THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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The Securities Commission of Malaysia ("**SC**") has approved the application sought in relation to the Proposals (as defined herein) as contained in this Circular. The approval shall not be taken to indicate that the SC recommends the Proposals or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Circular. The SC has not, in any way, considered the merits of the Proposals.

The SC is not liable for any non-disclosure on the part of the corporation and takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Circular.

All references to "P50" in the executive summary of the expert report by Aker Geo AS means the best estimate of prospective resources, having at least a 50% probability level (P50) that the quantity of resources actually recovered will equal or exceed this best estimate.

HIBISCUS PETROLEUM BERHAD

(Company No.: 798322-P)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED SUBSCRIPTION FOR 76,923,077 NEW ORDINARY SHARES OF 0.05 USD CENTS EACH IN LIME PETROLEUM PLC ("LIME SHARES"), A COMPANY INCORPORATED IN THE ISLE OF MAN ("LIME"), AND THE PROPOSED ACQUISITION OF 22,153,846 EXISTING LIME SHARES, REPRESENTING IN AGGREGATE 35.0% OF THE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF LIME FOR A TOTAL CASH CONSIDERATION OF USD55 MILLION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

RHB Investment Bank Berhad

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of our Extraordinary General Meeting ("**EGM**"), which has been scheduled to be held at PJ Hilton Hotel, Kristal Ballroom 1, 1st floor, West Wing, Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on 21 March 2012 at 9.30am or any adjournment thereof together with the Form of Proxy are enclosed herein.

You are entitled to attend and vote at our EGM or appoint a proxy to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our share registrar's office at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, no later than 48 hours before the time fixed for our EGM or any adjournment thereof. The last day and time for you to lodge the Form of Proxy is on 19 March 2012 at 9.30am. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

This Circular is dated 28 February 2012

DEFINITIONS

Unless otherwise indicated, the following abbreviations shall apply throughout this Circular:

AAPG	:	American Association of Petroleum Geologists
Act	:	Companies Act, 1965 as amended from time to time
AGR	:	AGR Group is a provider of essential services and technologies to the international petroleum industry. AGR Group was appointed by Rex to provide drilling cost/well cost estimates
AIM	:	Alternative Investment Market of the London Stock Exchange
AIM Listing		Admission of shares to the Alternative Investment Market on the London Stock Exchange (or any other stock exchange)
Aker Geo	:	Aker Geo AS, a subsidiary of Aker Solutions ASA and is a petroleum sub-surface consultancy firm providing services to oil and gas companies. Aker Geo is active in geological and geophysical interpretation, petro-physics, reservoir modeling and simulation, production technology and operation, and well-site geology
AVA Guidelines	:	The Asset Valuation Guidelines issued by the SC as amended from time to time
Baqal	:	Baqal Petroleum Limited, a wholly-owned dormant subsidiary of Lime BVI
Block 50 EPSA	:	The EPSA signed between the Government of the Sultanate of Oman, Rex and Petroci on 28 February 2011 (later assigned by Rex and Petroci to Masirah on 28 March 2011)
Block 50 Oman Concession	:	A concession located offshore in the Sultanate of Oman with an acreage of 16,900 km^2 giving the concession holder the right to explore and produce hydrocarbons from the designated area
Board	:	Our Board of Directors
Board Reserved Matters	:	Board reserved matters of Lime pursuant to the Shareholders Agreement relating to all key strategic, financial and operating matters of Lime Group
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
BVI	:	British Virgin Islands
CA	:	Concession agreement governing the Sharjah Concession
Call Option Agreement	:	Call option agreement dated 5 August 2010 entered into between Rex (who has assigned and transferred full ownership of its shares in Masirah to Lime BVI via an assignment agreement dated 30 August 2011) and Petroci in relation to a call option granted by Rex to Petroci entitling Petroci to purchase 390 shares in Masirah for a consideration of USD1
CDS	:	Central Depository System
Concession Companies	:	3 concession companies with concession rights in offshore oil and gas exploration assets, namely, Dahan, Masirah and Zubara, in which Lime BVI has majority interest

Concessions	:	RAK North Concession, Sharjah Concession and Block 50 Oman Concession, collectively
Dahan	:	Dahan Petroleum Limited
Discovery Bonus Amount	:	A one-off bonus payment amounting to USD5 million (equivalent to RM15.3 million) to be paid by Gulf Hibiscus to Rex upon receipt of independent confirmation of a commercial discovery under any one of the existing Concessions no later than 31 December 2013
E&P	:	Exploration and production of crude oil and natural gas
EGM	:	Extraordinary general meeting
EIA	:	Energy Information Agency
EIU	:	Economist Intelligence Unit
EMV	:	Expected monetary value
EPS	:	Earnings per share
EPSAs	:	Exploration and production sharing agreements governing the RAK North Concession and the Block 50 Oman Concession
Equity Guidelines	:	The Equity Guidelines issued by the SC as amended from time to time
EV	:	Enterprise value
FPE	:	Financial period ended
FSAN	:	Financial Supervisory Authority of Norway
Fujairah Concession	:	A concession in Fujairah, an emirate in the UAE, giving the concession holder the right to explore and produce hydrocarbons from a designated area
FYE	:	Financial year(s) ended/ending, as the case may be
GAV	:	Gross asset value
GDP	:	Gross domestic product
Gulf Hibiscus	:	Gulf Hibiscus Limited, our wholly-owned subsidiary
Hibiscus Oilfield	:	Hibiscus Oilfield Services Limited, our wholly-owned subsidiary
Hibiscus Petroleum or our Company	:	Hibiscus Petroleum Berhad
Hibiscus Petroleum Group or our Group	:	Our company and our subsidiaries, collectively
Hibiscus Petroleum Share(s) or Share(s)	:	Ordinary share(s) of RM0.01 each in our Company

Hibiscus Upstream	:	Hibiscus Upstream Sdn Bhd, a company which holds Shares and Warrants-B on behalf of Zainul Rahim bin Mohd Zain, Dr Rabi Narayan Bastia, Dr Kenneth Gerard Pereira, Dr Pascal Josephus Petronella Hos, Ir Mohd Iwan Jefry bin Abdul Majid, and Joyce Theresa Sunita Vasudevan
IEA	:	International Energy Agency
Initial Investors	:	Investors who invested in our Company prior to the IPO, comprising Geo Distinction Sdn Bhd, Kelrix Sdn Bhd, Ivory Matrix Sdn Bhd and Oriental Miracle Sdn Bhd
IP Licence Agreement	:	The intellectual property licence agreement dated 24 October 2011 entered into between Lime and Rex in relation to the exclusive licence to use the Rex Technologies and any information, text, data and reports which are generated by or in connection with or derived from any of the Rex Technologies for all concessions in the Middle East
IPO	:	Initial public offering of Hibiscus Petroleum Shares
JOA	:	The joint operating agreement for the Block 50 Oman Concession to be entered into between Masirah and Rex which establishes the respective rights and obligations of Masirah and Rex with regards to operations under the Block 50 EPSA, including the joint exploration, appraisal, development, production and disposition of hydrocarbons from the Block 50 Oman Concession area
km	:	kilometer
LIBOR	:	The London Interbank Offered Rate for 90 days United States Dollar deposit, determined at 11.00 a.m. London time, on a banking day in London, as being offered by tbe British Bankers' Association
Lime	:	Lime Petroleum Plc, a company incorporated in the Isle of Man
Lime BVI	:	Lime Petroleum Limited, a wholly-owned subsidiary of Lime
Lime Group	:	Lime, Lime BVI, the Concession Companies and Baqal, collectively. Any references to Lime Group with regards to Pareto Asia's valuation refers to Lime, Lime BVI and its equity interest in the Concession Companies only (for the valuation of Masirah, Lime BVI's entitlement to Masirah's dividend allocation is used). For the avoidance of doubt, any reference to Lime Group in the eontext of Pareto Asia's valuation does not include Baqal
Lime Shares	:	Ordinary shares of 0.05 USD cents each in Lime
Listing Date	:	25 July 2011, being the date Hibiscus Petroleum Shares were listed and quoted on the Main Market of Bursa Securities
LPD	:	16 February 2012, being the latest practicable date prior to the printing of this Circular
M&A	:	Memorandum and Articles of Association

Management Team	:	The directors (but excludes independent directors) and the management team of our Company, comprising Dr Kenneth Gerard Pereira, Dr Paseal Josephus Petronella Hos, Ir Mohd Iwan Jefry bin Abdul Majid, Joyce Theresa Sunita Vasudevan, David Richards and such other relevant future employees of our Company (if any) as referred to under the Equity Guidelines
Market Day	:	A day when Bursa Securities is open for trading of securities
MAS	:	Monetary Authority of Singapore
Masirah	:	Masirah Oil Ltd
NA	:	Net assets
NAV	:	Net asset value
NPV	:	Net present value
Oman Government Company	:	A legal entity assigned by the Government of Oman whieh shall have the right to take a participating interest of up to 25% in the Block 50 Oman Concession upon DOC
OPEC	:	Organization of the Petroleum Exporting Countries
Opex	:	Operating expenses
OSA	:	The operating services agreements for the Concessions to be entered into between Lime and the designated operators of the Concessions namely, Dahan (in relation to RAK North Concession), Zubara (in relation to Sharjah Concession) and Masirah (in relation to Block 50 Oman Coneession) which sets out certain functions under the respeetive EPSAs and CA to be contracted to Lime
Pareto Asia	:	Pareto Securities Asia Pte Ltd
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Permitted Timeframe	:	36 months from Listing Date
Petroei	:	Petroci Holding, the national oil eompany of Cote d'Ivoire (Ivory Coast)
PMTSA	:	The project management and technical serviees agreement dated 24 October 2011 entered into between Hibiseus Oilfield and Lime in relation to the provision of projeet management and technical services to Lime's existing and future oil and gas eoncessions in the Middle East region
Projeet Manager	:	Hibiscus Oilfield, as project manager pertaining to the PMTSA
Proposals	:	The Proposed Subseription and the Proposed Acquisition, eolleetively
Proposed Acquisition	:	The proposed aequisition of 22,153,846 existing Lime Shares by Gulf Hibiseus from Rex, representing 7.8% of the cnlarged issued and paid-up share eapital of Lime, for a cash consideration of USD5 million (equivalent to RM15.3 million)

Proposed Subscription	:	The proposed subscription of 76,923,077 new Lime Shares by Gulf Hibiscus, representing 27.2% of the enlarged issued and paid-up share capital of Lime, for a cash consideration of USD50 million (equivalent to RM153.0 million)
Prospectus	:	Prospectus dated 30 June 2011 issued by our Company pursuant to the IPO
PSC	:	Production sharing contract
Purchase Consideration	:	The total cash consideration of USD55 million (equivalent to RM168.3 million) with regards to the Proposals
Qualifying Acquisition	:	The initial acquisition of the business(es) by a SPAC, which has an aggregate fair market value equal to at least 80% of the aggregate amount in the trust account and is in line with the business strategy disclosed in the listing prospectus issued in relation to a SPAC's initial public offering
RAK Government	:	Government of Ras Al Khaimah
RAK North Concession	:	A concession located offshore in Ras Al Khaimah, an emirate in the UAE with an acreage of 1,200 km^2 giving the concession holder the right to explore and produce hydrocarbons from the designated area
RAK North EPSA	:	The EPSA signed between the Government of Ras Al Khaimah/Rakgas L.L.C. and Dahan effective from 24 May 2010
Record Date	:	14 March 2012, the date specified in the Record of Depositors used for verifying shareholders rights to attend and vote at our forthcoming EGM or any adjournment thereof
Record of Depositors	:	A record provided by Bursa Depository of our shareholders who have deposited their share certificates with Bursa Depository under the Securities Industry (Central Depositories) Act, 1991 and Chapter 24.0 of the Rules of Bursa Depository
Rex	:	Rex Oil and Gas Ltd
Rex Technologies	:	The Rex technologies, which are: (i) Rex Gravity© - to detect possible hydrocarbon accumulations through the use of satellite information; (ii) Rex Seepage© - to verify hydrocarbon presence through the use of satellite information; and (iii) Rex Virtual Drilling© - to infer content of accumulation (fluid identification) through a complex seismic evaluation scheme based on resonance
RHB Investment Bank	:	RHB Investment Bank Berhad
Right Ally	:	Right Ally Limited, a company incorporated in the BVI on 12 August 2010 with an authorised share capital of 50,000 shares of USD1.00 each and an issued and paid-up capital of USD1.00, and is an investment holding company. Based on the certificate of incumbency dated 14 April 2011, Yaw Chee Siew is the sole director and shareholder of Right Ally.
SC	:	Securities Commission of Malaysia

Schroder	:	Schroder & Co Banque S.A
SEG	:	Society of Exploration Geophysicists
Share Custodian	:	SJ Securities Sdn Bhd
Shareholders Agreement	:	Shareholders agreement dated 24 October 2011 entered into between Gulf Hibiscus, Rex, Schroder and Lime to regulate the affairs of Lime and their respective rights and obligations as shareholders of Lime
Sharjah CA	:	The CA signed between the Emirate of Sharjah and Rex on 6 June 2011 and was later assigned by Rex to Zubara on 31 August 2011
Sharjah Concession	:	A concession located offshore in Sharjah, an emirate in the UAE with an acreage of 1,600 km^2 giving the concession holder the right to explore and produce hydrocarbons from the designated area
SPA	:	The conditional share purchase agreement dated 24 October 2011 entered into between Gulf Hibiscus and Rex in relation to the Proposed Acquisition
SPAC	:	Special purpose acquisition company
sq km	:	Square kilometer
SSA	:	The conditional share subscription agreement dated 24 October 2011 entered into between Gulf Hibiscus and Lime in relation to the Proposed Subscription
Supra Majority	:	The collective express approval of each director nominated by Rex, Gulf Hibiscus and Schroder in relation to the Shareholders Agreement.
Trust Account	:	A trust account maintained by the custodian, Deutsche Trustees Malaysia Berhad, to hold and deal with part of the IPO trust proceeds (being 90% of the gross proceeds raised by our Company in the IPO, including accrued interests to date) on behalf of our Company
UAE	:	United Arab Emirates
USD	:	United States Dollar
Valuation Date	:	2 November 2011, being the material date of the valuation of Lime Group conducted by Pareto Asia
WACC	:	Weighted average cost of capital
Warrants-B	:	Free detachable warrant(s) in our Company issued to Hibiscus Upstream
Wood Mackenzie	:	A research and consulting services provider for the global energy, mining, metal, oil, gas, coal, refining, power, and electricity industries
WPC	:	World Petroleum Council
Zubara	:	Zubara Petroleum Ltd

GLOSSARY

1P	:	Proven Reserves
2P	:	Proven and probable Reserves
3P	:	Proven, probable and possible Reserves
2D seismic	:	A seismic exploration method which provides a two-dimensional seismic image of the subsurface being investigated
3D seismic	:	A seismic exploration method which provides a three-dimensional seismic image of the subsurface being investigated
bcf	:	Billion cubic feet
Best Estimate	:	Best estimate of prospective resources, having at least a 50% probability level (P50) that the quantity of resources actually recovered will equal or exceed this best estimate
boe	:	Barrels of oil equivalent – barrels of oil and gas, in which gas volumes are converted to barrels of oil by taking into account the energy content of gas relative to oil
boe/day	:	Barrels of oil equivalent per day
DOC	:	Declaration of commerciality shall be deemed to be the date of the government's approval of a plan for the development of a discovery of hydrocarbons which in the opinion of the operator has the potential to be commercial pursuant to a well/wells drilled within the concession area that has/have been completed and tested in accordance with good oilfield practices and with the relevant governments' approval, and merits further development.
EV/risked boe	:	Enterprise value per risked Recoverable Resources expressed in boe
Fiscal regime	:	The government's take of production (e.g. royalty, tax, production sharing) as well as cost recovery and is regulated by the relevant concession agreements for each concession
GCoS	:	Geological Chance of Success is the product of seven probability factors/elements – (i) source (ii) source efficiency (iii) reservoir presence (iv) reservoir quality (v) seal (vi) trap geometry and (vii) hydrocarbon quality. A source rock is needed to generate the hydrocarbons which must then efficiently migrate from the mature source rock into the reservoir rock. A suitable reservoir interval is needed to bear the hydrocarbons and the quality of this reservoir is judged by its porosity such that the hydrocarbons can be extracted efficiently. A seal is needed on the top of the reservoir to contain the hydrocarbons in the reservoir and the geometry of the trap should be favorable to allow extraction of these hydrocarbons. The hydrocarbon quality must be assessed to ensure the oil is not biodegraded or that the gas does not contain non-desirable content. All these factors/elements must coincide and occur in a dynamic system in order to accumulate oil & gas in economic quantities.

hydrocarbon	:	An organic compound consisting only of carbon and hydrogen. The majority of hydrocarbons found naturally occur in crude oil, and natural gas where decomposed organic matter provides an abundance of carbon and hydrogen
mcf	:	Thousand cubic feet – unit used to measure gas
mmbbls	:	Million barrels of oil
mmboe	:	Million barrels of oil equivalent
mmcf	:	Million cubic feet – unit used to measure gas
Lead	:	A structure which may contain hydrocarbons
LNG	:	Liquefied natural gas
NGL	:	Natural gas liquids
NPV/boe	:	Net present value per barrels of oil equivalent
OGIP	:	Original gas in place – the total estimated volume of gas in a given reservoir
Ophiolite	:	Sections of the earth's oceanic crust and the underlying upper mantle that have been uplifted and exposed above sea level and often emplaced onto continental crustal rocks
OOIP	:	Original oil in place - the total estimated volume of oil contained in a given reservoir
Prospect	:	A location where both the recoverable resource volume and GCoS has been estimated
Recoverable Resources/Unrisked Recoverable Resources	:	The quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects
Reserves	:	Discovered resources for which a plan of development has been approved
Risked Recoverable Resources	:	Calculated by multiplying the Recoverable Resources by the GCoS to account for the risk of drilling an unsuccessful exploration well
Seismic	:	An exploration method in which strong low-frequency sound waves are utilised on land or in water to identify and investigate subsurface rock structures that may contain hydrocarbons
STOIIP	:	Stock tank oil initially in place refers to the in-place oil volume but is measured at the earth's surface temperature and pressure
Stratigraphic well	:	A geologically directed drilling effort to obtain information pertaining to a specific geological condition that might lead towards the discovery of an accumulation of hydrocarbons. Such wells are customarily drilled without the intention of being completed for hydrocarbon production
Tcf	:	Trillion cubic feet

Working interest	:	A company's ownership/equity interest in a concession. For Masirah, working interest means Lime's dividend allocation in Masirah

Exchange Rate

Unless otherwise stated, the following exchange rate as at LPD has been used in this Circular:

USD1.00: RM3.0592

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancies between the figures shown in this Circular and figures announced by our Company, are due to rounding.

All reference to "our Company" and "Hibiscus Petroleum" in this Circular are to Hibiscus Petroleum Berhad, reference to "our Group" is to our Company and subsidiaries collectively and references to "we" ,"us", "our", and "ourselves" are to our Company, and save where the context otherwise requires, shall include our subsidiaries.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice-versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statute is a reference to that statute as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

All references to "you" in this Circular are to the shareholders of our Company who are entitled to attend and vote at our forthcoming EGM and whose names are in our Record of Depositors at the time and on the date to be determined by your Board.

All references to "P50" in the executive summary of the expert report by Aker Geo means the best estimate of prospective resources, having at least a 50% probability level (P50) that the quantity of resources actually recovered will equal or exceed this best estimate.

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HIBISCUS PETROLEUM BERHAD
(Company No.: 798322-P)
(Incorporated in Malaysia under the Act)

Registered Office
Level 18
The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

28 February 2012

Board of Directors:
Zainul Rahim bin Mohd Zain *(Non-Independent and Non-Executive Chairman)*
Dr Kenneth Gerard Pereira *(Managing Director)*
Dr Rabi Narayan Bastia *(Non-Independent Non-Executive Director)*
Roushan Arumugam *(Independent Non-Executive Director)*
Zainol Izzet bin Mohamad Ishak *(Independent Non-Executive Director)*
Datin Sunita Mei-Lin Rajakumar *(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir / Madam,

PROPOSALS

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1. INTRODUCTION

On 25 October 2011, your Board, announced that on 24 October 2011:

(a) Gulf Hibiscus had entered into a SSA with Lime to subscribe for 76,923,077 new Lime Shares for a cash consideration of USD50 million (equivalent to RM153.0 million); and

(b) Gulf Hibiscus had also entered into a SPA with Rex under which Gulf Hibiscus will acquire 22,153,846 existing Lime Shares from Rex for a cash consideration of USD5 million (equivalent to RM15.3 million).

It was also announced that on 24 October 2011, in conjunction with the Proposals:

(a) Gulf Hibiscus had entered into the Shareholders Agreement with Rex, Schroder and Lime; and

(b) Hibiscus Oilfield had entered into the PMTSA with Lime for Hibiscus Oilfield to provide project management and technical services to Lime in relation to Lime's existing and future oil and gas concessions in the Middle East region.

On 8 November 2011, RHB Investment Bank had on behalf of our Company, announced that all Tranche One Conditions (as defined in Section 2.5.3) as set out in the SSA had been satisfied on 4 November 2011.

Subsequently, on 17 November 2011, your Board announced that pursuant to the fulfillment of all Tranche One Conditions on 4 November 2011, and the payment of the Tranche One (as defined in Section 2.5.1) amount of USD4 million (equivalent to RM12.2 million) on 8 November 2011, 6,605,128 new Lime Shares, representing 2.3% of the enlarged issued and paid-up capital of Lime upon completion of the Proposals (or 3.1% of Lime's issued and paid-up capital as at 8 November 2011 after the issuance of Tranche One Shares (as defined in Section 2.5.1)), had been issued to Gulf Hibiscus on 8 November 2011.

On 17 November 2011, our Company also announced that our Managing Director, Dr. Kenneth Pereira, was appointed to Lime's board of directors on 10 November 2011.

Subsequently, on 9 February 2012, our Company announced that pursuant to Clause 12.1.4 of the Shareholders Agreement, our Company's representatives have been appointed to the boards of Lime BVI and the Concession Companies:

Name of Company	Name of Representative and Designation	Date of Appointment
Lime BVI	Joyce Theresa Sunita Vasudevan Chief Financial Officer Hibiscus Petroleum	30 January 2012
Dahan	Dr. Pascal Josephus Petronella Hos Head of Petroleum Engineering Hibiscus Petroleum	30 January 2012
Masirah	Dr. Pascal Josephus Petronella Hos Head of Petroleum Engineering Hibiscus Petroleum	1 February 2012
Zubara	Joyce Theresa Sunita Vasudevan Chief Financial Officer Hibiscus Petroleum	30 January 2012

On 16 February 2012, RHB Investment Bank had on behalf of our Company, announced that approval from the SC for the Proposals has been obtained vide its letter dated 16 February 2012.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY IS ENCLOSED IN THIS CIRCULAR.

WE ADVISE YOU TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Selection method applied

Following the Listing Date, we reviewed not less than 14 opportunities relating to oil and gas E&P prospects located in Oman, India, Vietnam, Indonesia, Philippines, Australia, Papua New Guinea and Thailand. Of these, 4 were shortlisted before your Board selected Lime as our Company's Qualifying Acquisition. Your Board's selection criteria, was based on the broad business strategy as set out in the Prospectus and a more detailed consideration of other factors under the following 3 criteria:

(a) technical criteria (for example, passive or active technical role of our Company, subsurface considerations and risks, operational risks, environmental considerations);

(b) commercial criteria (for example, fiscal terms of concessions, venture partners, financial returns). Your Board had to also ensure that the total consideration to be paid resulted, in aggregate of at least RM170 million (being 80.0% of the aggregate amount in the Trust

Account as at 24 October 2011) being expended so that the recommendation would be suitable as a Qualifying Acquisition*. Under Chapter 6.25 of the Equity Guidelines, the fair market value of a Qualifying Acquisition is required to be at least 80% of the aggregate amount then on deposit in the Trust Account; and

(c) geo-political criteria (for example, whether the prospects considered were located in politically stable and secure areas within our Company's regions of interest namely South Asia, Middle East, East Asia and Oceania).

Note:

* *The Proposals would comply with the Equity Guidelines as a Qualifying Acquisition as the purchase consideration of USD55 million or RM172.6 million (based on the exchange rate of USD1.000:RM3.1380 as at 24 October 2011, being the latest practicable date prior to the date of announcement of the Proposals on 25 October 2011) is 81.2% of the RM212.6 million available in the Trust Account (net of any taxes payable) as at 24 October 2011 (being the latest practicable date prior to the date of announcement of the Proposals on 25 October 2011).*

2.2 Details of the Proposals

Pursuant to the Proposals, Gulf Hibiscus will on aggregate, acquire a 35.0% equity interest in Lime for a total cash consideration of USD55.0 million (equivalent to RM168.3 million). The Proposals comprise the following:

(a) proposed subscription for 76,923,077 new Lime Shares, representing 27.2% of the enlarged share capital in Lime, for a cash consideration of USD50.0 million (equivalent to RM153.0 million); and

(b) proposed acquisition of 22,153,846 existing Lime Shares from Rex, the majority shareholder of Lime, representing 7.8% of the enlarged share capital of Lime, for a cash consideration of USD5.0 million (equivalent to RM15.3 million).

Lime is the holding company of Lime BVI which has majority interests in the Concession Companies. In this respect, the SPA provides that, upon receipt of independent confirmation of commercial discovery of a well in any one of the Concessions no later than 31 December 2013, a Discovery Bonus Amount of USD5.0 million (equivalent to RM15.3 million) will also be payable by Gulf Hibiscus to Rex (please see Section 2.6.4 for further details on the Discovery Bonus Amount).

2.3 Background information of Lime Group

Lime Group has a limited operating history. To-date, NO DISCOVERIES have been made within the concession areas of the Concessions held by Lime Group.

Lime was incorporated in the Isle of Man on 15 August 2011 as a public company limited by shares under the Isle of Man Companies Act 1931 to 2004. Lime was subsequently de-registered under the Isle of Man Companies Act 1931 to 2004, and then re-registered as a company under the Isle of Man Companies Act 2006 on 1 November 2011. Its authorised share capital is USD150,000 (equivalent to RM458,880) comprising 300,000,000 Lime Shares, of which 212,758,974 Lime Shares have been issued and fully paid-up.

As at 17 February 2012, the existing shareholders of Lime are Rex, Schroder and Gulf Hibiscus with shareholdings in Lime of 85.5%, 11.4% and 3.1% respectively. Schroder is a Swiss private bank which invested on a fiduciary basis for a large group of clients and is a wholly-owned subsidiary of Schroders Plc, an asset management company listed on the London Stock Exchange. For further details of Rex, please see Section 3. As at LPD, there has been no change of substantial shareholders in Lime since it was incorporated. Tranche One Shares (as defined in Section 2.5.1) had been issued to Gulf Hibiscus on 8 November 2011.

The shares of Lime are held by three parties of interest namely, Gulf Hibiscus, Rex and Schroder. The percentages in shareholdings of the three parties prior to the issuance of Tranche One Shares and the adjustment after the issuance of Tranehe One and Tranche Two Shares, and the Proposed Aequisition are as follows:

	% of Lime Shares held		
	Rex	**Schroder**	**Gulf Hibiscus**
Prior to issuance of Tranche One Shares	88.2	11.8	-
Pursuant to the Proposed Subscription:			
- Upon issuance of Tranche One Shares	85.5	11.4	3.1
- Upon issuance of Tranche Two Shares (as defined in Seetion 2.5.2)	64.2	8.6	27.2
Upon completion of the Proposals	56.4	8.6	35.0

Lime BVI, a company limited by shares was incorporated on 10 June 2011 under the British Virgin Islands Business Companies Act, 2004. Lime BVI currently has one wholly-owned dormant subsidiary, Baqal, and majority interests in the Concession Companies. Lime BVI's majority interests in the Concession Companies are as set out below:

Name of Concession Companies	Concession rights in offshore oil and gas exploration assets
Dahan	RAK North Concession in Ras Al Khaimah
Zubara	Sharjah Concession in Sharjah
Masirah	Block 50 Oman Concession in the Sultanate of Oman

For further details of the concession rights, please see Section 2.4.

Lime Group is principally involved in E&P activities in the oil and gas industry in the Middle East region. The shareholding structure of Lime Group and its concession rights before and after the completion of the Proposals are set out below:

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Diagram 1: Prior to completion of the Proposals as at LPD

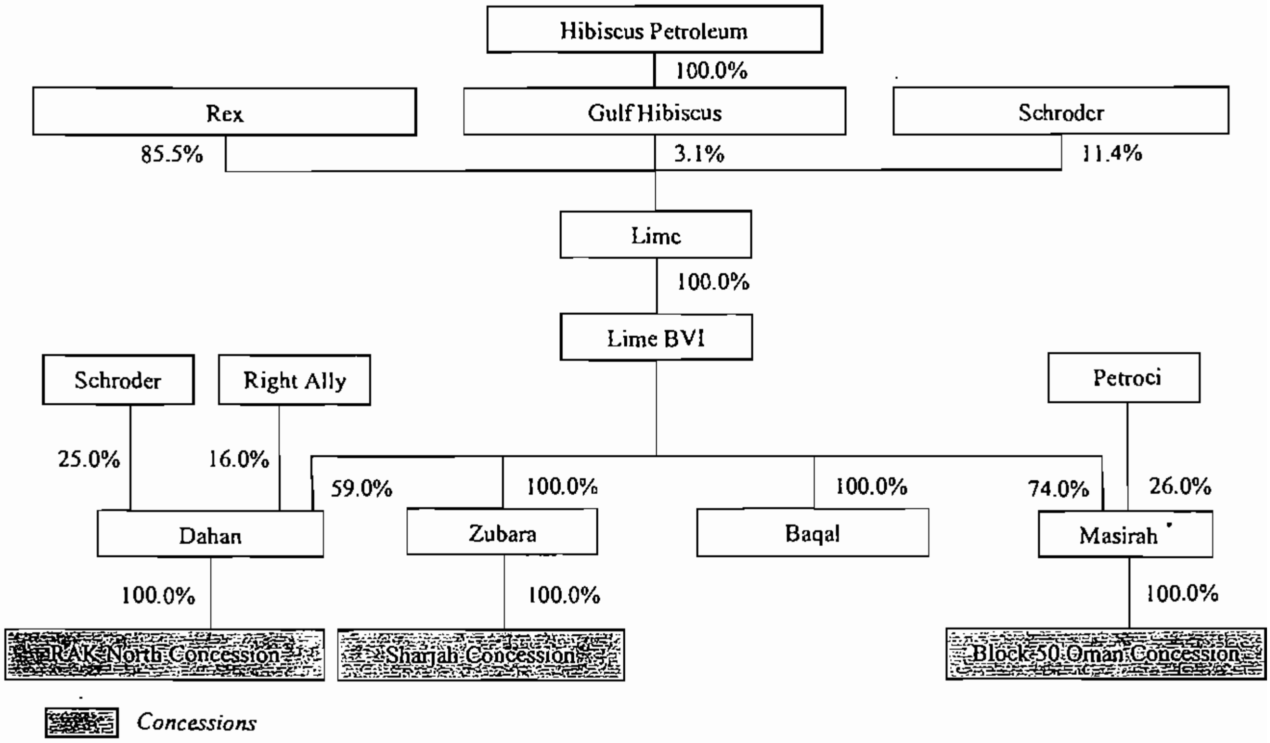
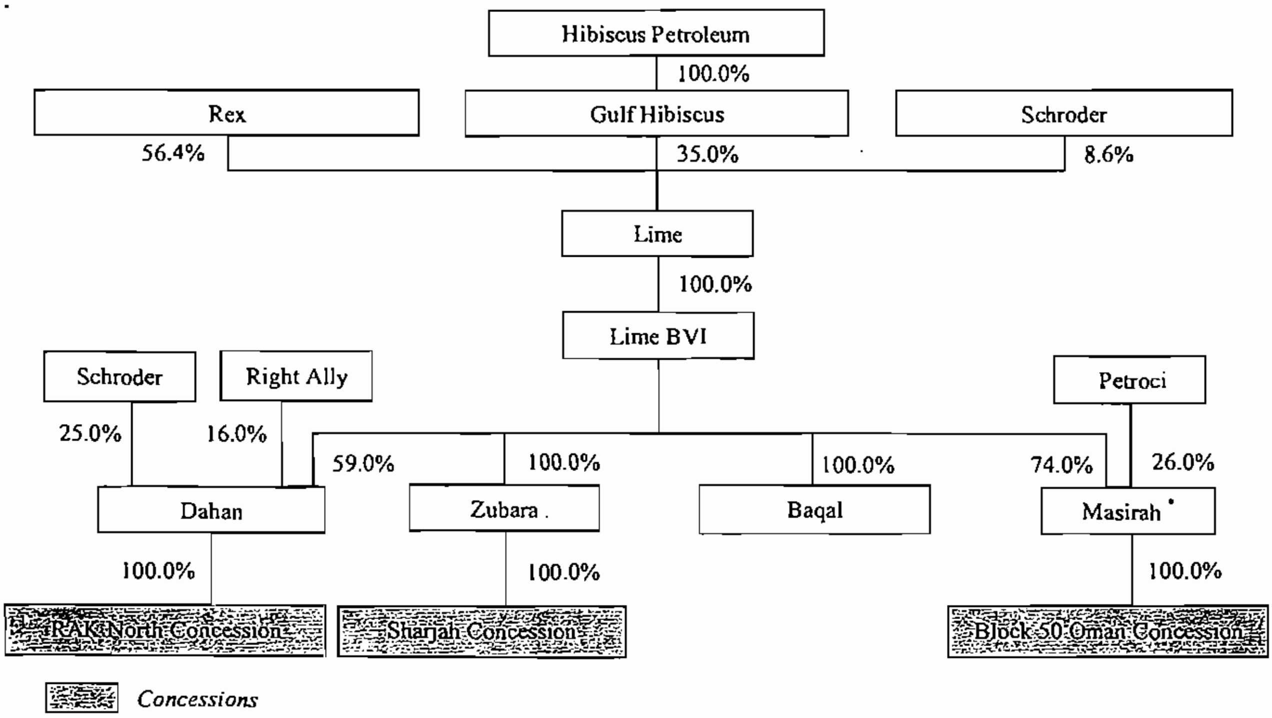


Diagram 2: Upon completion of the Proposals

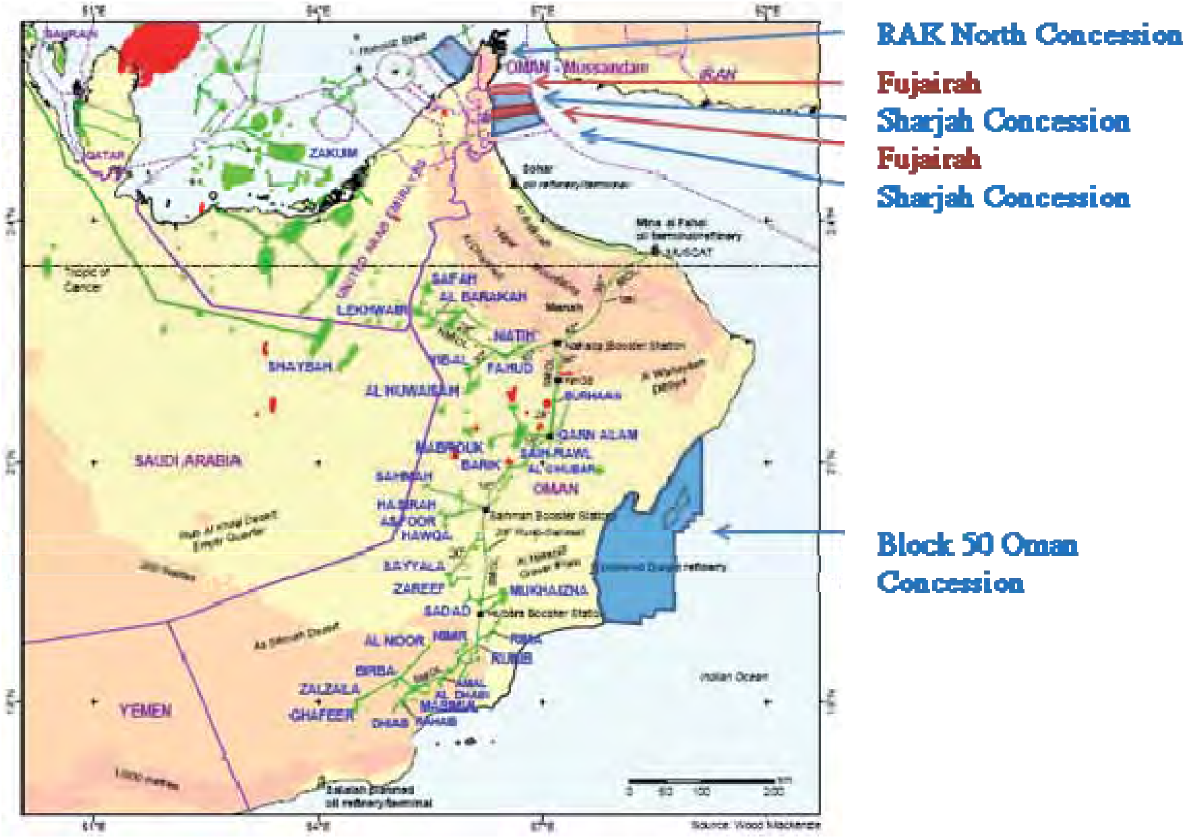


Note:

* *Under the terms of the Masirah shareholders' agreement, Petroci has the right (but not an obligation) to make a further shareholders contribution of USD7,150,000 into Masiroh ("Petroci Contribution") within 15 business days from the decision by Masirah to proceed with drilling one offshore, exploratory /stratigraphic well. Pursuant to the terms of the Call Option Agreement, the call option is exercisable at one occasion in whale (and not in port) by Petroci within 10 business days from the receipt by Masirah of the Petroci Contribution. Upon exercising the coll option, Petroci's shoreholding in Masirah will increase from 26% to 65% and Lime BVI's shoreholding in Masirah will reduce from 74% to 35%. If Petroci decides not to exercise the coll option, then Petroci would be bound to transfer 160 of its Masirah shares to Lime BVI, thus reducing its shoreholding in Masirah from 26% to 10% and Lime BVI's shoreholding in Masirah will increase from 74% to 90%. Please see Section 2.4.2 for further details an the Block 50 Oman Concession held by Masirah and Section 2.9 for the salient terms of the Call Option Agreement.*

A summary of the key audited financial information of Dahan and Masirah from the date of incorporation (i.e. 30 April 2010 and 2 April 2009 respectively) till 31 August 2011 are set out in Appendices I(c) and I(d), respectively. Lime, Lime BVI, Zubara and Baqal were only incorporated on 15 August 2011, 10 June 2011, 5 July 2011 and 6 January 2012, respectively. Hence, no audited financial statements of these companies have been prepared as at LPD.

