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8th April 2008

**The Manager
Company Announcements
Australian Stock Exchange
Level 4, 20 Bridge Street
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MILESTONE BIOASSAY TESTS CONFIRM TERMILONE^R PROJECT PATH TO COMMERCIALISATION.

- **TERMILONE^R demonstrates superior and equivalent performance to industry standards in protecting timber from termite attack under H2 protection rating.**
- **With extremely low human and environmental toxicity (natural and safe), the best practice test results are the combination of two (2) years of intensive assessment and data generation. The development of an APVMA registration package for the natural oil (Eremophilone Oil) will take place earlier than expected.**
- **Commercial field development on two formulations containing the natural oil will now proceed using internationally accepted protocols.**
- **Market potential is very significant with Japan and the USA with termite product markets of around US\$1billion per annum collectively.**

BioProspect Ltd (ASX: BPO) announced today excellent bioassay results from testing of its natural termite compound TERMILONE^R, which demonstrated superior and equivalent performance to the industry standards in protecting timber from termite attack.

Developed from oil extracted from the native Australian tree species *Eremophila mitchellii* (False Sandalwood), TERMILONE^R has extremely low human and environmental toxicity and has applications for both termite control and deterrence.

Through a scientific collaboration with The University of Western Sydney, Southern Cross University's Centre of Phytochemistry and Ensis (CSIRO's Timber Protection Group joint venture company), two formulations containing TERMILONE^R as the active constituent were tested under bioassay conditions to determine the compound's efficacy against two key subterranean termites, *Coptotermes acinaciformis* and *Mastotermes darwiniensis*.

The *Coptotermes* species is the most destructive timber pest in Australia, accounting for more than 70 per cent of serious damage to buildings in New South Wales whilst, *Mastotermes* is one of the world's most destructive termite species found in the Northern tropics of Australia.

The formulations tested revealed excellent control and deterrence characteristics and most importantly, the results revealed that the compound performed better than the industry standard in the timber protection bioassay (see Figures 1 and 2 for the *Mastotermes* results).

Current Products

The need to search for and commercialise new products with lower human and environmental toxicity ratings but with acceptable termite control is a reflection of consumer sentiment and the international regulatory authorities that are restricting the use of current products like Copper Chrome Arsenate (CCA) and Chlorpyrifos (organophosphate). Chemical compounds like the cyclodiene products (organochlorines) were banned in Australia in the early 1990's due to harmful environmental and human toxicity issues.

Thorough testing using OECD and US EPA protocols are required in order to look at all of the potential toxicity issues. The work conducted on TERMILONE^R to date indicates that the product has safe environmental and human levels, yet is toxic to termites.

This is a unique characteristic and is very favourable for TERMILONE^R.

The University of Western Sydney tested two **contact spray** formulations for direct contact and killing power attributes toward the termites, with one of the two proving effective. Residual efficacy and deterrence were also recorded and this may lead to a **barrier treatment** test at a later stage.

The CSIRO tested two concentrations of a **timber treatment** formulation designed for protecting commercial timber from termite attack when impregnated into the timber using standard vacuum/pressure equipment. The higher concentration revealed a better result than the industry standard (a synthetic pyrethroid) for the *Mastotermes* termite species and an equivalent result for the *Coptotermes* termites.

Study Rationale:

The bioassays are designed to place higher than normal termite pressure on the formulations and the active compound. The protocols are set up with the intention to 'break' the product and see where it fails in order to establish an optimum and minimum range of concentrations, and if required, make any possible formulation changes prior to field assessment.

