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HIBISCUS PETROLEUM BERHAD

(Company No.: 798322-P)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED ACQUISITION BY ANASURIA HIBISCUS UK LIMITED, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF HIBISCUS PETROLEUM BERHAD ("HIBISCUS PETROLEUM"), OF A 50% INTEREST IN THE ANASURIA CLUSTER (AS DEFINED HEREIN) FROM SHELL U.K. LIMITED, SHELL EP OFFSHORE VENTURES LIMITED AND ESSO EXPLORATION AND PRODUCTION UK LIMITED FOR A TOTAL CASH CONSIDERATION OF US\$52.5 MILLION (OR EQUIVALENT TO RM228.3 MILLION)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



CIMB Investment Bank Berhad (18417-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of Hibiscus Petroleum together with the Form of Proxy are enclosed in this Circular.

Last day and time for lodging the Form of Proxy : Tuesday, 2 February 2016 at 4.00 p.m.

Date and time of the EGM : Thursday, 4 February 2016 at 4.00 p.m. or at any adjournment thereof

Venue of the EGM : Nexus 3, Level 3A, Connexion@Nexus, Bangsar South City, No. 7 Jalan Kerinchi, 59200 Kuala Lumpur

This Circular is dated 20 January 2016

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Agreed Rate	:	Being the London Interbank Offered Rate for 1 month for the currency in question as published on Bloomberg, applicable for the first day of the relevant period in respect of which the interest or incremental amount is to be calculated plus 1%
Anasuria Cluster	:	Collectively, the Guillemot A Field, the Teal Field, the Teal South Field, the Cook Field and the Anasuria FPSO
Anasuria FPSO	:	100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit and the related equipment
Anasuria Hibiscus	:	Anasuria Hibiscus UK Limited, an indirect wholly-owned subsidiary of Hibiscus Petroleum
AOCL	:	Anasuria Operating Company Limited
Board	:	Board of Directors
CIMB	:	CIMB Investment Bank Berhad
Completion	:	Completion of the sale and purchase of the Anasuria Cluster in accordance with the provisions of the SPAs
Cook Field	:	38.65% interest in the Cook field and the related field facilities
Deed of Guarantee and Indemnity	:	Two separate deeds of guarantee and indemnity by Hibiscus Petroleum in favour of the Vendors in respect of each of the SPAs and where the context requires, refers to two separate deeds of guarantee and indemnity by Ping Petroleum Limited in favour of the Vendors in respect of each of the SPAs
Deferred Consideration	:	US\$45.0 million (or equivalent to RM195.7 million)
Deposit	:	US\$8.0 million (or equivalent to RM34.8 million)
Economic Date	:	1 January 2015
EGM	:	Extraordinary general meeting
EIA	:	Energy Information Administration
Esso SPA	:	Conditional sale and purchase agreement entered into on 6 August 2015 between Anasuria Hibiscus, Ping Petroleum and Esso UK
Esso UK	:	Esso Exploration and Production UK Limited
E&P	:	Exploration and production
FYE	:	Financial year ended/ending, as the case may be

DEFINITIONS *(Cont'd)*

Group	:	Collectively, Hibiscus Petroleum and its subsidiaries
Guillemot A Field	:	100% interest in the Guillemot A field and the related field facilities
Hibiscus Petroleum or Company	:	Hibiscus Petroleum Berhad
Hibiscus Petroleum Share(s)	:	Ordinary share(s) of RM0.01 each in Hibiscus Petroleum
Initial Consideration	:	US\$60.0 million (or equivalent to RM260.9 million), subject to the adjustment mechanisms as set out in Section 2.1.2.1 of this Circular
Interim Period	:	The period from and including the Economic Date up to and including the date of Completion
JOA	:	The joint operating agreement to be entered into by the Purchasers and AOCL
LPD	:	4 January 2016, being the latest practicable date before the printing of this Circular
NA	:	Net assets
O&G	:	Oil and gas
OECD	:	Organisation for Economic Co-operation and Development
OPEC	:	Organisation of the Petroleum Exporting Countries
Ping Petroleum	:	Ping Petroleum UK Limited
Proposed Acquisition	:	Proposed acquisition by Anasuria Hibiscus of a 50% interest in the Anasuria Cluster from Shell UK, Shell EP and Esso UK for a total cash consideration of US\$52.5 million (or equivalent to RM228.3 million)
Purchasers	:	Collectively, Anasuria Hibiscus and Ping Petroleum
RPS Energy	:	RPS Energy Consultants Limited
Shell	:	Collectively, Shell UK and Shell EP
Shell EP	:	Shell EP Offshore Ventures Limited
Shell SPA	:	Conditional sale and purchase agreement entered into on 6 August 2015 between Anasuria Hibiscus, Ping Petroleum and Shell
Shell UK	:	Shell U.K. Limited
SPAs	:	Collectively, the Shell SPA and the Esso SPA in relation to the Proposed Acquisition
Teal Field	:	100% interest in the Teal field and the related field facilities
Teal South Field	:	100% interest in the Teal South field and the related field facilities

DEFINITIONS *(Cont'd)*

Transfer of Operatorship Agreement	:	The transfer of operatorship agreement entered into on 6 August 2015 between Shell UK, the Purchasers and AOCL, for the transfer of operatorship of the Anasuria Cluster (save for the Cook Field) from Shell UK to AOCL
UK	:	United Kingdom
US or USA	:	United States of America
Valuation Report	:	Valuation report issued by RPS Energy dated 23 September 2015 to appraise the value of the Anasuria Cluster
Vendors	:	Collectively, Shell UK, Shell EP and Esso UK
Vessel Sale Agreement	:	Vessel sale agreement entered into on 6 August 2015 between Shell UK, Esso UK and the Purchasers for the purchase of the Anasuria FPSO in equal shares by the Purchasers

CURRENCIES

£	:	Pound Sterling
RM	:	Ringgit Malaysia
US\$:	US Dollar

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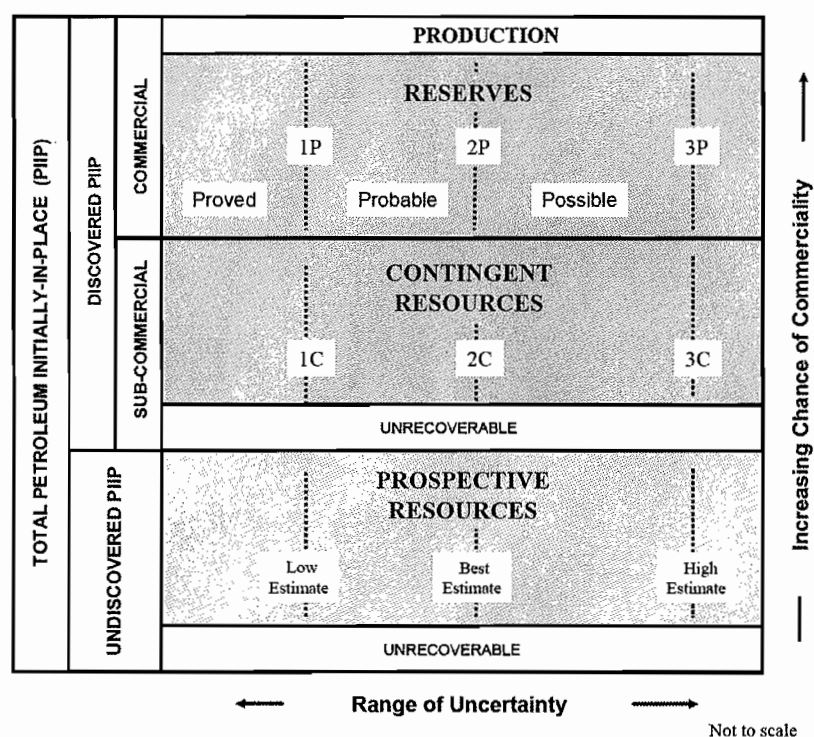
GLOSSARY

Introduction

Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide and sulfur. In rare cases, non-hydrocarbon content could be greater than 50%.

The term “resources” as used herein is intended to encompass all quantities of petroleum naturally occurring on or within the Earth’s crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered “conventional” or “unconventional.”

The figure below is a graphical representation of the Society of Petroleum Engineers/World Petroleum Council/American Association of Petroleum Geologists/Society of Petroleum Evaluation Engineers resources classification system. The system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable Petroleum.



The “Range of Uncertainty” reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the “Chance of Commerciality”, that is, the chance that the project will be developed and reach commercial producing status.

GLOSSARY (Cont'd)

bbl	:	Barrel of oil
Bscf	:	Billion standard cubic feet
b/d	:	Barrel of oil per day
Contingent Resources	:	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality
km	:	kilometre
MMbtu	:	Million British thermal units
MMstb	:	Million stock tank barrels
Possible Reserves	:	Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate
Probable Reserves	:	Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate
Prospective Resources	:	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity
Proved Reserves	:	Those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate

GLOSSARY (Cont'd)

Reserves	:	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied
stb	:	stock tank barrels
1C	:	Low estimate scenario of Contingent Resources - with respect to resource categorisation, this is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate
2C	:	Best estimate scenario of Contingent Resources - with respect to resource categorisation, this is considered to be the best estimate of the quantity that will actually be recovered from the accumulation by the project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate
3C	:	High estimate scenario of Contingent Resources - with respect to resource categorisation, this is considered to be an optimistic estimate of the quantity that will actually be recovered from an accumulation by a project. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate
1P	:	Proved Reserves
2P	:	Proved and Probable Reserves
3P	:	Proved and Probable and Possible Reserves

All references to “**we**”, “**us**”, “**our**” and “**our Company**” in this Circular are to Hibiscus Petroleum and references to “**our Group**” are to Hibiscus Petroleum and its subsidiaries.

All references to “**you**” in this Circular are to our shareholders who are entitled to attend and vote at our forthcoming EGM.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the total thereof in this Circular are due to rounding adjustments.