2.4 Information on the concessions' rights



The concession areas are located in the Middle East. The RAK North Concession covers an area of 1,200 km^2 on the west coast of Ras Al Khaimah, one of the emirates in the UAE in the east of the Persian Gulf. The Sharjah Concession covers an area of 1,600 km^2 on the east coast of Sharjah, another emirate in the UAE. The Block 50 Oman Concession covers an area of 16,900 km^2 and is situated in the south east coast of the Sultanate of Oman (located to the east of the UAE). The Concessions are governed by the executed EPSAs and CA, which outline the rights and obligations of the parties to the EPSAs and CA. An overview of the terms of the EPSAs and CA governing the Concessions are as below:

Details	RAK North EPSA	Sharjah CA	Block 50 EPSA
Term	Initial term – 2 years Second term – 2 years Upon DOC – 20 years with rights to request for renewal for an additional 5 years	Initial term – 3 years Upon DOC – 20 years	Initial term - 3 years Second term – 3 years Upon DOC – 20 years with rights to request for renewal for an additional 5 years
Effective date of the EPSAs and CA	24 May 2010	6 June 2011	23 March 2011

Details	RAK North EPSA	Sharjah CA	Block 50 EPSA
Original parties to the EPSAs/CA	Government of Ras Al Khaimah (as represented by Rakgas L.L.C) and Dahan	Government of the Emirate of Sharjah and Rex (of which its interests were subsequently assigned to Zubara via an assignment letter).	Government of the Sultanate of Oman with Rex and Petroci (of which both of their interests were subsequently assigned to Masirah via an assignment letter).
Ownership	Dahan currently owns 100% participating interest in the RAK North Concession	Zubara currently owns 100% participating interest in the Sharjah Concession	Masirah currently owns 100% participating interest in the Block 50 Oman Concession

For further details on the terms of the EPSAs and CA, please see Appendix II(a), Appendix II(b) and Appendix II(c).

2.4.1 Overview of the RAK North Concession

Lime BVI holds a 59% ownership in Dahan which holds a 100% working interest in the RAK North Concession in Ras Al Khaimah. The concession surrounds the Saleh contract area, currently operated by RAK Petroleum Public Company Limited. The Saleh field is located in the north-west corner of the eoncession. The concession is regulated by the RAK North EPSA. The concession has an initial exploration period of 2 years, with an optional 2-year extension after completion of the minimum work obligations (as per the RAK North EPSA), followed by a 20-year development and production period commencing from DOC, with a possible extension of 5 years. To-date, RAK North Concession's identified prospects comprise Dahan B, Dahan C, Saleh Slope E, Saleh Slope F Thamama/Arab D, Saleh Slope G and Saleh Slope H. Rex acquired 2D seismic data in the concession in 2010.

Surrounding area: There are 3 activc licenscs in Ras Al Khaimah, ineluding the offshore Ras Al Khaimah contract area, the Saleh contract arca and the RAK B contract area. In Ras Al Khaimah, there have been 2 discoverics offshore: the Saleh gas condensate field, which is surrounded by the RAK North Concession area, and the RAK B oil discovery (previously known as the Baih structure) about 8 km from the RAK North Concession area.

Revicw of drilled wells: Between 1968 and 1998, several wells have been drilled inside the RAK North Concession area. However, most of the wells drilled were inside the Saleh gas condensate field and to-date, wclls outside the Saleh gas condensate field have not discovered commercial quantities of hydrocarbons.

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2.4.2 Overview of the Block 50 Oman Concession

Lime Group's concession in Oman is held by Masirah. The concession is regulated by the Block 50 EPSA. The concession has an initial exploration period of 3 years with a 3-year extension period, followed by a 20-year development and production period after DOC, with a possible extension of 5 years.

The shareholdings of Lime BVI and Petroci in Masirah and the effective dividend allocation in Block 50 Oman Concession to Lime BVI and Petroci are illustrated below:

	Shareholdings in Masirah		**Effective dividend allocation in Block 50 Oman Concession**			
			Assuming the Oman Government <u>does not</u> take a participating interest of 25% in the Block 50 Oman Concession		**Assuming the Oman Government takes a participating interest of 25% in the Block 50 Oman Concession**	
	Lime BVI	**Petroci**	**Lime BVI**	**Petroci**	**Lime BVI**	**Petroci**
Before Petroci Contribution	74.0%	26.0%	-	-	-	-
If Petroci exercises the call option*	35.0%	65.0%	35.0% (40.0%)[#]	65.0% (60.0%)[#]	26.25% (30.0%)[#]	48.75% (45.0%)[#]
If Petroci does not exercise the call option*	90.0%	10.0%	90.0%	10.0%	67.5%	7.5%

Notes:

* *Pursuant to the Call Option Agreement, Petroci has the right to exercise its option to purchase 390 shares in Masirah for a consideration of USD1, which is exercisable on one occasion in whole (and not in part) within 10 business days from the receipt by Masirah of the Petroci Contribution. If Petroci decides not to participate in the drilling or if no such decision is made within 15 business days from the decision by Masirah to proceed with the drilling, then Petroci would be bound to transfer 160 of its shares in Masirah to Lime BVI.*

\# *Relating to cumulative volume of barrels of oil recoverable in excess of 50 mmbbls*

Under the terms of the Masirah shareholders' agreement, Petroci shall receive 65% and Lime BVI shall receive 35% of any dividends paid by Masirah (Rex has assigned its 74% equity interest in Masirah to Lime BVI on 30 August 2011). However, if the cumulative volume of the barrels of oil recoverable from the Block 50 Oman Concession are proven to be more than 50 mmbbls, Petroci and Lime BVI will receive 60% and 40% of any dividends or capital gains distributed by Masirah relating to the volumes in excess of 50 mmbbls recoverable, respectively. However, should Petroci decide against exercising the call option, Masirah's distribution policy, as detailed above, shall cease to apply and the distribution policy of Masirah will then be based on the then equity interest of Petroci and Lime BVI in Masirah of 10% and 90% respectively.

Upon DOC, the Government of the Sultanate of Oman has the right to take a participating interest of up to 25% in the Block 50 Oman Concession and Masirah's participating interest in the Block 50 Oman Concession will reduce correspondingly to at least 75%. Lime BVI's effective dividend allocation will reduce accordingly based on the then distribution policy of Masirah. For example, should the cumulative volume of the barrels of oil recoverable from the Block 50 Oman Concession be more than 50 mmbbls, Lime BVI's effective dividend allocation in the Block 50 Oman Concession will be 30% in respect of the volumes in excess of 50 mmbbls recoverable (75% of the 40% dividend allocation in Block 50 Oman Concession).

The Block 50 Oman Concession contract area lies off the east coast of Oman, next to onshore Block 4 (the Ghunaim contract area) and is just north of Block 52 operated by Circle Oil Plc. The Block 50 Oman Concession, like most of Oman's offshore acreage, is largely unexplored. Although previous operators have acquired over 4,500 km^2 of seismic, the quality is variable and typically poor where shallow ophiolite layers occur. These layers are a feature of the geology off the coast of Oman. The previous operator, Hunt Oil Company, was awarded the block in 2001. Hunt Oil Company carried out a number of geological surveys, including a high resolution 2D seismic survey in an attempt to identify a prospective drilling location. To-date, Block 50 Oman Concession's identified prospects comprises Masirah 1 North, GA-South, K2, K1-N and K1-S.

Surrounding area: Tethys Oil AB (30% working interest) recently discovered oil on Block 3 and Block 4 onshore Oman. These 2 blocks are adjacent to Block 50 Oman Concession, and are currently producing 6,365 barrels of oil collectively per day (gross average for September 2011) from Block 3 and Block 4.

Review of drilled wells: Masirah 1 and Masirah 2 were drilled in 1975 and 1976 while in 1984, Amoco Corporation drilled a third well in the Block 50 Oman Concession area, Maimun-1. The wells found shows and good reservoirs in certain geological layers, but no commercial discoveries were made.

2.4.3 Overview of the Sharjah Concession

Lime Group's concession in Sharjah is held by Zubara. The concession area is located on the east coast of Sharjah and is divided into 2 areas, separated by the Fujairah block. The previous concession holder was Matco Inc., but the identified prospects were not drilled as Matco Inc faced bankruptcy. The concession is currently regulated by the Sharjah CA. The concession provides for an initial exploration period of 3 years, followed by a 20-year development and production period after DOC (no option for extension under the Sharjah CA). To-date, Sharjah Concession's identified prospects comprise Thamama North A, b - Miocene Central and d – Miocene South West.

Surrounding area: Sharjah has 3 active offshore exploration licenses. However, all of these areas are on the west coast of Sharjah while the east coast of Sharjah remains largely unexplored.

Review of drilled wells: 5 wells have been drilled north of Sharjah, on the east coast of the UAE but all the wells did not encounter hydrocarbons.

2.4.4 Valuation of the Concessions

Aker Geo was appointed by our Company to conduct an independent assessment of the aggregated estimated gross unrisked Recoverable Resources and the GCoS for each of the prospects in the concession areas of Ras Al Khaimah, Sharjah and Oman.

Basis of opinion

Aker Geo's independent assessment of the aggregated estimated gross unrisked and gross risked Recoverable Resources is based on accepted standards in the E&P industry. However, it must be noted that subsurface evaluations of geology, geophysics and reservoir dynamics are uncertain by nature. With time, it is expected that conclusions and evaluations may vary significantly as new information becomes available and perceptions change.

It is important to note that the evaluations performed by Aker Geo were based on the application of conventional technology. Any potential upside originating from the use of Rex Technologies have not been considered in such evaluation.

Based on Aker Geo's independent assessment, the estimated resources for the Concessions based on Lime's effective dividend allocation (**"DA"**) in the concessions are:

Oman Block 50

Prospect	Gross unrisked Recoverable Resources (mmboe)	LIME's DA	LIME's effective DA after DOC*	Net unrisked Recoverable Resources (mmboe)	GCoS^ (%)	Net risked Recoverable Resources (mmboe)
Masirah 1 North	62	40%	30%	19	15%	3
GA-South	25	40%	30%	8	23%	2
K2	659	40%	30%	195	9%	18
K1-N	3,239	40%	30%	972	11%	108
K1-S	759	40%	30%	228	11%	25
Total	4,743			1,421		155

RAK North Offshore

Prospect	Gross unrisked Recoverable Resources (mmboe)	LIME's DA	LIME's effective DA after DOC	Net unrisked Recoverable Resources (mmboe)	GCoS^ (%)	Net risked Recoverable Resources (mmboe)
Dahan B	33	59%	59%	19	37%	7
Dahan C	18	59%	59%	10	32%	3
Saleh Slope E	7	59%	59%	4	12%	1
Saleh Slope F Thamama/Arab D	28	59%	59%	17	12%	2
Saleh Slope G	6	59%	59%	4	5%	0
Saleh Slope H	11	59%	59%	7	5%	0
Total	103			61		13

Sharjah

Prospect	Gross unrisked Recoverable Resources (mmboe)	LIME's DA	LIME's effective DA after DOC	Net unrisked Recoverable Resources (mmboe)	GCoS^ (%)	Net risked Recoverable Resources (mmboe)
Thamama North A	382	100%	100%	382	14%	52
b - Miocene Central	34	100%	100%	34	7%	3
d - Miocene South West	10	100%	100%	10	7%	1
Total	426			426		55
Total	5,272			1,907		224

Source: Aker Geo and Pareto Asia

Notes:

* *Upon DOC, the Government of the Sultanate of Oman has the right to take a participating interest of up to 25% in the Block 50 Oman Concession and Masirah's participating interest in the Block 50 Oman Concession will reduce correspondingly to at least 75%.*

In the event that the cumulative volume of the barrels of oil recoverable from the Block 50 Oman Concession is more than 50 mmbbls, Lime BVI's effective dividend allocation in the Block 50 Oman Concession will be 30% in respect of the volumes in excess of 50 mmbbls recoverable (75% of the 40% dividend allocation in Block 50 Oman Concession). For further details, please see Section 2.4.2.

^ *For each prospect, a weighted average (weighted by the gross unrisked Recoverable Resources) GCoS based on Aker Geo's estimates has been used.*

It is important to note that:

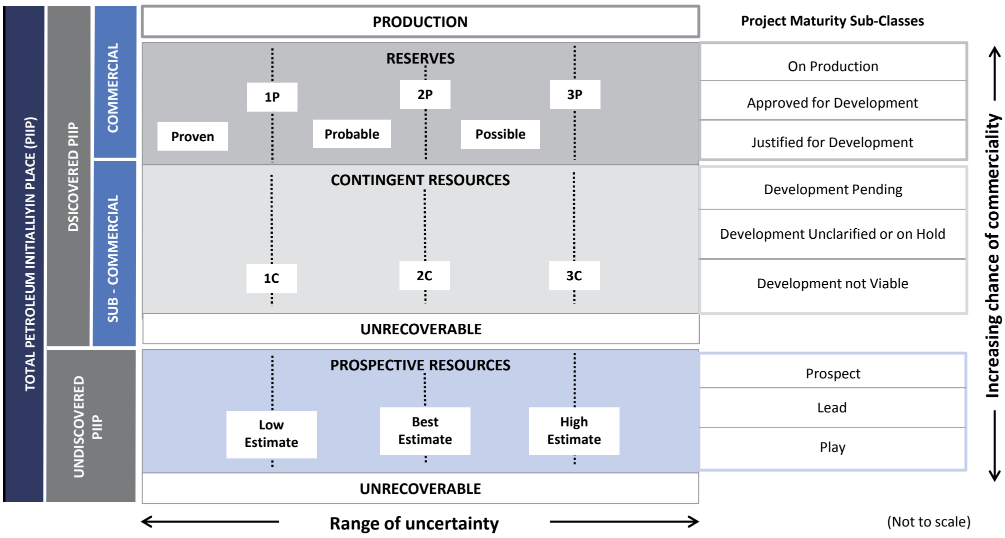
- Recoverable Resources are a subset of the total estimated resources believed to be technically recoverable. For the resources to be classified as reserves, they will need to be confirmed through drilling of prospects and a plan of development will need to be approved by the host government. For the estimates stated above, there is at least a 50% probability that the volumes actually recovered will equal or exceed the estimates (please see the E&P industry report set out in Appendix III for further details).

- the gross unrisked Recoverable Resources refer to the total estimated volume of recoverable resouree available in the concession area that has not been adjusted for working interest.

- the net unrisked Recoverable Resources refer to the total estimated volume of Recoverable Resources net to Lime (after adjusting for Lime's working interest in the Concessions upon DOC).

- the net risked Recoverable Resources are derived from multiplying the GCoS (provided by Aker Geo) with the net unrisked Recoverable Resources.

Referring to the diagram below (extracted from the E&P industry report as set out in Appendix III), Lime's resources are classified as Prospective Resources, which are estimates for unexplored areas where no prior drilling has confirmed the existence of oil and gas and are primarily based on interpretation of data collected from various seismic technologies (please see Section 5.1 of the E&P industry report set out in Appendix III). The estimated volume of recoverable prospective oil and gas resources is typically classified and stated as either low estimate (conservative estimates having a high degree of certainty), best estimate (most realistic assessment and best estimation of certainty) or high estimate (aggressive estimates having a low degree of certainty) resources. These correspond with the 3 boxes marked as "Low Estimate", "Best Estimate" and "High Estimate" in the diagram below.



Source: E&P Industry Report as appended in Appendix III

To-date, no discoveries have been made within the respective concession areas and a DOC has not been declared.

Pareto Asia was appointed by our Company to conduct an independent financial valuation on Lime Group and to issue a fairness opinion on the Purchase Consideration of the Proposals. Based on an indicative work plan and budget premised on the data currently available, Lime Group intends to commence drilling of 4 wells (K2, K1-N and K1-S in the Block 50 Oman Concession area and Dahan B in the RAK North Concession area) in 2012/2013. Nevertheless, this is subject to change in the event that, *inter-alia*, other prospects become more favorable after evaluation of the 3D seismic data acquisition and processing of the prospects within the concession areas in 2012.

Pareto Asia has conducted a valuation of Lime Group as at 2 November 2011, using 2 valuation methods: (i) risked NAV calculation; and (ii) risked financial market pricing.

The risked NAV method uses data from Wood Mackenzie for existing fields with similar characteristics in order to derive a NPV/boe for a potential discovery. The NPV/boe value was then multiplied with the gross unrisked recoverable volume (from Aker Geo) for each of Lime Group's concession assets in order to estimate the gross unrisked value for each concession asset. The EMV for each prospect is then calculated using inter-alia, the gross unrisked value, the GCoS (estimated by Aker Geo), and drilling costs. This metric is then applied to estimate the gross risked value of Lime Group's assets. A further "risking" of the assets is done, based on industry norms for commercial risking and probability of drilling, in order to derive a net risked asset value (taking into consideration Lime's ownership and right to receive dividends from its subsidiaries).

The estimated NAV for Lime Group is USD465 million. As Lime Group's listed peers do not regularly trade at full NAV, Pareto Asia has applied an EV/GAV of between 0.25 and 0.30 to reflect the current market pricing of E&P companies and a further discount of 30% as Lime is a non-listed entity.

The risked financial market pricing is based on current EV/risked boe of selected comparable listed companies. The EV/risked boe metric is then applied to the net risked Recoverable Resources for all prospects and is subsequently discounted by 30% as Lime is a non-listed entity. For further details on the valuation of Lime Group, please see Appendix IX for the valuation certificate of Lime Group prepared by Pareto Asia.

Valuation Method	Pre-money (100%) USD'million	Post-money (35%) USD'million
Risked NAV (EV/GAV 0.25)	99	52
Risked NAV (EV/GAV 0.30)	114	58
Risked financial market pricing	117	58

The pre-money valuation which denotes the valuation of Lime Group prior to our investment in Lime based on the risked NAV method is USD99 million to USD114 million, whereas, the market value of Lime Group based on the risked financial market pricing method is USD117 million.

The post-money valuation which denotes the valuation of Lime Group subsequent to our investment in Lime of USD 50 million is between USD149 million and USD167 million. Following the USD50 million cash injection from Gulf Hibiscus, Gulf Hibiscus' 35% ownership in Lime has a value of between USD52 million and USD58 million.

As such, the Purchase Consideration falls within the range of USD52 million and USD58 million, being the range of the post-money valuation of Gulf Hibiscus's 35% ownership in Lime. Pareto Asia is of the opinion that, as at the Valuation Date, the Purchase Consideration for the Proposals is fair from a financial point of view.

For further details, please see Appendix VIII for Pareto Asia's letter dated 16 February 2012 on the fairness of the Purchase Consideration for the Proposals.

2.5 Salient terms of the SSA

The salient terms of the SSA are as follows:

2.5.1 Initial payment

Gulf Hibiscus shall pay to Lime USD4.0 million (equivalent to RM12.2 million) ("**Tranche One**") within 10 business days after the fulfillment of Tranche One Conditions (as defined below) and subscribe for 6,605,128 new Lime Shares ("**Tranche One Shares**")*.

Note:

* *As stated in the announcement made on 17 November 2011, Tranche One Shares had been issued to Gulf Hibiscus following the payment of USD4.0 million (equivalent to RM12.2 million) to Lime on 8 November 2011 (see Section 1 for further details).*

2.5.2 Obligations of Gulf Hibiscus in closing of Tranche Two

Gulf Hibiscus shall pay to Lime USD46.0 million (equivalent to RM140.7 million) ("**Tranche Two**") within 5 business days after the Tranche Two closing date (Tranche Two closing date being 10 business days after fulfillment or waiver of the last of the Tranche Two Conditions (as defined below) or such other date as may be agreed by the parties) and subscribe for 70,317,949 new Lime Shares ("**Tranche Two Shares**").

2.5.3 **Conditions precedent for Tranche One***

Gulf Hibiscus' obligations under the SSA ("**Tranche One Conditions**") are, *inter alia*, conditional upon:

(a) the receipt of signed copies of the Shareholders Agreement and the due execution of the SPA, PMTSA and IP Licence Agreement;

(b) the receipt by Gulf Hibiscus of a copy of the resolution of the shareholders of Lime dated 9 September 2011 confirming the disapplication of rights of pre-emption in relation to the Tranche One Shares and Tranche Two Shares; and

(c) the re-registration of Lime as a company under the Isle of Man Companies Act 2006.

Note:

* *As stated in the announcement made on 8 November 2011, all Tranche One Conditions had been satisfied on 4 November 2011. For further details on the re-registration of Lime, please refer to Appendix I(a).*

2.5.4 **Conditions precedent for Tranche Two**

Gulf Hibiscus' obligations to subscribe for Tranche Two Shares ("**Tranche Two Conditions**") are, *inter alia*, conditional upon:

(a) necessary approvals of the SC, Bursa Securities and our shareholders on the Proposals;

(b) all the conditions precedent of the SPA being duly satisfied or waived;

(c) the due execution of the OSA and/or JOA in relation to Zubara and Masirah and the use of Lime's best endeavours to execute the OSA for Dahan;

(d) the procedures framework for the limits of authority* in relation to the PMTSA and each concession company being agreed upon by Lime and Gulf Hibiscus.

(e) due completion of all technical, legal, financial, tax and other due diligence exercises by Gulf Hibiscus, with the results thereof being satisfactory to Gulf Hibiscus;

(f) a new CA, in relation to the Fujairah Concession or another concession of equivalent or similar size, being duly awarded; and

(g) such other consents or approvals as may be required of any governmental, regulatory body or competent authority having jurisdiction over the Proposals (or any part thereof) being duly obtained.

Note:

* *It is intended to set out in the "procedures framework for the limits of authority", among others, the approval process/framework relating to the management and operational matters of the companies within Lime Group with the objective of ensuring that business transactions are conducted in an informed and controlled manner whilst taking into account risk exposure and operational expediency. The procedures framework is contemplated to include, among others, the limit of authority granted to Hibiscus Oilfield with regards to its role as the Project Manager, and the mechanism for the approval of payments and expenditure by the authorised persons.*

2.5.5 **Responsibility for satisfaction**

Both Lime and Gulf Hibiscus undertake to use their reasonable endeavours to fulfil the Tranche One Conditions and the Tranche Two Conditions by 30 April 2012 (or such later date as they may agree).

2.5.6 Non-fulfilment of Tranche One Conditions* or Tranche Two Conditions

(a) subject to Section 2.5.6(b) below, Gulf Hibiscus may waive any of the Tranche One Conditions or Tranche Two Conditions at any time;

(b) if all of the Tranche Two Conditions have been met save in respect of the condition as stated in Section 2.5.4(f), then Lime may request Gulf Hibiscus to waive such condition whereupon Gulf Hibiscus shall not unreasonably withhold its consent for such waiver of condition.

Note:

* *As stated in the announcement made on 8 November 2011, all Tranche One Conditions had been satisfied on 4 November 2011.*

2.5.7 Failure to reach Tranche Two closing

If the non-fulfillment of a Tranche One Condition or a Tranche Two Condition was due to any material failure or default on the part of Gulf Hibiscus, then Gulf Hibiscus shall continue to hold Tranche One Shares in accordance with the terms of the Shareholders Agreement and could request for Lime to repurchase its Tranche One Shares (of which Lime is immediately obliged to repurchase) at USD2.8 million* (equivalent to RM8.6 million) if Lime Shares are not admitted to AIM or other such exchange as may be agreed by the parties by 31 December 2012. If the non-fulfillment was as a result of any other reason, Lime shall fully refund to Gulf Hibiscus the amount of USD4.0 million (equivalent to RM12.2 million).

Note:

* *In the event that the non-fulfillment of a Tranche One Condition or a Tranche Two Condition is due to any material failure or default on the part of Gulf Hibiscus, the balance of USD1.2 million from the USD4.0 million paid under Tranche One will be forfeited by Gulf Hibiscus. The USD1.2 million represents approximately 2.2% of the Purchase Consideration, which the parties to the SSA agreed was a reasonable quantum for forfeiture in the event of a material failure or default by Gulf Hibiscus to meet the Tranche One Conditions or Tranche Two Conditions.*

2.5.8 Closing inter-conditional

Gulf Hibiscus is not obliged to complete the subscription of Tranche Two Shares unless the sale and purchase of Lime Shares under the SPA is completed simultaneously.

2.5.9 Termination

(a) If any of the documents required to be delivered to Gulf Hibiscus on the Tranche Two closing date is not forthcoming for any reason or the provisions of Sections 2.5.3, 2.5.4, 2.5.5 and 2.5.6 are not fully complied with, Gulf Hibiscus shall be entitled to terminate the SSA.

(b) The SSA may be terminated by Gulf Hibiscus if prior to Tranche Two closing:

(i) Gulf Hibiscus becomes aware that any of the representations or warranties contained in the SSA on the part of Lime have not been carried out or complied with to Gulf Hibiscus' satisfaction (acting reasonably) or are otherwise untrue or misleading in any respect; and

(ii) any event shall occur (other than an event constituting or giving rise to a breach of any of the representations and warranties contained in the SSA) which affects or is likely to affect adversely to a material degree the financial position or business prospects of Lime Group.

(c) The SSA will terminate automatically at the same time if the SPA terminates or ceases to have any force or effect in accordance with its terms.

2.6 Salient terms of the SPA

The salient terms of the SPA are as follows:

2.6.1 Conditions precedent

The closing of the SPA is subject to and conditional upon, *inter alia*, the following conditions:

(a) the receipt of signed copies of the Shareholders Agreement and the due execution of the SSA, PMTSA and IP Licence Agreement;

(b) receipt by Gulf Hibiscus of a copy of a written waiver by the shareholders of Lime of all rights of pre-emption under the Articles of Association of Lime or otherwise in respect of the sale of the Lime Shares to Gulf Hibiscus;

(c) the re-registration of Lime as a company under the Isle of Man Companies Act 2006*;

(d) the necessary approval of the SC, Bursa Securities and our shareholders on the Proposals;

(e) the due execution of the OSA and/or JOA in relation to Zubara and Masirah and the use of Lime's best endeavours to execute the OSA for Dahan;

(f) due completion of all technical, legal, financial, tax and other due diligence exercises by Gulf Hibiscus, with the results thereof being satisfactory to Gulf Hibiscus;

(g) the procedures framework for the limits of authority# in relation to the PMTSA and each Concession Company being agreed upon by Lime and Gulf Hibiscus;

(h) a new CA, in relation to Fujairah or another concession of equivalent or similar size, being duly entered into by one of the Concession Companies;

(i) all the Tranche Two Conditions being duly satisfied or waived; and

(j) such other consents or approvals as may be required of any governmental, regulatory body or competent authority having jurisdiction over the Proposals (or any part thereof) being duly obtained.

Notes:

* *For further details on the re-registration of Lime, please refer to Appendix I(a).*

\# *Please refer to note under Section 2.5.4*

2.6.2 Waiver of conditions

Gulf Hibiscus may waive any of the conditions to the closing of the SPA at any time before 30 April 2012 or such later date as the parties may agree. If all of the conditions have been met save for that under Section 2.6.1(h) above, Lime may request Gulf Hibiscus to waive such condition whereupon Gulf Hibiscus shall not unreasonably withhold its consent for such waiver of condition.

2.6.3 Consideration

Gulf Hibiscus shall pay Rex a consideration amount of USD5 million (equivalent to RM15.3 million) for the acquisition of 22,153,846 existing Lime Shares.

2.6.4 **Discovery Bonus Amount**

Gulf Hibiscus shall pay Rex a one-off Discovery Bonus Amount of USD5 million (equivalent to RM15.3 million) after receipt of a written confirmation from an independent third party approved by both parties after the first commercial discovery in any one of the existing Concessions provided that such written confirmation is duly received by Gulf Hibiscus no later than 31 December 2013.

2.6.5 **Closing inter-conditional**

Gulf Hibiscus is not obliged to complete the sale and purchase of Lime Shares under the SPA unless the subscription of the Tranche Two Shares is completed simultaneously.

2.6.6 **Termination**

Among others, the SPA:

(a) may be terminated by Gulf Hibiscus if between the time of the SPA and the closing of the SPA, Gulf Hibiscus becomes aware that any warranty is untrue, inaccurate or misleading at the time Rcx gave the warranties or there has been a breach of any other provisions of the SPA; and

(b) will terminate automatically at the same time if the SSA terminates or ceases to have any force or effect in accordance with its terms.

2.7 **Salient terms of the Shareholders Agreement**

The salient terms of the Shareholders Agreement are as follows:

2.7.1 **Conditions precedent**

The rights and obligations of Gulf Hibiscus under the Shareholders Agreement:

(a) are conditional upon Gulf Hibiscus' subscription of the Tranche One Shares being completed in accordance with the terms of the SSA; and

(b) shall commence and be effective as at and from Gulf Hibiscus' subscription of the Tranche One Shares pursuant to the SSA and shall remain effective as long as Gulf Hibiscus remains as a shareholder (holding one share or more) of Lime.

2.7.2 **The company and its business**

The activities of Lime shall be confined to the business of Lime as set out in the relevant work plan and in relation to other future business of Lime, the exploration for, and development and exploitation of oil and gas deposits and the related sale or disposal of oil and gas products, wherever situated, onshore or offshore and all activities relating thereto.

2.7.3 **Intellectual property rights**

All intellectual property rights which are made or arise in the course of Lime's activities as a direct result of its use of Rex's intellectual property rights shall vest exclusively and automatically in Rex. If any or all such rights, title and interests of intellectual property rights are deemed not to vest in Rex, then Schroder, Gulf Hibiscus and/or Lime (to such extent as is reasonably practicable in the circumstances) will irrevocably assign, transfer and convey to Rex, save for intellectual property rights involving, developed and/or owned by third partics used by Lime in the course of its activities.

2.7.4 **No obligation to provide further financing**

Other than their respective committed capital of USD4 million and USD50 million respectively (equivalent to RM12.2 million and RM153.0 million), Schroder and Gulf Hibiscus shall not be obliged to participate in further capital subscription or in providing any financial resources to Lime.

2.7.5 Distribution policy

(a) In the event of a winding-up (by way of liquidation, dissolution or otherwise), the surplus assets and profits shall be distributed as follows:

(i) first, Schroder and Gulf Hibiscus shall receive the equivalent amount of their respective committed capital in priority to Rex, such amount to be paid pro rata in accordance with their respective committed capital;

(ii) once Schroder and Gulf Hibiscus have received an amount that is equivalent to their respective committed capital, the remaining surplus assets and profits shall be divided between Rex, Schroder and Gulf Hibiscus in proportion to their shareholdings in Lime.

(b) In the event of a sale of Lime (by way of a share sale or asset sale or otherwise) for a consideration of more than USD54 million (equivalent to RM165.2 million) or the distribution of dividends by Lime, such procceds or dividend shall be distributed to Rex, Schroder and Gulf Hibiscus in accordance with their respective shareholding proportion. In the event that the sale consideration is USD54 million (equivalent to RM165.2 million) or less, Rex is not entitled to such consideration proceeds and such consideration proceeds shall only be distributed to Gulf Hibiseus and Schroder pro rata in accordance with their respective committed capital proportion.

2.7.6 Non-competition

During a period commeneing on the date of the Shareholders Agreement and ending 5 years after the date on which the relevant shareholder ceases to be a shareholder of Lime, no shareholder may during the non-compete period engage or become financially interested in any other business that involves the utilisation, commercialisation or ownership of the assets of Lime, without the written permission of the other parties to the agreement.

2.7.7 Duration and termination

The Shareholders Agreement shall remain in force until the 30th anniversary of the Shareholders Agreement and thereafter until terminated by any party with 12 months' notice or until, *inter alia*, the following:

(a) the parties agree in writing to terminate Shareholders Agreement;

(b) Lime becomes listed in a public market; or

(c) a resolution is made for the winding-up of Lime other than to effect a scheme of reconstruction or amalgamation;

provided that the Shareholders Agreement shall cease to have effect in relation to any shareholder who ceases to hold any Lime Shares save for certain clauses.

2.7.8 Board Reserved Matters

Prior approval by Supra Majority is required for actions taken by Lime or resolution passed at a meeting of the board of directors of Lime in respect of matters that are outside the scope of the work plan and budget and the PMTSA, including the Board Reserved Matters.

2.8 Salient terms of the PMTSA

The salient terms of the PMTSA are as follows:

2.8.1 Duties and responsibilities of the Project Manager

With reference to each of the OSAs, Hibiscus Oilfield shall upon the execution of the OSA and until the termination of the PMTSA, perform all of the functions granted to the concession operators and concession contractors under the OSA (excluding non-operational and other excluded matters). These services include:

(a) carrying out all operations in accordance with local legal, regulatory, technical and health and safety environment requirements;

(b) preparing the work programmes and budgets, approval for expenditures, development plans and feasibility studies;

(e) carrying out costs and costs recovery accounting in accordance with the existing concessions and any future concessions' accounting procedures based on accounting procedures generally practiced by the international petroleum industry; and

(d) any other scope of work as may be mutually agreed by parties to the agreement.

2.8.2 Liabilities and indemnities

The Project Manager and its respective directors, officers and employees shall not bear any damage, loss, cost, expense or liability resulting from performing (or failing to perform) the duties and functions of the Project Manager, and they are released from liability for damages, losses, costs, expenses and liabilities resulting from such performance or failure to perform except for liability arising directly as a result of fraud, gross negligence or wilful misconduct by the Project Manager.

2.8.3 Payments

(a) Lime shall pay project management fees to the Project Manager on an actual cost basis plus a margin of 7% on a monthly basis. Prior to the closing of the SPA, all project management fees payable by Lime shall accrue in favour of the Project Manager and will only be payable by Lime to the Project Manager within 5 business days of the closing of the SPA.

(b) In the event the PMTSA is terminated pursuant to the termination or non-completion of the SPA and the SSA (unless it is due to any material failure or default on the part of Gulf Hibiscus), all project management fees accrued up to the date of the termination notice (limited to USD250,000 (equivalent to RM764,800)) shall be payable by Lime to the Project Manager within 5 business days from the date of such termination notice.

2.8.4 Termination

(a) Subject to item (b) below, the tenure of the PMTSA is for an initial period of 5 years and thereafter shall be automatically renewed on an annual basis (unless either party gives 6 months' notice prior to the end of the then concurrent term that it wishes to terminate the PMTSA) and the process for renewal shall continue to apply until the last of the existing or future concession terminates.

(b) If Lime Shares are admitted to AIM (or on any other equivalent stock exchange), the PMTSA shall continue for a period of 3 years from the date of the AIM Listing and thereafter shall be automatically renewed on an annual basis (unless either party gives 6 months' notice prior to the then concurrent term that it wishes to terminate the PMTSA) until the last of the existing or future concession terminates.

(c) Among others, the PMTSA may be terminated if a party commits a material breach of the PMTSA that is not capable of remedy or is not remedied within 30 business days upon receipt of written notice from the non-defaulting party.

(d) In the event that there is non-completion of the subscription of Tranche Two Shares according to terms in the SSA or the purchase of Lime Shares according to the terms of the SPA, or if the SPA or the SSA is terminated or ceases to have any force or effect, the PMTSA shall automatically terminate (unless the parties agree otherwise in writing).

2.9 Salient terms of the Call Option Agreement

The salient terms of the Call Option Agreement are as follows:

2.9.1 Background

The parties have entered into a shareholders' agreement regarding the shareholding in Masirah pursuant to which Petroci undertakes to Rex that it *inter alia* may grant Masirah an unconditional shareholders contribution in the amount of USD11,900,000 (equivalent to RM36,404,480) ("**Contribution**") to be granted to Masirah in 2 parts – the first part shall be made in the amount of USD4,750,000 (equivalent to RM14,531,200) and the second part shall be made in the amount of USD7,150,000 (equivalent to RM21,873,280). Rex has issued an option offer to Petroci upon and conditioned by the execution of the Contribution.

2.9.2 Call Option

(a) Rex grants irrevocably to Petroci an option (i.e. a right but no obligation) ("**Call Option**") entitling Petroci to purchase 390 shares in Masirah for a consideration of USD1.00 (equivalent to RM3.06).

(b) The Call Option shall be exercisable at one occasion in whole (and not in part) by written notice ("**Notice**") from Petroci to Rex within 10 business days from the receipt by Masirah of the unconditional shareholders' contribution in the amount of USD7,150,000 (equivalent to RM21,873,280). The Notice shall be irrevocable.

(c) The Call Option shall lapse and neither of the parties shall have any claim against the other under the Call Option Agreement if the Call Option is not duly exercised within the above exercise period.

(d) The receipt by Masirah of the first contribution of USD4,750,000 (equivalent to RM14,531,200) less the escrow agent fee of 0.25% is an absolute condition for the validity of the Call Option.

(e) Upon receipt of the Notice, Rex shall sell to Petroci and Petroci shall purchase from Rex, the number of shares set forth in the Notice with full title guarantee, free from all liens, charges, encumbrances and claims whatsoever and with all rights, powers and benefits then or subsequently pertaining thereto.

2.9.3 Assignment

The parties may not assign their rights and obligations under the Call Option Agreement without the other party's prior written consent.

2.10 Governing laws and arbitration

The SSA, SPA, Shareholders Agreement and PMTSA shall be governed by the laws of England and Wales and any disputes, controversy or claims relating to these agreements shall be determined by arbitration in accordance with the Rules of International Arbitration of the International Chamber of Commerce (ICC) and the place of arbitration shall be Geneva.

The Call Option Agreement shall be governed by and construed in accordance with the substantive laws of Switzerland, excluding its conflict of laws principles providing for the application of the laws of any other jurisdiction. In the event of any dispute arising out of or in connection with the Call

Option Agreement, the parties agree to submit the matter to settlement proceedings under the ICC ADR Rules (the amicable dispute resolution rules set out by the ICC). If the dispute has not been settled pursuant to the said rules within 30 days or within such other period as the parties may agree in writing, such dispute shall be finally settled under the Rules of Arbitration of the ICC. The place of arbitration shall be Geneva.

