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**The Manager
Company Announcements
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Qcide IP agreement boosts natural insecticide development

BioProspect Limited (ASX:BPO) today announced a new agreement with Bio-Gene Technology Limited governing the intellectual property (IP) rights for natural insecticide Qcide, which is being developed as a new, environmentally friendly treatment for household and human pests.

Under the agreement, BioProspect and the University of Western Sydney (UWS) have assigned Qcide's IP rights to biotechnology company Bio-Gene, in exchange for fees and royalties split between BioProspect and UWS.

BioProspect Managing Director, Charles Pellegrino, said the agreement replaced the previous licensing deal announced in June 2008, and would facilitate rapid development of products derived from the essential oil, Tasmanone, found in the leaves of Australian tree *Eucalyptus cloeziana*.

"Qcide is an exciting Australian discovery and part of our expanding portfolio of natural products. We have been greatly encouraged by the progress made by Bio-Gene, and the new agreement provides the commercial certainty to ensure the successful development of a range of natural, non-toxic insecticides," Mr Pellegrino said.

He said the new agreement could prove highly valuable to the parties involved. It comprised \$200,000 of fees paid to BioProspect and UWS on four one-year anniversary dates, with royalties payable as 4 per cent of the first \$1 million in commercialisation income, plus 2 per cent of any additional income over this amount.

Bio-Gene Chairman, Max Kay AM CitW.A., said the new agreement demonstrated his company's confidence in Qcide, which has been shown to be effective against a broad range of pests including houseflies, mosquitoes, ants and animal parasites.

"Bio-Gene is confident in the future of Qcide, having already undertaken research on human hygiene applications and also fabric and textile sanitizers containing the product. The initial target market is for the control of public health and household pests, a market which amounts to over \$6 billion per year, with strong demand for environmentally friendly and safe products," Mr Kay said.

He said Bio-Gene was experienced in farming and cultivating Australian flora, and had already initiated a grow-out program in north Queensland of *Eucalyptus cloeziana*, which is common to coastal areas in Queensland and New South Wales.

BioProspect Chief Operating Officer, Peter May, said the company would assist Bio-Gene in data provision and development activities, working closely with its scientific collaborators.

“BioProspect has proven experience in the commercial development of natural products such as natural termite solution *TERMILONE*[®], and we will provide Bio-Gene with ongoing support in research, oil extraction and product registration,” Mr May said.

“A wealth of toxicological and efficacy data has already been developed on Qcide from a range of laboratory tests and field appraisals. Qcide has shown an impressive kill rate against some of the world’s most troublesome insects, while having minimal mammalian toxicity and no adverse dermatological effects on skin.”

Based in Western Australia, Bio-Gene has expertise in growing, harvesting and extracting compounds from Australian native plants. The company has previously produced an essential oil from *Boronia megastigma*, a rare plant which is endemic to south-west Australia.

The Eucalyptus trees required for Qcide’s development are ideally suited to plantation cultivation, where conventional harvesting equipment can be employed for efficient annual harvesting. The oil extraction process is similarly straightforward, and Bio-Gene’s alliances with UWS and Southern Cross University have given it access to leading scientific and entomological expertise.

Tests conducted in 2007 on Qcide showed encouraging results on synthetic pyrethroid-resistant Buffalo Flies (*Haematobia irritans exigua*), which are a common problem for feedlot and dairy cattle in Australia, the United States and other countries.

“Qcide offers enormous potential for the insecticide industry as a safe, natural and environmentally friendly solution, and we are determined to maximise its value through this partnership with Bio-Gene and UWS,” Mr Pellegrino said.

“BioProspect’s experienced Board and management, together with its technical collaborators and commercial partners have the Company well placed to become one of Australia’s leading natural product providers, with a portfolio encompassing Re-Gen skin and healthcare products, *TERMILONE*[®] and the *Bioeffectives*[®] range of natural plant extracts for the animal health and nutrition markets.”

Yours sincerely,

A handwritten signature in black ink, appearing to read "Colin Johnston". The signature is written in a cursive, flowing style.

COLIN JOHNSTON
Company Secretary