Unless otherwise stated, the exchange rates of US\$1.00:RM4.3490 and £1.00:RM6.4235 being the middle rates quoted by Bank Negara Malaysia at 5:00 p.m. on 4 January 2016, are used throughout this Circular for the purposes of translation of US\$ and £ into RM.

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HIBISCUS PETROLEUM BERHAD

(Company No. 798322-P)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

20 January 2016

Board of Directors:

Zainul Rahim bin Mohd Zain (*Non-Independent Non-Executive Chairman*)
Dr. Kenneth Gerard Pereira (*Managing Director*)
Datin Sunita Mei-Lin Rajakumar (*Independent Non-Executive Director*)
Dato' Roushan Arumugam (*Independent Non-Executive Director*)
Sara Murtadha Jaffar Sulaiman (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 6 August 2015, we announced through CIMB that Anasuria Hibiscus, our indirect wholly-owned subsidiary, and Ping Petroleum entered into the SPAs in relation to the Proposed Acquisition.

The purpose of this Circular is to provide you with the details of the Proposed Acquisition and to seek your approval for the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM. We enclose the Notice of EGM together with the Form of Proxy in this Circular.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Proposed Acquisition

2.1.1 Introduction

On 6 August 2015, Anasuria Hibiscus, together with Ping Petroleum entered into the SPAs to acquire the Anasuria Cluster.

The Proposed Acquisition involves Anasuria Hibiscus acquiring a 50% interest in the Anasuria Cluster. Concurrently, Ping Petroleum will be acquiring the remaining 50% interest.

The Anasuria Cluster comprises a geographically focused package of operated producing fields and associated infrastructure as follows:

- (i) the Guillemot A Field;
- (ii) the Teal Field;
- (iii) the Teal South Field;
- (iv) the Cook Field; and
- (v) the Anasuria FPSO.

A summary of the Vendors' interests in the Anasuria Cluster is set out below:

Vendor	Interest in field/asset				Anasuria FPSO
	Guillemot A Field	Teal Field	Teal South Field	Cook Field	
Shell UK	50%	50%	50%	-	50%
Esso UK	50%	50%	50%	12.88%	50%
Shell EP	-	-	-	25.77%	-
Total	100%	100%	100%	⁽¹⁾38.65%	100%

Note:

- (1) The remaining 61.35% interest in the Cook Field is held by Ithaca Energy (UK) Limited, who is not a party to the SPAs.

Please refer to Appendix I of this Circular for further information on the Anasuria Cluster.

In conjunction with the Proposed Acquisition, the following agreements were also entered into:

- (a) the Vessel Sale Agreement;
- (b) the Transfer of Operatorship Agreement; and
- (c) the Deed of Guarantee and Indemnity.

Please refer to Section 2.1.9 of this Circular for the salient terms of the above agreements.

2.1.2 Purchase consideration

The total purchase consideration of US\$105.0 million (or equivalent to RM456.6 million) to be paid by the Purchasers under the SPAs comprises the following:

2.1.2.1 The Initial Consideration, of which the Deposit was paid upon the execution of the SPAs. The balance of the Initial Consideration shall be paid on Completion.

The Initial Consideration means the sum of the following:

- (i) a cash sum of US\$60.0 million (or equivalent to RM260.9 million) ("**Base Price**");
- (ii) a working capital adjustment to be calculated in accordance with the SPAs; and
- (iii) a time value adjustment to be calculated in accordance with the SPAs.

The mechanisms of the above adjustments are as follows:

- (a) the working capital adjustment, if positive, will increase the Initial Consideration and if negative, will reduce the Initial Consideration as at Completion. The working capital adjustment will only be determined upon Completion subject to finalisation and agreement between the Purchasers and the Vendors; and
- (b) the time value adjustment will be computed as an incremental amount (calculated on a monthly basis and compounded monthly) at the Agreed Rate on the amount of that part of the total purchase consideration consisting of the Base Price and the working capital adjustment from the Economic Date up to and including the date of actual payment.

The Initial Consideration will also be adjusted as at Completion by the Interim Period adjustment which may be a positive or negative amount. The Interim Period adjustment will be the amount calculated as at Completion as follows:

- (i) the sum of the cash calls adjustment which is a positive adjustment of all payments made and a negative adjustment of all receipts in respect of recoveries related to cash calls, billing invoices, claims, demands or statements;
- (ii) the other cash payments adjustment which is a positive amount and shall be the sum of all payments or substitutes for payments such as credit notes in respect of costs and expenses properly incurred by either of the Vendors;
- (iii) the petroleum sales adjustment which is a negative amount, being the sum of all receipts under or in connection with any contract for the sale and/or supply of O&G which, in respect of oil, is lifted or, in respect of gas, is delivered at any time after the Economic Date;

- (iv) the other cash receipts adjustment which is a negative amount consisting of the total of the cash receipts or credits received by, or credited to, any Vendor; and
- (v) the taxation adjustment which is the net sum of the amounts computed on the expenditures net of receipts excluding all such expenditures that represent capital expenditure that can attract capital allowances, the petroleum sales adjustment, the other cash receipts adjustment and the other cash payments adjustment as reduced by any part that represents capital expenditure that can attract capital allowances.

The Interim Period adjustment is based on cash payments (or substitutes for such cash payments such as credit notes) in the Interim Period irrespective of whether or not the underlying transactions to which they relate occur in respect of the Interim Period.

Although there is no limit to the quantum of the purchase consideration payable by the Purchasers to the Vendors after the above adjustments have been made, based on our best estimate, we do not envisage the total purchase consideration to exceed US\$52.5 million (or equivalent to RM228.3 million). In calculating our best estimate, we took into account the latest estimated working capital adjustment (based on the actual numbers from the Economic Date to 30 June 2015 and the forecasted numbers from 1 July 2015 to 31 December 2015) and the free cash flows from the Anasuria Cluster provided by the Vendors, assuming our target date for Completion is in February 2016. However, notwithstanding our best estimate, the above adjustments may still exceed our estimate of US\$52.5 million (or equivalent to RM228.3 million), if actual cash flows upon Completion differ from our estimates.

2.1.2.2 Deferred Consideration which will be payable as follows:

- (i) US\$15.0 million (or equivalent to RM65.2 million) within 6 months from Completion;
- (ii) US\$15.0 million (or equivalent to RM65.2 million) within 12 months from Completion; and
- (iii) US\$15.0 million (or equivalent to RM65.2 million) within 18 months from Completion.

In addition, a contingent consideration is payable to the Vendors from 2018 to 2021 if and only when in a calendar year the annual average oil price (US\$ Y) exceeds US\$75 per bbl, in which case the Vendors will be paid US\$0.15 x (Y-US\$75) per bbl of the production from the Anasuria Cluster ("**Contingent Consideration**"). The US\$75 per bbl threshold is above our Company's projected oil price range of US\$40 to US\$60 per bbl over the period from 2018 to 2021 and the rate of US\$0.15 is essentially treated as a windfall payment to the Vendors in the event of a spike in oil price over the projected price. The Contingent Consideration is limited by the production volume and the average oil price for the relevant calendar year.

We agreed to pay the Contingent Consideration in return for the Vendors allowing us to pay a portion of the total purchase consideration on a deferred basis (i.e. the Deferred Consideration). This arrangement, in our view, improves the economics of the Proposed Acquisition to our Group. We view the Contingent Consideration as fair to our Group as it is only triggered in the event oil prices spike above our oil price projection of US\$40 to US\$60 per bbl for the period from 2018 to 2021.

A summary of the total purchase consideration (excluding the Contingent Consideration) is set out below:

	Interest in the Anasuria Cluster	Initial Consideration*			Deferred Consideration	Total Purchase Consideration
		Deposit	At Completion	Sub-total		
%	US\$ million					
Anasuria Hibiscus	50%	4.0	26.0	30.0	22.5	52.5
Ping Petroleum	50%	4.0	26.0	30.0	22.5	52.5
Total	100%	8.0	52.0	60.0	45.0	105.0

Note:

* Subject to adjustments pursuant to the SPAs.

The purchase consideration payable to each of the Vendors (excluding Contingent Consideration) is set out below:

	Initial Consideration		Deferred Consideration	Total Purchase Consideration
	Deposit	At Completion		
	US\$ million			
Shell	4.5	29.3	25.3	59.1
Esso UK	3.5	22.7	19.7	45.9
Total	8.0	52.0	45.0	105.0

The allocation of the total purchase consideration to the Vendors is based on the proportion of their respective interests in the Anasuria Cluster. Shell is receiving a higher amount than Esso UK as the former has a larger interest in the Cook Field than Esso UK as shown in Section 2.1.1 of this Circular.

2.1.3 Basis of arriving at the purchase consideration

The purchase consideration was arrived at on a willing-buyer willing-seller basis and after taking into account, among others, the following:

- (i) the indicative reserves and resources of the Anasuria Cluster as assessed by RPS Energy, the independent technical and asset valuation expert jointly appointed by the Purchasers, as set out in Appendix V of this Circular;
- (ii) the discounted cash flow valuation from the expected ultimate recovery of hydrocarbons from the Anasuria Cluster; and
- (iii) the prospects of the O&G sector as well as the prospects and earnings potential of the Anasuria Cluster as set out in Section 5.3 of this Circular.

The Anasuria Cluster will be acquired free from all encumbrances, liens, charges and with all rights accruing to them save that the Purchasers shall grant the Vendors a chattel mortgage over the Anasuria FPSO at Completion. The chattel mortgage is a non-possessory security interest providing the Vendors security for the payment of the Deferred Consideration. As a security interest, the chattel mortgage will afford the Vendors, in the event of payment default by the Purchasers of the Deferred Consideration, a right to enforce the security by appointing a receiver to manage and/or sell the FPSO in order to recover the outstanding Deferred Consideration.

