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SHAREHOLDER NEWSLETTER
Quarter 2, 2014

FROM THE CEO'S DESK

Dear Shareholders,

Welcome to Biosceptre's first shareholder newsletter since the re-domicile to the United Kingdom and second shareholder update for 2014. As another financial year draws to a close, I'd like to take this opportunity to share some of the highlights of the progress we have made over the past quarter.

Scheme of Arrangement

As you would all be aware, the Scheme of Arrangement was successfully implemented on Friday, 21st February 2014, resulting in each Biosceptre shareholder transferring their shares in the existing Australian entity for an equivalent number of shares in the new UK entity. On behalf of the Board of Directors, I would like to express our appreciation for your support of the Scheme of Arrangement. We are confident that the move will result in the many benefits outlined in the Scheme Booklet that was distributed just prior to Christmas last year.

For those shareholders who wish to have the current contact address for Biosceptre, I've provided updated details below:

Physical Address:

Jonas Webb Building,
Babraham Research Campus,
Babraham, Cambridge, CB22 3AT,
United Kingdom

Phone Number:

+44 1223 496 090

Should anyone wish to discuss anything with either me or the wider management team, I invite you to initially make contact via email (email address below) and we will ensure the appropriate team member responds to your enquiry.

Email:
ceo@biosceptre.com

One of the administrative burdens we have is ensuring our shareholder contact details are current. We have made a considerable effort bringing these records up to date over the last twelve months however, should anyone wish to update their existing contact details or communications preferences, then I invite you to initially make contact via email (email address below) and the appropriate team member will organise the update of our records.

Email:
company.secretary@biosceptre.com

I would also strongly urge all shareholders to consider 'opting-in' to receive all future communications from Biosceptre (to the extent permissible by the Companies Act 2006) by e-mail. This will assist in more timely communication, as well as reducing the significant annual cost in printing and posting annual reports and AGM notifications. Please note that the Biosceptre quarterly updates will only be sent via email to those shareholders who have consented to e-mail communications.

The updates are also available online if you log onto the investors section of our website:
http://www.biosceptre.com/member-login/

You should receive an email inviting you to setup your login password shortly. If you do not receive this please contact info@biosceptre.com.

Funding Update

Many of you will recall that late last year Biosceptre contacted all of our shareholders, with an aim to raise approximately AUD$5 million at a share price of AUD$2.50 per share to further advance our scientific and clinical development efforts for the 2014 calendar year. Although it was not done as a rights issue, we limited that raise only to be taken up by existing shareholders. I'm very happy to advise that this

funding round was over-subscribed and Biosceptre was successful in securing commitments with total funds raised just under AUD$5.3 million. Fortunately, all shareholders who chose to participate in this funding round were able to secure the full entitlement they requested.

It was our intent to follow the above funding round with a very large external capital raise from midway through this year. We have one program (Topical) moving through trials and are now pushing forward with our first systemic lead to start a Phase 1 trial as soon as we can successfully navigate the regulatory pathway. As you can appreciate, the costs of drug discovery increase considerably as we now move into this exciting phase.

We are actively working towards raising £20 million by the end of the calendar year. This amount should provide the funds necessary to successfully take our first two drug candidates (one topical and one systemic therapeutic) through to the end of Phase 2 along with providing resources to develop other assets, including imaging, diagnostic and veterinary, towards the clinic.

Topical Program

A major milestone for Biosceptre was reached this month, when the final Phase 1a topical program report was filed with the US Food and Drug Administration (FDA), concluding the regulatory filing requirements for the Phase 1a topical clinical study.

The primary focus of the study was safety, with maximum dosages being tested in 20 subjects to determine the type and severity of any adverse reactions. The emerging safety profile from the study was very good, and compares very favourably with the competitor products Aldara and Picato. This may provide Biosceptre's Topical product with a strong potential point of difference in the market.

Although efficacy was not the focus of this safety study, some limited data was available, including, after just 28 days of treatment, 65% of subjects experiencing a reduction in lesions size (mean = -27.8%), 15% experiencing an increase in lesion size (mean = +34.3%) and 20% of subjects having no change in lesion size. Further, testing at the central pathology lab found 8 out of 20 subjects with less than 5% BCC cells in their excision biopsies at the end of the study.

The focus of the Topical project team is now one of how best to further the clinical development of this product based on the Phase 1a study findings. A decision is currently being formed as to what new clinical study (phase 1b versus phase 2a) will provide the most prudent move forward along with gathering further evidence of efficacy and hence support for a strong commercial valuation of the product whilst it progresses through development.

