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BIOPROSPECT LIMITED (ASX: BPO) MAKES INVESTMENT IN A SUITE OF WORLD CLASS OIL AND GAS ASSETS

HIGHLIGHTS

- **BioProspect has agreed to make an investment in Frontier Gasfields Pty Ltd (“Frontier”) and has the option to acquire up to 75% of Frontier**
- **Frontier’s portfolio comprises a suite of world class oil and gas assets in the Philippines and China including:**
 - **gas recovery joint venture on the Shengli Oilfield, the second largest oilfield in China with some 24,000 operating wells producing 700,000 barrels of oil per day. It has published proven oil reserves in excess of 30 billion barrels and substantial known and proven gas reserves which are currently being flared;**
 - **SC 55 which sits centrally on trend with a major new oil and gas fairway, stemming from the Giant/Super Giant discoveries made by Murphy Oil and Shell/ ConocoPhillips through to the Malampaya Gas/Oil complex. BHP recently secured an option to farm into the majority of SC55 by sole funding, two ultra-deep water exploration wells at an estimated cost of \$US 160 million**
 - **SC52 located onshore Philippines which contains a gas discovery made in the early 1980s which has considerable commercial development potential, one of the largest undrilled onshore structures in the Philippines, and several other ‘ready to drill’ targets.**
- **BioProspect to subscribe for \$1 million of new shares in Frontier for a 25% equity stake, with option to acquire additional 50% equity in two tranches of 25%, in return for consideration of 150 million BioProspect shares**
- **Company focus remains on natural product development**

Australian natural products provider BioProspect Limited (ASX:BPO) today announced its diversification into the energy industry, with an investment in privately owned Australian oil and gas explorer Frontier Gasfields Pty Ltd (“Frontier”).

Under a Heads of Agreement signed recently, BioProspect will subscribe for \$1 million of new shares in Frontier for a 25 per cent equity stake, with the option to acquire an additional 50 per cent equity in two tranches of 25 per cent. BioProspect will issue Frontier with 150 million ordinary shares as consideration for the investment.

BioProspect’s Managing Director, Charles Pellegrino, said *“BioProspect continually evaluates attractive investment opportunities to enhance shareholder value, as indicated in our recent successful \$3 million private share placement.”* He went on to say *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 oil fields made a compelling investment case”*.

“Our core business remains the successful commercialisation of natural products, including the *REGEN*[®] therapeutic range and *AGRIPRO*[®] natural animal health products. However, by gaining exposure to the lucrative Asian oil and gas business, we have reduced overall risk through diversification and increased the potential for generating ongoing cash flow to support the development of our sustainable products.”

Frontier projects

Frontier is a privately owned Australian incorporated oil and gas exploration, development and production company. The company has interests in three oil and gas concessions or SC's (Service Contracts) in the Philippines, comprising SC52, SC55 and SC69, and a substantial gas recovery project in China's Shengli Oilfield.

SC52 (Frontier 20-25%) is located in the Cagayan Valley of northern Luzon Island in the Philippines. The onshore block contains a previous, but untested, gas discovery made by the Philippines National Oil Company (PNOC) in the early 1980s. Due to recent developments, particularly its close proximity to the island's main power grid, the discovery has considerable commercial development potential. The block also contains one of the largest onshore structures in the Philippines and several other 'ready to drill' targets.

SC55 (Frontier 5%) is located in deep waters of the South China Sea, offshore from the Palawan Islands in the Philippines. The block lies within the same oil and gas fairway as the major Malampaya Oil Field to the north – the largest gas development in the Philippines - and the recent giant offshore oil discoveries of Murphy and Shell/Conoco to the south

Leading resources company BHP Billiton recently exercised a "farm-in option" (the right to acquire an interest) over the block by conducting a multi-million dollar 3D seismic program. The seismic program led to the delineation of the 'Hawkeye' fold complex covering some 50 square kilometres and potentially hosting an oil field of major significance. 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 300sq km potentially holding several billion barrels of oil.

Frontier has secured the right to back in to 5% of the concession, at any time, up to 150 days after completion of the first well.

SC69 (Frontier 15%) is an offshore block within the Visayan Basin of the Philippines. The acreage is considered to have major oil discovery potential, with numerous onshore oil seeps and potentially commercial discoveries located on the bordering island of Cebu. Recent seismic programs have confirmed the sizeable 'Lampos' and 'Lampos South' prospects.

Shengli Oilfield, China. (Frontier 34.3%) Through subsidiary Frontier Gas (Singapore) Pte Ltd, Frontier has an operating Joint Venture with leading Chinese oilfield engineering, equipment and production utility, Shengli Oilfield Freet Petroleum Equipment Co. Ltd. The Joint Venture (referred to as Shengli Freet Frontier Gas Company Limited) is initially concentrating on gas recovery and production from the Shengli Oilfield, including extracting gas which otherwise would be vented into the atmosphere.

The Shengli oilfield, near Dongying in the north of Shandong Province and southeast of Beijing, is the second largest in China with some 24,000 operating wells producing around 700,000 barrels of oil per day. It has published proven oil reserves of 4.63 billion tonnes (in excess of 30 billion barrels) and substantial known and proven gas reserves.

Investment terms

BioProspect is subscribing for 1 million new shares in the capital of Frontier Gasfields Pty Ltd at \$1.00 each, for a 25 per cent equity stake. The Company has the option to acquire an additional 50 per cent equity in Frontier in two tranches of 25 per cent each, subject to the following terms:

- The First Option may be exercised by BioProspect at any time up to 60 days after Frontier formally advises BioProspect that a farm-in partner has been secured to drill at least one well (at the farminee's cost), on SC55. Payment to exercise the First Option will be \$1.25 million and the issue of 100 million ordinary shares in BioProspect and the issue of 100 million options in BioProspect (\$0.03 each with an expiry date of 31 December 2013)
- The Second Option may be exercised by BioProspect at any time up to 60 days after Frontier formally advises BioProspect that an exploration well has been 'spudded' (drilling operations commenced) on SC55. Payment to exercise the Second Option will be \$1.25 million and the issue of 150 million ordinary shares in BioProspect and the issue of 150 million options in BioProspect (\$0.03 each with an expiry date of 31 December 2013)

Subject to satisfactory due diligence which the Company is commencing immediately and forthcoming shareholder approval, BioProspect will issue 150 million ordinary shares to Frontier as consideration for the agreement. A Notice of Meeting is being prepared where shareholders will be given the option of voting on this new investment opportunity for the Company and the proposed issue of shares. The meeting will be held in mid to late April 2011.

Mr Pellegrino said: "We consider Frontier an attractive investment for the Company, and we recommend shareholders consider this an excellent means of diversification without detracting from our focus on natural and sustainable products."

"These are exciting times for BioProspect as we strengthen our resources to enable the rapid commercialisation of our natural product portfolio, for the benefit of all stakeholders."

The Company advises that no director, officer or major shareholder in BioProspect is a shareholder in, or related party to, Frontier.

Mr Pellegrino is available to discuss this investment opportunity on 0408 886 990

Yours sincerely,



COLIN JOHNSTON
Company Secretary