2.1.3.1 A summary of the 1P, 2P and 3P O&G Reserves and the equivalent categories for Contingent Resources of the Anasuria Cluster as at 1 January 2015 assessed/estimated by RPS Energy are set out below:

(i) Summary of O&G Reserves as at 1 January 2015

	Net ⁽¹⁾					
	Oil Reserves			Gas Reserves		
	1P MMstb	2P MMstb	3P MMstb	1P Bscf	2P Bscf	3P Bscf
Guillemot A Field	17.7	27.5	36.3	6.2	9.6	12.6
Cook Field	3.7	6.2	8.5	8.2	13.6	18.8
Teal Field	2.6	3.2	3.7	1.2	1.5	1.7
Teal South Field	1.7	3.5	5.5	1.5	3.2	5.0
Total	25.8	40.4	54.0	17.1	27.9	38.2

Note:

(1) The Purchasers' net attributable share of Reserves, after royalties.

(Source: RPS Energy)

(ii) Summary of contingent O&G resources as at 1 January 2015

	Net ⁽¹⁾					
	Contingent oil resources			Contingent gas resources		
	1C MMstb	2C MMstb	3C MMstb	1C Bscf	2C Bscf	3C Bscf
Kite Discovery ⁽²⁾	0.4	1.4	3.0	0.3	1.2	2.5
Cook Field infill	0.1	0.5	2.9	0.1	0.5	2.9
Teal South Field infill	0.8	1.5	3.0	0.4	0.7	1.4
Guillemot A Field South infill	2.0	4.0	6.0	0.4	0.8	1.2
Guillemot A Field North (Sk) infill	0.8	1.5	3.0	0.4	0.8	1.6
Guillemot A Field Central (Sk) infill	0.8	1.5	3.0	0.4	0.8	1.6
Total	4.8	10.4	20.9	2.0	4.8	11.2

Notes:

- (1) The Purchasers' net attributable share of resources, after royalties.
- (2) The Kite O&G discovery ("**Kite Discovery**"), a discovered resource, straddles the Teal Field, and is situated between the Teal Field and the Cook Field. Penetrated in 3 wells, the Kite Discovery is subdivided into 2 separate stratigraphic accumulations of hydrocarbons which could potentially be developed via 2 wells tied-back to the Anasuria FPSO.

(Source: RPS Energy)

2.1.3.2 The valuation of the 1P and 2P O&G Reserves as at 1 January 2015 estimated by RPS Energy is set out below:

	Net present value at a discount rate of 10%					
	US\$ million				RM million	
	100% interest in the Anasuria Cluster		50% interest in the Anasuria Cluster		50% interest in the Anasuria Cluster	
	1P	2P	1P	2P	1P	2P
Developed	(98.4)	51.0	(49.2)	25.5	(214.0)	110.9
Developed + Undeveloped ⁽¹⁾	35.5	226.5	17.8	113.3	77.2	492.5

Note:

- (1) Undeveloped Reserves are subject to infill well drilling activities and implementation of workover programs.

(Source: RPS Energy, except for the RM equivalent)

Based on the 2P O&G Reserves estimated by RPS Energy and the free cash flows from the Economic Date to 2036 to our Group, we expect to derive an internal rate of return of about 36%.

2.1.3.3 The key valuation assumptions by RPS Energy in arriving at the discounted cash flow valuation of the Anasuria Cluster are set out below:

- (i) the effective date for the valuation being 1 January 2015 (all future cash flows are discounted to 1 January 2015);
- (ii) all values are post-tax and have been expressed over a range of discount rates, using mid-year discounting;
- (iii) an annual inflation rate of 2% from 2016 onwards applied to both costs and revenues;
- (iv) a constant exchange rate of US\$1.50:£1.00;
- (v) RPS Energy's long term price forecast (base case) for O&G as set out in Section 4.1 of this Circular;
- (vi) corporation tax of 30% and a supplementary charge of 20%;

- (vii) an investment allowance of 62.5% (used in supplementary charge calculation);
- (viii) brown field allowance of £20.6 million;
- (ix) plant and machinery allocation of US\$30.0 million which has been included in the calculations of corporation tax and supplementary charge;
- (x) the Contingent Consideration paid during 2018 to 2021 to the Vendors calculated as 15% of the additional revenue originated from the difference between the realised price and the US\$75 per bbl threshold price; and
- (xi) mechanism for the DSA (as defined and described in Section 2.1.8.5 (i) of this Circular) whereby 70% of the net profits is available to be paid into an escrow account with a floor of US\$6.5 per bbl and an upper limit proposed to the Vendors at US\$12 per bbl to fund future abandonment costs.

(Source: RPS Energy)

2.1.3.4 Additional information on the competent person and competent valuer from RPS Energy is set out below:

Mr Gordon Taylor, the Managing Director of Consulting at RPS Energy with a total of 35 years of experience in the upstream O&G industry is a competent person and competent valuer for the purpose of the valuation of the Anasuria Cluster and is based at RPS Energy's operating office in Henley-on-Thames, Oxfordshire, UK. He is a Chartered Engineer and Chartered Geologist and a member of a number of relevant professional societies, including the Geological Society (UK), American Association of Petroleum Geologists, Members of the Institute of Materials, Minerals and Mining (UK) and Society of Petroleum Engineers. He holds a BSc in Geological Sciences and an MSc Foundation Engineering from Birmingham University.

(Source: RPS Energy)

2.1.3.5 Additional commentary on the Valuation Report and expert's report in relation to the reserves and resources evaluation of the Anasuria Cluster prepared by RPS Energy is set out below:

- (i) We note that the Valuation Report and the report in relation to the reserves and resources evaluation of the Anasuria Cluster present and describe Contingent Resources within the Anasuria Cluster. However, the chances of development (as quantitative percentages or qualitative descriptions) of these Contingent Resources were not stated as we did not request RPS Energy to assess the chances of their commercial development. As such, the Contingent Resources within the Anasuria Cluster were not valued and did not form part of the 2P O&G Reserves valuation. Hence, we view RPS Energy's valuation to be conservative in this regard.

(ii) While RPS Energy did not explicitly state a singular, best estimate fair market value of the Anasuria Cluster, the definition of 2P indicates that if a probabilistic determination of the 2P O&G Reserves is done, that 2P O&G Reserves can be considered as the most likely outcome. Hence, the valuation of 2P O&G Reserves of the Anasuria Cluster of US\$226.5 million (or equivalent to RM985.0 million) using the base case price forecast would represent the singular, best estimate fair market value.

(iii) In valuing the Anasuria Cluster, RPS Energy had calculated a low and high case, with the 2P case being derived as the arithmetic average of the low and high cases in its production decline curve analysis of the wells currently producing in the Anasuria Cluster. However, there are valuers who may be of the view that the application of the optimistic high case will unduly skew the 2P case upwards and it may be more prudent to use a hyperbolic decline function to derive the 2P decline case.

In RPS Energy's valuation, the low case is based on an exponential decline and the high case is based on a harmonic decline which is an approach commonly used by O&G companies and auditors. In our experience, this method is used to determine the possible upper and lower bounds of outcomes. RPS Energy has chosen a point which lies mid-way between these bounds to determine the 2P reserves.

(iv) RPS Energy had used production history from similar past activities within the fields (i.e. infill drilling activities, gas lift workovers) and used this history to estimate the likely outcomes of similar future wells or future workovers of existing wells. Since reservoir characteristics may be different at different locations within a reservoir and well performance in response to gas lift varies between wells, the analogues may be deemed optimistic (higher uncertainty) and are stated to be not technically mature by RPS Energy (increase in risk).

We are of the view that whilst the infill drilling activities and gas lift workover projects are immature, there is quantifiable evidence of unswept Reserves in the Anasuria Cluster from seismic surveys, sparse well spacing and very low oil recovery factors such that it would be unrealistic to not attribute any value to these unswept Reserves from infill drilling. We also view it as reasonable that the application of gas lift to wells will increase late life production.

Our Company together with Ping Petroleum Limited and Shell have identified over 6 infill drilling opportunities to capture these unswept Reserves. However, RPS Energy, being more conservative in their evaluation, has allowed for only 2 infill wells in the Guillemot A Field with a similar outcome to the recent Guillemot 5 well. They have also included the workover of wells that do not currently have a gas lift capability and one recompletion in the Forties reservoir (located within the Guillemot A Field) which have a much more certain outcome. Given the data provided by the Vendors on the planned projects, we are of the view that RPS Energy has provided a reasonable but conservative assessment of the incremental potential in the Anasuria Cluster from infill drilling activities and workover of existing wells.

- (v) Although there has been a substantial drop in O&G prices since the Economic Date, the Valuation Report has been updated by RPS Energy as of 23 September 2015. In this regard, RPS Energy updates its internal O&G price forecast every 3 months. RPS Energy's third quarter 2015 base price forecast was not substantially different to that of the second quarter 2015 base price forecast and as such, RPS Energy utilised their second quarter base price forecast for the purpose of its valuation. RPS Energy's low and high price cases in the third quarter 2015 were unchanged from those in the second quarter 2015.
- (vi) RPS Energy is not in the legal position to comment on the licences, permits and approvals required to operate the Anasuria Cluster. Nevertheless, the safeguard is that approval of the Secretary of State for Energy and Climate Change of the UK Government is required for the transfer of the licenses of the Anasuria Cluster taking into consideration the technical expertise of AOCL and the financial capability of the Purchasers. Ping Petroleum Limited and our Company will not be able to acquire the Anasuria Cluster without the approval of the Secretary of State for Energy and Climate Change of the UK Government for the transfer of the said licences, which is a condition precedent to the SPAs as described in Section 2.1.8.2(ii) of this Circular.

For further details on the valuation of the Anasuria Cluster and the expert's report on the fairness of the purchase consideration issued by RPS Energy, please see Appendices IV and VI of this Circular, respectively.