2.11 Basis of arriving at the Purchase Consideration

The Purchase Consideration for the Proposals was arrived on a willing-buyer, willing-seller basis and after taking into consideration (among others) the following factors:

(a) a fair valuation of Lime Group by Pareto Asia who arrived at a valuation range of between USD52 million and USD58 million;

(b) the future prospects of Lime Group in view of its working interests in the Concessions covering an area totaling 19,700 km^2, and Aker Geo's assessment of aggregated estimated net unrisked and net risked Recoverable Resources for the Concessions of 1,907.4 mmboe and 223.5 mmboe respectively;

(c) Schroder had in October 2011, subscribed for 6,153,846 Lime Shares for a consideration of USD4 million (equivalent to RM12.2 million) at an issue price of USD0.65 (equivalent to RM1.99) per Lime Share. The average issue price of each Lime Share to be subscribed and acquired by Gulf Hibiscus pursuant to the Proposals is USD0.56 (equivalent to RM1.71), which is lower than Schroder's subscription price.; and

(d) future upsides from (i) the potential addition of Fujairah Concession (see Section 2.5.4(f) for further details) and/or other new concessions (with no adjustment to the Purchase Consideration by Gulf Hibiscus; and (ii) the successful application of Rex Technologies to locate hydrocarbons (sce Section 4.3 for further details).

2.12 Sources of funding

The Purchase Consideration will be paid from funds raised during our IPO in July 2011 amounting to RM234.2 million.

2.13 Encumbrances

The Lime Shares to be subscribed or acquired pursuant to the Proposals will be free from all encumbrances and will be subscribed or acquired with all rights attached or accruing thereto.

2.14 Liabilities to be assumed

There are no separate liabilities, including contingent liabilities and guarantees to be assumed by Gulf Hibiscus pursuant to the Proposals.

2.15 Credit facilities procured by our Company

As at LPD, our Company has not procured any credit facilities.

2.16 Additional financial commitment

Gulf Hibiscus does not expect to incur any additional material financial commitment to fund the activities of Lime Group.

3. BACKGROUND INFORMATION OF THE VENDOR

3.1 Rex

Rex was incorporated in the BVI under the BVI Business Companies Act, 2004 on 24 September 2008 as a private limited company. Rex is principally involved in the management of assets in the oil and gas industry.

The directors and substantial shareholders and their shareholdings in Rex as at LPD are as follows:

Name	Shareholding	
	No. of shares	%
Directors and shareholders		
Karl Lidgren	20,000	40
Hans Lidgren	20,000	40
Shareholder		
Svein Kjellesvik	10,000	20

Brothers, Professor Karl Lidgren, PhD in National Economics, and Mr Hans Lidgren, Master of Science in Civil Engineering, pioneered the use of satellite altimeter data in oil exploration activities in the beginning of the 1980s. Surveys produced by the founders of Rex made way for major oil field findings such as the "Haltenbanken" in Norway and part of the "Bukha" field in Oman and many oil majors were serviced with this technology.

Mr Svein Kjellesvik, Master of Science in Geology and Gravity, has more than 30 years of industry experience with major corporations such as WesternGeco and Schlumberger Limited. He is also a founder and partner in several independent seismic acquisition companies.

4. RATIONALE FOR THE PROPOSALS AND POTENTIAL BENEFITS TO OUR COMPANY

We are listed on the Main Market of Bursa Securities as a SPAC and currently have no operations or income generating business. As a SPAC, we are required to complete a Qualifying Acquisition with the proceeds raised from the IPO. The Proposals comply with the Equity Guidelines as a Qualifying Acquisition as the purchase consideration of USD55 million or RM172.6 million (based on the exchange rate of USD1.000:RM3.1380 as at 24 October 2011, being the latest practicable date prior to the date of announcement of the Proposals on 25 October 2011) is 81.2% of the RM212.6 million available in the Trust Account (net of any taxes payable) as at 24 October 2011 (being the latest practicable date prior to the date of announcement of the Proposals on 25 October 2011).

The Proposals will contribute towards establishing our Company's position as an independent E&P company, as set out in our Prospectus.

Your Board considered the Proposals from technical, commercial, geo-political and associated risk aspects and has concluded that the Proposals provide an attractive investment opportunity for the following primary reasons:

4.1 Large acreage and resources position in a historically stable and well-established petroleum province

The Concessions are located in the Middle East, which is a well-established petroleum producing region. Extensive oil and gas infrastructure has been developed, which potentially could be utilized in the event of a commercial discovery.

Based on data from the BP Statistical Review 2010, the combined proven oil reserves in the UAE and the Sultanate of Oman amounted to 7.5% (excluding oil sands) of discovered global oil reserves. Within this prolific petroleum province, the subsidiaries of Lime (being a new and relatively small company) have successfully secured considerable acreage on a negotiated basis, leveraging on the potential benefits offered by their proprietary technologies (see Section 4.3 for further information).

The total acreage that has been secured under the existing Concessions amounts to 19,700 km^2. Based on Aker Geo's assessment, the aggregated estimated net unrisked and net risked Recoverable Resources for the Concessions are 1,907.4 mmboe and 223.5 mmboe respectively.

Further, Lime Group's assets are located in an area where several other oil and gas companies with significant financial and technical resources operate such as Reliance Industries Limited and RAK Petroleum Public Company Limited. These companies are large integrated oil and natural gas producers.

In addition, the Concessions are geographically focused in countries with historically relatively stable political and country risk profiles (please see the E&P industry report set out in Appendix III for further details).

4.2 **Geographically focused with a diversified portfolio of assets**

Whilst the assets of Lime Group are broadly focused in the Middle East region, the assets are currently located in 2 different countries. Therefore from a risk perspective, our Company will not be solely dependent on a single asset in a single legal jurisdiction or multiple assets in a single jurisdiction. This mitigates the risk profile of the investment from several angles:

(a) diversity in GCoS; and

(b) political risks.

Geographical focus will also allow optimal utilization of key human resources, a critical success factor for successful project execution. In addition, as disclosed in Section 2.4.4, each of the Concessions contains multiple hydrocarbon bearing prospects and this provides further diversification of risks.

4.3 **Exclusive access to Rex's proprietary technologies for assessment and selection of oil and gas blocks in the Middle East region**

The Rex Technologies seek to reduce the:

(a) early risks associated with discovery of oil and gas (and its commercial impact); and

(b) time required to commercialise viable fields.

Under the IP Licence Agreement signed between Rex and Lime on 24 October 2011, Lime is granted exclusive use of the Rex Technologies and any information, text, data and reports which are output or generated by or in connection with or derived from any of the Rex Technologies for all concessions in the Middle East under Lime Group for a period of 5 years from the date of the IP Licence Agreement, or for 3 years from the date of Lime's AIM Listing or on any other equivalent stock exchange. Thereafter, the IP Licence Agreement is subject to automatic renewal on an annual basis, unless either party gives 6 months' notice prior to the end of the then concurrent term that it wishes to terminate the IP Licence Agreement. Under the terms of the IP Licenee Agreement, the Middle East region has been defined as including the following countries, with these countries representing more than half of the proven global oil reserves:

- Bahrain
- Egypt
- Iran
- Iraq
- Jordan
- Kuwait
- Lebanon
- Sultanate of Oman
- Palestine (Gaza Strip and West Bank)
- Qatar
- Saudi Arabia
- Syria
- Turkey
- United Arab Emirates
- Yemen
- Offshore areas assoeiated with the above eountries

Rex Technologies are applied before a well is drilled to determine if hydrocarbons are present in the prospect(s). Other exploration companies have access to some form of gravity and seepage study tools, however Rex Virtual Drilling© is unique to Lime.

Positive indicators from the application of Rex Gravity© technology would mean that there is a likelihood of developed structures which might trap hydrocarbons. Positive Rex Seepage© indicators in the concessions show that there is a likelihood that hydrocarbons are being generated from the sediments within the concession area. Positive Rex Virtual Drilling© results indicates that seismic resonance of hydrocarbon fluids was observed on processed seismic data, which signifies the presence of hydrocarbons.

A definite confirmation of hydrocarbons can only be achieved by the drilling and testing of reservoir intervals i.e. the section of an oil or gas reservoir layer that is intersected by the well.

Rex Technologies reflect positive results over several prospects within the Concessions that have yet **to be drilled** as follows:

Concession	Rex Gravity©	Rex Seepage©	Rex Virtual Drilling©
RAK North Concession	Positive	Not Applicable*	Positive
Sharjah Concession	Positive	Positive	Not performed to-date#
Block 50 Oman Concession	Positive	Positive	Positive

Notes:

* *Rex Seepage© technology is not applicable in the RAK North Concession because of the close proximity of RAK Petroleum Public Company Limited's commercial Saleh Field production facility located within the same field where the pollution levels from production activities have interfered with the interpretation of Rex Seepage© technology*

\# *Rex Virtual Drilling© technology has not been used over the identified prospects in the Sharjah Concession due to the lack of suitable seismic data to which the technology can be applied. The plan is to acquire suitable seismic data over the identified prospects and utilise Rex Virtual Drilling© technology to enhance the drillable prospects before planning a drilling programme in the future. Please see Section 6 for further details on the drilling programme.*

Methodologies using the fundamental principles as are applied in the Rex Gravity© and the Rex Seepage© technologies have been widely accepted in the E&P industry. As an example, Centric Energy Corporation (currently a wholly owned subsidiary of Africa Oil Corporation which is listed on the TSX Venture Exchange) reported on 24 August 2010 the results of a Synthetic Aperture Radar (SAR) oil seep study of its Block 10 BA in northwest Kenya (which demonstrates industry utilisation and application of similar technologies to the Rex Seepage© technology). Additional evidence of industry utilisation and application of such technologies can be seen from multi-national organisations that provide technical services and data for the purposes of oil and gas seepage detection, a notable example being Fugro NPA Ltd (www.fugro-npa.com).

With regard to the Rex Gravity© technology, companies such as Satellite Imaging Corporation (www.satimagingeorp.com) utilise gravity surveys (as also practised by Rex in its Rex Gravity© technology) to facilitate detailed geological interpretation of subsurface features, this activity being another manifestation that such gravity-based technical principles are used by the oil and gas industry as one of the means to identify the possible presence of hydrocarbons in a particular location.

With reference to the currently unique Rex Virtual Drilling© technology, Gulf Hibiscus has been informed that it is a new technology and proprietary to Rex and is only available to projects in which Rex has direct or indirect equity interest. As such, commercial exploitation and application of this tool has been limited to opportunities pursued by Rex. Therefore no independent or third party verification is available to confirm the accuracy of the Rex Virtual Drilling© technology.

It should be highlighted that the assessments provided by Aker Geo and Pareto Asia did not take into account any potential upside that would arise from the use of the Rex Technologies.

4.4 Allows joint control of Lime Group

Hibiscus Oilfield will assume the responsibilities as Project Manager upon execution of the OSAs for the Concessions to be entered into between Lime and the designated operators of the Concessions. The advantage of being Project Manager is that Hibiscus Oilfield will be responsible for the day-to-day operations and management of the Concessions. This gives Hibiscus Oilfield a high level of financial control and decision-making in the operational management and timing of the conduct of activities within the Concessions.

In addition, under our Company's accounting policy, our Company's investment in Lime via Gulf Hibiscus will be treated as an investment in a jointly-controlled entity ("JCE") in accordance with Financial Reporting Standard 131. JCEs are entities where there is a contractually agreed sharing of control over an economic activity, and exist only when strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Our Company's investment in Lime via Gulf Hibiscus will be accounted for using the equity method, whereby the investment in Lime is initially recognised at cost and adjusted thereafter for the post-acquisition change in our Company's share of net assets of Lime Group. The profit or loss of our Company shall include our Company's share of the profit or loss of Lime Group. The treatment as an investment in a JCE is confirmed by Crowe Horwath, the reporting accountant in relation to the Proposals and the auditor of our Company, as reflected in their review of our Company's Proforma Statements of Financial Position as at 31 March 2011 (as appended under Appendix VII of this Circular).

Our Company's investment in Lime through Gulf Hibiscus is treated as an investment in a JCE with our Company attaining joint control based on the following factors:

- Under Clause 14 of the Shareholders Agreement, an extensive list of Board Reserved Matters in all key strategic, financial and operating decisions requires a Supra Majority approval. Supra Majority comprises one director each from Rex, Schroder and Gulf Hibiscus. Hence, our Company will participate actively in the decision-making of Lime. As a reflection of the signifieant role anticipated from our Company, Dr. Kenneth Pereira, our Managing Director, was appointed to the board of Lime on 10 November 2011. This allows our Company to have early input in matters relating to the strategic direction of Lime Group and actively participate in the key decisions of Lime Group and have access to all information and personnel of Lime Group through the appointment of Dr. Kenneth Pereira as our Company's representative on the board of Lime; and

- Under the terms of the Shareholders Agreement, Gulf Hibiscus can appoint its representatives to the board of each of the 3 current Concession Companies (by 7 February 2012), hence giving our Company a second layer of influenee.

  The following are our representatives who were appointed to the boards of the Concession Companies and Baqal:

Company	Name of our nominated representatives	Date of appointment
Dahan	Dr. Pascal Josephus Petronella Hos	30 January 2012
Masirah	Dr. Pascal Josephus Petronella Hos	1 February 2012
Zubara	Joyce Theresa Sunita Vasudevan	30 January 2012
Baqal	Joyce Theresa Sunita Vasudevan	6 January 2012

  Therefore, as more of our Company's representatives are appointed to Lime Group, our Company's access to all personnel and relevant information within Lime Group is further increased.

- Similarly, Gulf Hibiscus has secured an extensive range of board reserved matters in key strategic, financial and operating decisions which effectively requires the collective approval of all nominee directors nominated by each of the shareholders of the respective Concession Companies. It should be noted that this extent of board control at the level of the Concession Companies is also extended to concession(s) secured in the future. Please see Appendix XI for the list of board reserved matters for Lime, Dahan and Masirah.

4.5 Opportunity to grow Hibiscus Petroleum cost effectively

Being a wholly-owned subsidiary of a SPAC with limited access to funds, Hibiscus Oilfield will be able to build and develop a technically experienced team at minimal additional cost due to the back charge of project management fees to Lime Group arising from the PMTSA. New members of the Hibiscus Oilfield technical team to be deployed, subject to the agreement of Lime, would include a drilling manager, project manager, logistics manager, wellsite geologist, wellsite petroleum engineer, HSE (Health, Safety and Environment) manager, petro physicist and cost engineer.

4.6 Further potential upside

There is a possibility that another CA in relation to Fujairah (or a concession of equivalent or similar size) may be added to the Lime Group. It is also possible that additional concessions in the Middle East may be procured in the future. For the avoidance of doubt, the Purchase Consideration pursuant to the Proposals will not be adjusted for any additional concessions acquired under Lime Group even if agreements under which such concessions are awarded are executed prior to the completion of the Proposals.

4.7 Timing is favorable

Share prices for selected comparable listed companies have decreased by approximately 24% for the period from 4 April 2011 to 20 October 2011, just prior to the date the terms of the Proposals were agreed upon. This provided an opportunity for our Company to negotiate the Purchase Consideration to a lower entry price level. Further, our Company was also able to capitalise on this opportunity given that it has funds currently available to be deployed.

4.8 Meets our investment risk profile of investing in low to moderate risk E&P opportunities

Pursuing opportunities in the exploration segment of the oil and gas industry is generally regarded as a high risk venture. It is important to note that the opportunities being pursued by Lime are in the exploration segment of the said industry. However, several factors inherent as part of the Proposals, act to mitigate some of the risks normally present when pursuing exploration type opportunities. These mitigating factors (which are further described below) has led our Company to believe that the overall profile of the investment in Lime is of moderate risk and is generally in line with the strategies of our Company as described in the Prospectus. The mitigating factors are:

Proven basin

Under Lime Group's 2012/2013 drilling programme, 4 wells are planned to be drilled in 2012/2013 with 3 wells located in the Block 50 Oman Concession area and 1 well within the RAK North Concession area. Both the Block 50 Oman Concession and the RAK North Concession are located within the vicinity of proven hydrocarbon producing areas. Tethys Oil AB, a production sharing contractor operating in Oman, recently discovered oil in commercial accumulations, in blocks adjacent to the Block 50 Oman Concession area whilst in Ras Al Khaimah, there have been 2 discoveries offshore: the Saleh gas condensate field, which is surrounded by the RAK North Concession area, and the RAK B oil discovery about 8 km from the RAK North Concession area. Please see Section 6 for further details on the drilling programme.

Good data availability

Most of the datasets on the Concessions were made available by the respective government departments (Ministry of Oil and Gas in Oman, Sharjah Petroleum Council and Ras Al Khaimah Oil and Gas Commission) and were reviewed with the consent of the host governments. Subsequently, your Board appointed Aker Geo to review and affirm the data available independently.

Relatively good fiscal terms

The fiscal terms of the EPSAs and CA governing the Concessions are considered as being relatively favourable when compared to known fiscal terms for concessions in other petroleum producing countries where the government's take of production (e.g. royalty, tax, production sharing) is generally lower in Oman and UAE compared to fiscal regimes in other petroleum producing countries. Apart from the fiscal terms, a key commercially favourable term that has been negotiated by Lime and Rex in the respective EPSAs and CA is that there is no commitment for the drilling of expensive obligation wells. Generally, host governments in prolific petroleum producing provinces require that the concession holder commits to the drilling of a certain number of obligation wells within a specified period of time, irrespective of the results of technical work which may indicate poor levels of prospectivity within the concessions. Rex and Lime have negotiated EPSAs and a CA which do not include the drilling of these (potentially) non-viable obligation wells thereby significantly reducing the financial exposure of Lime to non-productive activities. Therefore, Lime has full flexibility to select the number of wells to be drilled based purely on an assessment of technical and economie merits, rather than pre-agreed contractual obligations.

Political stability of country of location

The Concessions are located in Oman and the UAE and the overall country risk ratings for both countries are stable based on the EIU country risk report. For an overview of Oman and the UAE, please see the E&P industry report set out in Appendix III.

Stable partners with innovative proprietary technologies

Rex is the proprietary owner of the Rex Technologies, a suite of proprietary tools which has been utilized by Rex and Lime to successfully procure concessions in the Middle East. Rex has also used their technology platform to secure rights to a number of concessions in Africa. Rex has secured these concessions by using their technologies to independently assess the hydrocarbon bearing potential of a particular concession area, initially without any data being obtained from the relevant host government. Rex utilises aceurate gravity measurement data obtained from third party satellites to identify areas of potential hydrocarbon accumulation and shares such information with the technical representatives of the relevant host government. In most cases the results and analysis presented by Rex from the utilisation of their proprietary methodologies, coupled with their commercial package, convinces the relevant host governments to award them with concessions on a negotiated basis. It is important to note that eonventionally, a suitor for a particular concession relies on information and data provided by the host government before making any kind of bid for a concession. Rex's unique value propositions are the use of its technology platform to independently make relevant conclusions about the sub-surface and hydrocarbon bearing potential of an area and its willingness to share such information with a host government before it knows if it will successfully secure the concession.

All 3 directors of Rex have long histories of working in the oil and gas sector with 2 of them being pioneers in the use of satellite altimeter data in oil exploration activities in the beginning of the 1980s. Our Company believes that the careful application of the Rex Technologies coupled with the utilization of conventional geological and geophysical processing and interpretation techniques will reduce technical risks generally associated with exploration opportunities.

The other shareholder of Lime is Schroder, a Swiss private bank that has invested on a fiduciary basis for a large group of clients. Schroder is also a wholly-owned subsidiary of Schroders Plc., an asset management company listed on the London Stock Exchange. Schroder was the recipient of the European Asset Management Company of the Year in The Funds Europe Award 2010 and was also awarded the Best Large Fixed-Interest House, United Kingdom, 2010 at the Morningstar Funds Awards.

Other considerations

As set out in the Prospectus, our Company's initial business strategy was to focus on identifying and acquiring the rights to develop small and medium sized, relatively low to moderate risk oil and gas fields in the South Asia, Middle-East, East Asia and Oceania regions. The Proposals are generally in line with the stated business strategy as they represent the acquisition of relevant interests with a moderate risk profile in the Middle-East. Our Company also believes that the position secured through the Proposals is an improvement of the objectives set out in the Prospectus. In particular, at the time of the issue of the Prospectus, our Company believed that it would only be able to raise sufficient funds to address onshore, moderately risked exploration opportunities. However due to a successful fund raising at the IPO stage and the characteristics of the Proposals, our Company is now also able to address high impact offshore-based moderate risk exploration opportunities. The specific characteristics of the Proposals that allow this position are as follows:

- Lime Group is debt free and as at 31 January 2012, the funds available in Lime Group is approximately USD31.7 million (equivalent to RM97.0 million) (including the payment of the Tranche One amount by Gulf Hibiscus). Under the provisions of Masirah's shareholders' agreement, Petroci has an option to inject a further USD7.15 million (equivalent to RM21.9 million) as a contribution towards the drilling of a well. Such an injection of funds by Petroci would increase its equity stake in Masirah from 26.0% to 65.0%. For further details please see Sections 2.3 and 2.4.2.

- These amounts, coupled with Gulf Hibiscus' cash consideration of the remaining USD46 million (equivalent to RM140.7 million), would increase the total funds available in Lime Group to USD84.9 million (equivalent to RM259.7 million). Barring unforeseen circumstances and taking into consideration the indicative work plan and budget for 2012/2013, such an amount is expected to fully fund the planned exploration program for 2012/2013. The exploration program involves seismic acquisition and interpretation, and the drilling of 4 wells offshore.

- The potential opportunity to raise more funds to finance its development plan in Lime via, but not limited to, the following avenues:

  (a) Lime's AIM Listing (or on any other equivalent stock exchange) if market conditions permit;

  (b) Potential farming-out of equity interests in Zubara (currently 100% held by Lime BVI); and/or

  (c) An external loan facility upon commercial discovery.

5. OUTLOOK OF THE E&P INDUSTRY

As set out in Section 2.3, Lime Group is principally involved in E&P activities in the oil and gas industry and has concession rights in offshore oil and gas exploration assets located in the Middle East. As such, Lime Group's prospects are dependent on the prospects of the oil and gas industry. Please see Appendix III for the E&P industry report prepared by Pareto Asia for further details on the outlook of the E&P industry and the oil and gas industry, and the overview of the prospects of the region and countries in which the Concessions are located.

6. FUTURE PLANS AND PROSPECTS OF LIME GROUP

Lime Group expects to commence execution of its growth strategies in the near to medium term, in close collaboration with our Company. The details are set out below:

- **Acquisition of additional seismic data**

  Lime Group plans to acquire, process and interpret seismic data from early 2012 until the third quarter of 2012. The seismic program will consist of 2D and 3D seismic in all the concession areas. The results from the seismic program would:

(i) be used with Rex Technologies to potentially locate additional prospects within the concession areas and further increase the accuracy in the selection of the final drilling locations; and

(ii) enhance the GCoS of the prospects and hence increase the valuations of the Concessions.

- **Implement the 2012/2013 drilling programme**

  The 2012/2013 drilling programme of Lime Group is targeted to commence in the fourth quarter of 2012, with the planned drilling of 4 wells. These wells will be located as follows: 1 well in the RAK North Concession area and 3 wells in the Block 50 Oman Concession area. The drilling program is targeted to be completed by the third quarter of 2013.

  In the event of a commercial discovery(ies) of hydrocarbon reserves, there would be significant value uplift in the valuation of Lime Group. It should be noted that the downside is also substantial if the 4 wells are all dry.

					2012		2013			
Task name	Duration	Start	Finish	Quarter	3	4	1	2	3	4
Ras Al Khaima	109 days	Apr-13	Jul-13							
Drill Dahan B	83 days	Apr-13	Jun-13							
Evaluate Dahan B	26 days	Jun-13	Jul-13							
Oman	137 days	Oct-12	Feb-13							
Drill Oman 1	30 days	Oct-12	Nov-12							
Evaluate Oman 1	13 days	Nov-12	Nov-12							
Drill Oman 2	30 days	Nov-12	Dec-12							
Evaluate Oman 2	13 days	Dec-12	Jan-13							
Drill Oman 3	30 days	Jan-13	Feb-13							
Evaluate Oman 3	13 days	Feb-13	Feb-13							

- **Seek new concessions**

  Lime Group is actively looking to secure additional concessions in order to increase the size of acreage that is held currently. There is a high likelihood that another concession in Fujairah (or a concession of equivalent or similar size) would be added to Lime Group before the Proposals are completed.

- **Effect fund-raising activities to fund future development and drilling programmes**

  As indicated in Section 4.8, Lime Group has a number of avenues open to it to raise funds. The timing and type of funding plan(s) to be secured is dependent on the timing and budget of Lime Group's drilling plans, timing of commercial discovery(ies) of hydrocarbon reserves, prevailing market conditions and availability of potential investors.

  Your Board believes that it is expected that any funding plan involving, but not limited to, the farming out of interests in the Concession Companies (particularly Zubara in which Lime BVI holds a 100% equity interest) or issue of new shares in Lime (through the AIM Listing or on any other equivalent stock exchange), would occur after the valuation of the assets has been enhanced through additional seismic programs and/or commercial discovery(ies) of hydrocarbon reserves.

At this early stage, we are not able to determine the expected returns to be derived from the exploration program nor are we able to assess the expected date on which the profit contribution will accrue to our Company.

Nonetheless, premised on the above activities of Lime Group, the overall outlook of the global oil and gas industry and the stable nature of the Oman and UAE economies as set out in the E&P industry report in Appendix III, and the rationale for our Company to invest in a 35% equity stake in Lime as set out in Section 4, your Board, after taking into consideration the risk factors as detailed in Section 7, is optimistic about the future prospects of Lime Group and of our Company.

Further, through our Group's investment in Lime Group, we foresee income and profit opportunities as follows:

- initially taking large equity interests in concessions followed by the enhancement of value of these assets through a process of field based data gathering activities and subsequent interpretation of the data and then the partial divestment of equity interests in these concessions at a higher value than entry costs;

- commercial exploitation of identified opportunities through the evaluation of seismic data using traditional interpretation techniques reinforced through the assessment of the same seismic data utilising Rex Technologies, followed by the drilling, appraisal and development of these prospects to the point of production at which point the produced hydrocarbons shall be sold to deliver recurrent revenues to thc Concession Companies, which in turn would generate income for our Group (after the payment of government taxes and recovery of costs); and

- provision of project management services at cost + 7% margin

It is important to note that our Group's investment in Lime is proposed as the initial Qualifying Acquisition and that post approval of our Qualifying Acquisition, our Company would be seeking further opportunities (albeit on a smaller scale) as income generating opportunities.

7. RISK FACTORS

7.1 Lime Group has a limited operating history as a company

Lime Group has a limited operating history on which to assess its future expected performance. There can be no assurance that the future growth and performance of Lime Group will be successful. To-date, no discoveries have been made within the respective concession areas and a DOC has not been declared.

7.2 Lime Group is exposed to the escalation of the costs of materials and services for its operations

Lime Group's exploration and operating costs are based on estimates and assumptions with respect to the method and timing of expenditure. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual expenditure and costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the estimates and the underlying assumptions will be realised in practice, which may adversely affect Lime Group's financial performance.

7.3 Lime Group is reliant on third-party infrastructure

As an E&P group, Lime Group does not own nor maintain all the infrastructure that produces, processes and transports oil and gas to customers. Such infrastructure, which includes pipelines and storage tanks, is leased from third-party providers and Lime Group has no control over the quality and availability of this infrastructure. Lime Group may from time to time face interruptions due to logistical complications which may paralyze sales or eall for more expensive alternatives and thus have an adverse effect on Lime Group's operations, business and profitability.

7.4 Our Company is exposed to the risks of shortages of qualified personnel and is reliant on its ability to retain and recruit skilled personnel and professional staff

Our Company requires highly skilled personnel to provide technical and engineering services and for the exploration and the subsequent potential development and production of hydrocarbon resources. With inereasing demand for experienced geoscientists and petroleum engineers, shortages of qualified personnel occur from time to time. These shortages could result in the loss of qualified personnel to competitors, impair our ability to attract and retain qualified personnel for new or existing projects, impair the timeliness and quality of our work and create upward pressure on personnel costs, any of which could adversely affect Lime Group's operations and financial performance. The loss of the services of any of our key personnel without timely suitable replacement, or the inability to attract and retain qualified personnel could have an adverse effect on Lime Group.

7.5 Lime Group's business development may require external financing and its ability to obtain external financing is uncertain

Lime Group may need to obtain external debt and equity financing, through public or private financing or farm-out of some contract areas to support growth. There is no assurance that such additional funding, if needed, will be available on acceptable terms, or at all. Lime Group's inability to obtain sufficient funding for operations or development plans could adversely affect its business, revenues, net income and cash flow.

7.6 Lime Group is subject to government approvals for the extension of the term of certain eontract areas

If exploration success is achieved in a contract area, Lime Group may be required under the licence terms to apply for contract extensions to provide adequate time to explore and develop the relevant contract area. Approvals of such extensions are based on the fulfilment of work programmes. In the event that Lime Group is not able to fulfil its work programme obligations on the contract areas or are in breach of the licence terms, the host government may not grant extensions on the terms of these contract areas. The host government is under no obligation to approve any extension of the term of certain contract areas, which may have an adverse effect on Lime Group's financial condition and results of operations.

7.7 The performance of Lime Group's overseas assets may be adversely affected by political and social uncertainties

Any potential political and social instability in the countries in which Lime Group operates may adversely affect the local economic and market conditions, and Lime Group's operations, in which event Lime Group's business and financial performance may be adversely affected.

7.8 Lime Group may be subject to sovereign immunity risk in the countries in which it operates

The countries in which Lime Group operates have laws which entrench and vest all rights over their natural resources, including oil and gas, which are regarded as sovereign state assets. These countries have also established state-owned entities which enter into commercial contracts with E&P companies in relation to the exploration, development and production of oil and gas resources. Accordingly, the natural resources discovered within a contract area are ultimately owned by the state and the E&P company has contractual rights of exploration, development and production. As Lime Group's contracts are with state-owned entities, in the event of a dispute, it is uncertain if these state-owned entities will be able to invoke the principles of sovereign immunity. If such immunity is invoked, the enforcement of Lime Group's rights may be limited and therefore its financial condition, results of operations and prospects may be adversely affected.

7.9 Lime Group is exposed to foreign exchange risks

A portion of Lime Group's expenses is denominated in local currencies. Any significant increase in the value of these currencies could have an adverse impact on Lime Group's financial condition and results of operations.

7.10 Terrorist activities and other acts of violence or war could adversely affect Lime Group's financial condition, results of operations and prospects

Terrorist attacks and other acts of violence or war may adversely affect financial markets globally. These acts may also result in a loss of business confidence, decrease the demand for Lime Group's products and ultimately adversely affect their business. In addition, any such activities in the countries in which Lime Group operates, or neighbouring countries in the Middle East, might result in concern about the stability in the region, which could adversely affect Lime Group's financial condition, results of operations and prospects.

7.11 Lime Group may be subject to changes in taxation in the countries in which it operates

The governments and other regulatory agencies in the countries in which Lime Group operates may make changes in laws relating to taxation and duties and may impose higher tax and customs rates, which may adversely affeet Lime Group's financial condition, results of operations and prospects.

7.12 **Lime Group's business, revenues and profits may fluctuate with changes in oil and gas prices**

Limc Group's revenues, profits and the rate of future growth will be substantially dependent upon the prices of, and demand for, oil and gas. Oil and gas markets may continue to experience volatility in the future and even relatively modest declines in oil and gas prices may adversely affect Limc Group's business, revenues and profits. The price received by Lime Group for its products will depcnd on changes in the supply of, and demand for, oil and gas in the global markets, market uncertainty and a variety of additional factors that are beyond Lime Group's control, including, inter alia, the following:

- economic and political conditions in the countries where Lime Group operates and in other petroleum producing regions;
- the ability of OPEC and other petroleum producing nations to set and maintain production levels and prices;
- changes in domestic and foreign government regulations;
- changes in weather conditions;
- the price and availability of alternative fuels;
- changes in the economic sharing arrangements for revenues between Lime Group and the host governments of the eountries where Lime Group has operations; and
- unexpected events beyond Lime Group's control.

There can be no assuranee that the government authorities and agencies that regulate Lime Group's operations will not adopt an oil pricing policy that would adversely affeet Lime Group's future results of operations and consequently, financial performance.

7.13 **Lime Group is exposed to exploration, development and production risks**

The results of exploration, development and production are uncertain and, therefore, oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not achieve sufficient revenues to return a positive cash flow. Drilling hazards or environmental damage could greatly increase cost of operations and adverse field operating conditions may affect Lime Group's produetion from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanieal eonditions. Production delays and declines from normal field operating eonditions may oceur and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Lime Group's oil and gas exploration, appraisal, discovery, development and production operations involve risks including blowouts, oil spills and fires (each of which could result in damage to, or destruction of, wells, production facilities or other property, injury to persons or environmental pollution), geological uncertainties and unusual or unexpected rock formations and abnormal pressures, which may result in dry holes, failure to produce oil or gas in eommercial quantities or an inability to fully produce discovered reserves. Estimates of oil and gas reserves in the subsurface are made by inferring subsurface conditions from limited surfaee data such as seismic data, and wells that penetrate only a small fraction of potential and actual reservoirs. Sueh inferences are, by their nature, uneertain and while sueh uncertainties can be reduced by additional seismic data or the drilling of further wells, they cannot be eliminated. Offshore operations are also subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, collision and damage from severe weather conditions. These hazards eould result in substantial losses to Lime Group due to injury and loss of life, severe damage to, or destruction of, property and equipment, pollution and other environmental damage or suspension of operations.

The occurrence of a signifieant event that Lime Group is not fully insured against, or the insolveney of the insurer of such an event, could have an adverse effect on Lime Group's financial eondition, results of operations or prospects.

7.14 **The oil and gas business is reliant on the discovery and production of replacement reserves**

Following the completion of the Proposals, Lime Group must continually explore, develop and acquire new hydrocarbon reserves to replace those produced and sold. Lime Group's ability to achieve this objective is dependent, in part, on the level of investment in exploration activities and success in discovering or acquiring additional oil and gas reserves. Without reserve additions, Lime Group's reserves and production will decline over time, which would adversely affect Lime Group's future financial position and performance.

7.15 **Lime Group's future insurance coverage may not cover all types of possible losses and may be insufficient to cover certain losses**

Lime Group's operations are subject to various risks inherent in exploration, development and production operations, many of which concern recklessness and negligence in operations and may cause personal injury, loss of life, severe damage to or destruction of Lime Group's or other's property and environmental pollution. This may even result in suspension of operations and the imposition of civil or criminal penalties. Lime Group's future insurance policies may not cover, and insurance may not be commercially available, to cover all potential risks to which Lime Group is or may be exposed.

7.16 **Lime Group operates in a competitive environment**

The oil and gas industry is competitive. Lime Group's competitors for the acquisition, exploration, development and production of oil and gas assets in the Middle East and for capital to finance such activities include companies that have greater financial resources available, longer operating histories and larger teams of technical and professional staff. Lime Group's ability to successfully bid on and enter into new licences or otherwise acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon a continuation of Lime Group's relationships with partners and its ability to select and evaluate suitable properties. In the event that Lime Group is unable to identify suitable properties successfully or continue satisfactory relationships with partners and compete effectively, its financial condition and results of operations would be adversely affected.

7.17 **Lime Group is subject to environmental risks**

The oil and gas industry is subject to laws and regulations relating to environmental and safety matters in the exploration for and the development and production of hydrocarbons. The discharge of oil, gas or other pollutants into the air, soil or water may give rise to liabilities and may require Lime Group to incur costs to remedy such discharge. There is no assurance that environmental laws and regulations will not in the future result in a curtailment of production or a material increase in the costs of production, development or exploration activities which would adversely affect Lime Group's financial condition and results of operations. Further, there is a risk that, in the event that Lime Group does incur costs to remedy any such discharges, such costs could exceed the value of Lime Group's assets or insurance cover.

7.18 **Lime Group is subject to government regulations relating to the oil and gas industry**

Host governments continue to exercise significant influence over many aspects of their respective economies including the oil and gas industry and any government action concerning this could have an adverse effect on Lime Group. Further, there is no assurance that these governments will not postpone or review projects or will not make any changes to government policies, in each case, which could adversely affect Lime Group's financial position, results of operation or prospects. Some of these changes include a change in oil or gas pricing policy, expropriation, nationalism, renegotiation or nullification of existing concessions and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations and currency controls.

7.19 The resource data used in the valuation report by Pareto Asia is based on reports by independent third party consultants and may require substantial revisions as a result of future drilling, testing and production

The valuation report by Pareto Asia to assess the fair market value of Lime Group includes estimates of Lime Group's share of resources made by Aker Geo. There are numerous uncertainties inherent in assessing quantities of resources, including, inter alia, the following:

- the quality and quantity of technical data;
- the assumed effects of regulations by governmental agencies and future operating costs;
- the percentage of OOIP and OGIP to be recovered; and
- extensive engineering, geological and geophysical judgements.

Understanding of the subsurface conditions is based on the interpretation of the best data available but due to the inherent uncertainty of such interpretation, the independent consultant may reach incorrect conclusions.

The resource volumes set out in the valuation report represent estimates only. Many of the factors, assumptions and variables involved in estimating resources are beyond Lime Group's control and may prove incorrect over time. In this regard, should there be a decline in the fair market value of Lime Group, our Company is exposed to the diminution in the value of our Company's investment which would ultimately affect our Company's financial results.

7.20 Completion risk

The completion of the Proposals is conditional upon certain conditions set out in the SSA, SPA and Shareholders Agreement being satisfied and/or waived as the case may be, which include, among others, the approvals from relevant authorities and third parties. There can be no assurance that the Proposals will not be exposed to risks such as the inability to obtain the approvals from the relevant authorities and third parties. The inability of our Company to complete the Proposals would also cause a loss of investors' confidence which could negatively impact our share price.

7.21 Termination risk of the PMTSA

The tenure of the PMTSA is for an initial period of 5 years and thereafter shall be automatically renewed on an annual basis unless either party gives 6 months' notice prior to the end of the then concurrent term that it wishes to terminate the PMTSA. If Lime Shares are admitted to AIM (or on any other equivalent stock exchange), the PMTSA shall continue for a period of 3 years from the date of the AIM Listing and thereafter shall be automatically renewed on an annual basis unless either party gives 6 months' notice prior to the end of the then concurrent term that it wishes to terminate the PMTSA. Subject to earlier termination in accordanee with the terms of the PMTSA, the PMTSA shall continue until the last of the Concession or any future concessions terminates.

In the event that the PMTSA is terminated or is not renewed, Hibiscus Oilfield will no longer be the Project Manager. As such, Hibiscus Oilfield will no longer be responsible for the day-to-day operations and management of the Concessions and Hibiscus Oilfield's financial control, influence in the decision-making of operational matters and timing of the conduct of activities within the Concessions would reduce accordingly.

7.22 Investment risk

Although your Board believes that our Company would derive benefits from the Proposals, there can be no assurance that the anticipated benefits of the Proposals will be realised or that our Company will be able to generate sufficient future revenues streams from the Proposals to offset the acquisition costs incurred.

