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The Manager
Company Announcements
Australian Stock Exchange
Level 4, 20 Bridge Street
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BIOPROSPECT LIMITED (ASX: BPO) UPDATE ON FRONTIER DUE DILLIGENCE

Key Points

- **Initial review of Agreement for Frontier to acquire a 15% working interest in SC69 completed – appears to be in good standing and recently exercised by Frontier**
- **Initial review of Agreement for Frontier to back in for a 5% interest in SC55 completed – appears to be in good standing**
- **BPO satisfied at the pace at which the due diligence is progressing**
- **BPO remains committed to the Investment in Frontier**

In its ASX release of 3 March 2011 BPO advised that it had agreed to make an investment in Frontier Gasfields Pty Ltd (**Frontier**) and had the option to acquire up to 75% of Frontier. Further information was published to the ASX on 7 March 2011. BPO is pleased to provide an update as to the status of its ongoing Due Diligence on Frontier. It also wishes to clarify some issues arising with respect of its 3rd and 7th March Announcements.

STATUS OF OPTION AGREEMENTS SC55 AND SC69

BPO is pleased to report that it has completed an initial review of Frontier's option agreements covering a 15% interest in SC69 and a 5% back in right over SC55. Both agreements appear to be in good standing and valid on the face of this initial review.

The completion of final due diligence on these agreements will involve advice from an expert in Singaporean law as both agreements are governed by Singaporean law. A review of the SC55 and SC69 Joint Operating Agreements and a review of Philippine regulatory requirements for the assignment of the participating interests, the subject of the option agreements.

Status of SC 69 Frontier Option Agreement

As outlined in BPO's March 7 ASX release, on 3 February 2011 Frontier exercised its option, under the Farm-in Option Agreement dated 3 June 2010 between Frontier and Trans-Asia, whereby Frontier could acquire a 15% participating interest in the SC69 joint venture out of Trans-Asia's existing participating interest. This notice of exercise was released by Trans-Asia to the Philippines stock exchange. BPO understands that the completion of the transfer of this 15% participating interest in SC69 to Frontier is still pending the consent of regulatory and joint venture Partner approval and will make a further ASX Release once this is completed.

Material Terms of SC 55 Frontier Option Agreement

BPO wishes to advise the ASX that it has been provided with a copy of the Frontier Option Agreement covering SC55.

- The option is to acquire the 5% participating interest in SC55 from the 5% participating interest that Trans-Asia may acquire from the SC55 operator, over and above its existing 6.82% current participating interest.

- The option may be exercised by Frontier by giving notice in writing to Trans-Asia within 150 days from the completion of drilling operations on the first well on SC55, otherwise the option will lapse.

- Upon exercise of the option Trans-Asia is then required to take steps to acquire a 5% participating interest from Otto Energy Limited (OEL).

The Frontier Option Agreement does not give Frontier the right to acquire any of the existing 'free carried' 6.82% participating interest that Trans-Asia holds in SC55 and which is referred to in the OEL announcement to the ASX of 3 February 2011.

The additional 5% participating interest that Trans-Asia can acquire from OEL and which pursuant to the terms of the Frontier Option Agreement can be acquired by Frontier, is dependent upon Trans-Asia paying 5% of the actual total drilling cost of the first well and past costs. However, in the event Frontier elect to exercise its option it will pay Trans-Asia 5% of the actual total drilling cost of the first well.

The assignment of 5% of OEL's interest to Trans-Asia pursuant to the terms of the Participation Agreement is subject to the approval of the Philippines Department of Energy (**DOE**). The subsequent assignment of that interest to Frontier pursuant to the terms of the Frontier Option Agreement is subject to the consent of the SC55 joint venture parties and the DOE.

SC55 - ADDITIONAL CLARIFICATION

BHP Farm-in Agreement

There is a Farm-in Option Agreement between OEL and BHP, which gives BHP a right to acquire up to 60% of OEL's participating interest in SC55 (**BHP Farm-in Agreement**).

The material terms of the BHP Farm-in Agreement were the subject of OEL's announcement to the market of 15 January 2010. BPO understands that the Farm-in Option Agreement the subject of OEL's 12 March 2009 announcement, and which was expressly referred to in BPO's 7 March Announcement concerned an earlier farm-in arrangement between OEL and BHP which, as announced by OEL to the market on 5 May 2009, was discontinued.