2.1.4 Source of funding for the Proposed Acquisition

We intend to fund Anasuria Hibiscus' portion of the remaining balance of the Initial Consideration (i.e. US\$26.0 million (or equivalent to RM113.1 million)) through borrowings, the sale of Call Options (as defined in Section 4.11 of this Circular) and/or internally generated funds from the Anasuria Cluster from the Economic Date to Completion. We expect the Deferred Consideration to be funded through internally generated funds from the Anasuria Cluster. The breakdown of the source of funding will only be determined later and will depend on, among others, our Group's cash reserves including generated cash flow from the Anasuria Cluster and future funding requirements. In the event the internally generated funds from the Anasuria Cluster are not sufficient to satisfy the Deferred Consideration, our Group will consider utilising part of the proceeds to be raised from the Proposed Placement (as defined in Section 10 of this Circular), borrowings, further sale of Call Options (as defined in Section 4.11 of this Circular) and/or proceeds from future equity fund raising as the need arises. If borrowings are obtained, some or all of the assets or interests in the Anasuria Cluster to be acquired by our Group may be pledged as security for the borrowings. For information on the placement exercises previously undertaken by us, please refer to Section 4 of Appendix VII of this Circular.

The Proposed Acquisition is not expected to give rise to any additional financial commitment by our Group to put the operations of the Anasuria Cluster on-stream as the Anasuria Cluster is already producing oil.

However, in order to maximise the value of the Anasuria Cluster, additional capital will be required to extend the life of the Anasuria FPSO and subsea facilities, drill and complete new wells and workover of existing wells.

2.1.5 Estimated capital and operating expenditures for the Anasuria Cluster

We anticipate that our capital and operating expenditures for the Anasuria Cluster is approximately US\$325.6 million (or equivalent to RM1,415.8 million) and US\$1,031.3 million (or equivalent to RM4,485.1 million) respectively. Approximately 70% of our capital expenditure is estimated to be funded through reserve based lending from banks whereas our operational expenditure is expected to be funded from the operating cash flows available from the Anasuria Cluster.

The annual capital and operating expenditures (based on best estimate) of the Anasuria Cluster are set out in the table below:

Year	100% interest in the Anasuria Cluster		50% interest in the Anasuria Cluster			
	Capital Expenditure	Operating Expenditure	Capital Expenditure	Operating Expenditure	Capital Expenditure	Operating Expenditure
	US\$ million		US\$ million		RM million	
2015	4.0	82.9	2.0	41.4	8.7	180.3
2016	39.5	85.4	19.7	42.7	85.9	185.7
2017	164.6	93.6	82.3	46.8	357.9	203.5
2018	249.4	99.6	124.7	49.8	542.3	216.6
2019	6.2	100.6	3.1	50.3	13.5	218.7
2020	7.6	105.3	3.8	52.6	16.5	229.0
2021	53.4	106.7	26.7	53.3	116.1	232.0
2022	8.6	101.5	4.3	50.8	18.7	220.7
2023	8.8	100.6	4.4	50.3	19.1	218.8
2024	9.0	100.2	4.5	50.1	19.6	217.9
2025	9.1	101.3	4.5	50.6	19.8	220.3
2026	9.3	102.0	4.7	51.0	20.2	221.8
2027	9.5	106.3	4.8	53.2	20.7	231.1
2028	9.7	104.5	4.9	52.3	21.1	227.2
2029	9.9	106.2	5.0	53.1	21.5	230.9
2030	10.1	107.9	5.1	54.0	22.0	234.6
2031	10.3	109.8	5.2	54.9	22.4	238.8
2032	10.5	116.9	5.2	58.5	22.8	254.2
2033	10.7	115.7	5.3	57.8	23.3	251.6
2034	10.9	115.6	5.4	57.8	23.7	251.4
Total	651.1	2,062.6	325.6	1,031.3	1,415.8	4,485.1

2.1.6 Assumed liabilities

Other than the customary operational liabilities such as the requirement to continue to pay the on-going cost of operations and maintenance including license fees, other potential liabilities including decommissioning, safety and environmental liabilities as well as the loss or damage to facilities, pollution and liabilities to third parties, there are no liabilities, including contingent liabilities and guarantees, to be assumed by our Group pursuant to the Proposed Acquisition.

2.1.7 Information on the Vendors

2.1.7.1 Information on Shell UK

Shell UK was incorporated in England and Wales as The Shell Company of the United Kingdom Limited under the Companies Acts 1908 and 1913 on 30 April 1915 as a private limited company.

Shell UK engages in O&G upstream and downstream businesses in the UK. Shell UK's upstream business activities include the E&P of O&G while its downstream business activities comprise supplying, trading and shipping crude worldwide, manufacturing and marketing a range of oil products, and producing petrochemicals for industrial customers.

The existing directors of Shell UK are Erik Bonino, Nigel Hobson, Paul Goodfellow, Joanne Wilson, David Moss and Michael Coates. As at the LPD, Shell UK is a wholly-owned subsidiary of Shell Holdings (U.K.) Limited. The ultimate shareholder of Shell UK is Royal Dutch Shell plc.

(Source: Shell)

2.1.7.2 Information on Shell EP

Shell EP was incorporated in England and Wales as British Gas (Fulmar) Limited under the Companies Act 1981 on 26 November 1982 as a private limited company.

The principal activities of Shell EP are the E&P of O&G.

The existing directors of Shell EP are Duncan van Bergen, Lynn Sprouse, Gary Archibald and David Kemshell. As at the LPD, Shell EP is a wholly-owned subsidiary of Enterprise Oil Limited. The ultimate shareholder of Shell EP is Royal Dutch Shell plc.

(Source: Shell)

2.1.7.3 Information on Esso UK

Esso UK was incorporated in the UK under the Companies Act 1908 on 22 July 1925 as a private limited company.

The principal activities of Esso UK are exploring, producing and marketing O&G.

The existing directors of Esso UK are John Chaplin, Stacey Weltmer, Mike Cooper and Peter Clarke. As at the LPD, the ultimate shareholder of Esso UK is ExxonMobil Corporation.

(Source: Esso UK)

2.1.8 Other salient terms of the SPAs

2.1.8.1 Sale and purchase of the Anasuria Cluster

- (i) The transfer of the Anasuria Cluster shall be deemed to be made with effect on and from the Economic Date. Accordingly, it is intended that:
 - (a) the Vendors will be responsible for the obligations which relate to matters in respect of any period prior to the Economic Date (other than decommissioning, safety and environmental obligations) and will receive all benefits which relate to matters in respect of such period; and
 - (b) the Purchasers will be responsible for the obligations which relate to matters in respect of any period on or after the Economic Date (including decommissioning, safety and environmental obligations) and will receive all benefits which relate to matters in respect of such period.
- (ii) Subject to the Vendors' warranties, the Purchasers will also be responsible for and will indemnify the Vendors from all claims relating to the decommissioning, safety and environmental obligations in respect of any period prior to the Economic Date regardless of whether they result from any acts or omissions, negligence or breach of duty by the Vendors. The Vendors' warranties include:
 - (a) all accrued obligations and liabilities, including work obligations arising under the licences, have been duly fulfilled;
 - (b) in the 2-year period prior to the execution date of the SPAs, the Vendors have received no written notice from any authority that the Vendors have violated any applicable laws, including environmental laws relating to the Anasuria Cluster;
 - (c) in the 2-year period prior to the execution date of the SPAs, the Vendors have received no written notice from any person in respect of safety obligations or in respect of claims for compensation for personal injury relating to safety obligations in respect of the Anasuria Cluster;
 - (d) so far as the Vendors are aware, in the 2-year period prior to the execution date of the SPAs, there has been no act or omission which has resulted in a claim or written notice of legal actions in respect of the Anasuria Cluster relating to a safety or environmental activity; and

- (e) so far as the Vendors are aware, all wells completed in the blocks forming part of the Anasuria Cluster have been plugged and abandoned in accordance with good oilfield practice and the terms of the relevant licences and applicable rules and regulations.

Our UK legal adviser has advised that it is typical for transactions of this nature in the UK O&G industry that vendors are indemnified by purchasers for the decommissioning, safety and environmental obligations in respect of any period prior to the economic date incurred by the vendors subject to satisfactory outcome of the due diligence conducted by the purchasers and the warranties given by the vendors. We are of the view that the abovementioned terms are fair.

2.1.8.2 Conditions precedent

The conditions precedent to Completion are as follows:

- (i) receipt of our shareholders' approval at an EGM to be convened, for the Proposed Acquisition;
- (ii) receipt of all consents and approvals of the Secretary of State for Energy and Climate Change of the UK Government for the following:
 - (a) transfer of the Anasuria Cluster;
 - (b) the execution of (and the transactions contained in) assignment documents including the transfer of the licenses and transfer of operatorships; and
 - (c) the appointment on Completion, of AOCL (or, in relation to the Cook Field, a relevant third party) as operator of the Anasuria Cluster;
- (iii) receipt of all necessary written consents, approvals or waivers, including the waiver or non-exercise by relevant third parties of pre-emption rights under the Cook Field joint operating agreement, as the case may be, by the relevant third parties in relation to the transfer by the Vendors to the Purchasers of the Anasuria Cluster and the appointment on Completion of either AOCL or a relevant third party as operator of the Cook Field;
- (iv) all operational readiness indicators under the Transfer of Operatorship Agreement have been satisfied (in relation to the Shell SPA); and
- (v) receipt of all necessary written consents, approvals or waivers of other relevant authorities and/or parties, if required.

2.1.8.3 Termination

The termination events of the SPAs are as follows:

- (i) the Vendors and Purchasers may terminate the SPAs if all the Conditions Precedent are not satisfied or waived within 12 months from the execution date of the SPAs or such later dates as agreed by the Vendors and Purchasers;
- (ii) an act or omission of the Purchasers or either of them in breach of their obligation to use reasonable endeavours to obtain fulfilment of the conditions precedent, as notified by the Vendors to the Purchasers and which the Purchasers had been given reasonable opportunity to remedy, but which breach remained unremedied for a period of 20 business days after such notification;
- (iii) an act or omission by our Company or Ping Petroleum Limited in breach of any material provision of the Deed of Guarantee and Indemnity, which breach has previously been notified by the Vendors to the Purchasers but which remained unremedied for a period of 20 business days after such notification;
- (iv) a refusal of our shareholders to grant approval for the Proposed Acquisition; or
- (v) if the physical loss of, damage to, or destruction of field facilities of the Anasuria Cluster and/or the Anasuria FPSO prior to Completion exceeds 40% of the aggregate of the Base Price and the Deferred Consideration.