FIGURE 1: PHOTOGRAPHS OF TEST RESULTS for *Mastotermes bioassay*

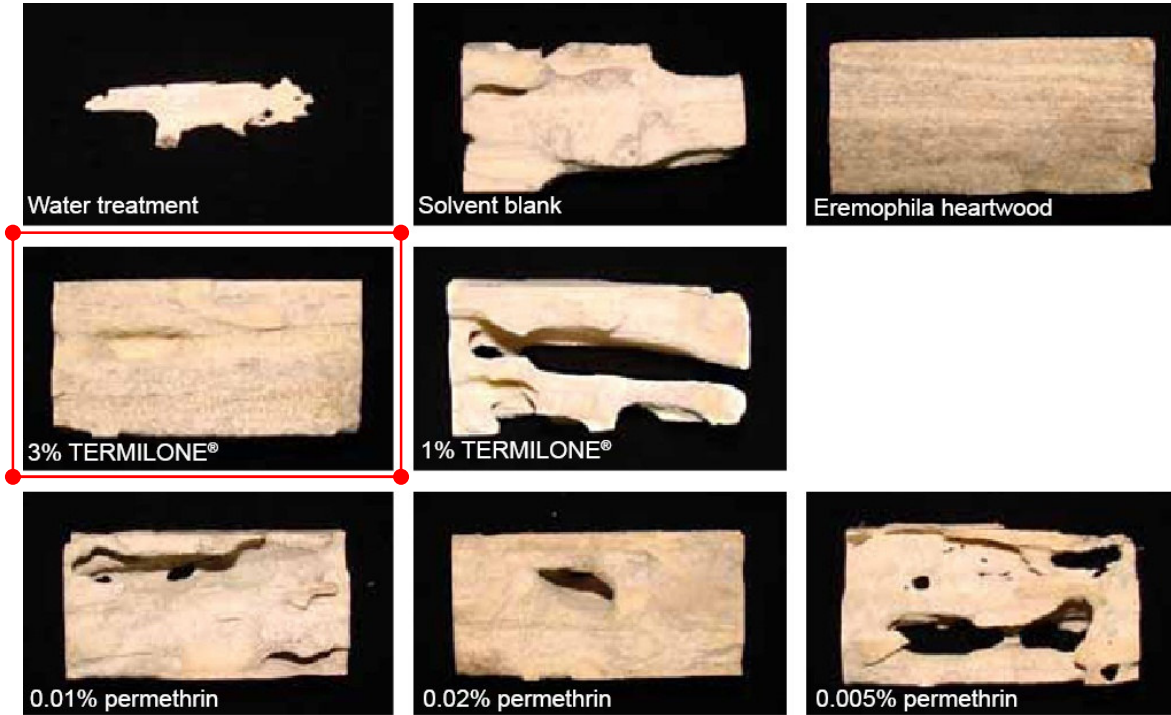


Figure 1 shows the condition of test radiata pine sapwood specimens after six weeks of exposure to *M. darwiniensis* in the laboratory bioassay. Test specimens treated with the formulation base solvent and water were included as solvent controls, while specimens treated with permethrin were used as a reference control (indicating the industry standard). The TERMILONE[®] specimens were treated with either 1 per cent or 3 per cent Eremophilone oil. Eremophila heartwood (similar to the original fence post which Termilone is derived from) was also tested.

FIGURE 2: GRAPHICAL ANALYSIS (*Mastotermes bioassay*)