Grant Applications

Thanks to Shaun McNulty who works out of our Cambridge labs, Biosceptre has secured a Technology Strategy Board Feasibility Study Award of £150k. This grant is to establish the feasibility of developing an additional selection of monoclonal antibodies (mAbs) to bind the nf-$P2X_7$ receptor, a non-functioning conformation of the $P2X_7$ receptor, for the treatment of cancer.

This is the first Technology Strategy Board award that Biosceptre has secured since relocating its headquarters to the UK in February 2014.

While Biosceptre's existing antibodies against nf-$P2X_7$ can induce cell death both in vitro and in vivo, in the event the clinical trials demonstrate that they are not suitable for development into commercially viable therapeutics, this feasibility project will see Biosceptre develop further mAb's to provide further therapeutic options with broad potential. Project aims are to generate mAb's, confirm binding to nf-$P2X_7$ in ELISA and FACS assays and to demonstrate their cytotoxic ability in vitro.

Biosceptre will also undertake product exploitation and business development planning activities to establish viable development and commercialisation pathways.

Scientific Update

While Biosceptre has been an R&D company, it has predominantly focussed on the "research" side of the equation. Establishing our Cambridge lab's to perform the role of "development", was a considered move by the board to separate the two functions that are critical to taking our discovery forward.

Since our last Scientific Advisory Board meeting in late February, we have had some major advances towards validating the nf-$P2X_7$ premise. Three of Kevin Moulder's team have been instrumental in this work and are introduced on the following page. As there is a lot to update you on the science, we will make most of our next update a science one to give it justice. I am sure you will be pleased with the progress the team has made.

As always, if you have any questions or suggestions, please do not hesitate to contact me, or the management team, at ceo@biosceptre.com.

Gavin Currie
Chief Executive Officer

MEET THE TEAM

Biosceptre has recently employed a number of exceptional scientists both within our Australian and UK laboratories. Romain, Chris and Simon joined Biosceptre earlier this year in the UK, having gained a wealth of experience in a number of relevant fields with leading researchers. We would like to take the opportunity to welcome Romain, Chris and Simon to the Biosceptre team and wish them success over the coming years.

Dr. Romain Lara
Scientist

Romain obtained his Masters degree in Cellular Biology and Physiology from the University of Poitiers (France), he then undertook a PhD in Cellular Biology at Cancer Research UK – London Research Institute (CRUK – LRI) and the Imperial College London.

During his PhD, Romain used siRNA screening technology to identify novel targets involved in lung cancer metastasis. Romain completed post-doctoral study at the Imperial College London before joining a consultancy in France, gaining valuable experience in a commercial environment.

Romain joined Biosceptre in February of this year, his focus is analysing the effect of nf-$P2X_7$ antibodies on cancer cell migration and invasion. Romain is also investigating $P2X_7$ variants to characterise the non-functional form of $P2X_7$ targeted by Biosceptre proprietary antibodies.

Dr. Chris Oliphant
Scientist

Chris obtained his BSc in Molecular and Cellular Biology from the University of Kent, which included a 1-year industrial placement at GSK in the Human Biomarker Centre. He undertook a PhD in Immunology at the University of York. In York, Chris investigated the innate immune responses to a bacterial infection associated with Crohns disease.

Following his PhD, he completed a 3 year post-doctoral study at the Medical Research Council Laboratory of Molecular Biology (MRC LMB) in Cambridge, where he investigated the antigen presenting function of a new immune cell type, known as Type-2 Innate Lymphoid Cells.

Chris joined Biosceptre with a primary focus in analysing blood born cancer patients in collaboration with the Cambridge Blood and Stem Cell Biobank at Addenbrookes Hospital. Chris is also managing the Patient Derived Xenograft studies at Oncotest and has been appointed Biological Safety Officer for the Cambridge office.

Simon Gilbert
Scientist

Simon obtained his Bachelor's degree in Natural Sciences, specialising in Biochemistry from Cambridge University in the UK. During his degree, Simon completed research projects on Dictyostyleum differentiation at the Medical Research Council Laboratory of Molecular Biology (MRC LMB) and Kinesin mobility at the Gurdon Institute (UK).

Simon gained four years experience as a research scientist studying at the Cambridge Institute for Medical Research (UK) on a four year PhD program, where he gained his Masters in Philosophy after completing research projects on membrane trafficking, fly models of Alzheimer's disease and changes in protein abundance during Plasma Cell differentiation.

Simon joined Biosceptre in February of this year, where his focus has been developing assays for antibody internalisation and $P2X_7$ pore opening.