Where the Vendors terminate the SPAs as a result of (ii), (iii) and (iv) above, the Vendors shall retain, and shall be under no obligation to refund to the Purchasers, the Deposit.

In the event that the SPAs are terminated due to the default of the Vendors prior to Completion, the Purchasers will be reimbursed the Deposit with simple interest thereon at the Agreed Rate from the date of the SPAs until the date of repayment.

2.1.8.4 Completion

Both the Shell SPA and the Esso SPA must be completed simultaneously.

2.1.8.5 Agreements at Completion of the SPAs

Upon completion of the SPAs, the following agreements will be entered into:

- (i) a decommissioning security agreement between Shell UK, Esso UK, the Purchasers and AOCL ("DSA"), whereby the Purchasers agree to provide security for their respective proportionate obligations to the estimated cost for decommissioning facilities in relation to the production licences held by them on the UK Continental Shelf, and a DSA side agreement thereto.

The security payable (which is calculated annually) can be made in cash or provided by alternative means, including by way of letter of credit, bank guarantee and/or parent company guarantee.

When decommissioning does occur, if the interest holders default on payments towards the cost of decommissioning, the trustee will release money from the trust to the operator or, if the operator is in default, to a non-defaulting party acting as operator. Once decommissioning has been completed, the obligation to provide security shall cease and any remaining monies in the trust will be returned to the party which provided it and any alternative security provided will simply expire and not be replaced;

- (ii) a gas sales agreement between Shell UK, Esso UK and the Purchasers whereby the Purchasers agree to deliver and sell their respective shares of gas from the Guillemot A Field, the Teal Field and the Teal South Field allocated to Shell UK and Esso UK;
- (iii) a separate novation agreement between Enterprise Oil Limited (the operator for the Cook Field), Shell UK, Esso UK, the Purchasers and Ithaca Energy (UK) Limited (the other stakeholder holding 61.35% interest in the Cook Field) for the novation of:
 - (a) the Cook Field decommissioning security agreement;
 - (b) the Cook Field gas sales agreement; and
 - (c) the Cook Field joint operating agreement;
- (iv) a chattel mortgage over the Anasuria FPSO between Shell UK, Esso UK and the Purchasers; and
- (v) a bill of sale between the Purchasers, Shell UK and Esso UK for the transfer of legal title to the Anasuria FPSO.

2.1.8.6 Governing law

The construction validity and performance of the SPAs and all agreements executed pursuant thereto shall be governed by English law and the parties irrevocably submit to the exclusive jurisdiction of the English courts.

2.1.9 Salient terms of the other agreements

2.1.9.1 Salient terms of the Vessel Sale Agreement

- (i) The Vessel Sale Agreement governs the terms for the sale of one vessel, i.e. the Anasuria FPSO from Shell UK and Esso UK to the Purchasers. The purchase price of the Anasuria FPSO is US\$14.0 million (or equivalent to RM60.9 million) and is specified as being part of the Initial Consideration for each of the Shell SPA and the Esso SPA.
- (ii) Delivery occurs at Completion whereupon a bill of sale between the Purchasers, Shell UK and Esso UK for the transfer of legal title to the Anasuria FPSO will be executed.

2.1.9.2 Salient terms of the Transfer of Operatorship Agreement

- (i) The Transfer of Operatorship Agreement is an agreement between the Purchasers, AOCL and Shell UK to provide for the transfer of operatorship from Shell UK to AOCL, subject to the relevant approvals.
- (ii) During the pre-Completion period, AOCL is to prepare and agree with Shell UK on a transition plan, and then implement it such that it can attain operational readiness and operate the Anasuria Cluster (excluding the Cook Field) to the standard of a reasonable and prudent operator on and from Completion.
- (iii) Shell UK is to indemnify the Purchasers and AOCL in respect of the employer's obligations for its employees who are entitled to transfer to AOCL's employment by virtue of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (Transferring Employees) up to Completion.

2.1.9.3 Salient terms of the Deed of Guarantee and Indemnity

- (i) Under the Deed of Guarantee and Indemnity, Hibiscus Petroleum agrees to provide a parental company guarantee, which guarantees to the Vendors the due and punctual payment to the Vendors of all amounts which Anasuria Hibiscus is or shall become obliged to pay to the Vendors under the SPAs and the due and punctual performance by Anasuria Hibiscus of all its obligations under the SPAs (other than its obligations under the DSA which are covered by a separate guarantee).
- (ii) The Vendors will not be obliged before taking steps to enforce the Deed of Guarantee and Indemnity to take any legal action in court, or to enforce any claim against Anasuria Hibiscus.

2.1.10 Total benefits accrued to and expenditures incurred by the Purchasers between the Economic Date and 31 October 2015

The Economic Date, being 1 January 2015 as the beginning of the calendar year is a convenient and agreed accounting cut-off date for the divestment by the Vendors and the assumption by the Purchasers, of the economic interests and liabilities of the Anasuria Cluster. It is customary practice in the O&G industry to agree to an economic date for transactions in general.

The offtake of O&G from the Anasuria Cluster between the Economic Date and 31 October 2015 is approximately 1.72 million bbl, whereby our Group's share of the offtake is approximately 0.86 million bbl. The estimated total benefits accrued to and expenditures incurred by the Purchasers between the Economic Date and 31 October 2015 are set out below:

	100% interest in the Anasuria Cluster		50% interest in the Anasuria Cluster	
	US\$ million	RM million	US\$ million	RM million
Revenue	100.0	434.9	50.0	217.5
Operating expenditure	57.0	247.9	28.5	123.9
Capital expenditure	1.0	4.3	0.5	2.2
Economic benefit (before tax)	42.0	182.7	21.0	91.3

2.1.11 Introducer fee

An introducer fee of US\$6.0 million (or equivalent to RM26.1 million) is payable to Ping Petroleum Limited upon successful Completion of the Proposed Acquisition as Ping Petroleum Limited had already achieved the preferred bidder status with the Vendors prior to our entry into the transaction. At that time, Ping Petroleum Limited had already submitted a bid to the Vendors and was considering several other potential partners. Ping Petroleum Limited had also incurred evaluation costs of approximately US\$1.0 million (or equivalent to RM3.8 million based on the then prevailing exchange rate).

Taking into account these factors, Ping Petroleum Limited had decided to impose the introducer fee as a condition for its selected partner's participation in the transaction. Our Group will capitalise the introducer fee as intangible assets and plant and machinery as further described in Section 6.2 of this Circular.

As the introducer fee represents around 11.4% of the total purchase consideration to be paid for a 50% interest in the Anasuria Cluster of US\$52.5 million (or equivalent to RM228.3 million) and 5.3% of our Group's 50% share of 2P O&G Reserves valuation as estimated by RPS Energy (i.e. US\$113.3 million (or equivalent to RM492.5 million)), we are of the view that the introducer fee is reasonable.

2.2 Joint Operatorship

As part of the Proposed Acquisition, on 6 August 2015, the Purchasers entered into a shareholders' agreement for the formation, scope, capitalisation, funding, ownership, control and management of AOCL as the joint operating company. AOCL was incorporated in England and Wales under the Companies Act 2006 on 22 July 2015 as a private limited company.

The Purchasers and AOCL will enter into the JOA on Completion for the purpose of providing the contractual basis for governing the joint operations for the business of exploration, development and production of O&G in the Anasuria Cluster (other than the Cook Field which has a separate joint operating agreement to be novated to the Purchasers upon Completion of the Proposed Acquisition). Under the JOA, AOCL is responsible to carry out all the operations on behalf of the Purchasers. Funding for the operations of the Anasuria Cluster may be procured from the Purchasers via cash calls by AOCL.

The JOA will also document the respective participating interests of the Purchasers in the Anasuria Cluster and detail their respective rights, benefits, obligations and liabilities (including for meeting cash calls by the operator) in accordance with their respective participating interests. AOCL has a share capital of £2, comprising £1 each. Anasuria Hibiscus and Ping Petroleum have 1 share each in AOCL. Each share carries 1 vote. The funding of AOCL will be entirely by the shareholders based on their respective shareholdings. The Board of AOCL shall comprise of 2 directors, 1 each being nominated by each of the Purchasers. Each director may appoint an alternate. The chairmanship of the Board of AOCL shall be rotated between Anasuria Hibiscus and Ping Petroleum once every two years, with the first chairman being a nominee director from Ping Petroleum. All board decisions shall be via simple majority with the chairman having a casting vote.

2.2.1 Information on Anasuria Hibiscus

Anasuria Hibiscus was incorporated in England and Wales under the Companies Act 2006 on 21 July 2015 as a private limited company. Anasuria Hibiscus is a wholly-owned subsidiary of Atlantic Hibiscus Sdn Bhd, which in turn is a wholly-owned subsidiary of our Company. Prior to or upon Completion, we may consider incorporating a foreign wholly-owned subsidiary to interpose between our Company and Anasuria Hibiscus, and effectively become the immediate holding company of Anasuria Hibiscus, if it is or becomes more tax efficient to do so.

Anasuria Hibiscus is a special purpose vehicle which will undertake the Proposed Acquisition.

The sole director of Anasuria Hibiscus is Dr Kenneth Gerard Pereira.

2.2.2 Information on Ping Petroleum

Ping Petroleum was incorporated in England and Wales under the Companies Act 2006 on 22 July 2015 as a private limited company. Ping Petroleum is a wholly-owned subsidiary of Ping Petroleum Limited.

Ping Petroleum was incorporated as a special purpose vehicle for the purpose of acquiring an interest in the Anasuria Cluster.