However, as detailed in Section 4, there are numerous factors present in the Proposals which are believed to mitigate the risks in our investment in Lime Group as well as the risks inherent in the E&P industry. To re-iterate, the mitigating factors include the following:

- Our Company is not dependent on a sole asset in a single jurisdiction or multiple assets in a single jurisdiction as Lime Group's assets are located in 2 different countries. In addition, the large acreage position of the Concessions and the existence of multiple prospects within each of the Concessions, provides even further asset and risk diversification;

- Lime Group's assets in Ras Al Khaimah and Oman are located in a proven basin and in politically stable areas;
- Our Company will have joint control of Lime Group through its role as Project Manager of the Concessions, and board appointments in companies within Lime Group;
- Our Company's partners, Rex and Schroder, provide valuable contributions through exclusive use of Rex Technologies, and financial expertise respectively; and
- There would be sufficient funds in Lime Group after the completion of the Proposals to fund the 2012/2013 drilling programme, with other funding avenues available to Lime Group.

Our Company has also taken necessary steps by appointing a team of experienced advisers to provide technical, legal, corporate and financial advisory services in relation to the Proposals.

8. EFFECTS OF THE PROPOSALS

The effects of the Proposals on our Group are set out below:

8.1 Share capital and substantial shareholders' shareholdings

The Proposals will not have any impact on the issued and paid-up share capital and the substantial shareholders' shareholdings of our Group as there will be no new issue of Shares pursuant to the Proposals.

8.2 NA and gearing

The Proposals will not have any impact on the NA and gearing of our Group.

8.3 Earnings and EPS

As the concession assets to be acquired are at the exploration stage, no earnings are attributable to Lime Group. Therefore, the Proposals are not expected to have any material effect on the earnings and EPS of our Group for the FYE 31 March 2012 except for the acquisition-related costs estimated to be RM6 million, which will be expensed off to the statement of comprehensive income.

9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pursuant to the completion of the Proposals, Gulf Hibiscus will hold a 35% equity stake in Lime, the holding company of Lime BVI which in turn has majority interest in Masirah, Dahan, Zubara and Baqal. As stated in Section 2.3, Lime, Lime BVI, Zubara and Baqal were incorporated on 15 August 2011, 10 June 2011, 5 July 2011 and 6 January 2012 respectively. Hence, no audited financial statements of these companies have been prepared as at LPD. A discussion and analysis of the financial conditions, results of operations and prospects of Dahan and Masirah is set out below:

Dahan

For the financial period between 30 April 2010 (date of incorporation) and 31 August 2011, Dahan posted a net loss of RM151,000. No revenue has been generated as yet given that Dahan is currently at the exploration stage. The net loss was attributable to the administrative expenses of RM151,000 which includes legal fees (RM74,000), audit fees (RM9,000) and other professional costs (RM12,000). Within the same financial period, Dahan also capitalised exploration and evaluation costs of RM6,396,000 of which RM5,198,000 was attributable to project survey costs (please see Accountants' Report set out in Appendix VI for further details).

Masirah

For the financial period between 2 April 2009 (date of incorporation) and 31 August 2011, Masirah posted a net loss of RM369,000. No revenue has been generated as yet given that Masirah is currently at the exploration stage. The net loss was attributable to administrative expenses of RM369,000 which includes audit fees (RM94,000), staff costs (RM71,000), office rental (RM16,000) and other professional costs (RM178,000). Exploration and evaluation costs capitalised during the same financial period amounted to RM2,378,000 (please see Accountants' Report set out in Appendix VI for further details).

Under the terms of the Block 50 EPSA, Masirah has a minimum work obligation during the initial phase of the work program which will require USD4 million (equivalent to RM12.2 million) to USD13 million (equivalent to RM39.8 million) to complete, of which an estimated USD9 million (equivalent to RM27.5 million) could be incurred if drillable prospects are found. As at 31 August 2011, Masirah had incurred USD798,000 (equivalent to RM2.4 million) relating to the minimum work obligation.

As at 31 August 2011, both Dahan and Masirah did not have any borrowing facilities. Liquidity risk is managed by ensuring that they have sufficient liquid resources though holding cash. As at 31 August 2011, Dahan had RM66.9 million cash in hand while Masirah had RM11.8 million cash in hand. An additional USD7.15 million (equivalent to RM21.9 million) is anticipated to be received from Petroci (see Section 2.3 for further details).

For further details on the trends in oil prices and the E&P industry which would have a large bearing on Lime Group's future financial position and results, and operations, please see the E&P industry report in Appendix III. For further details on the risks Lime Group may face that could materially affect Lime Group's financial position and results, and operations, please see Section 7.

10. POLICIES ON FOREIGN INVESTMENT, TAXATION AND REPATRIATION OF PROFITS

10.1 British Virgin Islands

(a) Foreign investment

There are no limitations, under BVI law on the right to subscribe for or otherwise hold shares in BVI companies solely by reason that a person is not a resident of the BVI or is a national of a foreign state. There are no requirements under BVI law for any person in the BVI to be an equity participant in a BVI business company.

(b) Taxation

BVI companies are exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts paid by them to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a BVI company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of a BVI company.

No stamp duty is payable in the BVI on a transfer of shares, debt obligations or other securities of a BVI company, unless that company, or any of its subsidiaries has an interest in land in the BVI.

(c) Repatriation of profits

There are no exchange control restrictions or currency restrictions in the BVI that would prevent the repatriation of funds of a profit nature derived from an investment in a BVI business company by shareholders resident outside of the BVI.

10.2 Isle Of Man

(a) Foreign investment

There are no limitations under the Isle of Man law on the rights to subscribe for or otherwise hold shares in Isle of Man companies solely by reason that a person is not a resident of the Isle of Man or is a national of a foreign state. There are no specific requirements that a minimum percentage of a company's equity share capital be held by an Isle of Man resident person or an Isle of Man incorporated company.

Certain industries including (but are not limited to) banking, insurance and financial services in the Isle of Man are regulated and the consent of the relevant regulator is required before shareholdings in excess of a particular threshold may be aequired by any person (irrespective of residence, nationality or jurisdiction of incorporation).

Lime is limited to acting as a holding company for a number of subsidiaries, none of which (i) are incorporated in the Isle of Man or registered in the Isle of Man as an overseas eompany, (ii) have any presence in the Isle of Man or (iii) undertake any business in the Isle of Man. On that basis, no regulatory approval is required in the Isle of Man before a person may become a shareholder in Lime.

(b) Taxation

In principle, taxes which are charged in the Isle of Man by the Isle of Man Government include:

(a) indirect taxes in the form of value added tax, customs and excise duties and vehicle licence duty; and

(b) direct tax in the form of income tax which is chargeable upon income arising or accruing from sources in the Isle of Man or income arising or accruing from sources outside the Isle of Man that belong to persons residing in the Isle of Man.

No capital gains tax is charged in the Isle of Man.

A zero tax rate applies for all companies except those which derive their income from banking business or land and property in the Isle of Man or who elect to pay income tax at a rate of 10%.

(c) Repatriation of profits

An Isle of Man company that does not derive its income from banking business or land and property in the Isle of Man and does not elect to pay income tax at a rate of 10% (such as our Company) has no requirement to make any deduction or withholding of tax on dividends paid to shareholders resident outside of Isle of Man.

For further details, please refer to the expert's reports on policies on foreign investments, taxation and repatriation of profits in Appendix IV.

11. VOTING ON PROPOSALS

In accordance with Article 61C(4) of our M&A, as the Proposals are intended to constitute the Qualifying Acquisition pursuant to our Company's status as a SPAC, the Proposals shall be subject to the prior approval of:

(a) a majority in number of the holders of the Hibiscus Petroleum Shares;

(b) representing at least 75% of the total value of our Share capital held by the relevant holders of Hibiscus Petroleum Shares, present and voting either in person or by proxy at our forthcoming EGM (excluding members of the Management Team and persons connected to them, who are not permitted to vote), such voting on the resolutions in relation to the Proposals to be carried out by way of poll.

Accordingly, both the above criteria of a majority in number and at least 75% of the total value of our relevant Share capital must be satisfied in order for the Proposals to be duly approved.

Each Hibiscus Petroleum Share that you own in your name entitles you to one vote (in terms of value) at our forthcoming EGM for purposes of determining item (b) above.

There are 2 ways to vote at our forthcoming EGM:

(a) you can appoint a proxy to vote for and on your behalf. Your appointed proxy, whose name is listed on the Form of Proxy, will be provided a voting slip during our forthcoming EGM and will vote on your behalf in accordance with your instructions on the Form of Proxy. If you have not given any instructions on the Form of Proxy, your proxy is entitled to vote for or against the resolutions pertaining to the Proposals or abstain from voting at his/her/their discretion. Votes received after the resolutions have been voted upon at our EGM will not be counted; or

(b) you can attend our EGM and vote in person. Our Company will give you a voting slip upon registration. However, if your Hibiscus Petroleum Shares are held in the name of your broker, bank or a nominee in which you are the beneficial owner, you must obtain a Form of Proxy from the broker, bank or your nominee to appoint you as their proxy. This is to ensure that your broker, bank or nominee has not already voted on your Hibiscus Petroleum Shares at our EGM.

For purpose of determining who shall be entitled to attend our forthcoming EGM in accordance with Articles 65(b) and 65(c) of our M&A and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, our Company shall be requesting Bursa Depository to issue a General Meeting Record of Depositors as at 14 March 2012 and only depositors whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

12. QUALIFYING ACQUISITION SHARE REPURCHASE

In accordance with Article 61C(6) of our M&A, if you vote against ALL the resolutions pertaining to the Proposals, you are entitled to require our Company to repurchase your Hibiscus Petroleum Shares ("**Relevant Shares**") and receive payment for your Relevant Shares PROVIDED ALWAYS THAT such Proposals are duly approved at our forthcoming EGM and the Proposals are fully and duly completed within the Permitted Timeframe.

12.1 Procedures for shares repurchase

If you intend to exercise your rights to require our Company to repurchase your Relevant Shares which are standing credit in your CDS account for which you are the owner of the Relevant Shares as at the Record Date, you are required to strictly observe the following requirements and procedures. You must continue to own your Relevant Shares through the date of our forthcoming EGM (including any adjournment thereof) until the day your Relevant Shares are transferred to the Share Custodian's CDS account (<u>the transfer(s) could be effected on the same day as our forthcoming EGM</u>), in accordance with Section 12.2.

A request form which requires our Company to repurchase your Relevant Shares is enclosed with this Circular ("**Request Form**"). You can also obtain a copy of the Request Form from our share registrar's office during normal business hours from 8.30 a.m. to 5.30 p.m. on Mondays to Fridays (excluding public holidays in Malaysia). The details of our share registrar are as follows:

[The rest of this page has been intentionally left blank]

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone	:	603-2264 3883
Facsimile	:	603-2282 1886

If you are attending our forthcoming EGM in person, please follow the following steps:

Prior to our EGM:

(i) You must complete and sign the Request Form.

During our EGM:

(i) A voting slip will be provided upon registration at our forthcoming EGM.

(ii) You must complete the voting slip by voting against ALL the resolutions in the appropriate boxes and sign the voting slip pertaining to the Proposals.

(iii) You must lodge the eompleted and signed Request Form to our share registrar together with the voting slip at our forthcoming EGM.

If you are appointing a proxy to vote at our forthcoming EGM (with your instructions on the Form of Proxy), please follow the following steps:

Prior to our EGM:

(i) You must complete and sign the Request Form. Your appointed proxy must have possession of your duly completed and signed Request Form during our EGM.

(ii) You must complete the Form of Proxy by voting against ALL the resolutions pertaining to the Proposals.

(iii) The duly completed Form of Proxy must be deposited at our share registrar's office no later than 48 hours before the time fixed for our EGM (including any adjournment thereof).

During our EGM:

(i) A voting slip (printed in accordance with the voting instruction provided in the Form of Proxy) will be provided to your appointed proxy upon registration.

(ii) Your appointed proxy must complete the voting slip by signing the voting slip pertaining to the Proposals.

(iii) Your proxy must lodge the duly completed and signed Request Form to our share registrar together with the voting slip at our EGM.[1]

Note:
(1) *If you appoint the Chairman as your proxy, the Chairman must vote against ALL the resolutions pertaining to the Proposals on your behalf and must have possession of your duly completed and signed Request Form prior to the forthcoming EGM for you to be entitled to exercise your rights to require our Company to repurchase your Relevant Shares. Therefore, the duly completed and signed Request Form together with the Form of Proxy must be deposited at our share registrar's office no later than 48 hours before the time fixed for our forthcoming EGM (including any adjournment thereof).*

<u>If you are appointing a proxy to vote at our forthcoming EGM (without any instructions on the Form of Proxy), please follow the following steps:</u>

Prior to our EGM:

(i) You must complete and sign the Request Form. Your appointed proxy must have possession of your duly completed and signed Request Form during our EGM.

(ii) Complete the Form of Proxy.

(iii) The duly completed Form of Proxy must be deposited at our share registrar's office no later than 48 hours before the time fixed for our EGM (including any adjournment thereof).

During our EGM:

(i) A voting slip will be provided to your appointed proxy upon registration.

(ii) Your appointed proxy must complete the voting slip by voting against ALL the resolutions in the appropriate boxes and sign the voting slip pertaining to the Proposals.

(iii) Your proxy must lodge the duly completed and signed Request Form to our share registrar together with the voting slip at our EGM.[1]

Note:
(1) *If you appoint the Chairman as your proxy, the Chairman must vote against ALL the resolutions pertaining ta the Proposals on your behalf and must have possession of your duly completed and signed Request Form prior to the forthcoming EGM for you to be entitled to exercise your rights to require our Compony to repurchase your Relevant Shares. Therefore, the duly completed and signed Request Form together with the Form of Proxy must be deposited at our share registrar's office no later than 48 hours before the time fixed for our forthcoming EGM (including any adjournment thereof).*

For the avoidance of doubt, our Company will not be obliged to process your request for repurchase of your Relevant Shares UNLESS the above procedures and requirements are strictly complied with and such share repurchase is also subject to verification by our share registrar that you have voted against ALL the resolutions pertaining to the Proposals at our forthcoming EGM and are fully entitled to exercise such share repurchase option. <u>Any request for your Relevant Shares to be purchased by our Company is irrevocable and, once made, cannot be withdrawn</u>.

If subsequent to a proxy appointment you wish to attend and vote in person at our forthcoming EGM, you are required to attend our forthcoming EGM in person and execute a written revocation of the proxy appointment (in the same manner as the original proxy appointment). For the avoidance of doubt, such written revocation must be received by our Company prior to the commencement of our forthcoming EGM in order to be effective.

12.2 Transfer of Relevant Shares

Provided that you have strictly complied with all the relevant procedures and requirements set out in this Circular and/or in the Request Form, our Company will transfer your Relevant Shares out from your CDS account and will credit your Relevant Shares into a Share Custodian's CDS account maintained with Bursa Depository <u>(such transfer(s) could be effected on the same day as our forthcoming EGM)</u>.

12.3 Method of satisfaction

The satisfaction of the purchase consideration – equivalent to a pro-rata portion of the amount then held in the Trust Account (net of any related taxes and expenses) – for the repurchase of your Relevant Shares by our Company will be effected by our Company within 7 Market Days after the Proposals are fully and duly completed (in accordance with all the agreed terms and requirements of the parties, including the full registration/transfer of the legal and beneficial ownership over the Lime Shares in favour of Gulf Hibiscus). The estimated timeframe for the Proposals to be fully and duly completed is as below:

Timeframe	Events
T	Your approval of tbe resolutions pertaining to the Proposals at the forthcoming EGM (assuming that the EGM is the last condition precedent to be fulfilled)
T + 10 business days	Closing for SPA and Tranche Two (as defined in Section 2.5.2)
T + 15 business days	Payment of consideration for the SPA and the Tranche Two amount of USD46 million
T + 20 business days^	Full and due completion*

Note:

* *Full and due completion extends to the full registration/transfer of the legal and beneficial ownership over the subject shares in favour of Gulf Hibiscus and is envisaged to be evidenced by the entry of Gulf Hibiscus's name into the register of member of Lime, the issuance of signed share certificates in the name Gulf Hibiscus and the delivery to Gulf Hibiscus of the certified true copies of the updated register of members, share certificates, confirmation letter from the custodian and board of directors resolution.*

^ *As currently contemplated, based on various assumptions and expectations*

<u>SPA</u>

Under the SPA, the closing of the transaction shall take place on the 10th business day after the satisfaction or waiver of the last outstanding conditions precedent or such other date as may be agreed by the parties ("**SPA Closing Date**").

At closing, Rex and Gulf Hibiscus shall complete and procure the fulfillment of their respective obligations, which would include, among others, the obligations of Gulf Hibiscus to pay the consideration amount of USD5 million to Rex within 5 business days after the SPA Closing Date. Further at closing, Rex would, among others, deliver the executed transfers of the 22,153,846 existing Lime Shares (together with the relevant share certificates) to Gulf Hibiscus.

<u>SSA</u>

Pursuant to the terms of the SSA, Tranche Two closing date would fall on the 10th business day after the fulfillment or waiver of the last Tranche Two Conditions or such other date as may be agreed by the parties ("**Tranche Two Closing Date**").

On Tranche Two Closing Date, Gulf Hibiscus shall subscribe for the Tranche Two Shares and shall pay the Tranche Two amount of USD46 million to Lime within 5 business days after the Tranche Two Closing Date. Within 10 business days from the Tranche Two Closing Date, Lime shall deliver the requisite copies of the share certificate, updated register of members and confirmation letter from the custodian, to Gulf Hibiscus.

All Relevant Shares repurchased by our Company will be cancelled by our Company.

The satisfaction of the purchase consideration for the repurchase of Relevant Shares will be effected, pursuant to Article 61C(6) of our M&A, via remittances in the form of cheque(s), banker's draft(s) or cashier's orders(s) which will be despatched by ordinary mail to your registered address stated in the Record of Depositors as at the Record Date at your own risk.

12.4 Non completion of Proposals

In the event that the Proposals are not fully and duly completed within the Permitted Timeframe, your Relcvant Shares credited into the Share Custodian's CDS account shall be transferred out to your CDS account based on details stated in the Reeord of Depositors as at the Reeord Date at your own risk within 7 Market Days after the announcement on Bursa Securities that the Proposals will not be completed.

13. TERMS AND PROCEDURES FOR LIQUIDATION DISTRIBUTION

In the event our Company fails to complete a Qualifying Acquisition within the Permitted Timeframe, our Company must be liquidated. Consequently, pursuant to Article 61C(7) of our M&A:

If our Company does not duly complete a Qualifying Acquisition within the Permitted Timeframe or our Company is delisted by Bursa Securities before due completion of a Qualifying Acquisition, the following shall take effect:

(a) our Company shall be dissolved, wound up and liquidated under the Act (all members shall approve and vote in favour of the relevant resolutions for this purpose) in accordance with all applicable laws and regulations and such process shall be commenccd by your Board as soon as practicable within 60 days after the expiry of the Permitted Timeframe;

(b) the amount then held in the Trust Account (net of any taxes payable and direct cxpenses related to the liquidation distribution) shall be distributed to the holders of the Shares on a pro-rata basis as soon as practicable in accordance with the provisions of the Act and other applicable laws and regulations provided always that members of the Management Team and persons connected to them (as defincd in the SC Equity Guidelines) (including but not limited to Hibiscus Upstream) and the Initial Investors shall not be entitled to (and shall not participate in) the liquidation distribution of the monies held in the Trust Account, except in relation to Shares purchased by them after the Listing Date and the Shares purchased by the persons connected to the Management Team pursuant to the IPO.

The liquidation distribution referred to above shall be calculated on the following basis:

$$A = \frac{B}{C}$$

Whcre:

"A" represents the amount per Share payable to you;

"B" represents the amount then held in the Trust Account (net of any taxes payable and direct expenses related to the liquidation distribution); and

"C" represents the total number of issued Shares, excluding the number of Shares held by the Managcment Team, persons connected to them and the Initial Investors (except in relation to Shares purchased by them after the Listing Date and the Sharcs purehased by the persons connected to the Management Team pursuant to the IPO).

The above liquidation terms and procedures will also apply in a situation where the Qualifying Acquisition has been approved by you but fails to be completed on time, within the Permitted Timeframe.

14. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the directors of our Company or major shareholders and persons connected with a director or major shareholder of our Company has any interest, direct or indirect, in the Proposals.

Pursuant to Section 6.31 of the Equity Guidelines, our Management Team and persons connected to them must not vote on the resolutions to be tabled at our forthcoming EGM in relation to the Proposals. As such, Hibiscus Upstream, being a company which holds Shares and Warrants-B on behalf of Zainul Rahim bin Mohd Zain, Dr Rabi Narayan Bastia, Dr Kenneth Gerard Pereira, Dr Pascal Josephus Petronella Hos, Ir Mohd Iwan Jefry bin Abdul Majid and Joyce Theresa Sunita Vasudevan, will abstain from voting in respect of its shareholding in our Company on the resolutions to be tabled at our forthcoming EGM in relation to the Proposals.

15. APPROVALS REQUIRED

The Proposals are subject to, among others, the following approvals being obtained:

(a) SC for the Proposals (received vide its letter dated 16 February 2012);

(b) your approval at our forthcoming EGM for the Proposals; and

(c) any other approvals from the relevant authorities/parties, if required.

The Proposed Subscription and Proposed Acquisition are inter-conditional upon one another.

16. ESTIMATED TIME FRAME FOR COMPLETION

The tentative timetable in relation to the Proposals is set out below:

Week Beginning	Events
19 March 2012	The EGM of our Company to be convened to approve the resolutions pertaining to the Proposals
23 April 2012	Completion of Proposals

Barring any unforeseen circumstances, your Board expects the Proposals to be completed in the first half of 2012.

17. PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

Save for the Proposals, there are no other outstanding proposals which have been announced but not yet completed prior to the printing of this Circular.

18. DIRECTORS' RECOMMENDATION

Your Board, after having considered all aspects of the Proposals (including but not limited to the rationale and effects of the Proposals, and our Group's prospects), is of the opinion that the Proposals are in the best interest of our Company and accordingly, recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

19. EGM

An EGM, the notice of which is set out in this Circular, will be held at PJ Hilton Hotel, Kristal Ballroom I, 1st floor, West Wing, Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on 21 March 2012 at 9.30am or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals.

You are entitled to attend and vote at our forthcoming EGM or appoint a proxy to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our share registrar's office at Level 17, The Gardens, North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur no later than 48 hours before the time fixed for our EGM or any adjournment thereof. The last day and time for you to lodge the Form of Proxy is on 19 March 2012 at 9.30am. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

20. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of your Board
HIBISCUS PETROLEUM BERHAD

ZAINUL RAHIM BIN MOHD ZAIN
Chairman

1. Information on Lime

Lime was incorporated in Isle of Man on 15 August 2011 as a public company limited by shares under the Isle of Man Companies Acts 1931 to 2004. Lime was subsequently de-registered under the Isle of Man Companies Act 1931 to 2004 and re-registered as a company under the Isle of Man Companies Act 2006 on 1 November 2011*. The principal activity of the company is to own and manage oil and gas assets.

Note:

* *Lime is re-registered under the Isle of Man Companies Act 2006 to, among others, facilitate the share repurchase requirement under the SSA in the event of non-completion (please see Section 2.5.7 of the Circular to shareholders for further details on the share repurchase requirement under the SSA).*

Lime is the holding company of Lime BVI which in turn has majority interests in the Concession Companies, as set out below:

Name of Concession Companies	Concession rights in offshore oil and gas exploration assets
Dahan	RAK North Concession in Ras Al Khaimah
Zubara	Sharjah Concession in Sharjah
Masirah	Block 50 Oman Concession in Sultanate of Oman

Lime Group is principally involved in E&P activities in the oil and gas industry in the Middle East region.

2. Share capital

The authorised and issued and paid-up share capital of Lime as at LPD is as follows:

	USD
Authorised	
300,000,000 ordinary shares of USD0.05 cents each	150,000
Issued and Paid-Up	
212,758,974 ordinary shares of USD0.05 cents each	106,379

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3. Directors

According to the certified copy of the register of directors dated 17 February 2012, the directors of Lime and their direct shareholdings in the company are as follows:

Directors*	Nationality	Designation	No. of Lime Shares	%
Laurence Keenan	British	Director	-	-
Simon Comina	Swiss	Director	-	-
Svein Kjellesvik	Norwegian	Chairman	-	-
Dr. Kenneth G. Pereira	Malaysian	Director	-	-

Note:

* *Ashley Anne Keenan was appointed as an alternate Director to Laurence Keenan on 16 December 2011.*

4. Shareholders

According to the certified copy of the register of members and share ledger dated 17 February 2012, the substantial shareholders and their direct shareholdings in the company are as follows:

Shareholders	Place of Incorporation	No. of Lime Shares	%
Schroder	Switzerland	24,353,846	11.45
Rex	British Virgin Islands	181,800,000	85.45
Gulf Hibiscus	Labuan, Malaysia	6,605,128	3.10

Save as disclosed above, there have been no changes in the substantial shareholders in Lime since its incorporation until the LPD.

5. Subsidiaries and associate companies

As at LPD, Lime has only 1 wholly-owned subsidiary, which is Lime BVI, and does not have any associate companies.

Further details of Lime BVI are set out in Appendix I(b).

6. Summary of financial data

Lime was only incorporated on 15 August 2011. Hence, no audited financial statements have been prepared as at LPD.

7. Material commitments

As at LPD, Lime is not aware of any material commitments incurred or known to be incurred by them that may have an impact on the profits and NA of Lime upon becoming enforceable.

8. Contingent liabilities

As at LPD, Lime is not aware of any contingent liabilities incurred or known to be incurred by them that may have an impact on the profits and NA of Lime upon becoming enforceable.

9. Material contracts

Saved as disclosed below, as at LPD, Lime has not entered into any other material contracts in relation to the business of Lime (including contracts not reduced in writing) which is not in the ordinary course of business since its incorporation:

(i) Lime had entered into the SSA dated 24 October 2011 with Gulf Hibiscus in respect of the Proposed Subscription;

(ii) Lime had entered into the Shareholders Agreement dated 24 October 2011 with Rex, Schroder and Gulf Hibiscus;

(iii) Lime had entered into the PMTSA dated 24 October 2011 with Hibiscus Oilfield. Please see Section 2.8.3 of the Cireular to shareholders for details on the project management fees; and

(iv) Lime had entered into the IP Licence Agreement dated 24 October 2011 with Rex. The licence fees shall be charged at an hourly rate of USD150 (for project engineers) and USD300 (for projeet managers) respectively for using the intellectual property rights.

10. Material litigation, claims or arbitration

As at LPD, Lime is not involved in any material litigation, claims or arbitration either as plaintiff or defendant and the directors do not have any knowledge of any proceedings, pending or threatened against Lime and any facts likely to give rise to any proceedings which might materially and adversely affect the financial position of Lime.

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INFORMATION ON LIME BVI

1. Information on Lime BVI

Lime BVI was incorporated in the BVI on 10 June 2011 as a public company limited by shares under the BVI Companies Acts, 2004. The principal activity of the company is to own and manage oil and gas assets.

2. Share capital

The authorised and issued and paid-up share capital of Lime BVI as at LPD is as follows:

	USD
Authorised	
100,000 ordinary shares of USD1.00 each	100,000
Issued and Paid-Up	
100,000 ordinary shares of USD1.00 each	100,000

3. Directors

According to Lime BVI Registered Agent's certificate dated 2 February 2012, the directors of Lime BVI and their direct shareholdings in the company are as follows:

Directors	Nationality	Designation	No. of Lime BVI Shares	%
Mans Lidgren	Swedish	Director	-	-
Svein Kjellesvik	Norwegian	Director	-	-
Joyce Theresa Sunita Vasudevan	Malaysian	Director	-	-

4. Shareholders

According to Lime BVI Registered Agent's certificate dated 2 February 2012, Lime BVI is a wholly-owned subsidiary of Lime.

5. Subsidiaries and associate companies

As at LPD, Lime BVI holds the following equity shares:

Company	Date of Incorporation	No. of Shares	%
Dahan	30 April 2010	100,000	59
Masirah	2 April 2009	740	74
Zubara	5 July 2011	100,000	100
Baqal	6 January 2012	1,000	100

Other than the equity holdings of the companies above, Lime BVI has no other subsidiaries or associate companies. Further details of these companies are set out in Appendix 1 (c), (d), (e) and (f).

6. Summary of financial data

Lime BVI was only incorporated on 10 June 2011. Hence, no audited financial statements have been prepared as at LPD.

1. **Information on Dahan**

Dahan was incorporated in the BVI on 30 April 2010 as a public company limited by shares under the BVI Companies Acts, 2004.

Dahan is the owner of the concession rights to the RAK North Concession in Ras Al Khaimah.

2. **Share capital**

The authorised and issued and paid-up share capital of Dahan as at LPD is as follows:

	USD
Authorised	
200,000 ordinary shares of USD1.00 each	200,000
Issued and Paid-Up	
169,492 ordinary shares of USD1.00 each	169,492

3. **Directors**

According to Dahan Registered Agent's certificate dated 20 February 2012, the directors of Dahan and their direct shareholdings in the company are as follows:

Directors	Nationality	Designation	No. of Dahan Shares	%
Svein Kjellesvik	Norwegian	Director	-	-
Yaw Chee Siew	Malaysian	Director	-	-
Simon Comina	Swiss	Director	-	-
Dr. Pascal Josephus Petronella Hos	Dutch	Director	-	-

4. **Shareholders**

According to Dahan Registered Agent's certificate dated 20 February 2012, Dahan's substantial shareholders and their shareholdings in the company are as follows:

Shareholders	Place of Incorporation	No. of Dahan Shares	%
Schroder	Switzerland	42,373	25
Right Ally Limited	Singapore	27,119	16
Lime BVI	BVI	100,000	59

5. **Subsidiaries and associate companies**

As at LPD, Dahan has no subsidiaries or associate companies.

6. **Summary of financial data**

Dahan+

	Financial period from 30 April 2010 (date of incorporation) to 31 August 2011 USD'000	RM'000
Turnover*	-	-
Loss before taxation*	(49)	(151)
Loss after taxation and minority interest*	(49)	(151)
Gross loss per share ("LPS") (USD/RM)	(0.29)	(0.89)
Net LPS (USD/RM)	(0.29)	(0.89)
Paid - up capital^x	169	550
Shareholders' funds#	24,550	73,167
NA#	24,550	73,167
NA per share (USD/RM)	144.84	431.68
Current ratio (times)	701.13	701.13
Cash and cash equivalents#	22,436	66,866
Total borrowings#	-	-
Gearing ratio (times)	Not applicable	Not applicable

(a) There were no extraordinary or exceptional items during the financial period under review.

(b) There have been no peculiar accounting policies adopted by Dahan during the financial period under review and there have been no audit qualifications reported in the audited financial statements of Dahan during the financial period under review.

Notes:

\+ *The audited financial statements from which the financial information has been extracted have been prepared on historical cost basis in accordance with the International Financial Reporting Standards issued by International Accounting Standards Board*

* *Converted at the monthly average closing rate from 31 May 2010 to 31 August 2011 of RM3.0845 to USD1.000*

\# *Converted at the closing rate as at 31 August 2011 of RM2.9803 to USD1.000*

x *Converted at the historical rate of RM3.2530 to USD1.000*

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1. Information on Masirah

Masirah was incorporated in the BVI on 2 April 2009 as a public company limited by shares under the BVI Companies Aets, 2004.

Masirah has been assigned the concession rights to the Block 50 Oman Concession in the Sultanate of Oman and is now holding the concession rights to the area.

2. Share capital

The authorised and issued and paid-up share capital of Masirah as at LPD is as follows:

	USD
Authorised	
50,000 ordinary shares	No par value
Issued and Paid-Up	
1,000 ordinary shares	No par value

3. Directors

According to Masirah Registered Agent's certificate dated 3 February 2012, the directors of Masirah and their direct shareholdings in the company are as follows:

Directors	Nationality	Designation	No. of Masirah Shares	%
Hans Lidgren	Swedish	Director	-	-
Marcelle Antointette Ghomea Whitfield Epse Gauly	Ivorian	Director	-	-
Dr. Pascal Josephus Petroncila Hos	Dutch	Director	-	-

4. Shareholders

According to Masirah Registered Agent's certificate dated 3 February 2012, Masirah's substantial shareholders and their shareholdings in the company are as follows:

Shareholders	Place of Incorporation	No. of Masirah Shares	%
Petroci	Côte D'Ivoire	260	26
Lime BVI	BVI	740	74

5. Subsidiaries and associate companies

As at LPD, Masirah has no subsidiaries or associate companies.

6. Summary of financial data

Masirah+

	Financial period from 2 April 2009 (date of incorporation) to 31 August 2011	
	USD'000	RM'000
Turnover^	-	-
Loss before taxation^	(114)	(369)
Loss after taxation and minority interest^	(114)	(369)
Gross LPS (USD/RM)	(114)	(369)
Net LPS (USD/RM)	(114)	(369)
Paid - up capital x	-	-
Sharcholders' funds#	4,398	13,108
NA #	4,398	13,108
NA per share (USD/RM)	4,398	13,108
Current ratio (times)	10.40	10.40
Cash and eash equivalents#	3,970	11,832
Total borrowings#	-	-
Gearing Ratio (times)	Not applicable	Not applicable

(a) Therc were no extraordinary or exceptional items during the finaneial period under review.

(b) There have been no peeuliar accounting policies adopted by Masirah during the financial period review and there have been no audit qualifications reported in the audited financial statements of Masirah during the financial period under review.

Notes:

+ *The audited financial statements from which the financial information has been extracted have been prepared on historical cost basis in accordance with the International Financial Reporting Standards issued by International Accounting Standards Board*

\# *Converted at the closing rate as at 31 August 2011 of RM2.9803 to USD1.000*

^ *Converted at the monthly average closing rate from 30 April 2009 to 31 August 2011 of RM3.2403 to USD1.0000*

x *The paid-up capital represents 1,000 ordinary shares with nil par value*

1. Information on Zubara

Zubara was incorporated in the BVI on 5 July 2011 as a public company limited by shares under the BVI Companies Acts, 2004.

Zubara has been assigned the concession rights to the offshore Sharjah Concession in Sharjah and is now the holder of the concession rights to the area.

2. Share capital

The authorised and issued and paid-up share capital of Zubara as at LPD is as follows:

	USD
Authorised	
100,000 ordinary shares of USD1.00 each	100,000
Issued and Paid-Up	
100,000 ordinary shares of USD1.00 each	100,000

3. Directors

According to Zubara Registered Agent's certificate dated 2 February 2012, the directors of Zubara and their direct shareholdings in the company are as follows:

Directors	Nationality	Designation	No. of Zubara Shares	%
Mans Lidgren	Swedish	Director	-	-
Hans Lidgren	Swedish	Director	-	-
Svein Kjellesvik	Norwegian	Director	-	-
Joyce Theresa Sunita Vasudevan	Malaysian	Director	-	-

4. Shareholders

According to Zubara Registered Agent's certificate dated 2 February 2012, Zubara is a wholly-owned subsidiary of Lime BVI.

5. Subsidiaries and associate companies

As at LPD, Zubara has no subsidiaries or associate companies.

6. Summary of financial data

Zubara was only incorporated on 5 July 2011. Hence, no audited financial statements have been prepared as at LPD.

1. Information on Baqal

Baqal was incorporated in the BVI on 6 January 2012 as a public company limited by shares under the BVI Companies Act, 2004. The principal activity of Baqal is to own and manage oil and gas assets. As at LPD, Baqal is a dormant company.

2. Share capital

The authorised and issued and paid-up share capital of Baqal as at LPD is as follows:

	USD
Authorised	
1,000 ordinary shares	No par value
Issued and Paid-Up	
1,000 ordinary shares	No par value

3. Directors

According to the certified copy of the register of directors dated 6 January 2012, the directors of Baqal and their direct shareholdings in the company are as follows:

Directors*	Nationality	Designation	No. of Baqal Shares	%
Svein Kjellesvik	Norwegian	Chairman	-	-
Joyce Theresa Sunita Vasudevan	Malaysian	Director	-	-

4. Shareholders

According to the certified copy of the register of members and share certificate dated 6 January 2012, Baqal is a wholly-owned subsidiary of Lime BVI.

5. Subsidiaries and associate companies

As at LPD, Baqal has no subsidiaries or associate companies.

6. Summary of financial data

Baqal was only incorporated on 6 January 2012. Hencc, no audited financial statements have been prepared as at LPD.

SUMMARY OF THE SALIENT TERMS OF THE RAK NORTH EPSA

Background

The RAK North EPSA was entered into and executed on 24 May 2010 between the Government of Ras Al Khaimah as represented by RakGas L.L.C (the "**RAK Government**") and Dahan ("**Contractor**"/"**Operator**").

Parties

The RAK Government grants Dahan the exclusive right to explore for, develop and produce hydrocarbons within the contract area as well as sell and dispose of its share of the hydrocarbons.

Term

The initial term of the RAK North EPSA shall be for a period of 2 years from the effective date being 24 May 2010 ("**Effective Date**") (the "**Initial Term**"). The Initial Term may be extended subject to the RAK Government's approval, if Dahan is in the process of executing the work programme and budget at the conclusion of the Initial Term, the term may be extended for sueh additional time as may be reasonably required by Dahan to conclude drilling, logging, testing and completion operations. The term of the RAK North EPSA may also be extended for a reasonable period of time if Dahan makes a discovery, but has not received approval of a field development plan.

Dahan also has the option to extend the term of the RAK North EPSA for a further 2 years (the "**Second Term**") in either of the following circumstances, if:

(a) Dahan has fulfilled its minimum work obligations in respect of the Initial Term; or

(b) Dahan has complied with its obligations under Article 3.2 of reimbursing the RAK Government the cost for failing to complete the minimum work obligations at the end of the Initial Term.

The term of the RAK North EPSA will be extended for 20 years (the "**Third Term**") in the event of a DOC, being either:

(a) the date of the RAK Government's approval of a field development plan for the commercial discovery of crude oil; or

(b) the date of the RAK Government's approval of a field development plan for the commercial discovery of natural gas, and the date of the relevant gas sales agreement becomes effective.

If Dahan is still producing hydrocarbons under the RAK North EPSA at the end of the Third Term, then Dahan has the right, subject to mutual agreement of the parties, to request for a renewal of the term of the RAK North EPSA for an additional 5 years.

The RAK North EPSA will terminate if Dahan has not made a DOC within 4 years of the Effective Date or as may be extended.

