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29 May 2007

The Manager
Company Announcements
Australian Stock Exchange
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BIOPROSPECT COMPLETES DUE DILIGENCE WITH SOLAGRAN LIMITED.

BioProspect Ltd (ASX: BPO) is pleased to announce that it has completed due diligence on the information pertaining to 'Bioeffectives^R' under the proposed exclusive licence to develop and commercialise a range of Solagran's Bioeffectives^R in the animal health, nutrition and agricultural markets on an international scale.

The company is satisfied with the information and will now start to prepare a development program (subject to Shareholder Approval) in Australia and overseas to be initiated over the next 6-12 months. The overall objective is to use Australian research institutions in the first stage and internationally developed information in the second stage to secure manufacturing and supply arrangements with internationally recognised animal feed producers and animal health companies.

The due diligence focused on the following:

- Evidence of efficacy under animal feed trial and direct application conditions.
- Toxicological issues in humans and animals.
- Manufacturing systems.
- IP and patent protection.

The company will hold a General Meeting of Shareholders in Brisbane on the 8th of June 2007 to seek approval for the agreement with Solagran.

BioProspect's Development of Bioeffectives

Under the agreement, BioProspect will be granted an exclusive licence, subject to certain milestones, to develop a range of Solagran's Bioeffectives^R in the animal health, nutrition and agricultural markets on an international scale.

Solagran will allow BioProspect exclusive access to a selected range of Bioeffectives^R (A, K, S, I and X). BioProspect will initiate trials that will provide the backing and drive to enter markets according to the respective characteristics of each Bioeffective^R.

In the early stages of development, BioProspect will concentrate on Bioeffective^R A which has an immediate application potential in animal feeds to act as a replacement for commonly used antibiotics, growth promotants and nutritional supplements.

Over the next 6-12 months the company will utilize facilities and institutions in Australia to replicate and build on the data supplied from the Russian research institutions which have been developed for over 50 years. This data provides BioProspect with a significant advantage in terms of trial protocol and methodology to show that 'Bioeffectives^R', can be used as viable substitutes to commonly used medicated performance enhancing substances in animal feeds and health markets.

World market and the potential for Bioeffective^R A.

In livestock production, the stimulation of productivity is traditionally achieved by using medicated products such as antibiotics and anabolic hormones. The emphasis is shifting toward human, environmental and animal health issues and from that there is a new focus on non-medicated performance products and compounds. The entire food chain is under scrutiny and the demand for a better way of farming animals as a source of food and fibre for humans is gaining momentum.

Bioeffective^R A falls into this category.

The forecast for the global market for livestock performance enhancing products is estimated at US\$6.7 billion year ending 2007. This is expected to reach US\$7.3 billion in 2011.

Nutritional feed additives and medicated feed additives account for 65% and 29% of the total respectively.

The USA is the largest market (38% total sales) with Western Europe (27%) and Asia/Pacific (17%) running second and third respectively.

A Development and Commercialisation plan will be put together over the next 6 months; however the company is already discussing development work with Australian research institutions. The information supplied by Solagran from earlier animal trials and existing human trials gives the company the opportunity to jump a few steps in terms of trial protocols and methodology.

The company's initial steps will assess animal feed applications in the poultry and pork industry. When work is underway in these areas the company will investigate assessments in the beef cattle and dairy industries.

TERMILONE™.

TERMILONE™ is the company's termite compound (Previously known as AP 778).

The company is close to completing the first stage of formulation design and assessment. Formulations for the TERMILONE™ TT (**T**imber **T**reatment) and TERMILONE™ CS (**C**ontact **S**pray) have been under development over the past 2 months. The company is confident that it will be able to have these formulations tested under bioassay conditions over the next quarter.

Bioassays involve the exposure of the formulations to termite populations in accordance with Australian Standards. The work will be conducted by CSIRO (Ensis Melbourne) and The University of Western Sydney, Hawkesbury Campus.

The bioassay work guides the project in terms of formulation efficacy. The results help determine if a formulation is ready for large-scale field trials or re-assessment with the formulation chemists. When a formulation is chosen, it must be used for all other tests (environmental and mammalian toxicity) in the development program as required by the Australian Pesticides and Veterinary Medicines Authority (APVMA).

Work to develop a TERMILONE™ BT (**B**arrier **T**reatment) formulation is due to start in July after discussions with a potential collaborator experienced in this field.

Yours sincerely



Colin Johnston
Company Secretary