Ping Petroleum Limited was incorporated in Bermuda under the Companies Act 1981 on 31 July 2012 as a private limited company. Ping Petroleum Limited is an independent upstream O&G company, focusing on shallow water offshore production and development opportunities in South East Asia and the UK sector of the North Sea.

Ping Petroleum Limited's initial founders include David Roy Phillips, Ning Zhang and Paul Baltensperger, who were former technical and management executives of Newfield Exploration Company where they helped to build and realise investments in the North Sea and Malaysia. As at the LPD, the existing directors of Ping Petroleum Limited are David Roy Phillips, Ning Zhang, Michael J. Barrett and Paul Baltensperger.

The expertise and key experience of the existing directors of Ping Petroleum Limited are set out below:

Name	Designation	Key Experience
David Roy Phillips ("Roy")	Chairman and Non-Executive Director	<p>Roy has over 40 years of experience in O&G E&P. Between 2002 and 2007, Roy was Managing Director of Newfield Petroleum UK Ltd, where he led the development, growth and, later, divestiture of the US\$500 million portfolio to Centrica plc. Roy was CEO of Summit Petroleum from 2008 to 2010 where he led the acquisition of Oranje Nassau and sale of older assets, adding US\$500 million to Sumitomo's North Sea business. Previously, Roy held technical, operational and commercial roles with Exxon Corporation, BP, and Kerr McGee Corporation in the Gulf of Mexico, Alaska, and North Sea.</p> <p>Roy has a BSc in Mechanical Engineering from Salford University (UK) and a MSc in Management Science and Operations from Warwick University (UK).</p>
Ning Zhang ("Ning")	Chief Executive Officer and Director	<p>Ning has over 20 years of O&G experience. At the Newfield Exploration Company, he served in a number of petroleum engineering, corporate planning, risk management, commercial and asset management roles. Prior to founding Ping Petroleum Limited, Ning spent 6 years in Malaysia and was commercial manager and asset manager for the US\$300 million East Piatu project bringing on first oil within 3 years of production sharing contract signing. Ning was also instrumental in capturing 3 new production sharing contracts with PETRONAS for the Newfield Exploration Company.</p> <p>Ning has a BSc in Petroleum Engineering from the University of Texas at Austin (USA) and was distinguished as the Leader-Scholar of the Year for the College of Engineering. He also has a Masters in Business Administration from Rice University (USA).</p>

Name	Designation	Key Experience
Michael J. Barrett ("Michael")	Non-Executive Director	<p>Michael has more than 30 years of banking experience in the US and Southeast Asia.</p> <p>His most recent position was the Chief Executive Officer of RHB Bank Berhad and Group Managing Director for RHB Banking Group in Malaysia. He also served as Council Member of the Institute of Bankers Malaysia (IBBM). Prior to that, he held several positions at Chase Manhattan Bank, USA for 14 years (including as Chief Executive Officer and President).</p> <p>He holds a BSc in Economics and Business Administration from Alfred University, Alfred, New York and a Masters in Business Administration in Finance from Fordham University, Bronx, New York.</p>
Paul Baltensperger ("Paul")	Chief Operating Officer and Director	<p>Paul has over 30 years of industry experience in geophysics and geology and a proven track record in identifying opportunities and creating value through capturing and managing oil and gas assets. Prior to founding Ping Petroleum Limited, Paul spent 10 years focused on Southeast Asia for Newfield Exploration Company. Paul was the Asset Manager of Newfield Exploration Company's offshore operated blocks in Sarawak and was instrumental in Newfield Exploration Company's capture of oil producing assets in the Malay Basin. Previously, Paul was a key member of the start-up team for Apache's Egypt operations where he helped grow the business to production of over 100,000 b/d.</p> <p>Paul has a BSc in Geology and with a minor in Geophysics from New Mexico State (USA) and a MSc in Geology from the University of Texas at Austin (USA). Paul has published numerous technical papers throughout his career.</p>

We believe that the following key areas of strength and experience in the O&G industry of the directors of Ping Petroleum Limited would contribute to the success of the Anasuria Cluster:

- (i) professional and technical expertise, and operational experience across the production and development phases such as geophysical, geotechnical, petroleum engineering, drilling, production operations, and contracting and procurement;
- (ii) experience in management of regional and global integrated O&G companies and business within the O&G industry;
- (iii) network and business relationships with industry players and local governments;
- (iv) experience in mergers, acquisitions, disposals and joint venture operations; and
- (v) experience in various management aspects of a corporation including finance, human resource, health, safety and environment, and risk management.

The management team of Ping Petroleum Limited is focused on capturing low to moderate risk O&G assets, principally in the North Sea and South East Asia, where its team has extensive knowledge and strong relationships. In the near term, Ping Petroleum Limited will focus on optimising operations and production of the Anasuria Cluster. The medium to long term focus will be in relation to a growth strategy targeting mid to late life producing assets, development of marginal or previously stranded O&G Reserves and exploration to discover new resources near existing fields. To date, its proposed acquisition of a 50% interest in the Anasuria Cluster will be Ping Petroleum Limited's first acquisition and its management team expects more investments in the future.

(Source: Management of Ping Petroleum Limited)

2.2.3 Proposed Subscription by Dagang NeXchange Berhad

On 7 September 2015, Dagang NeXchange Berhad announced that its wholly-owned subsidiary, DNeX Petroleum Sdn Bhd (*formerly known as Sterling Marque Sdn Bhd*) ("**DNeX Petroleum**"), entered into a share subscription agreement with Ping Petroleum Limited to subscribe for new ordinary shares of US\$0.001 each in Ping Petroleum Limited representing about 30% of the enlarged issued share capital of Ping Petroleum Limited ("**Proposed Subscription**"). The Proposed Subscription is subject to the approval of the shareholders of Dagang NeXchange Berhad and the approvals/consents of the relevant governmental and regulatory authorities.

For avoidance of doubt, the Proposed Acquisition is not conditional on the completion of the Proposed Subscription. Ping Petroleum Limited has also informed us that the total consideration of US\$10.0 million to be paid by DNeX Petroleum for the Proposed Subscription was arrived at based on negotiations between DNeX Petroleum and Ping Petroleum Limited, taking into consideration, among others, the valuation of the Anasuria Cluster, the global outlook of the O&G sector as well as the prospects and growth potential of Ping Petroleum Limited.

Ping Petroleum Limited has also informed us that the entry of DNeX Petroleum as a shareholder of Ping Petroleum Limited will have no significant impact on the JOA or on the operations of AOCL and that DNeX Petroleum will rely predominantly on the expertise and experience of the directors and key management of our Company and Ping Petroleum Limited for the success of the Anasuria Cluster.

A comparison of the proposed investment by our Company, Ping Petroleum Limited and DNeX Petroleum is set out below:

	Proposed Acquisition			Proposed investment by DNeX Petroleum
	Hibiscus Petroleum	Ping Petroleum Limited	Total	
Effective interest in the Anasuria Cluster	50%	50%	100%	15% ⁽⁴⁾
Initial Consideration/ Proposed investment (US\$ million) ⁽¹⁾	30.0 ⁽²⁾	30.0 ⁽³⁾	60.0	10.0 ⁽⁴⁾
Deferred Consideration	22.5	22.5	45.0	6.75 ⁽⁵⁾
Total purchase consideration based on effective interest	52.5	52.5	105.0	16.75
Implied total purchase consideration for a 100% interest in the Anasuria Cluster	105.0	105.0		111.7

Notes:

- (1) Assuming no adjustments are made to the Initial Consideration.
- (2) Consists of 50% of the Initial Consideration payable by Anasuria Hibiscus to the Vendors.
- (3) Consists of 50% of the Initial Consideration payable by Ping Petroleum to the Vendors.
- (4) Based on the announcement by Dagang NeXchange Berhad dated 7 September 2015 in relation to the Proposed Subscription.
- (5) While the Purchasers expect the Deferred Consideration to be fully funded by the internally generated funds from the Anasuria Cluster, any shortfall will need to be paid by the Purchasers according to the proportion of their interest in the Anasuria Cluster. As informed by Ping Petroleum Limited, any shortfall attributable to Ping Petroleum Limited will be addressed by Ping Petroleum Limited's available funds including funds to be raised from the sale of the Call Options and/or debt. Should there be any subsequent shortfall, Ping Petroleum Limited may initiate a cash call on its shareholders or undertake an issuance of equity securities.

In view of the above, we consider the total purchase consideration to be paid by Anasuria Hibiscus for the Anasuria Cluster as reasonable. Further, upon Completion, the Purchasers shall be joint operators of the Anasuria Cluster whilst DNeX Petroleum, as a shareholder of Ping Petroleum Limited, will rely on the joint operators to manage the Anasuria Cluster.

2.2.4 Key financial data of Ping Petroleum Limited and Dagang NeXchange Berhad

The audited key financial information of Ping Petroleum Limited and Dagang NeXchange Berhad are set out below:

	Ping Petroleum Limited		Dagang NeXchange Berhad
	FYE		FYE
	30 June 2014		31 December 2014
	Audited US\$	RM	Audited RM
Profit after tax and non-controlling interest	591,787	2,573,682	12,215,000
NA/ Shareholders' funds	1,781,139	7,746,174	86,190,000
NA per share	0.08	0.35	0.11
Total borrowings	-	-	38,693,000
Gearing ratio (times) ⁽¹⁾	-	-	0.45

Note:

(1) Computed as total borrowings over shareholders' funds.

Ping Petroleum intends to fund its 50% interest in the Anasuria Cluster with proceeds from the Proposed Subscription and the Call Options (as defined in Section 4.11 of this Circular).

2.2.5 Expected synergies from the joint operatorship

The joint operatorship through AOCL spreads the high risks and substantial costs of development and production in a mutually advantageous way for our Group as well as Ping Petroleum Limited as it enables us to mutually benefit from each other's knowledge, skill and expertise. The joint operatorship also enables either party to benefit from the technical expertise and knowhow that either party has gained in areas similar to the Anasuria Cluster.