Minimum work obligations

The minimum work obligations to be carried out by Dahan are as follows:

(a) Initial Term – Data Gathering – Dahan must gather all relevant data including well log interpretation and review of drilling and reports. Also, Dahan must acquire and process approximately 800km of high quality 2D seismic, with connecting lines to wells in both RAK B and RAK Saleh;

(b) Second Term – Exploration Drilling – Dahan must acquire and process 300-400 sq km of high quality 3D seismic and drill one exploration well to an approximate level of 5,000 metres; and

(c) Third Term – Field Development and Production –this will be a normal development* and production stage.

Notes:

* *This will be in accordance with normal development and production stage activities as further described in Sections 4.1.2 and Section 4.1.3 of the E&P Industry Report as appended in Appendix III*

Work programmes and budget

Within 3 months of the Effective Date and 3 months prior to the beginning of each calendar year, Dahan must prepare and present a work programme and budget to the Joint Management Committee* ("JMC"). The work programme and budget shall include details of the operations which Dahan proposes to carry out under the RAK North EPSA, as well as an estimate of the total exploration and development expenditures and operating costs of such operations.

The JMC shall review each work programme and budget and either approve it or propose changes to the work programme and budget based upon prudent oil field practice. The Contractor must use all reasonable efforts to implement each approved work programme and budget, though Dahan may modify the approved work programme and budget in light of the results of the operations under the RAK North EPSA provided that no changes can be made to the approved annual work programme and budget without the prior approval of the RAK Government.

Note:

* *As at LPD, the JMC has not been formed.*

Petroleum operations and conduct of operations

Dahan is appointed as Operator under the RAK North EPSA. Prior to the DOC, the participants (being the entities having participating interest pursuant to the RAK North EPSA and at DOC and shall include the successors and permitted assignees of such parties and all entities from time to time comprising Dahan) (**"RAK North Participants"**) shall enter into a joint operating agreement that will provide for the appointment and removal of the Operator and its authorisations to act on behalf of Dahan.

The Operator will act as Dahan's (in its position as the Contractor) agent and shall act on behalf of Dahan under the provisions of the joint operating agreement. Acting in this capacity, the Operator will have all the rights, privileges, powers and responsibilities granted to Dahan and the RAK North Participants (except in relation to the assignment provisions) under the RAK North EPSA. All acts and omissions of the Operator under the RAK North EPSA shall be binding upon and deemed to constitute acts and omissions of the Contractor and the Contractor shall be jointly liable therefore.

Any change of Operator requires the prior written approval of the RAK Government. Dahan shall conduct its operations in accordance with approved work programmes and budgets and the other provisions which include: (i) taking all reasonable measures to prevent fire, pollution etc; (ii) not carrying out operations in Ras Al Khaimah within 200 metres of a mosques and sacred buildings or graveyards; (iii) abstaining from damaging any property belonging to the RAK Government or a third party: and (iv) conducting its operations in accordance with sound industry practice.

SUMMARY OF THE SALIENT TERMS OF THE RAK NORTH EPSA *(Cont'd)*

Dahan will eonduet its operations in aceordanee with the joint operating agreement. Dahan agrees to indemnify the RAK Government for any loss suffered or damage done to the property or personnel of the RAK Government or third parties by Dahan's or its eontraetors' wrongful or negligent aets or omission while earrying out its operations under the RAK North EPSA. Also, Dahan agrees to indemnify the RAK Government against all elaims and liabilities arising out of sueh wrongful or negligent aets or omissions. Indireet or eonsequential losses have been earved out.

The laws, rules and regulations of Ras Al Khaimah will apply to Dahan's operations and performanee under the RAK North EPSA.

Bonuses and other payments to the RAK Government

Dahan must make the following payments to the RAK Government:

(a) a signature bonus of USD100,000 (equivalent to RM305,920) within 30 days of the Effective Date;

(b) a renewal bonus of USD50,000 (equivalent to RM152,960) within 30 days after eommeneing the Seeond Term;

(e) an annual rental fee of USD25,000 (equivalent to RM76,480) eaeh year or parts thereof until DOC (the first rental payment to be made within 30 days of the Effeetive Date);

(d) an annual rental of USD50,000 (equivalent to RM152,960) or part thereof after DOC (eaeh subsequent rental payment to be made within 30 days of eaeh anniversary of the Effective Date);

(e) from the Effeetive Date, USD10,000 (equivalent to RM30,592) for training purposes per year before DOC (the first payment to be made within 30 days of the Effeetive Date); and

(f) from the Effective Date, USD5,000 (equivalent to RM15,296) for the RAK Government's oil and gas data repository per year during the exploration term (the first payment to be made within 30 days of the Effective Date).

Any late payments made by Dahan to the RAK Government will be subject to interest at LIBOR plus 5%.

Reeoverable costs

The Contractor shall provide all funds required for and shall bear all eosts and expenses and assume all obligations ineurred in connection with operations under the RAK North EPSA. Expenditures shall only be included in reeoverable cost if the eosts:

(a) are attributable to the approved annual work programme and budget;

(b) eomply with the tendering and procurement proeess or speeifie prior approval given by the government to exelude sueh expenditures from the proeess;

(e) are supported by sufficient documentary evidence;

(d) amount to no more than the budgeted amount for that specific activity within the JMC approved annual work programme and budget (including the approved contingency);

(e) are aeeounted for, to the extent that it is not in contradiction with the RAK North EPSA;

(f) with respect to inventory, it shall only be charged as and when used in petroleum operations; and

SUMMARY OF THE SALIENT TERMS OF THE RAK NORTH EPSA *(Cont'd)*

(g) with respect to any affiliated party charges, sueh eharges shall be approved by the RAK Government.

All expenditures incurred by Dahan inside and outside of Ras Al Khaimah in connection with its operations and obligations under the RAK North EPSA, shall be recoverable costs in accordance with the RAK North EPSA. Sueh expenditures include the following:

(a) actual costs in relation to all the operations carried out by Dahan or its affiliatcs under the RAK North EPSA;

(b) overhead expenses of Dahan to the extent that such expenses are attributable to the operations under the RAK North EPSA;

(c) actual costs billed by third parties in relation to costs and expenscs incurred by Dahan for activities carried out by such third parties;

(d) aetual costs of the acquisition, leasing or rental costs of material, equipment, supplies and eonstruction costs of facilities (such costs will be limited to the current competitive priees, rentals and construction costs in Ras Al Khaimah to similar goods and services);

(e) estimated costs of abandonment; and

(f) annual subscription fee.

The following expcnditures shall not be included as recoverable costs:

(a) costs and expenses in exccss of the limits specified above:

(b) bonuscs and other payments made to the RAK Government by the Contractor;

(c) the Contractor's Ras Al Khaimah income taxes;

(d) foreign income taxes or other foreign taxes paid by the Contractor;

(e) sales expenses incurred for the marketing of petroleum outside Ras Al Khaimah or the eosts of transporting hydrocarbons beyond the point of export from Ras Al Khaimah; and

(f) interest costs incurrcd for operations under the RAK North EPSA.

If the RAK Government thinks any statement of recoverable costs submitted by Dahan is inaccurate, it shall notify Dahan in writing regarding which items it believes to be inaccurate. The parties will then attempt to settle the matter amicably or refer such matter to one or more mutually acceptable experts. If a matter still remains in dispute in relation to recoverable costs after 3 months of the RAK Government's notification, such dispute will be referred to arbitration.

Prior to 5 years before the termination of the RAK North EPSA (or as otherwise stated in the RAK North EPSA) ("**Funding Commencement Date**"), Dahan must includc plans for abandonment activities in the work programme and budget. Abandonment cost estimates must be supported by doeumentation from teehnical experts. After the Funding Commencement Date, Dahan must deposit such funds into the account that are required to meet Dahan's estimated costs for the abandonment activities under the RAK North EPSA.

Under the RAK North EPSA, the recovery costs that can be recovered are up to a maximum of 40% of the net production of crude oil, gas and condensate in each month ("Cost Recovery Oil"). Dahan, as the Contractor, shall have the right to take and dispose that quantity of Cost Recovery Oil which, when valued at market price, equals the amount of total recoverable costs incurred in such month plus those recoverable costs which have not been recovered in the prior month.

Appraisal and field development plans

Within 180 days after the date of a discovery, Dahan shall submit to the JMC an appraisal plan to evaluate such discovery. The appraisal plan must specify in reasonable detail the proposed objectives, estimated cost and timeframe in which Dahan shall commence and complete the appraisal work. The RAK Government may supplement and modify the appraisal plan.

If Dahan determines that a discovery may be capable of commercial exploitation, Dahan must submit an integrated field development plan in respect of a discovery to the RAK Government.

Convertible currencies and repatriation of funds

Dahan has the right to maintain bank accounts in any currency within or outside of Ras Al Khaimah, and also can freely convert any of its funds into the official currency of the RAK Government or any foreign currency at the best available bank rate. The Contractor also has the right to retain abroad and freely make use of all the proceeds of sale from the export of hydrocarbons produced under the RAK North EPSA and repatriate any proceeds of sales of hydrocarbons from Ras Al Khaimah.

In relation to foreign exchange and the remittance of funds abroad in relation to the RAK North EPSA, Dahan is entitled to receive no less favourable treatment than that given to any other company carrying on any business in Ras Al Khaimah.

Benefits provided to Ras Al Khaimah under the RAK North EPSA

When purchasing equipment, supplies and services required for operations under the RAK North EPSA, Dahan must give preference to equipment, supplies and services made or produced in Ras Al Khaimah (provided such equipment, supplies and services are of the same quality, price etc as other foreign products and services used in relation to similar operations).

Dahan shall also give Ras Al Khaimah nationals preference over expatriate employees, and shall use its best endeavours to employ and train Ras Al Khaimah nationals for all works in relation to its operations under the RAK North EPSA (subject to the Ras Al Khaimah nationals having the requisite experience and qualifications in relation to such operations).

Government assistance

Dahan is granted several ancillary rights to it by the RAK Government including: the right to construct plants, power stations, transportation and shipping facilities; the right to free building materials and drill for any water on land not privately owned; and the right to use roads (free of charge) and existing harbours and airports (subject to the fees generally applicable).

The RAK Government also agrees to offer assistance to Dahan in their dealings with Government authorities as well as assist with authorisations, approvals and permits required by the RAK North EPSA and by law (including assistance with visas for the employees of Dahan). Also the RAK Government agrees to use its best efforts to provide Dahan with all geological, geophysical, drilling, well production and other information held by the RAK Government in relation to the contract area.

SUMMARY OF THE SALIENT TERMS OF THE RAK NORTH EPSA *(Cont'd)*

Assignment of participating interest

Dahan has the right to assign its participating interest under the RAK North EPSA, in whole or in part, to any wholly-owned affiliate of Dahan. The Contractor must notify the RAK Government and other RAK North Participants of any such assignment immediately. Any other assignment other than as set out above may be made only with the prior written consent and approval of the RAK Government.

Dispute resolution

The RAK North EPSA shall be construed and interpreted in accordance with the laws of England. The parties shall act in good faith and with the intent to further and not frustrate the purpose of the RAK North EPSA. The parties shall discuss any disputes arising out of or in connection with the RAK North EPSA, promptly following notice from one party to the other in relation to such dispute. Any dispute which is not resolved within 90 days after a party first gave notice to the other party shall be referred to arbitration (other than a dispute relating to an issue to be referred for expert determination).

The right to recourse under arbitration is excluded, if a party states in their notice to the other party that their intention is to refer a matter for dispute resolution but fails to do so within 3 months from the date of the notice. All disputes for arbitration will be settled for arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce by 3 arbitrators appointed in accordance with such rules. The seat of the arbitration would be Geneva, Switzerland, and the language of the proceedings would be English.

The decision of the arbitrators is final and binding, and the RAK Government agrees to waive any right of sovereign immunity in respect of the enforcement and execution of any award by arbitral tribunal or expert appointed.

When construing and interpreting the RAK North EPSA, both the arbitrators and experts must apply the generally accepted customs and usages of the international finance and petroleum industries and principles of law generally recognised by the nations of the world.

Relinquishment

If Dahan fails to announce a commercial discovery at the end of the Initial Term, or if applicable, the Second Term (subject to any further extensions of the term of the RAK North EPSA), Dahan must relinquish the contract area.

Dahan may voluntarily relinquish all of the contract area by written notice to the RAK Government (provided that Dahan has fulfilled all its obligations).

Material breaches and events of default

The RAK North EPSA can be terminated by the RAK Government in the event of a material breach or an event of default by Dahan in relation to the RAK North EPSA. A material breach or event of default includes, failure to make payment or intentionally overstating the recoverable costs, and bankruptcy or insolvency agreements. If the RAK Government wishes to terminate then it must provide Dahan with 90 days' notice to try and remedy such event of default or material breach. Failure to remedy such default within that period (subject to any extensions of time permitted by the RAK Government) will result in termination of the RAK North EPSA by the RAK Government.

SUMMARY OF THE SALIENT TERMS OF THE RAK NORTH EPSA *(Cont'd)*

Force majeure

Neither party is to be liable for any failure to perform its obligations under the RAK North EPSA arising out of a force majeure event. If a party is unable to carry out is obligations under the RAK North EPSA due to a force majeure event, it must notify the other party without delay, stating the cause of such delay. The definition of force majeure includes any act of God, insurrection, riots, war, floods, fires, strikes, and other labour disturbances or any other cause not due to the fault or negligence of the party claiming force majeure.

Change of law

The RAK Government agrees to remedy any adverse effect that any change of law could have in relation to Dahan's economic return in relation to the petroleum operations under the RAK North EPSA.

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SUMMARY OF THE SALIENT TERMS OF THE BLOCK 50 EPSA

Background

The Block 50 EPSA was entered into and executed on 28 February 2011 by the Government of the Sultanate of Oman ("**Oman Government**"), Rex and Petroci,(jointly referred to as "**Contractor**"*).

The Oman Government grants the Contractor* the exclusive right to explore for, develop and produce hydrocarbons within concession Block 50 in Oman concession as well as sell and dispose of its share in the hydrocarbons. The effective date of the Block 50 EPSA is 23 March 2011 ("**Effective Date**"), i.e. the date on which the Royal Decree (promulgated by His Majesty the Sultan) ratifying the Block 50 EPSA becomes effective.

Note:

* *Upon DOC, "Contractor" shall include the Oman Government Company (being the legal entity assigned by the Oman Government which shall have the right under the Block 50 EPSA to take a participating interest of up to 25% upon DOC) and its permitted successors and assignees.*

Participating interests

The original percentage interest holding in the Block 50 EPSA of the Contractor was 74% held by Rex and 26% held by Petroci.

Note:

* *The Contractor has notified the Ministry of Oil & Gas ("MOG") of its intention to transfer all their participating interest under the Block 50 EPSA to Masirah. In a letter dated 14 June 2011, the MOG has acknowledged the assignment of the Contractor's participating interest to Masirah and it was stated that MOG's approval for such assignment is subject to the ratification by a Royal Decree in accordance with the Oman Oil and Gas Law. In this respect, a Royal Decree ratifying the assignment of the Contractor's participating interest to Masirah was promulgated on 17 August 2011 and was deemed effective on promulgation.*

Term

The Block 50 EPSA states that the Initial Term of the Block 50 EPSA shall be for a period of 3 years from the Effective Date (the "**Initial Phase**"). The Initial Phase may be extended, subject to the Oman Government's approval, if the Contractor is in the process of executing the work programme and budget at the conclusion of the Initial Phase, the term may be extended for such additional time as may be reasonably required by the Contractor to conclude drilling, logging, testing and completion operations. The term of the Block 50 EPSA may also be extended for a reasonable period of time if the Contractor makes a discovery, but has not received approval of a field development plan.

The Contractor has the option to extend the agreement for a further 3 years (the "**Second Phase**") in either of the following circumstances, if:

(a) the Contractor has fulfilled its minimum work obligations in respect of the Initial Phase; or

(b) the Contractor has reimbursed the Oman Government the cost for failing to complete the minimum work obligations at the end of the Initial Phase.

SUMMARY OF THE SALIENT TERMS OF THE BLOCK 50 EPSA *(cont'd)*

The term of the Block 50 EPSA will be extended for 20 years and may be extended further (if the Contractor is producing hydrocarbons under the Block 50 EPSA at the end of such a 20-year period) in the event of a DOC, being either:

(a) the date of Oman Government's approval of a field development plan for the commercial discovery of crude oil; or

(b) the date of Oman Government's approval of a field development plan for the commercial discovery of natural gas, and the date that the relevant gas sales agreement becomes effective.

The Block 50 EPSA will terminate if the Contractor has not made a DOC within 6 years of the Effective Date or as may be extended.

Minimum work obligation

The minimum work obligation to be carried out by the Contractor (subject to optimisations proposed by the Contractor and the finalisation of work programmes and budgets) which in the Initial Phase includes acquiring, processing and interpreting marine seismic data and drilling one exploratory/stratigraphic well (if drillable prospects have been found on seismic data).

The Contractor's indicative costs needed to complete the minimum work obligation are as follows:

(a) USD4 million (equivalent to RM12.2 million) to USD13 million (equivalent to RM39.8 million) during the Initial Phase in respect of petroleum operations within the contract area; and

(b) USD13 million (equivalent to RM39.8 million) during the Second Phase in respect of petroleum operations within the contract area.

Work programmes and budget

Within 3 months of the Effective Date of the Block 50 EPSA and 3 months prior to the beginning of each calendar year, the Contractor must prepare and present a work programme and budget to the Joint Management Committee ("JMC") which will include details of the operations which the Contractor proposes to carry out under the Block 50 EPSA, as well as an estimate of the total exploration and development expenditures and operating costs of such operations.

The JMC shall review each work programme and budget and either approve it or propose changes to the work programme and budget based upon prudent oil field practice. The Contractor must use all reasonable efforts to implement each approved work programme and budget, though the Contractor may modify the approved work programme and budget with the prior written approval of the JMC in light of the results of the operations under the Block 50 EPSA.

Petroleum operations and conduct of operations

Rex will be the operator under the Block 50 EPSA until a DOC has occurred ("**Operator**"). After a DOC, the Operator will be such person as appointed under a joint operating agreement which shall be entered into between Rex and, assuming that the Oman Government exercises its right to back in, the Oman Government Company (a legal entity assigned by the Oman Government, which shall have the right under the Block 50 EPSA to take a participating interest of up to 25% at DOC) pursuant to the joint operating agreement principles. Prior to the DOC, the participants (being the entities having participating interest pursuant to the Block 50 EPSA and at DOC shall include the successors and permitted assignees of such parties and all entities from time to time comprising the Contractor) ("**Block 50 Oman Participants**") shall enter into a joint operating agreement that will provide for the appointment and removal of the Operator and its authorisations to act on behalf of the Contractor.

SUMMARY OF THE SALIENT TERMS OF THE BLOCK 50 EPSA *(cont'd)*

The Operator will act as the Contractor's agent and shall act on behalf of the Contractor under the provisions of the joint operating agreement (to be entered into at DOC among the Block 50 Oman Participants) whereby the Operator will have all the rights, privileges, powers and responsibilities granted to the Contractor and the Block 50 Oman Participants (except in relation to the assignment provisions) under the Block 50 EPSA. All acts and omissions of the Operator under the Block 50 EPSA shall be binding upon and deemed to constitute acts and omissions of the Contractor. The Operator and the Contractor agree to be separately or jointly liable to the Oman Government for such acts and omissions.

Any change in the Operator requires the prior written approval of the Oman Government. The Contractor shall conduct its operations in accordance with approved work programmes and budgets and the other provisions of the Block 50 EPSA which include: (i) taking all reasonable measures to prevent fire, pollution etc; (ii) not carrying out operations in Oman within 200 metres of a mosques and sacred buildings or graveyards; (iii) abstaining from damaging any property belonging to the Oman Government or a third party: and (iv) conducting its operations in accordance with sound industry practice. The Contractor has the right to appoint other contractors to carry out operations under the Block 50 EPSA, and in selecting such contractors, the Contractor must give preference to local Omani contractors.

Upon DOC, the Oman Government will pay to Rex its participating interest share of all recoverable costs incurred prior to DOC. Also upon DOC, the cost of the petroleum operations shall be borne by the Block 50 Oman Participants in proportion to their participating interest share.

The Contractor will conduct its operations under the Block 50 EPSA under the direct supervision of the JMC. The Contractor agrees to indemnify the Oman Government for any loss suffered or damage done to the property or personnel of the Oman Government or third parties by the Contractor's or its contractors' wrongful or negligent acts or omission while carrying out its operations under the Block 50 EPSA. Also, the Contractor agrees to indemnify the Oman Government against all claims and liabilities arising out of such wrongful or negligent acts or omissions.

The laws, rules and regulations of the Sultanate of Oman will apply to the Contractor's operations and performance in the Sultanate of Oman under the Block 50 EPSA.

JMC

The JMC will consist of 9 members*. The Contractor will appoint 5 members of the JMC, and the Oman Government will appoint 4 members of the JMC. One of the Oman Government's members of the JMC will be appointed as chairman. The JMC must be established as soon as practicable after the Effective Date.

Certain key decisions of the JMC will be made by unanimous vote of the members present at a duly convened JMC meeting. These decisions include: (i) approval of work programmes, budgets, appraisal plans, field development plans for a discovery; (ii) determination of production areas; and (iii) proposal for relinquishments.

Note:

* *The current members of the JMC are:*

Name	Appointed By	Position
Dr Mohammed Ali Mohammed Al-Balushi	Ministry of Oil & Gas	Chairman
Qasim Mohammed Al-Amri	Ministry of Oil & Gas	Member
Ibrahim Said Al-Harassi	Ministry of Oil & Gas	Member
Khamis Suleiman Al Zarafi	Ministry of Finance	Member
Marcelle Antointette Ghomea Whitfield Epse Gauly	Petroci	Member
Roland Adjet	Petroci	Member
Svein Kjellesvik	Lime BVI (Appointed by Rex)[#]	Member
Hans Lidgren	Lime BVI (Appointed by Rex)[#]	Member
Thomas Liljedahl	Lime BVI (Appointed by Rex)[#]	Member

 # The appaintments of Svein Kjellesvik, Hans Lidgren and Thomas Liljedahl were made by Rex. Pursuant to the assignment of Rex's equity interest in Masirah to Lime BVI on 30 August 2011, these representatives are now appointees of Lime BVI.

Bonuses and other payments to the Oman Government

Rex must make the following payments ("**Bonus and Other Payments**") to the Oman Government:

(a) a signature bonus of USD150,000 (equivalent to RM458,880) within 30 days of the Effective Date;

(b) a renewal bonus of USD500,000 (equivalent to RM1,529,600) within 30 days after commencing the Second Phase;

(c) an annual rental fee of USD100,000 until DOC and USD200,000 (equivalent to between RM305,920 and RM611,840) eaeh year after DOC (the first rental payment to be made within 30 days of the Effective Date);

(d) a discovery bonus of USD1,000,000 (equivalent to RM3,059,200) within 30 days after DOC;

(e) from the Effective Date, USD100,000 for training purposes per year (equivalent to RM305,920 before DOC and USD200,000 per year (equivalent to RM611,840) after DOC (the first payment to be made within 30 days of the Effective Date); and

(f) from the Effective Date, USD50,000 (equivalent to RM152,960) for the Oman Government's oil and gas data repository per year during the exploration phase (the first payment to be made within 30 days of the Effective Date).

Rex was required to provide the Oman Government with a bank guarantee for the Bonus, Rental & Training, and Oil and Gas Data Repository payments from a reputable bank prior to signature of the Block 50 EPSA. The bank guarantee must be in the form provided in the Block 50 EPSA. Any late payments made by Rex to the Oman Government will be subject to interest at LIBOR plus 5%.

Recoverable costs

The Contractor shall provide all funds required for and shall bear all costs and expenses and assume all obligations incurred in connection with operations under the Block 50 EPSA. Expenditures shall only be included in recoverable cost if the costs:

(a) are attributable to the approved annual work programme and budget;

(b) comply with the tendering and procurement process or specific prior approval given by the JMC to exclude such expenditures from the process;

(c) are supported by sufficient documentary evidence;

(d) amount to no more than the budgeted amount for that specific activity within the JMC approved annual work programme and budget (including the approved contingency);

(e) are accounted for in accordance with International Financial Reporting Standards (IFRS) to the extent that it is not in contradiction with the Block 50 EPSA;

(f) with respect to inventory, it shall only be charged as and when used in petroleum operations or approved by JMC; and

SUMMARY OF THE SALIENT TERMS OF THE BLOCK 50 EPSA *(cont'd)*

(g) with respect to any affiliated party charges, such charges shall be approved by the JMC.

The Contractor shall provide all funds required for the operations and assume all obligations in connection with operations under the Block 50 EPSA. All expenditures incurred by the Contractor inside and outside of Oman in connection with its operations and obligations under the Block 50 EPSA shall be recoverable costs. Such expenditures include the following:

(a) actual costs in relation to all the operations carried out by the Contractor or its affiliates under the Block 50 EPSA;

(b) overhead expenses of the Contractor to the extent that such expenses are attributable to the operations under the Block 50 EPSA;

(c) actual costs billed by third parties in relation to costs and expenses incurred by the Contractor for activities carried out by such third parties;

(d) actual costs of the acquisition, leasing or rental costs of material, equipment, supplies and construction costs of facilities (such costs will be limited to the current competitive prices, rentals and construction costs in Oman to similar goods and services);

(e) estimated costs of abandonment; and

(f) annual subscription fee (based on a model of sharing the Oman's oil and gas data repository costs).

The following expenditures shall not be included as recoverable costs:

(a) costs and expenses in excess of the limits specified above;

(b) bonuses and other payments made to the Oman Government by the Contractor;

(c) the Contractor's Oman income taxes;

(d) foreign income taxes or other foreign taxes paid by the Contractor;

(e) sales expenses incurred for the marketing of petroleum outside the Sultanate of Oman or the costs of transporting hydrocarbons beyond the point of export from the Sultanate of Oman; and

(f) interest costs incurred for operations under the Block 50 EPSA.

Prior to 5 years before the termination of the Block 50 EPSA (or as otherwise stated in the Block 50 EPSA) (**"Funding Commencement Date"**), the Contractor must include plans for abandonment activities in the work programme and budget which must be supported by documentation from technical experts. After the Funding Commencement Date, the Contractor must open an interest-bearing account and deposit such funds into the account that are required to meet the Contractor's estimated costs for the abandonment activities under the Block 50 EPSA.

Under the Block 50 EPSA, the recoverable costs that can be recovered are up to a maximum of 50% of the net production of crude oil, gas and condensate in each month (**"Cost Recovery Oil"**). The Contractor shall have the right to take and dispose that quantity of Cost Recovery Oil which, when valued at market price, equals the amount of total recoverable costs incurred in such month plus those recoverable costs which have not been recovered in the prior month, provided that any recoverable costs in excess of such 50% of the net production of crude oil, gas and condensate for such month shall be carried forward and shall be recoverable, subject to the same limitation, in the subsequent month until fully recovered, but not after termination of the Block 50 EPSA.

Appraisal and field development plans

Within 180 days after the date of a discovery, the Contractor shall submit to the JMC an appraisal plan to evaluate such discovery. The appraisal plan must specify in reasonable detail the proposed objectives, estimated cost and timeframe in which the Contractor shall commence and complete the appraisal work. A comprehensive evaluation of the appraisal work must be submitted to the JMC (copied to the MOG) within 180 days after completion of the appraisal work.

If the Contractor determines that a discovery may be capable of commercial exploitation, the Contractor must submit an integrated field development plan in respect of a discovery to the JMC (copied to the MOG).

Convertible currencies and repatriation of funds

The Contractor has the right to maintain bank accounts in any currency within or outside of Oman, and also can freely convert any of its funds into the official currency of the Oman Government or any foreign currency at the best available bank rate. The Contractor also has the right to retain abroad and freely make use of all the proceeds of sale from the export of hydrocarbons produced under the Block 50 EPSA and repatriate any proceeds of sales of hydrocarbons from Oman.

In relation to foreign exchange and the remittance of funds abroad in relation to the Block 50 EPSA, the Contractor is entitled to receive no less favourable treatment than that given to any other company carrying on any business in Oman.

Benefits provided to the Sultanate of Oman under the Block 50 EPSA

When purchasing equipment, supplies and services required for operations, the Contractor must give preference to equipment, supplies and services made or produced in Oman (provided such equipment, supplies and services is of the same quality, price etc as other foreign products and services used in relation to similar operations).

The Contractor shall give Omani nationals preference over expatriate employees, and shall use its best endeavours to employ and train Omani nationals for all works in relation to its operations under the Block 50 EPSA (subject to the Omani nationals having the requisite experience and qualifications in relation to such operations).

Oman Government assistance

The Contractor is granted several ancillary rights to it by the Oman Government including: the right to construct plants, power stations, transportation and shipping facilities; the right to free building materials and drill for any water on land not privately owned; and the right to use roads (free of charge) and existing harbours and airports (subject to the fees generally applicable).

The Oman Government also agrees to offer assistance to the Contractor in their dealings with Oman Government authorities as well as assist with authorisations, approvals and permits required by the Block 50 EPSA and by law (including assistance with visas for the employees of the Contractor). The Oman Government agrees to use its best efforts to provide the Contractor with all geological, geophysical, drilling, well production and other information held by the Oman Government in relation to the Block 50 Oman Concession Area.

Dispute Resolution

If the parties under the Block 50 EPSA cannot resolve a dispute in good faith within 60 days after 1 party gave notice to another regarding a dispute, then their final recourse is arbitration. The right to recourse under arbitration is excluded, if a party states in their notice to the other party that their intention is to refer a matter for dispute resolution but fails to do so within 3 months from the date of the notice.

All disputes for arbitration will be submitted to the International Centre for Settlement of Investment Disputes ("ICSID") for arbitration by 3 arbitrators pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. If the ICSID refuses to take on such dispute, then the matter will be settled for arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce by 3 arbitrators appointed in accordance with such rules. The decision of the arbitrators is final and binding, and the Oman Government agrees to waive any right of sovereign immunity in respect of the enforcement and execution of any award by arbitral tribunal or expert appointed.

During the arbitration process, the Oman Government may elect to suspend the Contractor's rights and obligations under the Block 50 EPSA, while the petroleum operations shall remain undisturbed. As an alternative to arbitration, where it is either expressly stated in the Block 50 EPSA, or is agreed between the parties, a dispute may be referred for expert determination rather than to arbitration. Such expert will appointed as agreed by the Parties (or if no agreement can be reached, by the International Chamber of Commerce Centre for Expertise) and such expert must have extensive experience in the oil and gas industry and act impartially at all times. The expert will conduct all proceedings in accordance with the Rules of Expertise of the International Chamber of Commerce.

Laws, rules and regulations of the Sultanate of Oman will apply to the Contractor's operations and performance in the Sultanate of Oman under the Block 50 EPSA. However if there is a dispute when construing and interpreting the Block 50 EPSA, both the arbitrators and experts must apply the generally accepted customs and usages of the international finance and petroleum industries and principles of law generally recognised by the nations of the world.

Assignment of participating interest

The Contractor has the right to assign its participating interest under the Block 50 EPSA, in whole or in part, to any wholly-owned affiliate of the Contractor. The Contractor must notify the Oman Government and other Block 50 Oman Participants of any such assignment immediately. Any other assignment other than as set out above may be made only with the prior written consent and approval of the Oman Government.

Upon assignment of any participating interest, the assignor shall be released and discharged from its obligations to the extent that such obligations are assumed by the assignee. Further, any participant assigning its participating interest under the Block 50 EPSA will also need to assign the identical participating interest under the joint operating agreement to such person or affiliate.

Relinquishment

If the Contractor fails to announce a commercial discovery at the end of the Initial Phase, or if applicable, the Second Phase (subject to any further extensions of the term of the Block 50 EPSA), the Contractor must relinquish the contract area.

In the case of DOC, and up to 1 year prior to the 10^{th} anniversary of the Effective Date, the Oman Government has the right to request that the Contractor relinquishes up to 50% of the original contract area. The Contractor may voluntarily relinquish all of the contract area by written notice to the Oman Government (provided that the Contractor has fulfilled all its obligations).

SUMMARY OF THE SALIENT TERMS OF THE BLOCK 50 EPSA *(cont'd)*

Material breaches and events of default

The Block 50 EPSA can be terminated by the Oman Government in the event of a material breach or an event of default by the Contractor in relation to the Block 50 EPSA. If the Oman Government wishes to terminate then it must provide the Contractor with 30 days' notice to try and remedy such event of default or material breach. Failure to remedy such default within that period (subject to any extensions of time permitted by the Oman Government) will result in termination of the Block 50 EPSA by the Oman Government.

Force majeure

Neither party is to be liable for any failure to perform its obligations under the Block 50 EPSA arising out of a force majeure event. If a party is unable to carry out its obligations under the Block 50 EPSA due to a force majeure event, it must notify the other party without delay, stating the cause of such delay. The definition of force majeure includes any act of God, riots, war, floods, fires, strikes, and other labour disturbances or any other cause not due to the fault or negligence of the party claiming force majeure, as long as it is beyond the reasonable control of the Contractor.

Change of law

In the event of any change of law that materially adversely affects the Contractor's economic return from the conduct of petroleum operations pursuant to the Block 50 EPSA, the Oman Government agrees to take such actions as may be necessary to remedy such adverse economic effect.

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SUMMARY OF THE SALIENT TERMS OF THE SHARJAH CA

Background

The Sharjah CA was entered into and executed on 6 June 2011 ("**Effective Date**") by the Government of the Emirate of Sharjah ("**Sharjah Government**") and Rex.

Parties

The Sharjah Government grants Rex the exclusive right to prospect, explore and drill for, develop, produce, store, transport, export and sell petroleum produced from within the concession area.

The Sharjah Government represents and warrants that the rights granted to Rex are free and clear of all claims, liens, causes of action and encumbrances arising from any prior concession granted by the Sharjah Government for the exploration and exploitation of petroleum in the Sharjah Concession area. Further, the Sharjah CA is effective from the date that it is signed by all the parties and no decree, publication or further official act is needed to make the Sharjah CA become effective.

Participating interests

Originally Rex owned 100% of the interests in the Sharjah CA*.

Note:

* *Following the transfer of Rex's rights and obligations under the Sharjah CA to Zubara on 31 August 2011, Zubara now owns 100% of the interests in the Sharjah CA.*

Term and relinquishment

Subject to early termination under the Sharjah CA, the term of the Sharjah CA is for 23 years from the Effective Date. The term is divided into the following consecutive terms: (i) the Initial Term (3 years); and (ii) the Second Term (20 years).

Rex shall relinquish to the Sharjah Government:

(a) 25% of the concession area within 5 years from the Effective Date;

(b) 25% of the original size of the concession area between 5 and 7 years after the Effective Date; and

(c) 25% of the original size of the concession area between 7 and 9 years after the Effective Date.

With respect to the areas retained by Rex after fulfilling its relinquishment obligations set out above, Rex shall also relinquish not later than 9 years from the Effective Date, all depths throughout the concession area below the base of the deepest formation penetrated by any well drilled by Rex. In the event that a commercial discovery is not made within 3 years of the Effective Date, the exploration obligations in respect of the concession area will expire.

The portions so relinquished shall so far as is reasonably possible be a block or blocks of sufficient size and convenient shape to enable oil exploration operations to be carried out thereon, taking into account contiguous areas already relinquished and not the subject of a further concession.

SUMMARY OF THE SALIENT TERMS OF THE SHARJAH CA *(Cont'd)*

Work obligations during the exploration period

The exploration period will be 36 months from the Effective Date during which the following work obligations shall be delivered by Rex:

(a) during the first 24 months Rex shall:

(i) acquire, process and interpret a 300 - 500 sq km of high quality 3D seismic with connecting 2D lines to wells in Fujairah;

(ii) conduct special resonance processing i.e. virtual drilling of selected lines; and

(iii) develop detailed reservoir models for prospects that have shown hydrocarbon indications at resonance processing and ranking the different prospects.

(b) within 36 months from the Effective Date and depending on the results of the work carried out as set out above, Rex shall have the right to either (i) abandon the Concession or (ii) shall have drilled and tested in accordance with good oil field practice an exploration well to a depth of 1,000 feet below the top of the lower Cretaceous Thamama formation in a prospect that has shown hydrocarbon indications at resonance processing; and

(c) by the end of the Initial Term, Rex must either declare a commercial discovery and proceed to the Second Term or relinquish the concession.

Reservation and minerals

If Rex discovers in the course of its operations under the Sharjah CA, any deposits or minerals other than those entrained in, a part of and produced along with petroleum, including but not limited to gold, silver, copper, lead, potash or salt, Rex shall not work or appropriate the same but shall inform the Sharjah Government of the discovery and supply the Sharjah Government with all information relating to such minerals.

Conduct of operations

Rex shall conduct its operations in the Sharjah Concession area with diligence and in a workmanlike manner in accordance with accepted methods and standards of the petroleum industry.

During drilling operations and upon abandonment of a well, Rex must take reasonable precautions to prevent damage to any petroleum bearing formation including damage due to an excess influx of water into the formation.

If Rex discovers any fresh water sources during drilling operations, Rex must take reasonable precautions to protect those freshwater sources during drilling operations. Rex must inform the Sharjah Government of any freshwater sources discovered during drilling operations.

Rex shall take reasonable precaution against fire and any unwarranted wasting of crude oil, natural gas, associated gas or water.

While conducting offshore operations, Rex must take adequate precautions for the protection of navigation, fishing, pearling, natural habitats and any other areas of public interest as well as the prevention of oil pollution in the surrounding seas.

SUMMARY OF THE SALIENT TERMS OF THE SHARJAH CA (*Cont'd*)

Bonuses and other payments to the Sharjah Government

Rex must make the following payments to the Sharjah Government:

(a) USD1,000,000 (equivalent to RM 3,059,200) within 30 days of the Effective Date;

(b) USD2,000,000 (cquivalent to RM6,118,400) within 30 days from the first date on which regular production of petroleum has reached and maintained an average rate of 10,000 boe per day for 30 conseeutive days;

(c) USD5,000,000 (equivalent to RM 15,296,000) within 30 days from the first date on which regular production of petroleum has reached and maintained an average rate of 50,000 boe per day for 30 consccutive days; and

(d) USD8,000,000 (equivalent to RM24,473,600) within 30 days from the first date on which regular production of petroleum has reached and maintained an average rate of 100,000 boe per day for 30 eonsecutive days.

Prior to the export eommencement date (thc date on which Rex first commenees regular exports of erude oil or natural gas), Rcx agrees to pay to the Sharjah Government the following advanee rental payments:

(a) USD50,000 (equivalent to RM152,960 per annum for the first 3 years and the payment shall start within 30 days after the Effective Date and then each anniversary of the Effective Date; and

(b) after 3 years the rental rate shall be increased to USD100,000 (equivalent to RM305,920) per annum.

