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**The Manager
Company Announcements
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Level 4, 20 Bridge Street
Sydney, NSW 2000**

***TERMILONE*[®] Project Update**

- **BioProspect suspends further development of natural termite solution *TERMILONE*[®] in the termiticide segment, following new field trial results and extensive commercial review**
- **Alternative commercialisation options for *TERMILONE*[®] under consideration**
- **BioProspect to focus resources on *AGRIPRO*[™] animal health products range, including *GI-GUARD*[®] products for horses, together with *REGEN*[®] therapeutic and skin care range and natural insecticide *Qcide*[®]**

Natural products provider BioProspect Limited (ASX:BPO) today announced the completion of a major review of the commercialisation potential for natural termite product *TERMILONE*[®], which had been developed as a safe and environmentally friendly termite treatment.

Following a review of the latest field trial results from partner Ensysyex Corporation of *TERMILONE*[®] 80EC's effectiveness as a soil-applied barrier, and a critical analysis of production costs, BioProspect has decided to suspend development of the product in the termiticide segment.

The Company will instead focus its resources on its *AGRIPRO*[™] animal health products range, including *GI-Guard*[®] products for horses, while exploring alternative commercialisation options for *TERMILONE*[®].

BioProspect's Chief Operating Officer, Peter May, said the decision was taken following an exhaustive review of the commercialisation potential and market positioning of *TERMILONE*[®], and after the field trial results which showed that *TERMILONE*[®] 80EC failed to prevent penetration over time by termites even at the highest treatment rates.

Launched in March 2010, the Ensysyex trials in Townsville, north Queensland, aimed to test the field performance of *TERMILONE*[®] 80EC as a soil-applied barrier as part of a two-year testing program.

Application rates used ranged from 0.625 litre *TERMILONE*[®] 80EC/100L of dilute (oil in water emulsion) to 12.5L/100L, which aimed to establish concentrations of Eremophilone Oil (EM) in soil of from 500 parts per million (ppm) to 10,000ppm. Treatment plots were exposed or covered (by concrete slab) to simulate building construction types.

Results of an initial assessment undertaken six months after treatment revealed significant levels of termite attack, even at the highest treatment rate of *TERMILONE*[®] 80EC. There was evidence that the lower treatments were attacked by termites before the higher concentration treatments, however even the higher concentration treated areas (5,000 and 10,000ppm) failed to prevent termite attack of timber billets placed in treated zones.

Previous results of laboratory bioassay testing of *TERMILONE*[®] formulations as a barrier treatment in soil undertaken by the University of Western Sydney (UWS) determined that the Minimum Effective Concentration (MEC) in soil to control *Coptotermes acinaciformis* was in the range of 5,000-6,500ppm. UWS also undertook a barrier concentration trial with treated soil aged over a 167 day period that indicated that an initial application rate of >10,000ppm would be required to maintain residual effectiveness against *C. acinaciformis* over an extended period under laboratory conditions.

The field trial results show that even at a field application rate of 10,000ppm EM in soil in a choice test where termite have alternative food sources, *TERMILONE*[®] 80EC failed to prevent penetration of the treated zone, indicating that the EM in soil had degraded to a level below the MEC required to maintain effectiveness of treatment. These results clearly have a significant effect on the economics of *TERMILONE*[®] 80EC as a soil-applied termiticide.

In addition to these findings, BioProspect has recently undertaken an analysis of costs associated with manufacture of EM, resulting in a critical assessment of the treatment costs of *TERMILONE*[®] as both a soil-applied termiticide and timber treatment.

Based on the relatively high use rates of *TERMILONE*[®] that would be required to achieve acceptable levels of performance, and assuming estimated manufacturing costs, *TERMILONE*[®] has been shown to be commercially unviable as either a soil-applied termiticide or as a timber treatment. Export costs to the major termite control markets of the United States and Japan would also further reduce its competitiveness.

While having shown considerable potential as a low toxicity, environmentally friendly termite treatment, BioProspect's Mr May said the Company had to evaluate its potential in the current commercial environment.

“This decision has been taken after considerable deliberation and a thorough analysis of the latest available data. We have identified opportunities for aromatic Eremophilone Oil in the cosmetics industry, and there may be potential to improve product performance via formulation or use of other technologies,” he said.

“However, BioProspect is determined to deliver financial returns for shareholders, and we consider that our other natural product ranges, including *AGRIPRO*[™] animal health products, *RE-GEN*[™] therapeutic and skin care products and natural insecticide Qcide[®] offer superior potential for commercialisation. We are confident of developing these for the benefit of shareholders and all other stakeholders, as part of our focused growth strategy.”

Yours sincerely,

A handwritten signature in black ink that reads "Colin Johnston". The signature is written in a cursive style with a large initial 'C' and a long, sweeping tail on the 'n'.

COLIN JOHNSTON
Company Secretary