The JOA will also put in place a prompt decision-making structure to solve any issues expeditiously. The global, technical, industry and commercial expertise of both our Group and Ping Petroleum Limited combined will enable the joint operatorship to operate efficiently and minimise rework.

3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

3.1 In line with growth strategy of our Group of investing in development and producing business operations

Our Group's strategy since listing has been to invest in a balanced portfolio of assets across the spectrum of upstream O&G E&P activities. Our Board believes that the current softening of oil prices provides an ideal opportunity to acquire producing assets as part of our Group's efforts to balance its existing asset portfolio, which is concentrated in exploration activities, with a more moderate risk business of producing assets. Our Group's assets in the Middle East, Norway and Australia are exploration and development assets which will require further investment prior to producing positive cash flow whilst the Anasuria Cluster is a producing asset which already generates cash flow. Further information on our Group's portfolio of assets is set out below:

Country	Name of Asset	Type of asset	Description
Australia	VIC/L31	• Development	As operator of the two licenses (VIC/P57 exploration permit and VIC/L31 production license) within this region, our Group has operational and financial control of these licenses and is focused on the planning and execution of the work programmes
	VIC/P57	• Exploration	
Oman	Block 50	Exploration	Our Group's concessions within the Middle East consist of frontier exploration acreage in Oman and United Arab Emirates, where the concessions are owned through Lime Petroleum plc
United Arab Emirates	Sharjah Offshore	Exploration	
Norway	19 Licenses	Exploration	Our Group's activities within this region are both mature and frontier exploration in the hydrocarbon-prolific Norwegian Continental Shelf. These assets are held under Lime Petroleum Norway AS

3.2 Immediate access to Proved and Probable Reserves

The Guillemot A Field and the Teal South Field commenced production in 1996 while the Teal Field and the Cook Field commenced production in 1997 and 2000, respectively. Based on RPS Energy's estimates of the Anasuria Cluster as at 1 January 2015, the Purchasers are expected to have access to 40.4 MMstb of 2P oil Reserves and 27.9 Bscf of 2P gas Reserves.

The remaining economic life of the Anasuria Cluster is up to 20 years and the production rate of the Anasuria Cluster as at 31 December 2014 was around 8,000 to 9,000 b/d. Based on the valuation of the Anasuria Cluster as ascribed by RPS Energy (taking into consideration the remaining life of the field), the Purchasers stand to benefit from a 2P Reserves valuation of US\$226.5 million (US\$113.3 million for a 50% interest) for a total purchase consideration of US\$105.0 million (US\$52.5 million for a 50% interest).

3.3 Political stability of location and geographical diversification

The Anasuria Cluster is located in the UK Central North Sea which is regarded as a politically stable region. Our Group's existing assets are focused in the Middle East, Norway and Australia. From a risk perspective, the Proposed Acquisition will provide for geographical diversity in addition to our Group's existing assets which are located in the Middle Eastern, Norwegian and Australian geographies.

3.4 Acquisition with a role of joint operator

The Proposed Acquisition will enable our Group to gain an immediate foothold and recognition as an upstream O&G operator as AOCL, which is 50%-owned by Anasuria Hibiscus, will take on the role as operator of the Anasuria Cluster.

The advantage of being a joint operator is that Anasuria Hibiscus will be jointly responsible for the day-to-day operations and management of the work activities within the Anasuria Cluster. This will provide Anasuria Hibiscus a level of financial control and decision-making in the operational management and timing of the conduct of the work activities within the Anasuria Cluster.

4. RISK FACTORS

The business operations of the Anasuria Cluster are subject to risks inherent in the O&G E&P industry, which are broadly similar to those currently faced by our Group. The key risk factors arising from the Proposed Acquisition include the following:

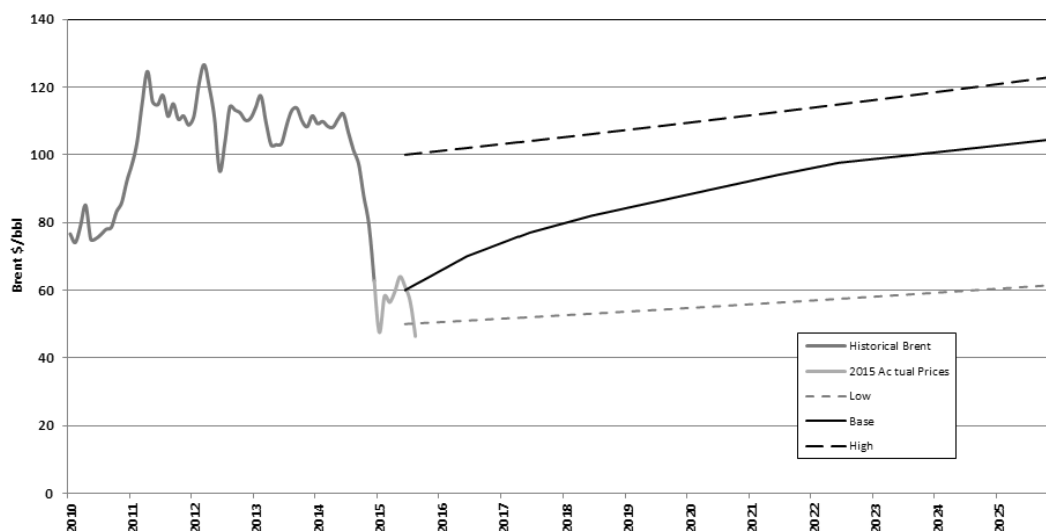
4.1 Fluctuation in revenue and profits due to the changes in O&G prices

The business, revenue and profits derived from the Anasuria Cluster will be substantially dependent upon the prevailing prices of, and demand for, O&G. The markets for O&G are volatile in nature and this is expected to continue in the future. Any potential fluctuations in the price of O&G may adversely affect the business, revenue and profits of the Anasuria Cluster. The price received for any oil and/or gas produced will depend on changes in the supply of, and demand for, O&G in the global markets, market uncertainty and a variety of additional factors that are beyond control, including, *inter alia*:

- (i) the ability of the OPEC and other petroleum producing nations to set and maintain production levels and prices;
- (ii) the level of global O&G E&P activity;
- (iii) technological advances affecting energy consumption;
- (iv) the price and availability of alternative fuels;
- (v) weather conditions and natural disasters;
- (vi) global economic growth;
- (vii) geopolitical uncertainty; and
- (viii) unexpected events beyond our Group's control.

Hence, there can be no assurance that any fluctuations in the prices of O&G will not materially affect the future business, revenue and profits derived from the Anasuria Cluster. However, our Group may utilise derivative financial instruments such as commodity forwards and future contracts, among others, to hedge against the risks of oil price fluctuations.

The historical Brent oil prices and the forecast by RPS Energy of future Brent oil prices are set out below:

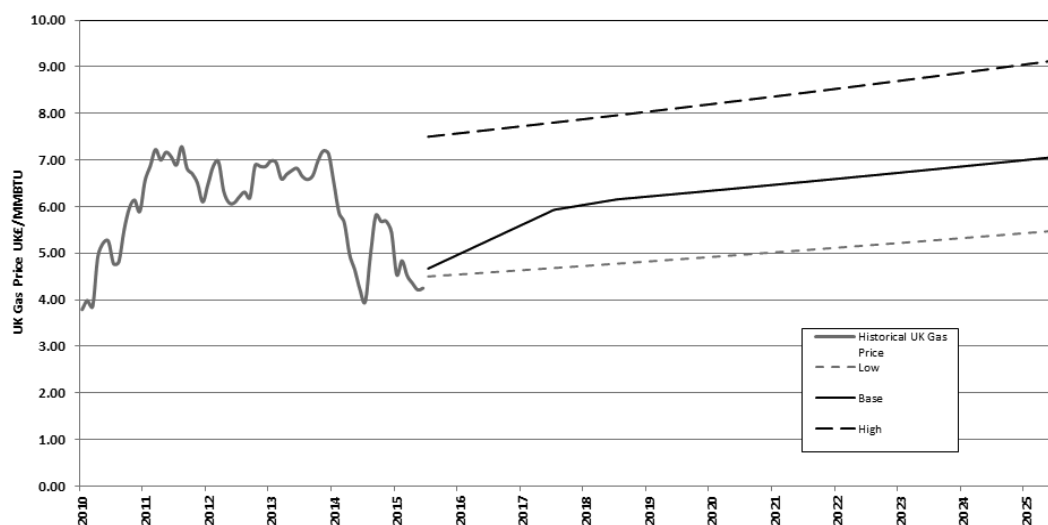


	Low price case (US\$/stb)	Base price case (US\$/stb)	High price case (US\$/stb)
2015	50.00	60.00	100.00
2016	51.00	70.00	102.00
2017	52.02	77.00	104.04
2018	53.06	82.00	106.12
2019	54.12	86.00	108.24
2020	55.20	90.00	110.41
2021	56.31	94.00	112.62
2022	57.43	97.64	114.87
2023	58.58	99.59	117.17
2024	59.75	101.58	119.51
2025	60.95	103.61	121.90
2026 onwards	+ 2% p.a.	+ 2% p.a.	+ 2% p.a.

Assuming there are no supply shocks, RPS Energy anticipates that the global oil price will remain at the bottom of market expectations, in the region of US\$50-US\$60/bbl, until the back end of 2016 when global demand growth is expected to result in an improved balance between supply and demand. In the medium to long term, RPS Energy expects global oil price (Brent) to rise towards US\$85/bbl in real 2015 dollars (which is its estimated base price case) as long term price reflects the marginal cost of exploration and production based on current demand forecasts.