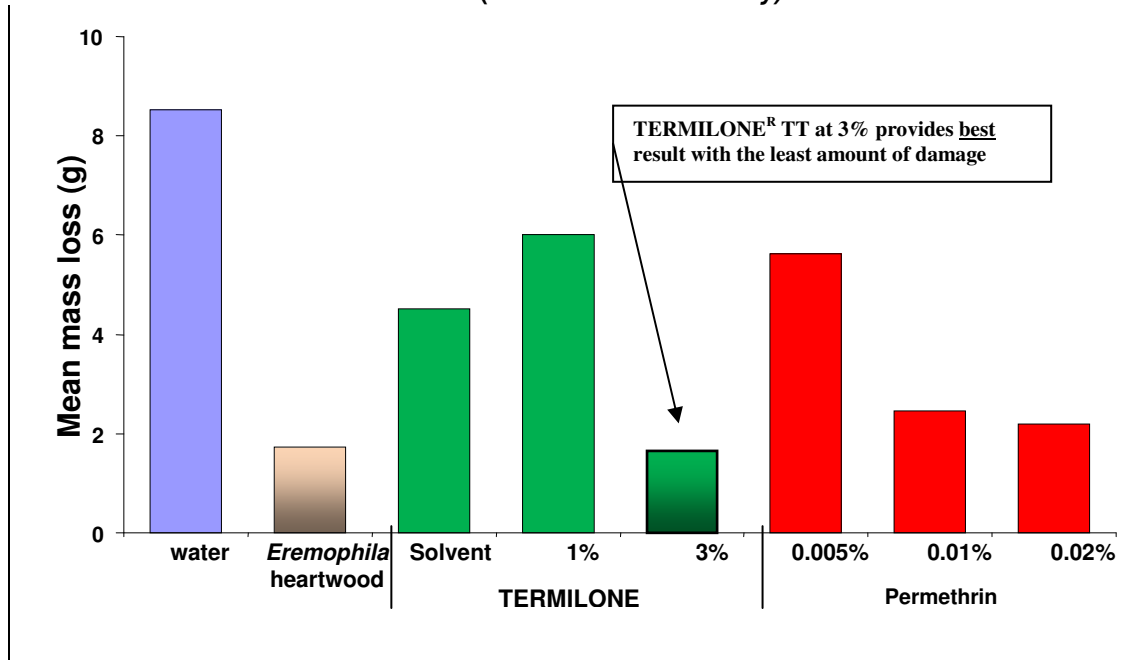


Figure 2 shows the mean mass loss (g) of preservative-treated and control *Pinus radiata* and untreated *Eremophila* test specimens after exposure to *M. darwiniensis* in a laboratory bioassay for six weeks.

FIGURE 2a: GRAPHICAL ANALYSIS (*Coptotermes* bioassay)

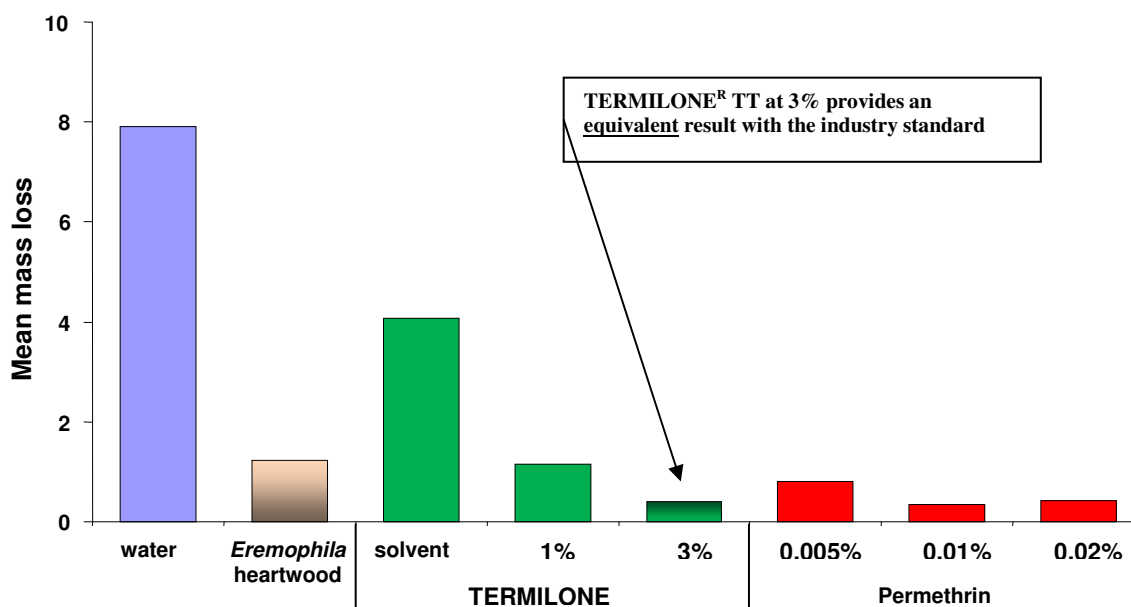


Figure 2a shows the mean mass loss (g) of preservative-treated and control *Pinus radiata* and untreated *Eremophila* test specimens after exposure to *C. acinaciformis* in a laboratory bioassay for **eight weeks**.

