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The Manager
Company Announcements
Australian Stock Exchange
Level 4, 20 Bridge Street
Sydney, NSW 2000

BIOPROSPECT LIMITED (ASX: BPO) CLARIFICATION ON COMMENTS BY OTTO ENERGY

BioProspect Limited (ASX:BPO) wishes to clarify comments made by Otto Energy Ltd (ASX:OEL) in an ASX announcement on 18 January 2012 made in response to BioProspect's ASX announcement on 17 January 2012 in which statements were made in relation to Frontier Gasfields Pty Ltd (**Frontier**) and Service Contract 55 (**SC55**).

BioProspect confirms that Frontier holds an option to acquire a 5% interest in SC 55 as described below:

- Trans-Asia Oil and Energy Development Corporation (**Trans-Asia**) currently holds an option to acquire a further 5% interest in SC55 from Otto's subsidiary, NorAsian Energy Limited (**NorAsian**) (**Trans-Asia Option**).
- Frontier holds an option to acquire a 5% interest in SC55 from the 5% interest that Trans-Asia may acquire from NorAsian Energy Ltd pursuant to the Trans-Asia Option (**Frontier Option**).

Otto has confirmed the Trans-Asia Option in its announcement of 18 January 2012. That announcement states: "Trans-Asia Oil and Energy Development Corporation has an option to acquire 5% of the working interest held by Otto's subsidiary, NorAsian Energy Ltd, in Service Contract 55 by paying 5% of the direct drilling costs of the first well in SC55 and must be exercised within 180 days [sic] of the completion of drilling of such well."

The option agreement between Frontier and Trans-Asia (**Frontier Option Agreement**) in relation to the Frontier Option was signed on 3 June 2010 and announced by Trans-Asia to the Philippines Stock Exchange on that day.

The basic terms of the Frontier Option Agreement are as follows:

- a) The Frontier Option may be exercised by Frontier within one hundred fifty (150) days from completion of drilling operations on the first exploratory well under SC55.
- b) Once Frontier exercises the Frontier Option, then Trans-Asia is required to exercise the Trans-Asia Option.
- c) In order to exercise the Trans-Asia Option, Trans-Asia must pay 5% of the direct drilling costs of the first well in SC55.
- d) Frontier is required to pay Trans-Asia the 5% of the drilling costs of the first well in SC55 prior to Trans-Asia exercising the Trans-Asia Option.
- e) Frontier is also required to pay Trans-Asia US\$3.5m within 60 days of the payment of the 5% of drilling costs and a further US\$3.5m within 150 days from the date of the payment of the 5% drilling costs.

Otto stated in its ASX announcement of 18 January 2012 that the "provisions of the Joint Operating Agreement (JOA) amongst the partners in Service Contract 55 preclude an equity participant holding less than 10% equity" in SC55".

A letter dated 25 January 2012 from Trans-Asia to Frontier (a copy of which was forwarded to BioProspect) confirms the following:

- a) The JOA has been varied (with the variation document executed in December 2011) such that except in the case of a party transferring all of its participating interest in SC55, no transfer of interest shall be made by a party which results in the transferor or the transferee holding less than 10% participating interest in SC55.
- b) NorAsian Energy Ltd and BHP Billiton have signed a waiver that the existing right of pre-emption shall not apply to the first transfer of the 5% Trans-Asia Option interest from NorAsian Energy to Trans-Asia.
- c) Trans-Asia and Frontier have reached an understanding, that in the event that both Frontier and Trans-Asia exercise the Frontier Option and the Trans-Asia Option respectively, Frontier and Trans-Asia will hold their combined interests in SC55 (that is, 5% interest held by Frontier and 6.82% interest by Trans-Asia, totaling 11.82%) (**Combined Interest**) jointly and they would register this Combined Interest under the JOA.
- d) Trans-Asia and Frontier are currently finalising the formal agreement to document their understanding of the combination of their interests as described above; and
- e) In any event, under the terms of the Frontier Option Agreement, subject to Frontier meeting any financial costs associated with the 5% interest the subject of the Frontier Option Agreement, Trans-Asia will hold the economic benefit derived from the 5% interest in SC 55, the subject of the Frontier Option Agreement, on trust for Frontier, however Frontier will not be a direct participant under SC 55.

The assignment of the 5% interest in SC55 to Trans-Asia arising from the exercise of the Trans-Asia Option and the subsequent assignment of the Combined Interest in SC55 to the Trans-Asia affiliate will require the consent of the Philippines Department of Energy and any relevant consents of joint venture partners to SC 55.

BioProspect will notify the ASX as and when it receives any further information or documents with respect to the understanding between Trans-Asia and Frontier as described above and will continue to keep the ASX advised on any other material matters that arise with respect to Frontier and SC55.

Yours sincerely,



COLIN JOHNSTON
Company Secretary