It is BPO's understanding, from the face of the OEL 12 March 2009 and 15 January 2010 announcements to the ASX that the exploration work and other costs contemplated by the superseded Farm-in Option Agreement is the same as that contemplated by the current BHP Farm-in Agreement, the subject of OEL's 15 January 2010 announcement.

BPO understands that the BHP Farm-in Agreement remains current and that BHP has yet to exercise its farm-in option. BPO believes the option must be exercised by BHP some time during Q2 2011. The currency of the BHP Farm-in Agreement was recently confirmed by OEL in its announcement to the ASX of 9 March 2011, in the penultimate paragraph at page 3 of that announcement.

Marantao

In its 7 March Announcement, BPO informed the market that Frontier had advised it that the 'Marantao Reef' Complex was identified through the 3D seismic programme that took place over the SC55 areas. BPO has since ascertained that the Marantao Reef Complex was not identified through the 3D seismic programme undertaken in the permit area, but rather was delineated by a tailored 2D seismic survey recorded by OEL in 2006. OEL informed the ASX of the work that had been undertaken in relation to Marantao by way of its announcement to the ASX of 7July 2008.

At page 2 of its 3 March Announcement BPO made the following statement:

> 'A number of further leads have also been identified on the block, including the 'Marantao Reef' Complex, a super giant sized reefal buildup with a crestal closure of some 300km^2 potentially holding several billion barrels of oil.'

BPO wishes to advise the market that it retracts that statement and substitutes that statement with the following statement:

> 'A number of further leads have also been identified on the block, including the 'Marantao Reef' Complex, a super giant sized reefal build-up with a crestal closure of some 300km2. This lead was delineated using a tailored 2D seismic survey recorded by Otto Energy Ltd (ASX: OEL) in 2006.'

Statements Attributed to Mr Pellegrino

On page 1 of the 3 March Announcement, Mr Pellegrino was quoted as having stated that

> 'the opportunity to participate in the drilling of a billion barrel oil exploration well with BHP and the commercialisation of gas gathering on China's largest onshore oilfields made a compelling investment case'.

BPO advises that Mr Pellegrino's reference to the drilling of a billion barrel oil exploration well was a reference to SC55 and the drilling results published in the OEL exploration update of 22 November 2010, where the Hawkeye prospect was reported as having a Stock Tank Oil Initially in Place (**STOIIP**) of a range of 87 to 1539MMbbls, with a P50 case of 484MMbbls.

The reference by Mr Pellegrino to '*the opportunity to participate in drilling…with BHP*', was a reference to the fact that both BHP and Frontier currently have agreements in place with OEL and Trans-Asia respectively that give them the right to acquire a participating interest in SC55.

BPO informed the market about the option agreement between Frontier and Trans-Asia dated 3 June 2010 in its 7 March 2011 Announcement.

SHENGLI OILFILED – GAS RECOVERY JOINT VENTURE CLARIFICATION

Clarification of rights

In its 7 March 2011 Announcement BPO made the following statement:

> 'Finally, Frontier has advised BPO that it has no rights as to oil extraction or exploitation on, or from, the field except that which may be recovered by way of a by-product to any gas capture or production.'

BPO's investigations have since confirmed that Frontier has no rights as to oil extraction or exploitation on, or from, the Shengli Oilfield.

In its 3 March Announcement BPO made the following statements in relation to the Shengli Oilfield:

> 'It has published proven oil reserves in excess of 30 billion barrels and substantial known and proven gas reserves which are currently being flared.
>
> It has published proven oil reserves of 4.63 billion tonnes (in excess of 30 billion barrels) and substantial known and proven gas reserves.'

BPO wishes to advise the market that it retracts both of those statements.

As part of its due diligence investigations, BPO intends to commission a competent person to undertake the necessary investigations with respect to the nature of the exploration work that has been undertaken in each of the projects that Frontier either has an interest in, or has a right to acquire an interest in. BPO will advise the market as and when the relevant reports are complete.

Finally, the directors wish to advise that they are satisfied at the pace at which the due diligence investigations are progressing and will continue to keep the ASX apprised of any matters that arise with respect to the proposed investment in Frontier, including the outcome of any due diligence investigations.

Yours sincerely,

COLIN JOHNSTON
Company Secretary