Interpretation of results

The *Pinus radiata* samples from each treatment are exposed to a large population of termites (*Mastotermes* and *Coptotermes* separately) where the termites have nothing else to eat for 6 and 8 weeks respectively. The protocols are designed to ‘break’ the product in order to look for the lower and upper concentration limits for efficacy. The wood samples are weighed following the treatment period and the ones with the heaviest volume can be interpreted as having the best resistance to attack under the bioassay conditions (less timber is eaten). This is expressed as Mean Mass loss in grams. The *Pinus radiata* blocks started the bioassay as 10g in total weight.

Mastotermes Bioassay (graph [Figure 2] and photos [Figure 1] above)

- Treatment of *Pinus radiata* specimens with the 3% TERMILONE[®] TT formulation successfully prevented attack by *M. darwiniensis* with a Mean Mass loss of 19%. The industry standard highest concentration received a Mean Mass loss of 24.8% **revealing that the TERMILONE[®] TT 3% was superior.**

Coptotermes Bioassay (graph [Figure 2a])

- Treatment of *Pinus radiata* specimens with the 3% TERMILONE[®] TT formulation successfully prevented attack by *C. acinaciformis* with a Mean Mass loss of 4.6%. The industry standard highest concentration received a Mean Mass loss of 4.1% **revealing that the TERMILONE[®] TT 3% was equivalent.**

Researcher comments:

When used to treat *Pinus radiata* (radiata pine) sapwood, TERMILONE^R TT with a 3% concentration of Eremophilone oil demonstrated a high level of termiticidal efficacy.

Compared to the untreated and solvent controls, it appears that a retention of approximately 2.5 – 3.0% m/m of Eremophilone oil in oven dried wood was effective in significantly reducing the amount of attack of *P. radiata* sapwood by Australia's two most economically important species of subterranean termites.

Based on these encouraging results, it is now highly recommended that TERMILONE^R TT be assessed in an H2 field trial at a range of retentions centred on that achieved by treatment with 3% Eremophilone oil formulation.

When used as a contact spray, TERMILONE^R CS formulated with a 3% concentration of Eremophilone oil demonstrated the highest high level of termiticidal efficacy against both economically important termite species.

Based on these encouraging results, it is now highly recommended that TERMILONE^R CS be assessed in the field at rates similar to those found to be effective in the laboratory bioassays, as a contact spray for treating termite mounds and dwelling incursions.

Path forward:

Based on these results, the company will now expedite field testing on two formulations; one for immediate contact spray applications (TERMILONE^R CS as a **contact spray**) and the other timber treatment (TERMILONE^R TT as a **timber treatment**).

Managing Director Warwick Dowse said, “The protocols used by the independent researchers are rigorous and tough, and we are very pleased that two years of intensive assessment and data generation have proven fruitful.”

“Reaching this major milestone will now permit a focused effort to complete the data generation program for an APVMA (Australian Pesticides and Veterinary Medicines Authority) application.

He added, “The data generation process necessary for a submission to the APVMA for registration of the product's Eremophilone oil is almost completed. We expect this submission to occur in the last quarter of 2008”.

“Over the next six months, BioProspect will initiate a manufacturing and product cost analysis study with collaborators interested in commercial partnerships following registration, which is expected by late 2009.”

Termites cause an estimated \$1 billion worth of **damage** in Australia every year and with a tightening of regulations pertaining to existing treatments, the demand for a “safe, non toxic” product with relatively benign mammalian and environmental characteristics is expected to be strong.

“Successful registration of the active ingredient (Eremophilone oil) in Australia will be looked upon favorably in countries like the United States, which have termite product markets reaching **US\$1 billion a year in chemical products alone**,” Mr. Dowse said.

“The United States in particular is actively looking for new termite products with low human and environmental toxicity profiles, and TERMILONE^R fits their requirements perfectly.”

For and on behalf of the Board

A handwritten signature in black ink that reads "Colin Johnston". The signature is written in a cursive style with a large initial 'C'.

Colin Johnston
Company Secretary

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