Rex must pay to the Sharjah Government certain pre-determined royalty payment. The entire amount of the royalty payment shall be fully deductible as an expense for the purpose of determining taxable income. The Sharjah Government can elect whether the royalty payment is made in whole or in part, in kind or in cash. Natural gas taken by the Sharjah Government as royalty payment must be delivered at the well head. Crude oil taken by the Sharjah Government as royalty payment shall be delivered at the Sharjah Government's option either at the point of storage or the point of export.

Payments and foreign exchange

All payments made by Rex to the Sharjah Government shall be made in United States Dollars. Rex shall have the right:

(a) to maintain and operate bank accounts inside and outside Sharjah in whatever curreney and freely retain or dispose of any funds within such bank accounts; and

(b) freely to import, export and exchange curreney and foreign exchange.

Cost recovery

Rex is allowed to designate a maximum 50% of net yearly production of oil and gas towards the recovery of any allowable costs each year.

Benefits provided to the State of Sharjah

Rex shall give priority to contractors who are citizens of the Sharjah Government provided that Rex is reasonably satisfied with their ability to perform the work entrusted to them under the Sharjah CA.

The Sharjah Government and Rex agree that the efficiency of the operations under the Sharjah CA must be given first priority when selecting employees in relation to such operations. With this principle in mind, Rex shall give first priority to the citizens of the Sharjah Government, second priority to other citizens of the UAE and third priority to other Arab nationals.

Within 6 months of the Effective Date, Rex must submit to the Sharjah Government for its approval a training programme for the citizens of the Sharjah Government employed by Rex. Such training programme is for the purpose of educating and training such employees in the various aspects of the petroleum industry including technical, supervisory and management training. Subject to the approval of the Sharjah Government, such training programme shall be initiated within 1 year of the export commencement date.

Government assistance and benefits

Rex is granted several ancillary rights to it by the Sharjah Government including: the right to build, construct, maintain, operate and use all sorts of buildings, installations, docks, loading facilities and engineering works of every description. Rex may remove soil, limestone, clay etc belonging to the Sharjah Government as may be necessary for Rex's operations and also Rex may take any water belonging to the Sharjah Government that Rex considers necessary for the operations under the Sharjah CA. The usual charges and payments as well as third party rights and applicable laws will apply to the removal of such materials and water.

If Rex requires for the purpose of its operation under the Sharjah CA, any privately owned, developed or cultivated land within Sharjah, Rex may buy or lease sueh land with the permission of the Sharjah Government.

Rex shall be entitled to use in its operations under the Sharjah CA any form of transport whether it be by land, water or air for the movement of its employees, equipment or materials and shall be entitled to use communication and port facilities in Sharjah.

Information

Rex agrees to keep the Sharjah Government informed as to the progress and results of all of its operations within Sharjah. Rex will provide the Sharjah Government with maps and monthly and quarterly and annual reports concerning the same. Rex shall also provide the Sharjah Government with technieal and economic reports as may be prepared from time to time including geological and geophysical data and drilling reports. Upon termination of the Sharjah CA, Rex shall provide eomplete copies of all the information which is required to be disclosed, and has not been previously provided, to the Sharjah Government.

Committee meetings

The Sharjah Government shall nominate from time to time one or more of its officials as its representative to act on its behalf in all matters relating to the Sharjah CA. Such government representative and Rex's key operational personnel in Sharjah shall meet as a committee at least twice a year to discuss all aspects of Rex's operations in Sharjah.

SUMMARY OF THE SALIENT TERMS OF THE SHARJAH CA (*Cont'd*)

Assignment

Rex shall not without the prior written consent (such consent not to be unreasonably withheld) of the Sharjah Government assign any of its rights under the Sharjah CA to a non-affiliate. Rex may make an assignment to an affiliate or associated company without the Sharjah Government's consent and shall inform the Sharjah Government of such assignment*.

Note:

* *As stated above, no Sharjah Government consent was granted to the assignment to Zubara on the basis that Zubara is an affiliate of Rex.*

Arbitration and governing law

Except in relation to market price disputes, all disputes arising out of the Sharjah CA shall be finally resolved by arbitration. The tribunal shall be composed of 2 arbitrators nominated by the parties and a referee appointed by the arbitrators within 30 days of the appointment of such arbitrators.

Each party shall nominate its arbitrator within 30 days of being requested to do so, failing which an arbitrator will be appointed by the President of the International Chamber of Commerce ("**ICC**"). If the arbitrators cannot agree upon a referee, the President of the ICC will appoint a referee. The decision of the arbitrators and referee shall be final and binding on all parties to the Sharjah CA.

The place of arbitration shall be London, England, unless otherwise agreed by the arbitrator, and the referee determines the procedure of the arbitration in accordance with the Rules of Arbitration and Conciliation of the ICC.

The Sharjah CA shall be interpreted and applied in conformity with the standards, custom and usage in the international petroleum industry and principles of law normally recognised by civilised states in general.

Termination

The Sharjah Government has the right to terminate the Sharjah CA if the following events occur:

(a) if Rex fails to make any payments under the Sharjah CA and if Rex fails to comply with the Sharjah Government's notice requiring any delayed payments to be made within 60 days after Rex receives such notice;

(b) if Rex fails to conform to the provisions of an arbitration award of the Sharjah CA within the period of time stipulated in each award; and

(c) if Rex is in material breach of its work obligations and fails to comply with a notice from the Sharjah Government requiring Rex to remedy such material breach within 60 days after Rex receives such notice.

SUMMARY OF THE SALIENT TERMS OF THE SHARJAH CA (*Cont'd*)

Force majeure

If a force majeure event hinders or prevents any party from performing any obligation under the Sharjah CA, then to the extent that the force majeure hinders or delays performance, sueh delay shall be excused and the obligation will be suspended while the force majeure event continues. A party affected by foree majeure must resume its obligations under the Sharjah CA as soon as it is reasonably possible to do so.

The Sharjah Government may not elaim foree majeure for any action taken by the Sharjah Government or any entity or agency operating under the authority or auspices of the Sharjah Government.

Damages for breach

Thc penalty shall be monetary damages for any breach of any warranty, covenant or condition in the Sharjah CA (for which no penalty or damagc provision is made in the Sharjah CA or in the Sharjah Income Tax Decree, as defined in the Sharjah CA).

Under the Sharjah CA and the Sharjah Income Tax Decree, certain payments made to the Sharjah Government and other costs incurrcd by Rex (in its role as a producing company) are deductible from Rex's taxable income. Under the Sharjah Income Tax Decrec, any person who makes a false declaration relating to its annual income is guilty of an offence and may be liable to imprisonment for up to 2 years or a fine.

Operating limits

Wherc operations in a specific area might in thc opinion of the Sharjah Government result in disputes with neighbouring states, the Sharjah Government may lay down opcrating limits within thc Sharjah Concession area.

Unitisation in respect of the concession area

If a commercial discovery is made within the concession arca and sueh discovery extends beyond thc concession arca to other areas of Sharjah in whieh other parties have obtained rights, the Sharjah Government may rcquire that thc production of hydrocarbons be carried out in eollaboration with the other contractors.

Field abandonment activities

Rex is responsible for implementing thc field abandonmcnt activities, including decommissioning and cleaning, for all facilities, installations and wells related to the concession arca in accordancc with a decommissioning plan and in adhcrence to the laws of thc Emirates of Sharjah and the UAE and internally accepted pctroleum industry practices.

Applicable laws

Rex shall abide by all the Emirate of Sharjah and Federal UAE laws and rcgulations.

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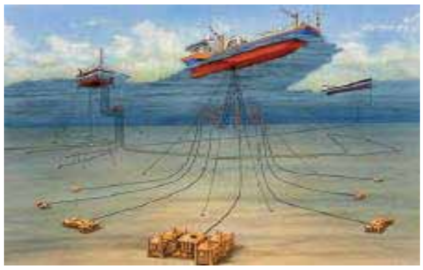
E&P Industry Report

Prepared for: Hibiscus Petroleum Berhad

February 2012

Pareto Securities Asia

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16 February 2012

Definitions

"~"	:	Approximately
"1P"	:	Proven reserves
"2P"	:	Proven and probable reserves
"3P"	:	Proven, probable and possible reserves
"bbl(s)"	:	Barrel(s)
"bbl(s)/d"	:	Barrel(s) per day
"bcf"	:	Billion cubic feet
"Best estimate"	:	Best estimate of prospective resources, having at least a 50% probability (P50) that the quantity of resources actually recovered will equal or exceed this best estimate
"boe"	:	Barrels of oil equivalent – is a unit of energy based on the energy released by burning one barrel of crude oil
"boe/d"	:	Barrels of oil equivalent per day
"Brent Forward Curve"	:	Price of forward contracts for Brent oil based on Brent deliverable contracts
"CA"	:	Concession agreement
"Capex"	:	Capital expenses
"DCF"	:	Discounted cash flow – a valuation method based on present value of future cash flows
"DD&A"	:	Depletion, Depreciation and Amortization
"dwt"	:	Dead weight tonnes, a measure of how much weight a ship can carry
"E&P"	:	Exploration and Production
"EIA"	:	Energy Information Agency
"EIU"	:	Economist Intelligence Unit
"EOR"	:	Enhanced oil recovery
"FPSO"	:	Floating production, storage and offloading unit – a floating vessel used by the offshore industry for the processing of hydrocarbons and for storage of oil
"FSO"	:	Floating storage and offloading unit
"FSU"	:	Former Soviet Union
"GCoS"	:	Geological chance of success
"GIIP"	:	Gas initially in place – the total estimated volume of gas available in a given reservoir
"IEA"	:	International Energy Agency
"IMF"	:	International Monetary Fund
"IOC"	:	International oil company
"JU"	:	Jack-up rig
"mcf"	:	Million cubic feet
"MENA"	:	Middle-East and North Africa
"mmbbls"	:	Million barrels
"mmboe"	:	Million barrels of oil equivalent
"mmcf"	:	Million cubic feet – unit used to measure gas
"LNG"	:	Liquefied natural gas
"NGL"	:	Natural gas liquids
"NOC"	:	National oil company
"NPV"	:	Net present value
"OECD"	:	Organisation for Economic Co-operation and Development – a group of 34 countries
"OIIP"	:	Oil initially in place – the total estimated volume of oil available in a given reservoir
"Oil in place"	:	The amount of oil in a subsurface reservoir
"OPEC"	:	Organization of the Petroleum Exporting Countries
"Opex"	:	Operating expenses
"OSV"	:	Offshore support vessel – includes anchor handling, tug supply and platform supply vessels, accommodation, utility and fire-fighting vessels, crew boats, etc.
"PDO"	:	Petroleum Development Oman – Oman's largest and 60% state-owned oil & gas company
"POD"	:	Plan of Development – for E&P companies to develop and produce from a prospect
"PSC"	:	Production sharing agreement
"Seismic"	:	An exploration method in which strong low-frequency sound waves are generated on the surface or in the water to find subsurface rock structures that may contain hydrocarbons
"SPE"	:	Society of Petroleum Engineers
"SSV"	:	Subsea support vessel – includes pipelay barges, derrick barges, heavylift barges, well intervention vessels, etc.
"Tcf"	:	Trillion cubic feet
"USD"	:	United States Dollar
"Wood Mackenzie"	:	A leading research and consulting services provider for the global energy, mining, metal, oil, gas, coal, refining, power, and electricity industries

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1. Introduction

Exploration and Production (E&P) is the upstream part of the value chain that ultimately provides the market with fuel and various petrochemical products. The oil produced is sold at prices which are in most cases linked to recognised oil price indices, while gas, which is not as easily transported, is sold in local markets, unless resources discovered are of a magnitude that makes Liquefied Natural Gas (LNG) production viable.

The main driver for E&P companies that produce, or are envisaged to produce, mainly liquids i.e. oil and/or condensate is the expected oil price in the medium to long term.

E&P companies can face stiff competition from other E&P companies, as well as National Oil Companies (NOCs) and International Oil Companies (IOCs), when seeking to secure potentially valuable oil & gas concessions. Once the concessions are secured, E&P companies are faced with competition and the prevailing market prices in securing qualified personnel, required equipment and various oil services i.e. seismic services, drilling rigs, offshore support vessels etc. As oil prices are expected to follow a long term upward trend, E&P spending is expected to increase, resulting in upstream capital expenditure inflation.

Due to the scale, value and strategic importance of the oil & gas industry, governments have long been using it as an important potential source of revenue. Government-take represents the single largest portion of an oil & gas project's cash flows. Most countries have established separate, distinct tax legislations for the oil & gas industry.

Exploration activity is associated with the potential for significant value creation in the event of discoveries of commercial quantities of hydrocarbons, but also with severe risk and uncertainty. This nature makes it particularly challenging to estimate the value for companies whose principal activity is exploration and where there is limited or no discoveries and/or production. We wish to highlight that valuing exploration assets cannot be regarded as an exact science. This is reflected in the valuation of listed exploration companies, which is highly sensitive to market sentiment and investors risk appetite.

This E&P Industry Report starts out with a description of the oil market. It also describes how the relatively high expected oil prices can impact required capital expenditure levels. It also provides oil & gas basics and gives a brief description of the E&P value chain and the required activities in the respective phases of the chain. Information on oil & gas taxation systems is provided, before moving on to information on the United Arab Emirates and Oman, which is where the concession assets that Hibiscus is proposing to acquire are located.

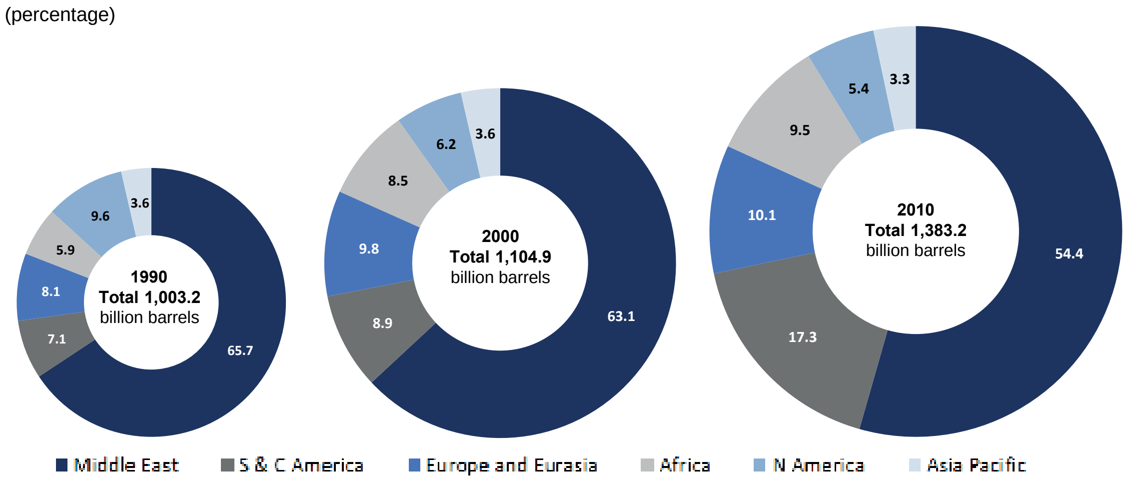
2. Oil and Gas Industry

The key driver for the oil and gas industry is the prevailing price of oil and gas and the expected development of these prices in the future. Oil is a global commodity and price developed is, inter alia, affected by global supply and demand trends, GDP growth, geopolitical issues, influence from the OPEC and government regulations.

While oil is a global commodity, gas production is to a greater extent supplied to markets in the vicinity of discovered resources. For larger gas discoveries, it can be economically viable to produce LNG for supply to the global market.

2.1. Oil Market Overview

Figure 1. Distribution of proved oil reserves in 1990, 2000, 2010

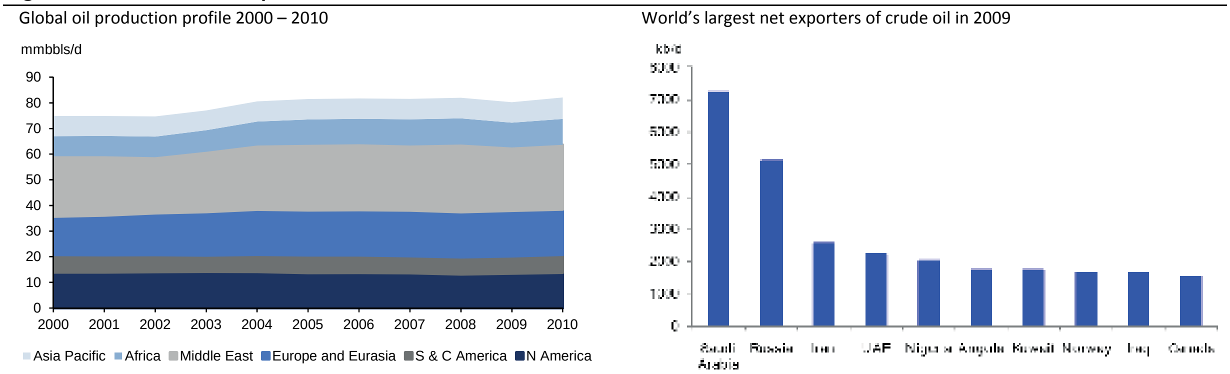


Source: BP Statistical Review

2.1.1. Supply and demand

The OPEC countries, located in the Middle East, Africa and South & Central (S & C) America, control over 75% of the total global oil reserves and a large portion of (41% in 2009 and projected to grow to 52% by 2035[1]) the world's oil supply is derived from its member countries. OPEC countries produce much more than their domestic consumption. As of 2009, Saudi Arabia was the largest exporter with over 7 million bbls/d.

Figure 2. Producers and exporters of oil



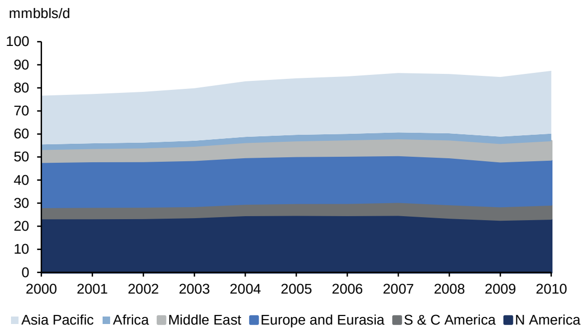
Source: BP Statistical Review; IEA

[1] IEA World Energy Outlook 2010

On the other hand, demand for oil is dominated by developed economies of U.S. and Japan, followed by the rapidly growing economies of China and India, while the Middle East only accounts for a small portion (9% in 2009) of oil demand.

Figure 3. Consumers and importers of oil

Global oil consumption profile 2000 – 2010



World's largest net importers of crude oil in 2009

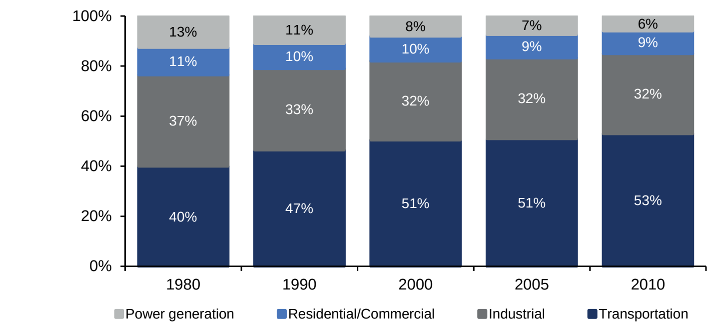
Source: BP Statistical Review; IEA

2.1.2. Usage

Transportation constitutes the largest share (53% in 2010) of oil usage and its share has been growing over the years.

Transportation constitutes the largest share (53% in 2010) of oil usage and its share has been growing over the years as there are few substitutes in this segment. This is followed by industrial usage (32% in 2010), which has shown a relatively flatter trend over time. Following that are residential/commercial usage (9% in 2010) and power generation (6% in 2010), both of which are declining in terms of their total share of consumption.

Figure 4. World oil demand distribution 1980 – 2010



Source: Exxon, Pareto

2.2. Recent trends

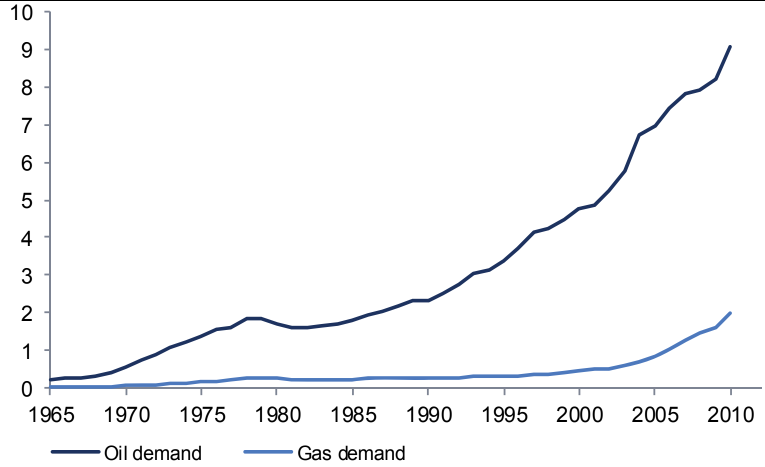
The recent trend in oil prices suggests that the global oil market has entered a period of increased scarcity. The origins of this scarcity can be traced to the tension between the upward shift in global oil consumption growth due to fast-growing emerging market economies and supply constraints which have led to a downshift in oil supply growth. The latter particularly reflects the drag from a growing share of maturing oil fields, which have raised both the production and the opportunity cost of bringing an additional barrel to the market. (Source: IMF, World Economic Review, April 2011)

2.2.1. Demand

Demand from OECD countries has been declining while that from non-OECD countries has been showing a robust growth since 2007. Demand growth is mainly being driven by the populous countries of Asia, which are experiencing high economic growth. Over the last decade China has accounted for about 40% of global oil demand growth (followed by the Middle East at 26%).[2]

[2] BP Statistical Review 2010

Figure 5. Chinese oil and gas demand (million bbls/d)

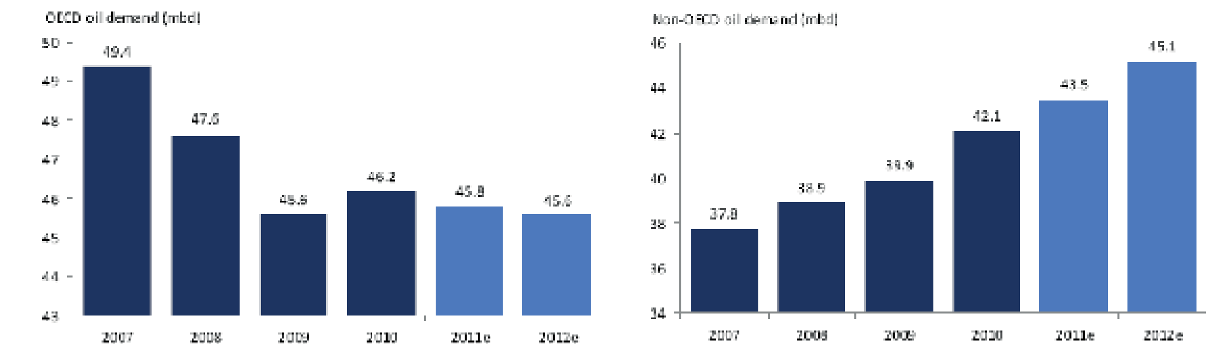


Source: BP; IEA; Bloomberg

2.2.2. Demand outlook

According to IEA, the global primary energy demand will continue to grow through 2035. Economic activity is the principal driver of demand for each type of energy service and the underlying GDP data (obtained from IMF, World Bank databases and IEA databases) shows a global GDP growth rate averaging at 3.2% per year from 2008 to 2035, with OECD growth at 1.8% and non-OECD growth at 4.6% for the same period. Population growth is also an important driver of the amount and type of energy use and data (obtained from United Nations Development Programme and World Bank databases) shows a global population growth of 0.9% with an OECD growth of 0.8% and a non-OECD growth of 1.0%.

Figure 6. Oil demand (mbd) from OECD and non-OECD countries



Source: IEA, Pareto

Non-OECD demand is expected to show robust growth fuelled by Asian economies.

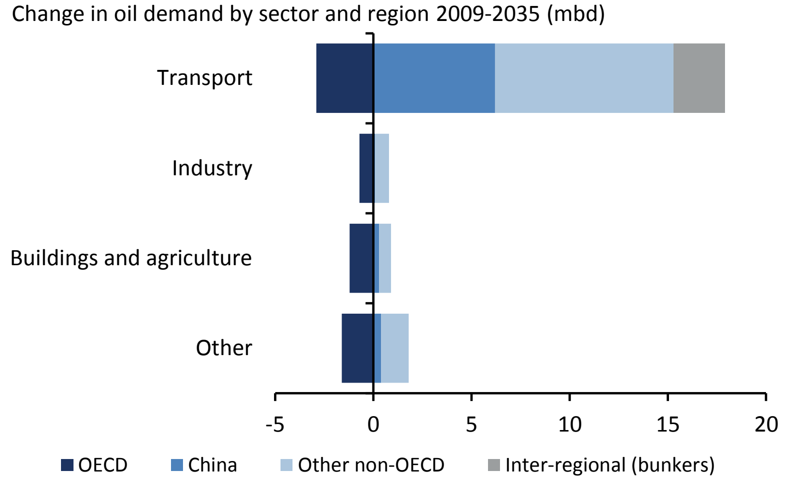
In the medium-term, demand from the OECD countries is expected to remain fairly stable while non-OECD demand is expected to show robust growth fuelled by Asian economies. In the longer term IEA expects OECD demand in 2035 to have fallen by over 6 million bbls/d compared to 2009 levels and that it would be offset by an increase of 19 million bbls/d in non-OECD countries over the same period. The biggest increase in demand in absolute terms occurs in China, increasing from just over 8 million bbls/d in 2009 to more than 15 million bbls/d in 2035, an increase of 2.4% per year on average.

According to the IEA, global demand for oil (excluding biofuels) is expected to increase from 84.8mmbbls/d in 2009 to 99 mmbbls/d in 2035[3].

[3] IEA World Energy Outlook 2010

The transport sector is expected to fuel the growth in global oil demand, accounting for almost all of the increase between 2009 and 2035.

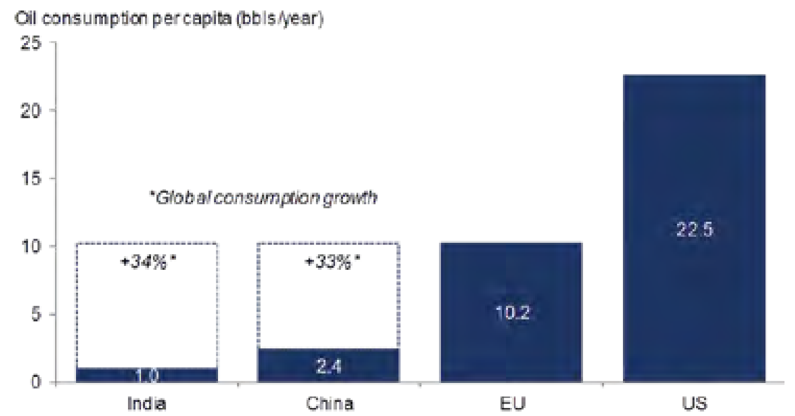
Figure 7. Demand growth 2009 – 2035 by industry and region



Source: IEA World Energy Outlook 2010

The transport sector is expected to fuel the growth in global oil demand, accounting for almost all of the increase between 2009 and 2035 according to the IEA. Demand for road transport fuels is set to continue to expand rapidly in China and other emerging non-OECD economies in line with rising incomes and expanded road networks, which will boost car ownership and usage as well as freight. Currently, there are only 30 cars for every thousand people in China, compared with around 700 in the United States and almost 500 in Europe. IEA projects the passenger light-duty vehicles in non-OECD countries to quadruple over the projection period to about 850 million, overtaking that of OECD countries soon after 2030. Moreover, since the growth of road transportation, oil consumption per capita will be highest in the most populous countries of China and India, which will have a significant expansionary effect on overall fuel consumption.

Figure 8. Oil consumption per capita (bbls/year)



Source: BP; IMF

If China and India were to reach EU levels, world oil demand would increase by ~ 67% from the 2010 level.

Overall oil consumption per capita in China and India remain low, at 2.4 and 1.0 barrels per year, respectively, compared to EU and USA, at 10.2 and 22.5 barrels per year, respectively (2010). If China and India were to reach EU levels, world oil demand would increase by ~ 67% from the 2010 level.

Although the long term oil demand is predicted to grow, turbulence in the global economy may impact demand for oil and gas and consequently, putting downward pressure on prices in the short to medium term.

2.2.3. Supply trends

The table below lists the major oil-producing countries based on 2010 production levels. Russia, Saudi Arabia and the U.S. lead with a cumulative share of ~34%. UAE ranks 8th and Oman ranks 23rd th in the major oil producing nations as of 2010 with 3.5% and 1.1% global market share, respectively.

UAE ranks 8th and Oman ranks 23rd in the major oil producing nations as of 2010 with 3.5% and 1.1% global market share, respectively

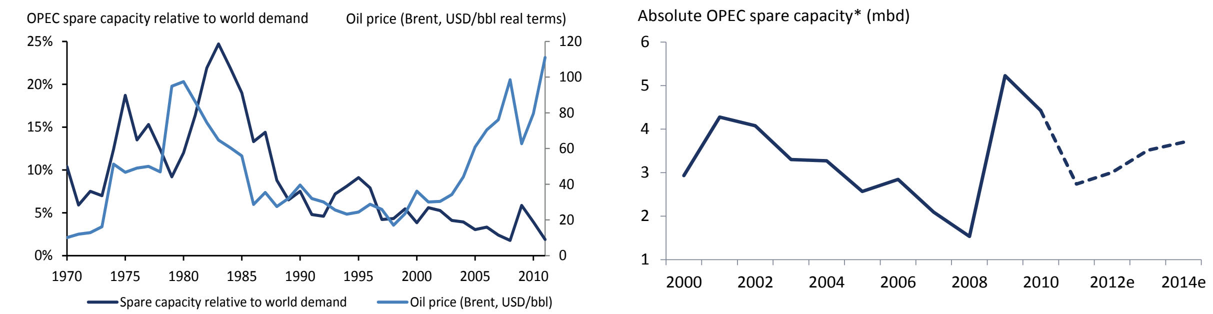
Figure 9. Major oil producing countries

	Country	2010 Production (thousand bbls/d)	2010 Share of total
1	Russian Federation	10,270	12.5%
2	Saudi Arabia	10,007	12.2%
3	U.S.	7,513	9.2%
4	Iran	4,245	5.2%
5	China	4,071	5.0%
6	Canada	3,336	4.1%
7	Mexico	2,958	3.6%
8	**United Arab Emirates**	**2,849**	**3.5%**
9	Kuwait	2,508	3.1%
10	Venezuela	2,471	3.0%
11	Iraq	2,460	3.0%
12	Nigeria	2,402	2.9%
13	Brazil	2,137	2.6%
14	Norway	2,137	2.6%
15	Angola	1,851	2.3%
16	Algeria	1,809	2.2%
17	Kazakhstan	1,757	2.1%
18	Libya	1,659	2.0%
19	Qatar	1,569	1.9%
20	United Kingdom	1,339	1.6%
21	Azerbaijan	1,037	1.3%
22	Indonesia	986	1.2%
23	**Oman**	**865**	**1.1%**
24	India	826	1.0%
25	Colombia	801	1.0%
26	Egypt	736	0.9%
27	Malaysia	716	0.9%
28	Argentina	651	0.8%
29	Australia	562	0.7%
30	Ecuador	495	0.6%
	Rest of the world	5,072	6.2%
	Total world	**82,095**	**100.0%**

Source: BP Statistical Review 2010

Although the current global production of oil and gas is sufficient to meet current global demand, spare production capacity is limited and the lead time to develop new supplies is long. The main global spare capacity is estimated to be within the member countries of the OPEC. According to EIA reports, OPEC spare production capacity has, however, been declining fairly steadily over the past decade, interrupted only by a temporary spike during the global financial crisis 2008/09. Going forward, IEA forecasts a fall in OPEC spare capacity in 2011 with a modest growth until 2014.

Figure 10. OPEC spare capacity and oil prices

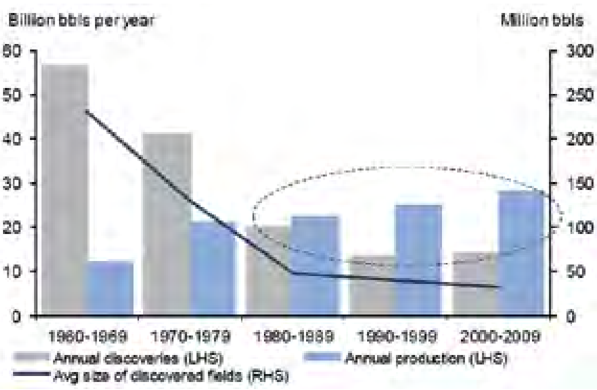


**Capacity in Libya: 0.4 mbd in 2011, 0.7 mbd in 2012, 1.5 mbd in 2013, 1.6 mbd in 2014 and 2015*
Source: IEA; BP Statistical Review

Replacing production with new discoveries has become increasingly difficult with annual discoveries increasingly falling short of production since the 1980s, as easy and more accessible resources are continuously being depleted and it is becoming more challenging to uncover further resources. Exploration companies increasingly have to shift to deeper waters and unconventional sources to continue making discoveries. As a result, adding new production capacity becomes harder, and more marginal and higher cost resources have to be developed to meet demand.

Discoveries are struggling to keep pace with production since the 1980s

Figure 11. World oil* discoveries and production 1960 – 2009



*Note: *crude and NGLs*
Source: IEA, Pareto

Over the last decade FSU increased production by 5.5 million bbls/d meeting about 60% of increased demand. However, FSU's contribution to increased production over the coming decade is expected to be marginal and new production will need to come from deeper water developments, Iraq, shale oil and oil sands.

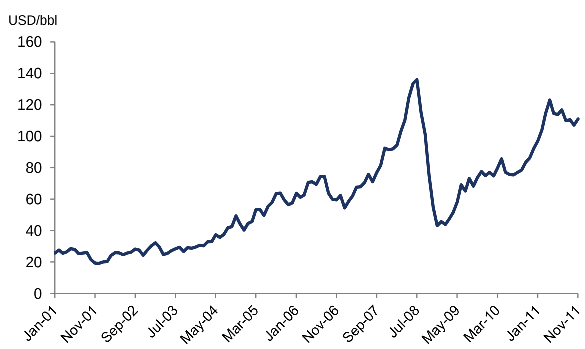
Vast global recoverable gas resource could potentially supply parts of future energy demand in the longer term, but will require significant infrastructure investments.

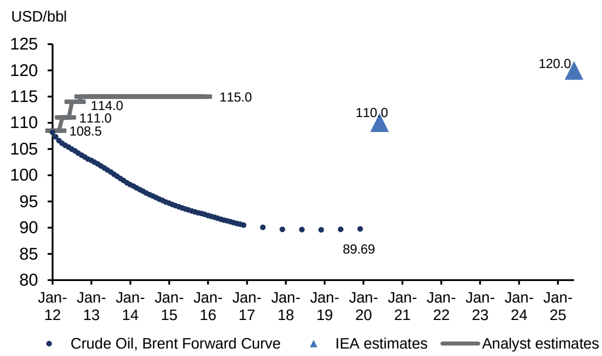
2.3. Price

2.3.1. Historical oil prices

Oil prices have significantly increased from the region of USD 20 to USD 30 per barrel in 2001 to the USD 90 to USD 100 per barrel region in 2011, having peaked in the middle of 2008 before it underwent a correction. Recently, oil prices have been significantly volatile as demand factors are affected by the European debt-crisis as well as a slower rate of economic recovery in European nations and the U.S.

Figure 12. Oil (Brent) price development 2001 – 2011 (Left) and oil (Brent) price predictions 2012 – 2020 (Right)





Note: Analyst estimates represent the median of the future Brent price published by 38 analysts and has been obtained from Bloomberg
Source: IEA; Bloomberg

Forward oil price contracts indicate a long-term crude oil (Brent) price of ***USD 91.5 per barrel***

2.3.2. Oil price predictions

IEA's 2010 World Energy Outlook assumes an upward sloping price curve, reaching USD 120 per barrel in 2025 and USD 135 per barrel in 2035 (in real terms, 2009 prices) according to their Current Policies Scenario.

As of the date of this report, forward oil price contracts indicate a long-term crude oil (Brent) price of **USD 91.5 per barrel.**

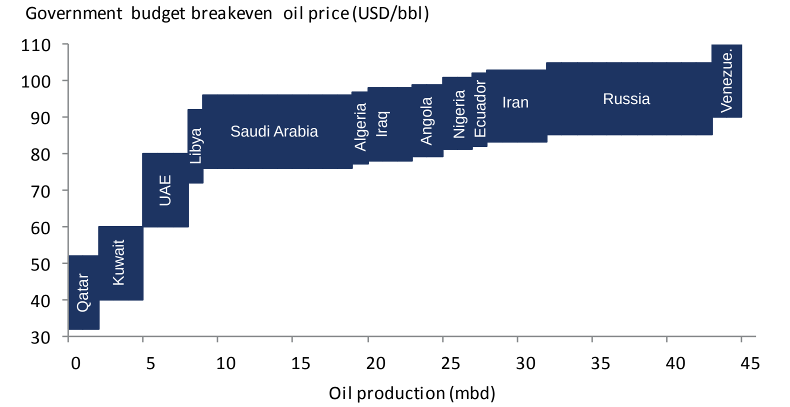
While most analysts and the IEA expect a rising price curve based on predicted future global GDP growth and the perceived tightness in the oil market, the forward Brent price curve reflects, among others, the probability of a new recession that is expected to have a negative impact on the oil price in the short to medium term.

2.3.3. OPEC influence on oil prices

The OPEC countries control over 75% of the total global oil reserves and a large portion of the world's oil supply. OPEC has a stated mission to "….ensure stabilization of oil markets…and...a steady income to producers…" and has shown a willingness to adjust production to meet its goals. For example, with the decline in exports from Libya during the uprising earlier this year, Saudi Arabia increased production to meet demand, seeking to avert a short term spike in prices.

On the other hand, the large oil producers of OPEC, in addition to Russia, have an interest in keeping prices steady, not only to avert price spikes that could be harmful to global GDP growth, but also to maintain a relatively high price to ensure that their respective government budget are balanced.

