Chairman - Mr Vince Fayed. Vince is currently a Director of PKF Lawler Corporate Finance, specialising in the area of corporate finance and business consulting and has had over 30 years of professional services advisory and accounting experience, particularly with listed companies;
- Executive Director: Mr Claude Solitario, who founded Invatec in 2005 with Dr Stephen Addis. Mr Solitario has been instrumental in the growth of Invatec since its inception. Mr Solitario has over 25 years' commercial and research experience and brings a deep understanding of the development and commercialisation of intellectual property; and
- Commercial Development Manager: Mr Steven Stapelberg's role is to oversee the commercialisation of the HRV technology. Steven has over 20 years' experience in consumer marketing. He was instrumental in establishing the largest Marketing and Advertising network in Africa employing over 2,500 people operating in 32 countries. Mr Stapelberg has worked with several major companies in Africa, the US, and Hong Kong including John Hopkins University and the World Health Organisation.

### **Shareholder Newsletter**

In order to keep shareholders fully informed of the progress of your company we intend to start a shareholder newsletter which be published regularly. We intend to distribute this letter via email. We would ask shareholders who are interested in receiving such updates to complete and return the attached communication form to allow us to ensure that you receive these updates. We look forward to the year ahead with confidence.

Yours sincerely

A handwritten signature in black ink, appearing to read "Vince Fayed".

Vince Fayed  
**Chairman**

A handwritten signature in black ink, appearing to read "Claude Solitario".

Claude Solitario  
**Executive Director**