Figure 13. Government budget breakeven* oil price 2011



**Oil price needed to balance government budget*
Source: IEA

The chart above shows the government breakeven price for the OPEC countries and Russia. It can be seen that the major oil producing countries such as Russia, Saudi Arabia, Iran and Venezuela have relatively high oil price requirement to finance their government spending. These countries (Russia and OPEC) therefore have an expected willingness to curb production to ensure that prices do not significantly drop below the current price level.

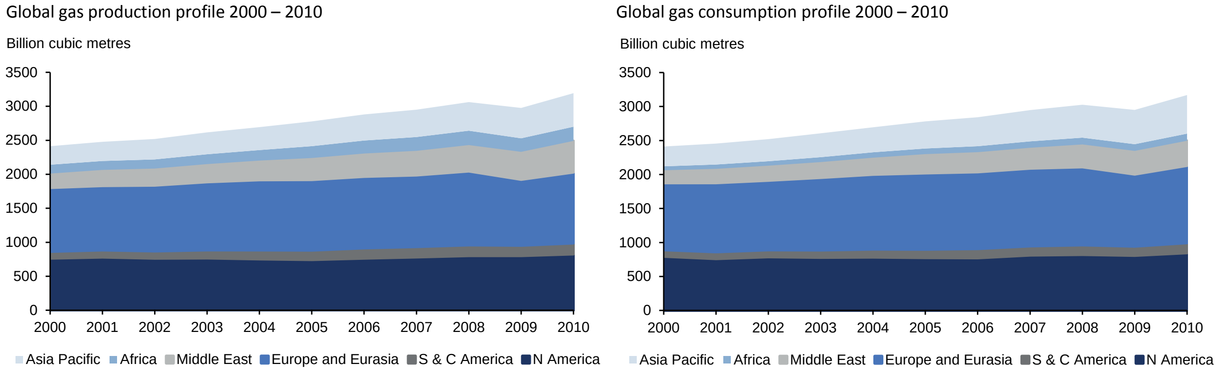
2.4. Gas Market

Though natural gas is the world's third largest source of primary energy, gas markets generally remain regional

2.4.1. Demand

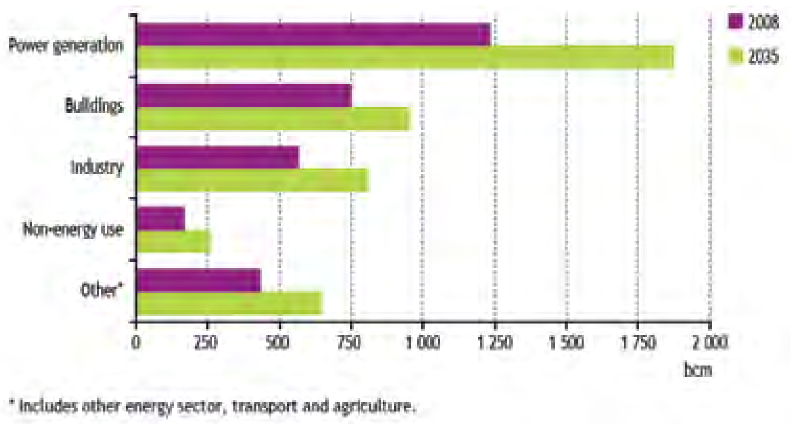
Natural gas is the world's third largest source of primary energy, accounting for 24% of total energy use in 2009. However, as a result of limitations of infrastructure, transportation and currency pricing, gas markets generally remain regional. However, there has been an increased focus on gas resources in recent years due to increased global gas demand. Oil companies have begun to search for gas in its own right, seeking to monetize it through the production of LNG. Due to this and the fact that gas, which historically would have been flared, is now being re-injected for later recovery, commercial gas reserves have risen by almost 30% over the last decade.

Figure 14. Global gas production (Left) and consumption (Right) profile 2000 – 2010



Source: BP Statistical Review

Figure 15. World natural gas demand by sector

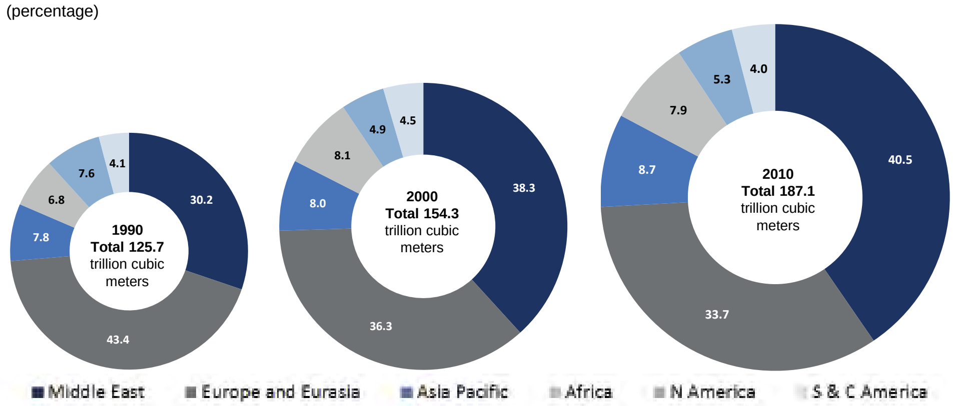


Source: IEA World Energy outlook 2010

2.4.2. Supply

Remaining resources of natural gas are abundant, relative to those of oil, and large enough to meet the projected increase in global demand. The overwhelming bulk of the world's proven reserves are in the Middle East and FSU countries; just three countries — Russia, Iran and Qatar — hold 54% of the world total. Over the outlook period of 2008 – 2035, IEA expects the Middle East to have the largest expansion of gas production, with output more than doubling from 393 billion cubic meters in 2008 to 801 billion cubic meters in 2035. The region holds the largest reserves and has relatively low production costs, both for gas produced in association with oil and for dry gas. Four countries — Qatar, Saudi Arabia, Iran and Iraq — account for almost all of the increase. Around two-thirds of the increase in output will be consumed locally, mainly in power stations, and the remaining will be exported.

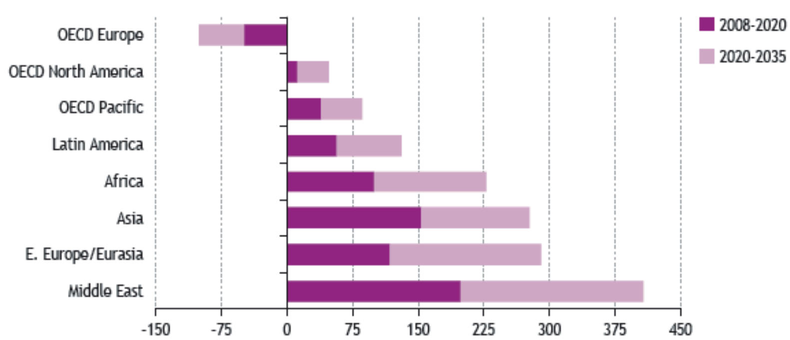
Figure 16. Distribution of proved gas reserves in 1990, 2000, 2010



Source: BP Statistical Review

IEA expects the Middle East to have the largest expansion of gas production, with output more than doubling from 393 billion cubic metres in 2008 to 801 billion cubic metres in 2035

Figure 17. Change in natural gas production by region 2008 – 2035



Source: BP Statistical Review

However, significant infrastructure investments are required to bring the gas to market.

2.4.3. Oman and the UAE

Oman's gas reserves are estimated by Wood Mackenzie to be 30 to 35 trillion cubic feet (tcf) and approximately 85% of that is held in ten fields operated by PDO, which will continue to be the main supplier of gas in the future. However, PDO will not be able to meet Oman's gas demand alone and will require assistance from other operators. It must be noted that whilst the oil sector is highly developed, the gas sector is relatively under-developed, with an average gas recovery factor of 52%. The UAE's sales gas reserves are estimated by Woods Mackenzie to be 45 to 50 trillion cubic feet. These estimates do not include gas which may be produced or used in operations or for re-injections into mature oil reservoirs. Gas production in the UAE is dominated by Abu Dhabi contributing 88% of total the UAE sales gas production. Gas infrastructure is well developed in the UAE.

2.5. Key producers in the Oil and Gas Industry

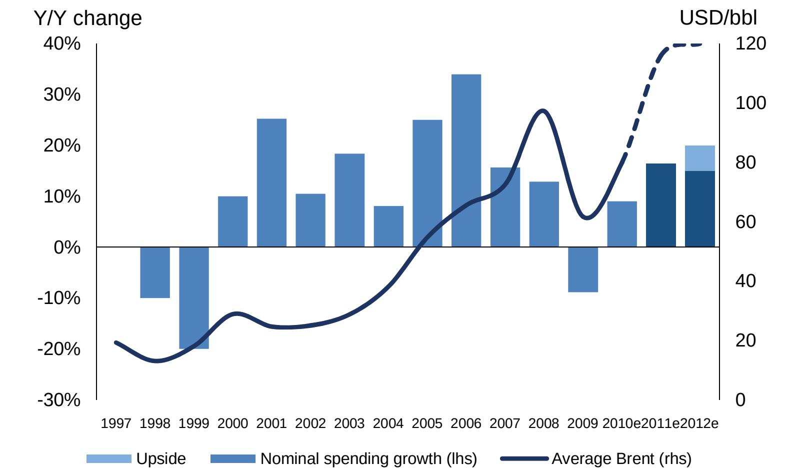
The producers are segregated into IOCs and NOCs. The six largest players globally, referred to as the 'supermajors' are IOCs such as Exxon, Chevron, RD/Shell, BP, ConocoPhillips and Total. Two other prominent ones are Statoil (Norway) and Ente Nazionale Idrocarburi or Eni (Italy). Some prominent NOCs are Saudi Aramco, National Iranian Oil Company, National Iraq Oil Company, Kuwait Oil Company, Qatar Petroleum, Petroleos de Venezuela, Gazprom (Russia), Petrobras (Brazil), Pemex (Mexico), Petronas (Malaysia) and China National Petroleum Corporation.

2.6. Global E&P spending outlook

Oil prices have been trading within a range of USD 70-120/bbl since 2010 and a continued recovery in global oil demand, MENA unrest and continued production challenges have supported an oil price of above USD 100/bbl year to date. Over the recent weeks financial market volatility has increased significantly, however, oil prices have remained resilient to the uncertainty and are still trading at a favorable level for E&P spending, well above the average project planning price at USD 80/bbl E&P companies use for budgeting, with an average breakeven for new projects below USD 60/bbl. This has supported investment decisions on new upstream projects and E&P spending is expected to increase.

Pareto expects E&P spending to increase by 16% in 2011 based on recent data points

Figure 18. Percentage change in E&P spending vs. oil price



Source: Pareto

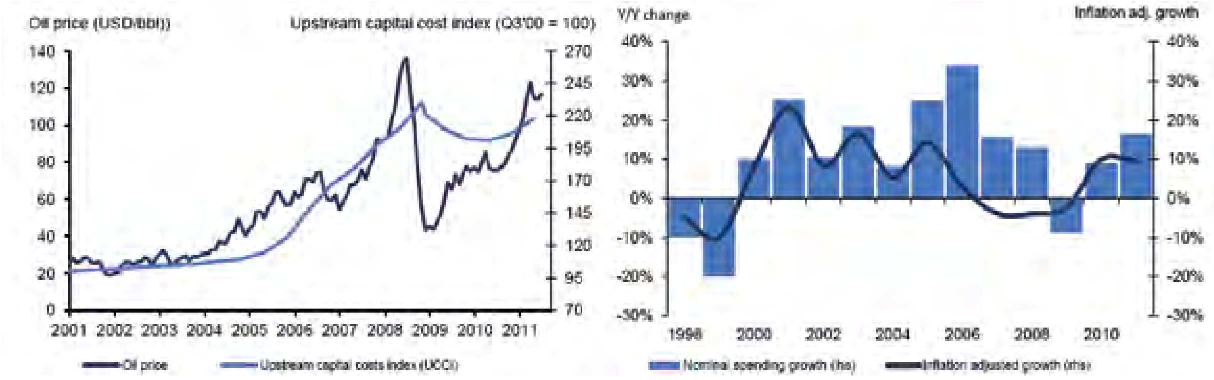
The development in oil and gas companies' upstream spending levels (E&P spending) is the main driver for oil services demand in general. In 2009, with the steep drop in oil prices, the operational cash flow of E&P companies declined significantly, impacting the ability to invest in new projects and in exploration in particular. Overall E&P spending declined 9% in 2009. With the improving market conditions in 2010, higher oil prices and improved E&P company cash flows, spending increased by 9%. In 2011, with oil price on average above USD 100/bbl, cash flows have improved and E&P spending increased. In particular, smaller and medium sized E&P companies saw strong increases in spending levels. Current budgets now point to an increase of 16% in E&P spending in 2011. Recent data points suggest that there may be an upside to the spending growth estimate in 2011.

2.7. General impact of oil price on E&P

E&P spending impacts development in volumes (i.e. activity) and cost of oil services. In 2009, E&P companies viewed lower costs as one of the key factors for sanctioning projects. This came after upstream development costs more than doubled through the last bullish cycle, as capacity constraints lifted oil service pricing significantly. In 2006 to 2008, the cost development was in fact the main contributor to spending increases, leaving volumes slightly up (2006) or down (2007-2008).

As E&P companies slowed their project roll-out in the second half of 2008 and 2009, the supply side (oil services etc.) saw utilization drop, hence impacting their pricing negatively. Costs of oil services in 2010 declined by some 1-2%, on top of the drop of 7% in 2009, and hence the E&P spending growth last year of 9% saw a higher growth figure in terms of volumes (10-11%). This year, we estimate 16% growth in E&P spending. However, as costs have started to increase (drilling rig rates, OSV day rates, qualified personnel, onshore service costs etc.) volume growth will be lower (estimated to ~9%). As oil services utilization continues to improve in 2011 and into 2012, we believe that costs will continue to increase in 2012e.

Figure 19. Development in offshore/onshore costs (Left) and Nominal spending growth vs. volume growth (Right)



Source: Pareto Research, Bloomberg, IHS CERA Index (The index reflects only development costs, no finding costs such as exploration, seismic or appraisal costs are taken into consideration), Inflation adj. growth estimated by subtracting the CERA index from nominal spending growth

2.8. Summary

The oil market is, amongst others, highly dependent on future global GDP growth. However, most analysts see the oil market as being structurally tight and have adopted the following views:

i. In the short to medium term oil price movement could be affected by the current turmoil in global financial markets. A double-dip recession will have a negative impact on the oil price in the short to medium term

ii. However, the oil market remains structurally tight with low OPEC spare production capacity and most analysts expect this to limit the downside risk in oil prices. This view is supported by IMF: "The recent trend increase in oil prices suggests that the global oil market has entered a period of increased scarcity"

iii. Oil demand growth is positively correlated to economic growth. This is especially true for the populous countries of Asia that have low consumption per capita relative to the developed economies of North America and Europe. The growth prospects of emerging economies, especially China and India, will significantly impact overall demand for and the price of oil

iv. Vast global gas reserves should be able to meet some of the increase in energy demand, however, it will take time and significant investments to enable the supply of gas to the main consuming markets and substitution from oil to gas based consumption

v. As the oil price is expected to stay above the USD 100/bbl level, E&P spending is also expected to increase. An increase in E&P spending and activity will increase demand for oil services and thereby lead to an increase in E&P capex and opex costs

3. Hydrocarbon systems

The source of oil & gas is organic matter preserved in sedimentary rocks. As sediments are deposited, both inorganic (sands and mud) and organic matter (dead plants and animals) are mixed. The decomposition of organic matter from plants and micro-organisms in waters with little oxygen, or at a rate faster than at which they could be consumed/oxidised, led to the establishment of layers of organic matter and sand/mud particles on the sea bed, which were subsequently buried under further sedimentary layers and compacted as the earth's conditions changed.

The most important factor in the generation of the crude oil from organic matter in sedimentary rocks is temperature. A minimum temperature of about 65°C is necessary for oil generation under typical sedimentary basin conditions. The temperature is obtained through the burying of organic rich sedimentary layers. The greater the temperature and pressure the more the hydrocarbon chains were broken down from bitumen to oil to natural gas.

To successfully accumulate oil and gas in economic quantities four elements must coincide – (i) kitchen; (ii) migration/reservoir rock; (iii) seal/trap; and (iv) accumulation/reservoir.

To successfully accumulate oil and gas in economic quantities four elements must coincide

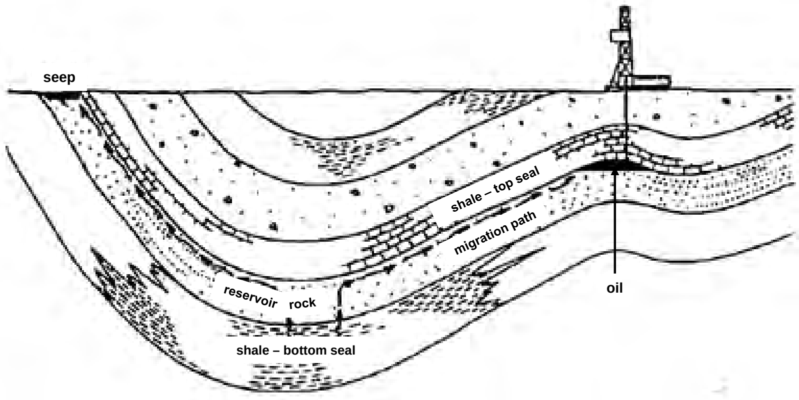
Kitchen

Migration/permeable reservoir rock

Trap/seal

Accumulation/reservoir

Figure 20. Migration of oil and gas in sedimentary rock basin



Source: Norman J.Hyne, Pareto

(i) Source rock/'kitchen'
As the organic rich 'source rocks' were buried over time and subjected to ever greater pressure and temperature the organic matter was broken down to form hydrocarbons in the earth's 'source' **kitchen**.

(ii) Migration/permeable reservoir rock
Once these hydrocarbons are formed, they are less dense and occupy a greater volume, and are hence driven upwards from the host rocks via micro fractures in permeable reservoir rock into new depositional stratum or to the surface through a process known as **migration**.

(iii) Seal/trap
The migration process is likely to continue until the oil or gas reaches an impermeable layer of rock whereupon it gets trapped, with the rock in which it was trapped most likely reefs, sandstone or limestone, effectively acting as reservoir. Oil and gas seeps on the surface occur when the migration of hydrocarbons does not meet a seal/trap, when a reservoir is saturated or the seal does not have a configuration that traps the oil and gas in a reservoir.

(iv) Accumulation/reservoir
The permeability and porosity of the rock beneath a seal/trap i.e. the **reservoir rock** determines the quality of the oil and gas reservoir. A reservoir rock is a rock that can both store and transmit fluids. Porosity is the percentage volume of the

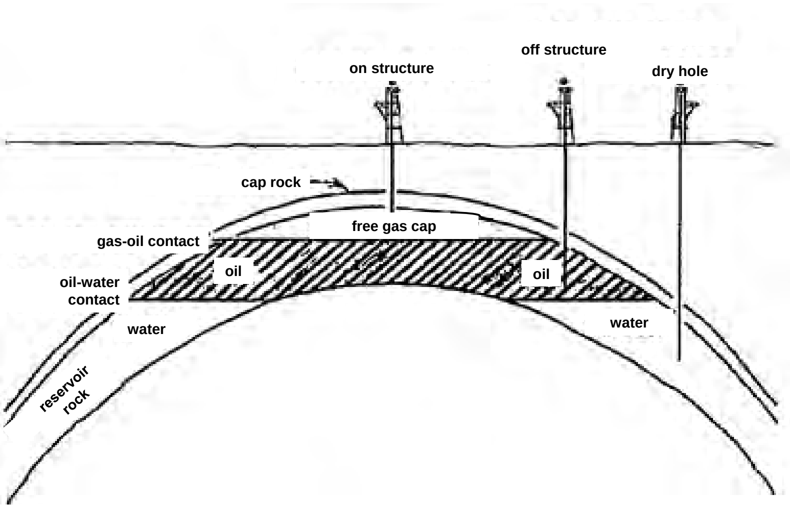
rock that is not occupied by solids. These volumes are called spores and in the subsurface they contain fluids such as water, gas and oil. Permeability is a measure for the ease with which a fluid can flow through a rock. Porosity and permeability is interrelated; in general the greater the porosity the greater the permeability.

Once the gas and oil migrate into the trap they separate according to density. Gas accumulates at the top to form the free-gas-cap, oil goes to the middle forming the oil reservoir and salt water, being the heaviest goes to the bottom.

'Dynamic' working hydrocarbon system

In order to accumulate oil & gas in economic quantities, the four elements mentioned above must coincide in a **dynamic system** in which each element can interact; the source rock generates the hydrocarbons, which needs to migrate to a suitable reservoir interval and being contained by an effective seal/trap.

Figure 21. Oil and gas accumulation



Source: Norman J.Hyne, Pareto

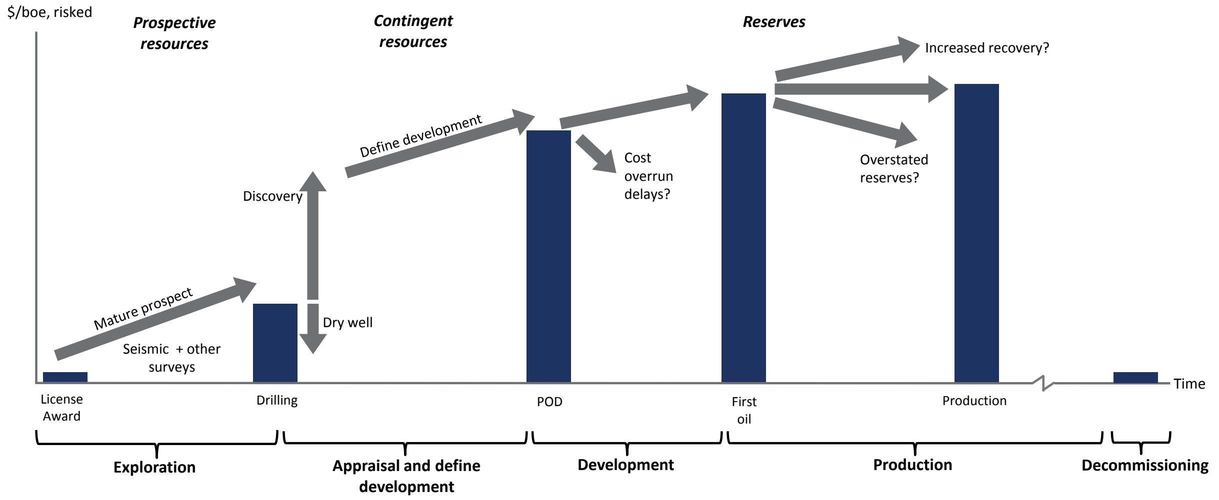
4. The Life Cycle of Exploration and Production

4.1. Overview

The greatest value-add is between the drilling and POD (Plan of Development) phases if there has been a discovery

For E&P companies, the first major value creation takes place in the exploration phase, subject to discovery of commercial resources. In the event of a dry well the value of an asset will be significantly reduced. The second key value generating milestone is the approval of the Plan of Development (POD). As the development is progressing towards production, the inherent risk in development is reduced resulting in increased valuations of the asset. However, valuation might be reduced by higher than projected capex requirements or unforeseen delays. Subsequently, after first oil, value may be added or diminished. Value could be increased by improved reserve estimates, lower than projected operating costs or higher than estimated recovery rates, while it might be diminished if reserve estimates are reduced, recovery is less than projected, or an unforeseen increase in operating costs. As the reservoir is depleted towards abandonment, the value of the field is also depleted.

Figure 22. The E&P value chain and value creation along its life cycle



Source: Gaffney, Cline & Associates, Pareto

The above illustration is based on DCF estimates of a generic offshore oil field and validated by value/boe in asset transactions. The E&P value chain may be divided into various phases, each of which is explained further below.

4.1.1. Exploration phase

Exploration activities involve the search for rock formations with hydrocarbon deposits, typically using seismic surveys, to increase probability of drilling in the right location

Exploration activities involve the search for rock formations with hydrocarbon deposits. After obtaining an exploration license from the host government, seismic surveys are typically used to assess the potential of oil and gas prospects, and increase probability of drilling in the right location. Other methods for verifying the probability of existing hydrocarbon systems and accumulations and to reduce exploration risks are also employed – such as identification of oil & gas seeps and gravity & magnetic surveys. Prospects with promising geological structure are then identified for drilling. Upon drilling, one may be successful in discovering resources or may encounter a dry well. A significant portion of the drilled exploration wells are dry with a large amount of the discoveries being non-profitable. On average 50% of all exploration wells are dry, with about half of the discoveries being of commercially recoverable quantities.

The discovery of commercial amounts of hydrocarbons can provide a significant uplift in the value of an oil & gas asset and the companies with interest in it. The E&P Company will then usually proceed to drill delineation wells to obtain better understanding of the reservoir and the volumes actually recoverable.

The Geological Chance of Success (GCoS) is a risk factor estimated by geologists relating to uncertainties about the existence and recoverability of resources in a given field. The GCoS is estimated based on seismic data and other available information and is the product of seven probability factors/elements – (i) source (ii) source efficiency (iii) reservoir presence (iv) reservoir quality (v) seal (vi) trap geometry and (vii) hydrocarbon quality. A source rock is needed to generate the hydrocarbons which must then efficiently migrate from the mature source rock into the reservoir rock. A suitable reservoir interval is needed to bear the hydrocarbons and the quality of this reservoir is judged by its porosity such that the hydrocarbons can be extracted efficiently. A seal is needed on the top of the reservoir to contain the hydrocarbons in the reservoir and the geometry of the trap should be favorable to allow extraction of these hydrocarbons. The hydrocarbon quality must be assessed to ensure the oil is not biodegraded or that the gas does not contain non-desirable content. All these factors/elements must coincide and occur in a dynamic system in order to accumulate oil & gas in economic quantities.

4.1.2. Development phase

Development involves planning and setting up the necessary infrastructure to produce hydrocarbons

Once the discovered resources are well understood and the POD is approved by the host government, the contractor can proceed to develop the asset for production. The development phase can involve significant capital expenditures. Development involves drilling of production wells and possibly also injection wells, in addition to the necessary infrastructure to produce the hydrocarbons, which could be in the form of platform, subsea facilities, pipelines, floating production storage facilities.

Generally, an offshore field can be developed using offshore platforms and floating production systems. If the field is close to shore and in relatively shallow water production could be piped to shore for processing. Depending on the size of the field, more wells may be required to optimize production.

Developing E&P assets is challenging and involves a long list of risks. When valuing oil and gas assets that are in the exploration and development phases, a risk factor is normally employed on discounted cash flows that takes into account risks related to development process of oil and gas fields, including risk of commercialization, technical challenges, cost overruns, delays, changes in volume estimates etc.

4.1.3. Production phase

Production phase involves the extraction, processing, storage, and transportation of hydrocarbons

The production phase involves the extraction, processing, storage, and transportation of hydrocarbons from the fields. Oil and gas fields have significantly different production profiles. While oil fields generally reach peak production early in the production period, gas assets often produce at a peak plateau before commencing decline.

As oil and gas is produced, pressure in the reservoir drops, resulting in declining flow rates and gas production tends to increase at the expense of higher valued oil. Furthermore, as the reservoir is depleted water production may increase. Various techniques are employed to enhance recovery rates and maximize oil production; the contractor can drill more wells, shut off lower producing zones to reduce water production, drill water or gas injection wells, installation of surface or down-hole pumps, fracturing of the reservoir etc. However, even if the efforts could stabilize production and increase the lifespan of the field, they will increase the operation expenses incurred.

4.1.4. Decommissioning phase

As production from a field declines to a point where the cost of production does not justify further extraction, the field will be abandoned. The wells will need to be plugged, and production facilities will need to be removed. This can be a costly process and the host government usually will require the contractor to build up an abandonment fund prior to the estimated time of decommissioning. As this fund is being built up, the contractor is normally allowed to recover the cost from the field's revenue.

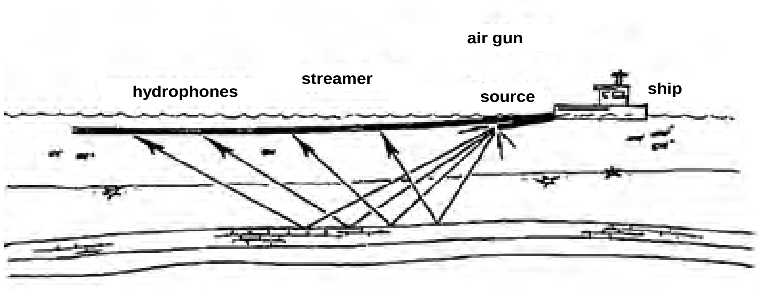
4.2. Types of oil services assets used

4.2.1. Seismic assets

E&P companies most commonly use seismic techniques during their exploration phase

The objective for an oil company in applying seismic techniques is to provide input in their exploration activities to de-risk prospects before drilling. Traditional seismic is based on acoustic sound waves, providing information about different subsurface geological layers. It is typically based on a towed streamer approach, where the assets involved are typically the streamer itself and the vessel towing the streamer, possibly working in combination with a source vessel and other streamer vessels. Various other methods involving a variety of assets exist, but towed seismic is considered to be the most common methods.

Figure 23. Illustration of seismic methods at sea



Source: Norman J.Hyne, Pareto

4.2.2. Offshore drilling assets

Offshore drilling assets refer primarily to offshore rigs including tender rigs, drill barges, jack-up rigs (JU), semi-submersible rigs, and drill ships. "Floaters" is a generalized term for semi-submersible rigs and drillships. Typically, tender rigs, drill barges, and jack-up rigs are used in shallow water regions, while floaters are used in deeper water regions.

Figure 24. Deployment of oil services assets in each E&P phase

	Exploration	Development	Production	Decommissioning
Period:	1-3 years	2-4 years	5-50+ years	Upon oilfield depletion
Sensitivity to oil price:	High	Medium	High oil price extends lifespan of oilfield	High oil price defers decommissioning
Drilling and production assets required:	Drilling barges / drillships Rigs	Drilling barges / drillships Rigs Production facilities Storage facilities	Production facilities Storage facilities	N.A.
Vessels deployed:	Seismic survey vessels Offshore supply vessels	Subsea support vessels Offshore supply vessels	Offshore supply vessels	Offshore supply vessels Subsea support vessels

Source: Pareto

4.2.3. Offshore production and storage assets

Offshore production and/or storage assets refer to production platforms, floating production storage, and offloading vessels (FPSOs), and floating storage and offloading vessels (FSOs). Production platforms are categorized into fixed and floating platforms. Fixed platforms are anchored directly onto the seabed. These assets have deck space for drilling equipment, production facilities and crew quarters. Due to their immobile characteristics, these assets are designed for very long-term use. Fixed platforms can operate in water depths of up to 2,000ft.

OSVs and subsea support vessels are marine assets that provide support activities to offshore drilling, and production assets.

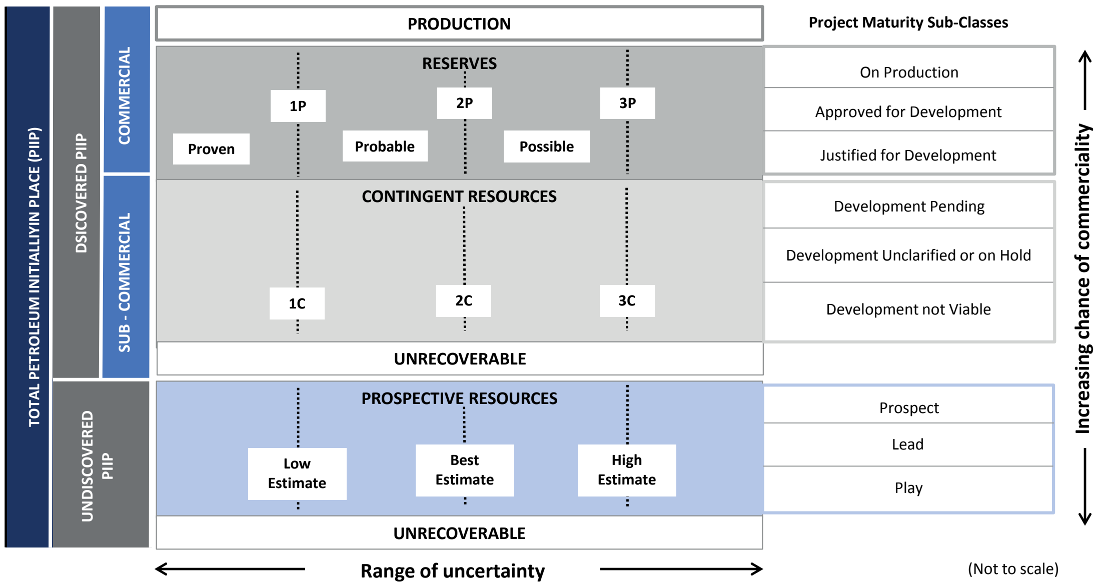
4.2.4. Offshore support vessels and subsea support vessels

Offshore Support Vessels (OSVs) and subsea support vessels (SSVs) are marine assets that provide support services to offshore drilling (rigs) and production assets (production platforms, FPSOs, and FSOs) utilized in E&P activities. Different drilling and production assets require different degrees of support from offshore vessels; typical support activities include rig towage, anchor setting, and cargo supply. As a general rule, harsher operating environments require support from deepwater-capable vessels.

5. Resources and reserves

Oil and gas assets are classified according to uncertainty and chance of commerciality. Exploration assets with undiscovered oil and gas are typically classified as prospective resources and are associated with low chance of commerciality while oil and gas discoveries with an approved plan of development have a higher chance of commerciality and are classified as reserves.

Figure 25. Resource classification



Source: Gaffney, Cline & Associates, Pareto

5.1. Prospective resources - Undiscovered oil and gas

The prospective resource estimates for unexplored areas where no prior drilling has confirmed the existence of oil and gas is primarily based on interpretation of data collected from various seismic technologies. Hence, the chance of commerciality is relative low. The estimated volume of recoverable prospective oil and gas resources is typically classified either low estimate (conservative estimates having a high degree of certainty), best estimate (most realistic assessment and best estimation of certainty) or high estimate (aggressive estimates having a low degree of certainty).

For best estimate there is at least a 50 percent probability (P50) that the quantity of resources actually recovered will equal or exceed this best estimate. In addition, the geologists will typically estimate the GCoS for prospects, i.e. the likelihood of finding oil or gas represented by a probability figure in percent.

Recoverable prospective resources are a subset of the total estimated prospective resources thought to be technically recoverable. The recovery factor is the percentage of OIIP or GIIP that the reservoir will produce and it depends on 1) the viscosity of the oil 2) the permeability of the reservoir, and 3) the reservoir drive.

5.2. Contingent resources and reserves – Discovered oil and gas

For the resources to be classified as reserves they will need to be confirmed through drilling of the prospect and a POD will need to be approved by the host government.

5.2.1. Contingent resources

Contingent resources are those quantities of hydrocarbons which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently declared to be commercially recoverable. These resources may be of a significant size but still have constraints to development. The estimated volume of recoverable contingent oil and gas resources is typically classified as either 1C (conservative estimates having a high degree of certainty), 2C (most realistic assessment and best estimation of certainty) or 3C (aggressive estimates having a low degree of certainty), resources.

For 2C there is a 50 percent probability that the volumes actually recovered will equal or exceed the estimates. The GCoS is typically 100% as the estimate is from known accumulation.

5.2.2. Reserves

Reserves have high chance of commerciality. In order to be classified as reserves, a detailed POD prepared by the company intending to develop the prospect needs to be approved by the host government

In order to be classified as reserves, a detailed plan of development for the resources prepared by the company or companies which intend to develop the prospect needs to be approved by the host government of the country in which the resource is located. Hence, reserves have high chance of commerciality. The estimated volume of recoverable oil and gas reserves is typically classified as 1P (conservative estimates having a high degree of certainty), 2P (most realistic assessment and best estimation of certainty) and 3P (aggressive estimates having a low degree of certainty), resources.

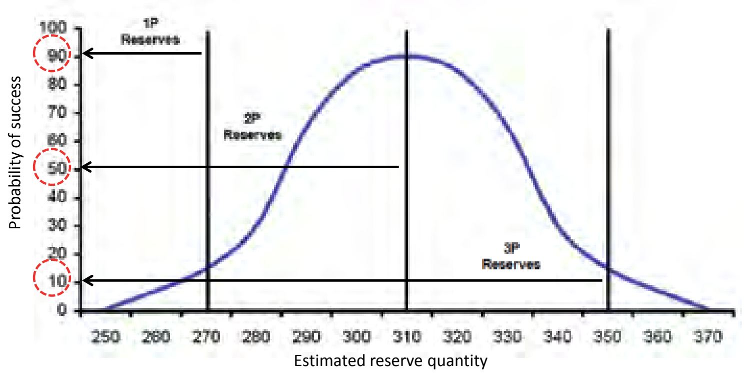
For 2P there is a 50% probability that the volumes actually recovered will equal or exceed the estimates. The geological chance of success is 100% as the estimate is from a known accumulation.

However, the absolute level of reserves in a given field and their recoverability will remain unknown until production reaches the economic limit and the reservoir is abandoned. Any reserves estimate is thus almost certain to be inaccurate. The objective of the guidelines and requirements on reserves reporting is to provide investors with a realistic but, if anything, conservative estimate of available reserves.

Definitions – proven, probable and possible resources and reserves

The Society of Petroleum Engineers' definition is based on a probabilistic approach and is classified as follows:

Figure 26. 1P, 2P and 3P reserves



Source: Pareto

SPE definitions – Proven reserves (1P), proven and probable reserves (2P) and proven, probable and possible (3P) reserves

Proven (1P) reserves: Reserves that, to a high degree of certainty (90% probability or P90), are recoverable from known reservoirs under existing economic and operating conditions and there is relatively little associated risk.

Proven plus Probable (2P) reserves: Reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. There is at least a 50% probability (P50) that reserves recovered will exceed the estimate of Proven plus Probable reserves.

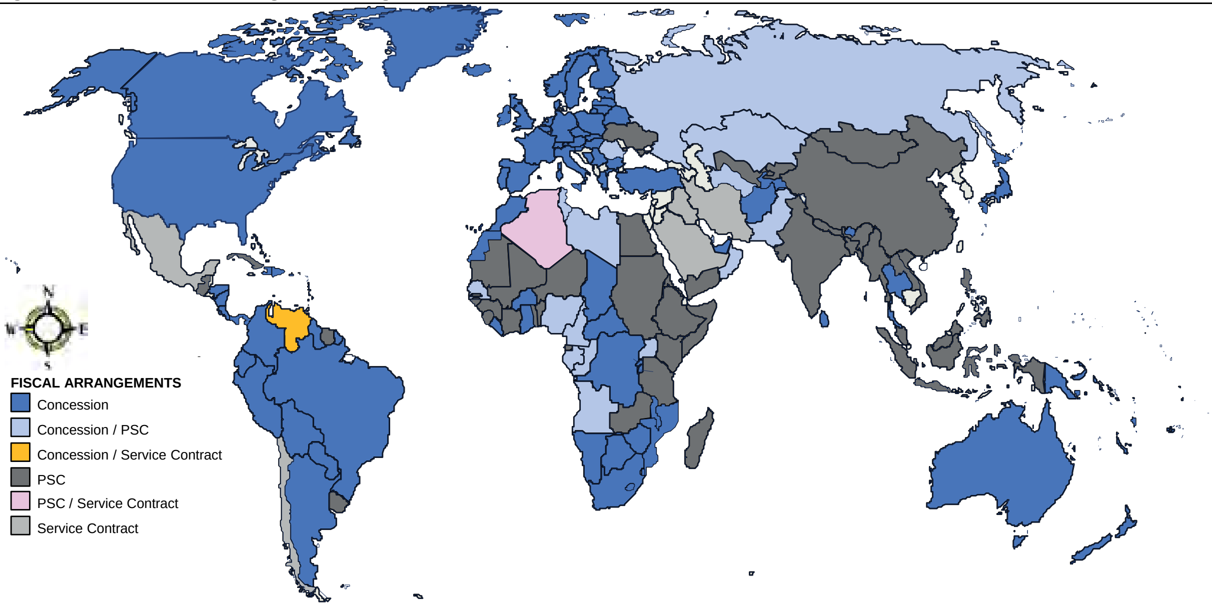
Proven, Probable plus Possible (3P) reserves: These are those reserves that, to a low degree of certainty (10% probability or P10), are recoverable.

6. Oil and Gas Taxation

Government take represents the single largest portion of an oil and gas project's cash flows, with the global average estimated to be ~67% of the industry's pre-tax NPV

Due to the scale, value and strategic importance of the oil & gas industry, governments have long been using it as an important potential source of revenue. Government-take represents the single largest portion of an oil & gas project's cash flows, with the global average estimated to be ~67% of the industry's pre-tax NPV. Most countries have established separate, distinct tax legislations with specific fiscal terms for calculating the revenues and taxable profits. While no two countries will have identical fiscal legislation, the two main systems are (1) tax & royalty, and (2) production sharing arrangements. Those which are based on CAs focuses on a tax and royalty system and those which are contract based represent a defined contractual arrangement between the resource holder and the contractor, most commonly in the form of PSCs.

Figure 27. Overview of oil & gas fiscal regimes



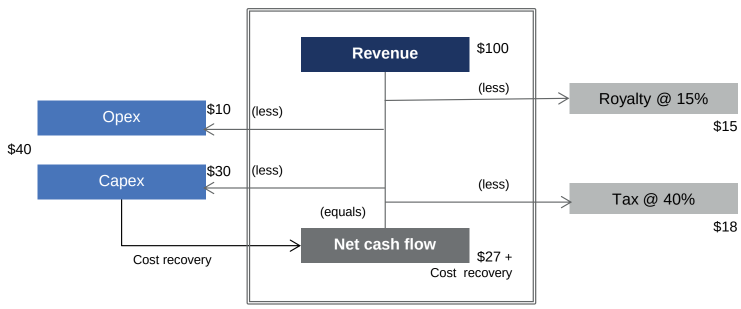
Source: Wood Mackenzie, Pareto

6.1. Tax and royalty concessions

This is a system where the oil company is granted the rights to explore for resource within a defined onshore or offshore acreage. The concession holder takes ownership of all resources found on that acreage, but pays a percentage of their value upon extraction to the government, often together with a modest annual fee to retain the acreage. Overall, the government's take under a concession varies, depending upon royalty rate, various hydrocarbon taxes, corporation tax rate and the rate at which capex can be recovered against profits. When oil prices or recovered oil or gas volumes rise, the government's relative share of the profit tend to increase on a sliding scale basis.

Tax and Royalty Concessions
Concession holder takes ownership but pays a percentage of extracted value to the government along with a modest annual retention fee

Figure 28. Example of Tax and Royalty Concessions*



Source: Pareto

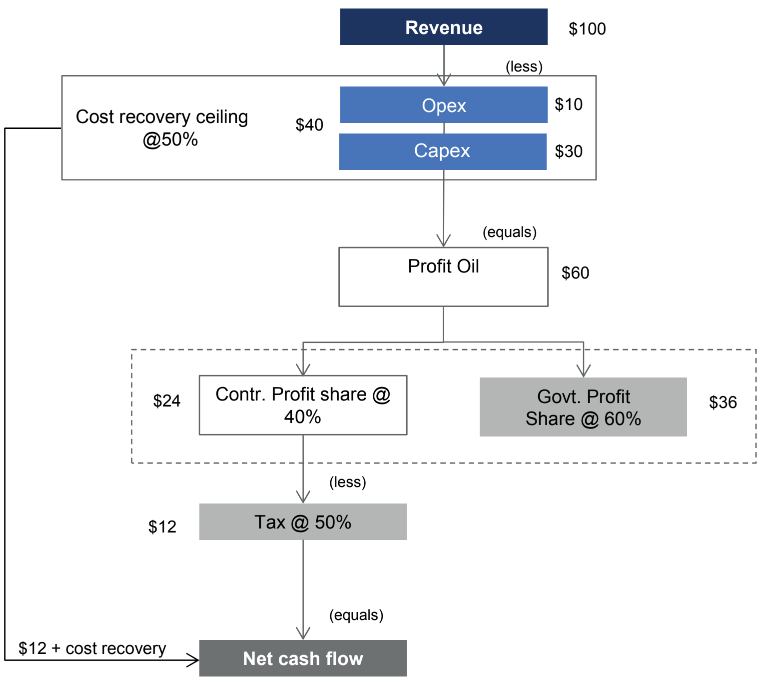
Taking the example in Figure 28 above to illustrate how the system could work, we see that the revenue is $100. First, royalties at a rate of 15% on revenue (equals $15) will be taken from this, leaving $85. Opex (say $10) and capex (say $30) amount to $40 which is the amount of cost recovery. This is subtracted from the remaining $85 leaving $45 as the taxable income. After a tax of 40% on $45 (equals $18), the remaining cash flow is $27. The reimbursable cost recovery (calculated as cost recovery - opex = $40 - $10 = $30 in this case) is added back to the cash flow to provide a net cash flow of $57 ($27 + $30). Note that the maximum amount of cost recovery, also known as **cost recovery ceiling**, is determined by the capex incurred in previous years.

6.2. Production sharing contracts (PSCs)

Under this system, the resource remains the property of the state and the PSC agreement lays down the terms of allocation of the barrels produced between the holder of the resource and the contractor. Under most PSCs a significant portion of the revenues achieved from the sale of the oil or gas produced are available for cost recovery. The remaining profit (profit oil) is then allocated between the state and the contractors in accordance with the terms of the contract. The contractors' share of the profit oil is generally subject to corporation tax.

Production sharing contracts (PSCs)
Resource remains property of the state and the production is split between the resource holder and contractor on pre-agreed terms

Figure 29. Example of Production sharing contracts (PSCs)*



Source: Pareto

Taking the example in Figure 29 above to illustrate how the system could work, we see that the revenue is $100. There are no royalties in this case. Opex and capex amount to $40 which is within the cost recovery ceiling of 50% of revenue (or $50). The amount of cost recovery is $40. Subtracted from revenues, this leaves $60 as profit oil. This is then split between the contractor and the government based on the PSC agreement. In this case, the government keeps 60% of the $60 (equals $36) leaving the contractor with $24. A 50% tax is then levied on this $24, leaving $12 as the cash flow after tax. The reimbursable cost recovery (calculated as cost recovery - opex = $40 - $10 = $30 in this case) is added back giving the project a net cash flow of $42 ($12 + $30).

*(*Note that the figures and percentage assumptions used in these illustrations are solely to provide a better understanding of the cash flows and do not suggest that any particular fiscal regime is more favorable than the other)*

7. Country Information

7.1. Oman

7.1.1. General information

The Sultanate of Oman is located in the Middle-East, bordering UAE, Saudi Arabia and Qatar and with the Arabian Sea on the east.

Oman is the largest non-OPEC producer in the Middle-East offering a stable operating environment with a collaborative government offering PSCs with relatively attractive terms. Crude oil output in Oman has been increasing year-on-year since 2008, yet its offshore fields remain largely unexplored. [4]

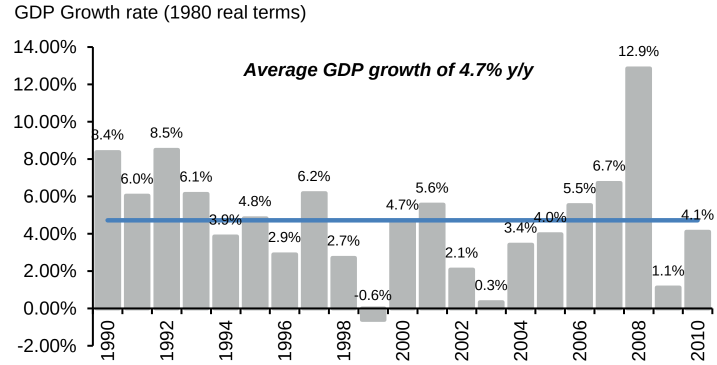
Oman is an Islamic absolute monarchy with a population of approximately 2.8 million[5] as of December 2010.

Quick facts:

Population (Dec 2010):	2.8m
Capital:	Muscat
Liquid reserves (1/1/11):	4.8 bn bbls
Liquid production (2009):	813k bbl/d
Reserves/production:	16.3 years
Gas reserves(1/1/2011):	30.1 tcf
Gas production (2009):	2.4 bcf/d
Reserves/production:	33.8 years

Source: Wood Mackenzie

Figure 30. GDP growth rate year-on-year



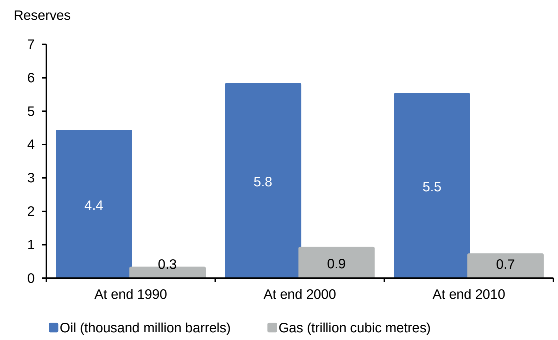
Source: Bloomberg, Pareto

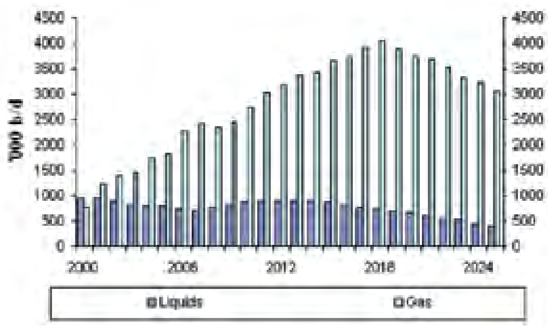
The Economic Intelligence Unit estimates a GDP growth rate of 4.4% for 2011.

7.1.2. Reserves and production

Commercial liquids and gas reserves are found in five sub-basins in Oman, namely the Central Oman, Musandam, Oman Foreland, South Oman and West Oman Sub-basins. Oman's initial reserves are distributed fairly evenly among the four main producing basins of South, Central and West Oman and the Oman Foreland Sub-basin in northern Oman. The South Oman and the Oman Foreland Sub-basins contain predominately oil reserves, while the Central and West Oman Sub-basins, besides having significant oil and condensate reserves also contain vast reserves of both free and associated gas. Compared to 1990, both oil and gas reserves in Oman have increased, though they have declined since 2000, seen in Figure 31.

Figure 31. Reserves development (1990 – 2010) (Left) and liquids and gas production (2000 – 2024E) in Oman (Right)





Source: BP Statistical Review 2010, Wood Mackenzie, Pareto

[4] Wood Mackenzie Oman Country Report, Middle East – SE Arabia & Iran – Oman, July 2011
[5] Oman Census final results (December 2010)

Oman's main oil fields are now mature and remaining oil reserves depend largely on how successful PDO and Occidental of Oman, Inc. (Occidental), Oman's second-largest oil producer, are in increasing recovery rates from existing, technically challenging, reservoirs. After years of declining oil production due to PDO's aging fields, crude oil output has been increasing again year-on-year since 2008, largely due to the success of Oman's major enhanced oil recovery (EOR) project at the Mukhaizna field, and the stabilization of production on PDO's Block 6, Oman's main producing area. PDO has also implemented a number of EOR initiatives to maintain its own crude production around 550,000 bbls/d over the next five to eight years. The success of these and future EOR projects will largely dictate the level to which Oman's total liquids production can be maintained over the medium term.

After years of declining oil production due to PDO's aging fields, crude oil output has been increasing again year-on-year since 2008, largely due to the success of Oman's major enhanced oil recovery (EOR) project declining

Oman's remaining gas reserves are estimated at 30 to 35 tcf and, as with oil, the vast majority is held within PDO's contract area. The deep reservoir of the Saih Rawl field is the country's largest proven non-associated gas field, containing around 40% of the remaining reserves. Oman's gas reserves will increase significantly if Oman Oil Company's Abu Butabul and BP's Khazzan-Makarem fields are successfully appraised.

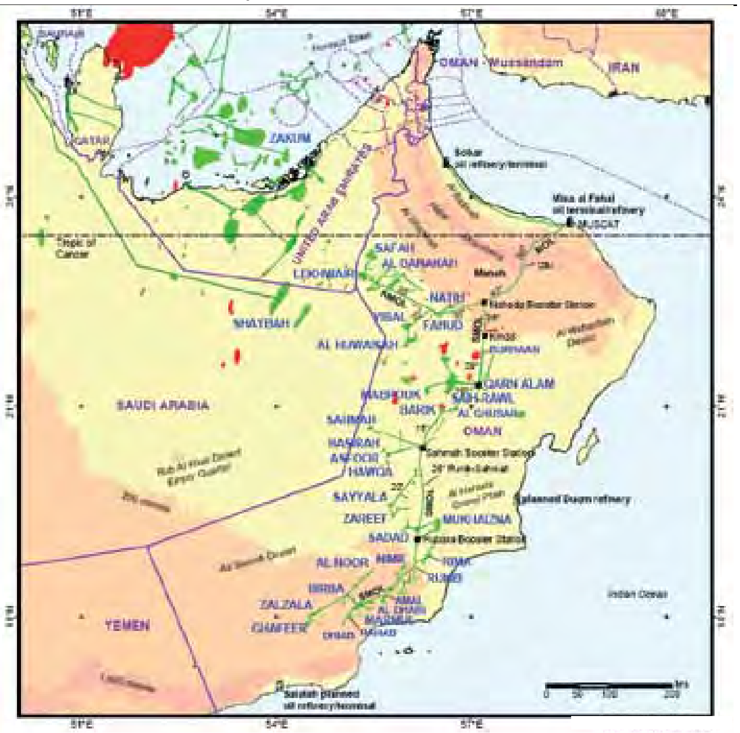
(Source: Wood Mackenzie Oman Country Report, Middle East – SE Arabia & Iran – Oman, July 2011)

7.1.3. Oil and gas infrastructure

Oman has a highly developed oil infrastructure network which is almost exclusively owned and operated by PDO and comprises around 2,200 kilometres of oil pipelines. This includes Main Oil Line (MOL), which extends from the south to north through the main production areas, as well as the other tributary inter-field oil and condensate pipelines. Oman has oil storage facilities at Mina Al Fahal, its main oil terminal, with a capacity of around 4.8 million barrels and two export single buoy moorings, which berth around 350 crude tankers on an annual basis. In addition, PDO operates four major oil pumping stations at Hubara, Sahmah, Qarn Alam and Nahada. The MOL segment from Nahada to Mina Al Fahal has a nominal export capacity of 994,000 bbls/d.

Oman has a highly developed oil infrastructure network comprising ~2,200 kilometres of oil pipelines

Figure 32. Oil infrastructure map - Oman



Source: Wood Mackenzie

There are two refineries operating in Oman, including the Mina Al Fahal refinery and the Sohar refinery. There are also tentative plans for new refineries at Duqm and Salalah. The Mina Raysut port near Salalah has an oil pier with one dolphin berth for handling tankers of up to 45,000 dwt.

The gas pipeline network in Oman comprises ~2,500 kilometres of well-connected pipelines

Figure 33. Gas infrastructure map - Oman

Source: Wood Mackenzie

Oman's gas pipeline network comprises approximately 2,500 kilometres of pipelines, including the main gas export pipeline to the LNG terminals at Qalhat near Sur, pipelines from Saih Rawl to Muscat, Sohar in the north and Salalah in the south, inter-field pipelines and pipelines supplying associated gas for injection into the oil reservoirs of fields located in southern Oman. The primary supply of gas in Oman comes from the northern and central producing regions within PDO's contract area. A major gas pipeline, known as the South Oman Gas Line, extends from the Saih Nihayda field in the Qarn Alam area to the Marmul fields in the south. This line is used to supply gas primarily for injection (for reservoir pressure maintenance), power generation and other local use.

(Source: Wood Mackenzie Oman Country Report, Middle East – SE Arabia & Iran – Oman, July 2011)

7.1.4. Overall country risk - BBB

The EIU estimates the overall country risk in Oman to BBB. This aggregated risk estimate is primarily based on the following risk assessments:

Political risk: EIU believes that Oman's political environment will remain somewhat uncertain as a result of discontent among certain sections of the population with the system of government. Although protests have died down since May 2011, there is a chance the country may see renewed protests in 2012 if the sultan fails to implement genuine political reform and address corruption and unemployment. Externally, Oman is located in a region where international tensions are high, therefore, it could become involved in a regional conflict. However, it has managed to maintain cordial relations with the West and Iran. (**EIU rating: BB**)

Sovereign risk: Costly government spending initiatives introduced in 2011 will remain in place in 2012 and 2013, leading to fiscal deficits in both years. However, robust non-oil exports and high oil prices are expected to keep the current account in surplus. Oman will be able to meet its debt-payment obligations comfortably, and it can draw on its State General Reserve Fund if needed. (**EIU rating: A**)

Currency risk: The risk of renewed protests may put pressure on the Omani riyal. However, the Central Bank of Oman will be able to maintain the riyal's peg to the US dollar over through 2012 and 2013. (**EIU rating: BBB**)

Banking sector risk: Omani banks will remain vulnerable to concentrated lending to a small group of powerful businesses. Nevertheless, the banks are well capitalized and resilient to macroeconomic shocks. (**EIU rating: BBB**)

Economic structure risk: Omani economy remains highly dependent on oil and gas which accounted for 41.3% of nominal GDP in 2010[6] and their share will remain substantial, despite efforts to diversify the economy. (**EIU rating: BBB**)

(Source: Economist Intelligence Unit October 2011)

7.2. UAE (RAK and Sharjah)

7.2.1. General information

United Arab Emirates (UAE) is a federation of seven states.

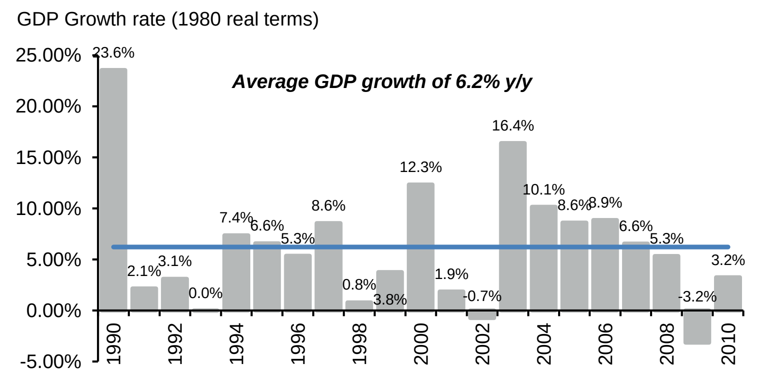
UAE is the third largest liquids producer in the Middle-East with the overwhelming majority of production coming from Abu Dhabi. Crude oil production in the UAE is subject to quotas agreed by OPEC which apply only to crude oil and not to condensate and NGLs.[7]

Quick facts:

Population (July 2010):	8.3m
Liquid reserves (1/1/11):	45.1 bn bbl
Liquid production (2009):	3.2m bbl/d
Reserves/production:	38.8 years
Gas reserves(1/1/2011):	52.1 tcf
Gas production (2009):	3.2 bcf/d
Reserves/production:	44.6 years

Source: Wood Mackenzie

Figure 34. GDP growth rate year-on-year



Source: Bloomberg, Pareto

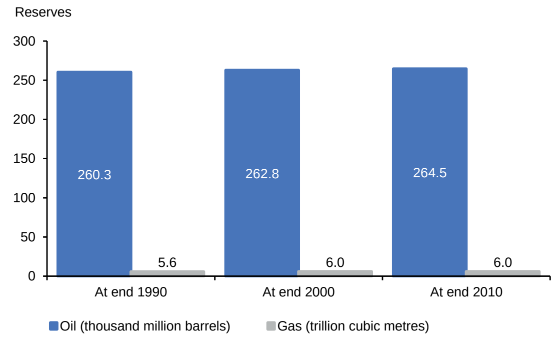
The country follows a federal presidential system and an elective constitutional monarchy with a population of approximately 8.3 million[8] as of July, 2010.

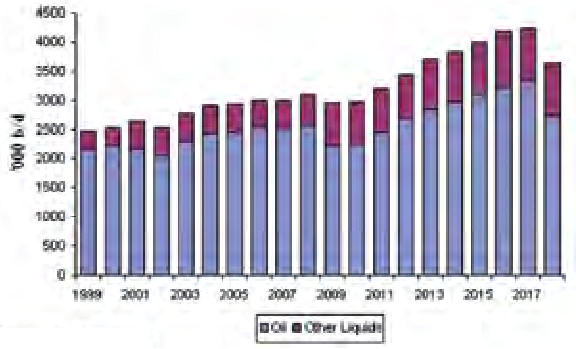
7.2.2. Reserves and production

Compared to 1990, both oil and gas reserves in UAE have increased as can be seen in Figure 35. Like production, oil reserves in the UAE are also dominated by Abu Dhabi while those in the remaining Emirates are either close to exhaustion – as in Dubai, dominated by gas – Sharjah, or in the early stages of exploration and development – the northern Emirates.

[6] Economist Intelligence Unit Country Risk Service October 2011
[7] Wood Mackenzie UAE Country Report, Middle East – SE Arabia & Iran – UAE, Dec 2011
[8] Official estimate by United Arab Emirates National Bureau of Statistics (July 2010)

Figure 35. Reserves development (1990 – 2010) (Left) and liquids production (1999 – 2017E) in UAE (Right)





Source: BP Statistical Review 2010, Wood Mackenzie, Pareto

Abu Dhabi plans to increase oil production capacity to between 3.5 and 4.0 million barrels per day by 2017

Abu Dhabi plans to increase oil production capacity to between 3.5 and 4.0 mmbbls/d by 2017. Since 1950 drilling activity has been concentrated in Abu Dhabi, where approximately 330 exploration and appraisal wells have been drilled. In Ras Al Khaimah (RAK), around 24 wells, eight onshore and 16 offshore, have been drilled since the mid-1960s.

(Source: Wood Mackenzie UAE Country Report, Middle East – SE Arabia & Iran – UAE, Dec 2011)

7.2.3. Oil and gas infrastructure

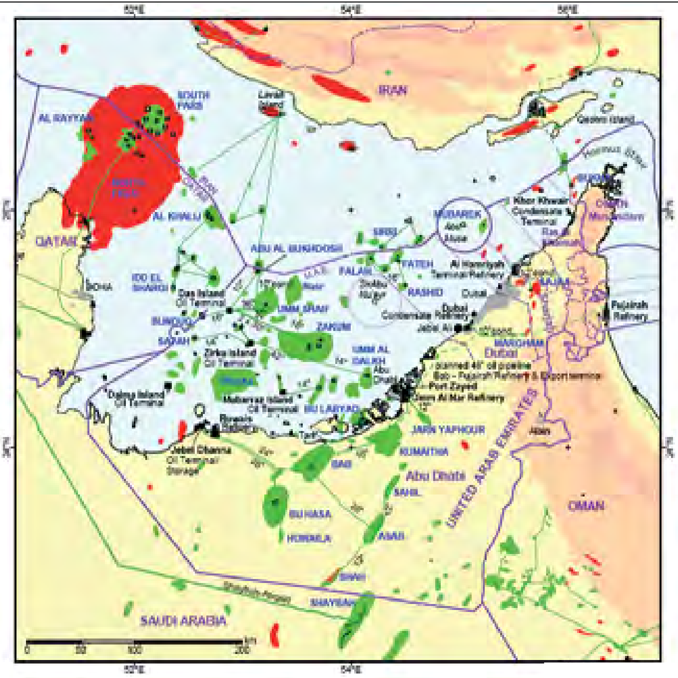
The oil infrastructure of the UAE has been long established, particularly in the leading producing Emirates of Abu Dhabi and Dubai. The offshore network is centred on the major oil export terminals at Das Island and Zirku Island, to which crude supplies are delivered by pipeline from, among others, the two largest offshore fields, Umm Shaif and Zakum. A number of other offshore terminals are located at Abu Al Bukhoosh, Mubarraz Island and Hair Dalma Island for export of crude from several of the smaller offshore fields. Onshore oil production in Abu Dhabi is served by a network of pipelines which link the producing onshore fields to the major export terminals at Ruwais and Jebel Dhanna and the oil refineries at Ruwais and Umm Al Nar. Additionally, smaller export facilities are located at Umm Al Nar and Port Zayed. In Dubai, oil is produced in four offshore fields and loaded offshore in facilities adjacent to the Fateh field.

UAE's refinery capacity is approximately 490,000 bbls/d. There are two oil refineries in Abu Dhabi, at Ruwais (120,000 bbls/d) and Umm Al Nar (85,000 bbls/d), both of which have been operating above their nominal design capacity in recent years. The Ruwais refinery is Abu Dhabi's largest, located close to the Jebel Dhanna oil export terminal. There are also two condensate splitters at the refinery complex, each with a capacity of 140,000 bbls/d. Dubai has no oil refinery, but a 120,000 bbls/d condensate refinery was brought on-stream in late 1999. The Al Hamiriyah Refinery in Sharjah has a capacity of 75,000 bbls/d. Fujairah's only refinery was brought on-stream in 1995 and has a capacity of 90,000 b/d currently. Vitol, a renowned global energy trading company, in partnership with the government of Fujairah, is considering future expansions, in a bid to establish Fujairah as a key oil export hub for the UAE.

Abu Dhabi is served by a total of nine oil terminals, the largest of which are at Ruwais, Jebel Dhanna and Das Island, while there are three terminals in Dubai - at Port Rashid, Jebel Ali and Fateh, two in Sharjah - one onshore and one offshore, and a single terminal in RAK.

UAE has a long-established oil infrastructure, particularly in the leading producing Emirates of Abu Dhabi and Dubai

Figure 36. Oil infrastructure map - UAE



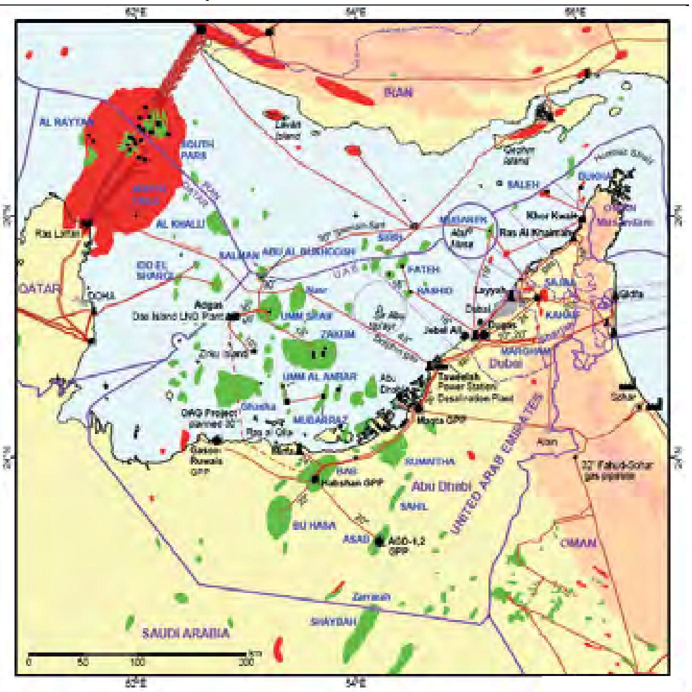
Source: Wood Mackenzie

UAE has a highly developed network of trunk gas pipelines across the country covering in excess of 1,300 kilometres. The offshore gas infrastructure of Abu Dhabi is centred on the major LNG plant at Das Island, which is provided with gas by the offshore fields of Umm Shaif, Zakum and Abu Al Bukhoosh. Onshore, gas is used primarily in the gas processing plants at Habshan and Ruwais.

(Source: Wood Mackenzie UAE Country Report, Middle East – SE Arabia & Iran – UAE, Dec 2011)

UAE has a highly developed network of trunk gas pipelines across the country covering in excess of 1,300 kilometres

Figure 37. Gas infrastructure map - UAE



Source: Wood Mackenzie

7.2.4. Overall country risk – BB

The EIU estimates the overall country risk in UAE to be BB. This aggregated risk estimate is primarily based on the following risk assessments:

Political risk: The domestic political scene is stable, although there is a possibility of a transfer of power in Abu Dhabi from the current ruler to the crown prince and a very small risk that some protests will be held. The northern emirates present a risk, as the wealth gap between the Emiratis there and those in Dubai and Abu Dhabi is widening. However, in general, the president of the UAE and ruler of Abu Dhabi enjoys the support of the rulers of the other six emirates and faces no significant threat to his authority. Externally, there may be calls for greater political representation, in light of protests in Bahrain and the wider region. UAE will continue to balance its relations with the West and Iran, but the US is likely to maintain pressure on the UAE to implement tougher sanctions against Iran. However, overall, the political scene is expected to be stable. (**EIU rating: BBB**)

Sovereign risk: UAE's total external debt stock is forecast to reach USD 184.5bn (44% of GDP) in 2012. Dubai government-related entities face heavy repayments in 2012 and may face difficulties in rolling over their debt given the uncertain economic climate (and hence may need to do so at a higher cost and for shorter maturities). However, the EIU believes that Abu Dhabi will extend financial help in the unlikely event that Dubai cannot roll over its debt next year. (**EIU rating: BB**)

Currency risk: Though authorities are committed to maintaining the currency peg to the USD, the setting up of an International Advisory Council at the Central Bank of the UAE may presage a review of the peg. (**EIU rating: BBB**)

Banking sector risk: Provisioning in the month of June increased by 28.2% y/y[9]. This will hit profitability. **EIU** expects the banking sector to recover gradually and that banks will resume lending by 2012. There is a risk of further restructurings. (**EIU rating: BB**)

Economic structure risk: High oil prices and earnings from foreign assets will continue to support the economy. However, the construction sector in Dubai remains depressed. (**EIU rating: BBB**)

(Source: Economist Intelligence Unit September 2011)

[9] Economist Intelligence Unit Country Risk Service September 2011

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Dear Sirs

Isle of Man – policies governing foreign investment, taxation and the repatriation of profits

We refer to the attached expert's report dated 18 November 2011 (the **Isle of Man Expert's Report**) and confirm that as at the date of this letter the statements made in that report remain true and correct

We assume no obligation to review or update the Isle of Man Expert's Report if applicable law or the existing facts or circumstances should change.

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This letter is governed by and is to be construed in accordance with Isle of Man law. It is given on the basis that it will not give rise to any legal proceedings with respect thereto in any jurisdiction other than the Isle of Man.

Yours faithfully

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Dear Sirs

Isle of Man – policies governing foreign investment, taxation and the repatriation of profits

We are lawyers practising in the Isle of Man and are familiar with current Isle of Man laws and policies. You have requested this firm to provide you with a summary of certain provisions of Isle of Man law and general policy in relation to foreign investment, taxation and the repatriation of profits from an Isle of Man company.

This summary does not purport to contain all applicable qualification and exemptions and does not purport to be a complete review of all relevant matters of Isle of Man law. The summary relates only to the laws of the Isle of Man as currently in force and is intended

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to be a general statement of the law. It is not intended to constitute a legal opinion on the position relating to taxation of, foreign investment into or by, or repatriation of profits by or to any particular natural or legal person. The general policy set out in this letter may not apply where, for instance, contrary agreement has been reached with the Isle of Man government or other governmental or quasi-governmental agency, as a result of extra-territorial measures such as UN Security Council sanctions. These cases are provided by way of example only and should not be considered to limit the general proposition that they exemplify.

Foreign Investment

There are no limitations under Isle of Man law on the rights to subscribe for or otherwise hold shares in Isle of Man companies solely by reason that a person is not a resident of the Isle of Man or is a national of a foreign state. There are no specific requirements that a minimum percentage of a company's equity share capital be held by an Isle of Man resident person or Isle of Man incorporated company.

Certain industries in the Isle of Man are regulated and, as such, the consent of the relevant regulator is required before shareholdings in excess of a particular threshold may be acquired by any person (irrespective of residence, nationality or jurisdiction of incorporation). These industries include (but are not limited to) banking, insurance and financial services. We understand that the business activities of Lime Petroleum PLC (the **Company**) are limited to acting as a holding company for a number of subsidiaries, none of which (i) are incorporated in the Isle of Man or registered in the Isle of Man as an oversea company, (ii) have any presence in the Isle of Man or (iii) undertake any business in the Isle of Man. On that basis, no regulatory approval is required in the Isle of Man before a person may become a shareholder in the Company.

Tax

In principle, taxes which are charged in the Isle of Man by the Isle of Man Government include:

(a) indirect taxes in the form of value added tax, customs and excise duties and vehicle licence duty; and

(b) direct tax in the form of income tax which is chargeable upon income arising or accruing from sources in the Isle of Man or income arising or accruing from sources outside the Isle of Man that belong to natural persons residing in the Isle of Man.

No capital gains tax is charged in the Isle of Man.

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With effect from 6 April 2006 the Isle of Man introduced a zero rate of tax for all companies except those which derive their income from banking business or land and property in the Isle of Man or who elect to pay income tax at a rate of 10 per cent.

Notwithstanding the zero rate of corporate tax applicable to companies that do not derive their income from banking business or land and property in the Isle of Man or who elect to pay income tax, there are currently measures in place to ensure that Isle of Man resident shareholders are subject to Isle of Man income tax on their share of undistributed corporate profits. The "Attribution Regime for Individuals" requires shareholders resident in the Isle of Man to pay a charge based on their proportionate interest in undistributed profits where the company in which they hold shares does not meet certain minimum distributions targets. An exemption applies in respect of companies whose shares are traded on a recognised stock exchange. In February 2011 the Isle of Man government announced that the attribution regime for individuals would be abolished. The abolition will take effect in April 2012.

Repatriation of Profits

An Isle of Man company that does not derive its income from banking business or land and property in the Isle of Man (**Taxable Activities**) and does not elect to pay income tax at a rate of 10 per cent has no requirement to make any deduction or withholding of tax on dividends paid to Shareholders resident outside of the Isle of Man. We understand that the company does not derive its income from Taxable Activities and that it has not elected to pay income tax. On that basis, it has no requirement to make any deduction or withholding of tax on dividends paid to Shareholders outside the Isle of Man.

Disclosure

This report is addressed to you solely for your benefit and is neither to be disclosed to any other person, nor relied upon by any other person other than your legal advisers or transaction advisers or for any other purpose nor quoted or referred to in any public document nor filed with any governmental agency or person (save only that a copy of this report may be attached to a circular to be distributed to the shareholders of Hibiscus Petroleum Berhad, which it is noted will be a publicly available document on the website of Bursa Malaysia and, a copy of this report may be submitted to the regulatory authorities having jurisdiction over the addressees to this report as part of the relevant regulatory approval process, for the avoidance of doubt, this opinion may not be relied upon in any way by any persons other than the addressees to this report and their legal advisers and transaction advisers) unless required by mandatory law or regulation.

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Further, this report speaks as of its date and is strictly limited to the matters stated herein and is not to be extended by implication, to any other matters. We assume no obligation to review or update this report if applicable law or the existing facts or circumstances should change.

This report is governed by and is to be construed in accordance with Isle of Man law. It is given on the basis that it will not give rise to any legal proceedings with respect thereto in any jurisdiction other than the Isle of Man.

Yours faithfully

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Dear Sirs

British Virgin Islands (BVI) – policies governing foreign investments, taxation and the repatriation of profits

We refer to the attached expert's report dated 18 November 2011 (the **BVI Expert's Report**) and confirm that as at the date of this letter the statements made in that report remain true and correct.

We assume no obligation to review or update the BVI Expert's Report if applicable law or the existing facts or circumstances should change.

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Yours faithfully

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Dear Sirs

British Virgin Islands (BVI) – policies governing foreign investments, taxation and the repatriation of profits

We are lawyers practising BVI law and are familiar with current BVI laws and policies. You have requested this firm to provide you with a summary of certain provisions of BVI company law and BVI general policy in relation to foreign investment, taxation and repatriation of profits from a BVI company.

This summary does not purport to contain all applicable qualification and exemptions and does not purport to be a complete review of all relevant matters of BVI law. This summary relates only to the laws of BVI currently in force and is intended to be a general statement of the law. It is not intended to constitute a legal opinion on the position relating to taxation of, foreign investment into or by, or repatriation of profits by or to any particular natural or legal person. The general policy set out in this letter may not apply where, for instance, contrary agreement has been reached with the BVI government or other governmental or quasi-governmental agency, as a result of extra-territorial measures such as UN Security Council sanctions. These cases are provided by way of example only and should not be considered to limit the general proposition that they exemplify.

Foreign investment

There are no limitations, under BVI law on the right to subscribe for or otherwise hold shares in BVI companies solely by reason that a person is not a resident of the BVI or is a national of a foreign state. There are no requirements under BVI law for any person in the BVI to be an equity participant in a BVI business company.

Taxation

BVI companies are exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts paid by them to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a BVI Company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of a BVI company.

No stamp duty is payable in the BVI on a transfer of shares, debt obligations or other securities of a BVI company, unless that company, or any of its subsidiaries has an interest in land in the British Virgin Islands.

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18 November 2011

Repatriation of Profits

There are no exchange control restrictions or currency restrictions in the BVI that would prevent the repatriation of funds of a profit nature derived from an investment in a BVI business company by shareholders resident outside of the BVI.

Disclosure

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