(Source for oil price chart/table and commentary on future price expectation: Valuation Report)

The historical UK gas prices and the forecast by RPS Energy of future gas prices are set out below:



	Low Price Case (UK£/MMbtu)	Base Price Case (UK£/MMbtu)	High Price Case (UK£/MMbtu)
2015	4.50	4.67	7.50
2016	4.59	5.30	7.65
2017	4.68	5.93	7.80
2018	4.78	6.16	7.96
2019	4.87	6.28	8.12
2020	4.97	6.40	8.28
2021	5.07	6.53	8.45
2022	5.17	6.66	8.62
2023	5.27	6.80	8.79
2024	5.38	6.93	8.96
2025	5.49	7.07	9.14
2026 onwards	+ 2% p.a.	+ 2% p.a.	+ 2% p.a.

RPS Energy's forecast of the UK gas price is based on the historical prices of the UK National Balancing Point ("**NBP**") and a review of the current futures curve for the UK NBP.

(Source: RPS Energy, Valuation Report)

4.2 Exposure to development and production risks

The result of further development drilling is uncertain and may involve unprofitable efforts, which may arise from dry or unproductive wells. There is also the risk of cost overruns in executing the infill drilling of the Anasuria Cluster due to factors such as unexpected drilling conditions, adverse weather or equipment failures, which may result in an increase in the overall cost of operations. Moreover, there is no assurance that additional oil can be accessed via development drilling in the Anasuria Cluster. These risks may be mitigated by employing experienced project management teams to execute these projects.

The development operations are subject to operational risks such as fire, natural disasters, explosions, blowouts, encountering formations with abnormal pressure, pipelines ruptures and spills. In more severe circumstances, these could result in loss of human life or serious injury, environmental pollution, damage to equipment and machinery as well as damage to our Group's reputation. Insurances will be taken out (where possible and to the extent practicable) with limits of indemnity sufficient to cover the likely financial consequences of these risks.

Production risks could arise from factors such as delays in obtaining relevant governmental approvals or consents, inadequate or insufficient storage or transportation capacity or equipment failure or shutdown of the production system as a result of extreme weather conditions.

Business interruption insurance may be used to mitigate the impact of a prolonged shutdown of the production facilities for reasons such as weather conditions which are outside the control of AOCL. Further, our Group endeavours to limit any delays caused by governmental approvals or consents by maintaining regular contact with the relevant authorities.

There can be no assurance that the above adverse operational factors will not materially and adversely affect the business and financial performance of the Anasuria Cluster.

Furthermore, subject to the warranties given by the Vendors in relation to the decommissioning, environmental and safety obligations, the Purchasers will be responsible for such obligations arising before, on or after the Economic Date regardless of whether they result from any acts or omissions, negligence or breach of duty by the Vendors. The warranties given by the Vendors in relation to the decommissioning, environmental and safety obligations are set out in Section 2.1.8.1(ii) of this Circular. There can be no assurance that the abovementioned obligations, if they arise, will not cause a material and adverse impact to the financial position of our Group.

Nevertheless, our Group will take the necessary steps to ensure proper procedures are in place to mitigate such risks, including ensuring that the operations of the Anasuria Cluster are adequately insured (where possible and to the extent practicable).

4.3 Political, economic, market and regulatory considerations

Like all other business operations, the Anasuria Cluster could be adversely affected by changes in political, economic, market and regulatory conditions in the UK. These uncertainties include, among others, risks of war, terrorism, riot, expropriation, changes in political leadership, nationalisation, termination or nullification of existing contracts, changes in interest rates and methods of taxation and exchange control policy or rules. In addition, the UK Government could amend its existing laws, policies and regulations or invoke new ones. Any adverse developments or uncertainties in the political, economic, market and regulatory conditions may adversely affect the Anasuria Cluster's financial performance.

To mitigate the above risk, our Group adopts a proactive approach in keeping abreast of political, economic, market and regulatory developments of the countries in which our Group operates or intends to operate.

4.4 Environmental risk

The O&G industry is subject to the laws and regulations relating to environmental and safety matters in the exploration for and development and production of hydrocarbons. The laws and regulations require that wells and facility sites be operated, maintained and decommissioned to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. The discharge of oil, gas or other pollutants into the air, soil or water may give rise to liabilities and may require the owners of the Anasuria Cluster 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 or development activities which will adversely affect the results of operations of the Anasuria Cluster.

Our Group endeavours to undertake reasonable measures such as maintaining constant communication with the relevant authorities to keep abreast of any potential issues to limit the impact of such risks.

4.5 Reserve and resource estimates depend on many assumptions that may turn out to be incorrect

The process of estimating hydrocarbon reserves and resources is complex, requiring interpretation of available technical data and many assumptions made in a particular hydrocarbon price environment. Any significant deviations from these interpretations, prices or assumptions could materially affect the estimated quantities of hydrocarbons reported. Understanding of the subsurface conditions is based on the interpretation of the best data available but due to the uncertainty of such interpretation, the conclusion may be incorrect.

The Purchasers have engaged the services of RPS Energy, which is a wholly-owned subsidiary of RPS Group plc, a multi-national energy consultancy company listed on the London Stock Exchange to undertake an independent assessment of the reserves and resource estimation of the Anasuria Cluster. There is no assurance that the estimates by RPS Energy will be accurate due to the above factors.

In this regard, should there be a decline in the fair market value of the Anasuria Cluster's Reserves, our Group will be exposed to the diminution in the value of the Anasuria Cluster which may adversely affect our Group's financial performance.

4.6 Insurance coverage risk

O&G 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 property and environmental pollution. These may even result in suspension of operations and the imposition of civil or criminal penalties. While we intend to mitigate these risks by having in place insurance policies with the necessary coverage to the extent practicable, future insurance policies may not cover, and insurance may not be commercially available, to cover all potential risks to which our Group is or may be exposed.

4.7 Completion risk

Completion of the Proposed Acquisition is conditional upon, among others, the fulfilment of the conditions precedent to the SPAs, the performance of the relevant parties of their respective obligations under the SPAs and the approvals from the relevant authorities and/or parties.

Further, if our Company fails to secure our shareholders' approval or either of the Purchasers is in breach of its obligation to use reasonable endeavours to fulfil the conditions precedent to the SPAs or either of the Purchasers breaches any material provisions to the Deed of Guarantee and Indemnity, the Vendors are entitled to terminate the SPAs and retain the Deposit.

Notwithstanding the foregoing, the Purchasers and the Vendors will take all reasonable steps to ensure the satisfaction and/or fulfillment of the conditions precedent and/or the performance of relevant parties of their obligations under the SPAs within the stipulated time period to ensure completion of the SPAs.

4.8 Dependence on skilled professionals and experienced staff

The business and activities conducted by the Anasuria Cluster require highly skilled personnel. The pool of qualified personnel is limited and competition for the employment of such personnel is high. Under the Transfer of Operatorship Agreement, most of the existing employees will be offered an opportunity of employment under AOCL's operating structure. In the event that those personnel decline the offer of transfer, then new employees will be recruited to replace them. However, there is no assurance that suitable replacements can be found. If AOCL is unable to attract and retain skilled employees, this may have an adverse impact on the operations and financial performance of the Anasuria Cluster.

Recognising the importance of key management personnel, our Group together with Ping Petroleum will continuously adopt appropriate measures to attract, employ and retain key management personnel in AOCL to spearhead the operations of the Anasuria Cluster. AOCL intends to employ around 10 employees in total in the near future. In order to retain existing key management personnel and attract new talent, our Group intends to implement human resource strategies which include suitable compensation packages, career development, human resource training and development.

4.9 Acquisition risk

The Proposed Acquisition is expected to enhance the earnings of our Group. Notwithstanding that, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that our Group will be able to generate sufficient revenues from the Proposed Acquisition to offset the associated acquisition costs incurred and the potential capital expenditure to be committed. There is also no assurance that our Group is able to maintain or improve the production level of the Anasuria Cluster.

4.10 Disputes with strategic partners and/or third parties

The risk factors affecting Anasuria Hibiscus in the joint arrangements with Ping Petroleum include exposure to the risks associated with such collaborations as we would have limited influence and control over the behaviour and decision of Ping Petroleum. For example, disputes with Ping Petroleum and/or its stakeholders may arise due to non-alignment on strategic decisions or business directions. Ping Petroleum may also not be able to meet its financial or other obligations in relation to the Anasuria Cluster, affecting the viability of future developments. These disputes may result in operational or production inefficiencies or delay that could adversely affect Anasuria Cluster's growth, financial performance and operations.

4.11 Funding and liquidity risk

As elaborated in Section 2.1.4 of this Circular, we intend to fund part of the Initial Consideration and the Deferred Consideration through a combination of borrowings, the sale of Call Options (as defined below) and/or internally generated funds from the Anasuria Cluster.

On 3 August 2015, we secured a conditional funding facility from Britannic Trading Limited ("**BTL**") which is 99.999% held by BP International Limited, which in turn is a wholly-owned subsidiary of BP plc. BTL is engaged in financial investment services and is regulated by the Financial Services Authority of the UK. The principal activities of BTL are in risk management and trading of 'over the counter' paper trades with third parties which is used as a hedging vehicle against physical positions held by other BP plc entities. Based on the annual report and financial statements for the year ended 31 December 2014, the directors of BTL are DJ Bucknell, CJ Mendes and PJ Reed.

The funding facility is subject to, among others, the execution of security and legal documentation, crude offtake agreements and demonstration of sufficient cash flow projections to meet future obligations. Under the arrangement, on Completion, BTL has agreed to purchase Asian style covered call options with a tenure of 8 years and a monthly averaging and semi-annual settlement ("**Call Options**") at a price not exceeding US\$30.0 million (or equivalent to RM130.5 million) from Hibiscus Petroleum and Ping Petroleum. The Call Options provide BTL the right to buy up to 75% of the forecast 1P proven, developed and producing ("**PDP**") oil Reserves (as estimated by RPS Energy) at a strike price to be agreed.

The maximum Call Option price of US\$30.0 million (or equivalent to RM130.5 million) was arrived at on a negotiated basis after taking into account, among others, the tenure of the Call Options, the valuation of the 1P oil Reserves as estimated by RPS Energy, crude oil price volatility and the future operating and capital costs of the Anasuria Cluster.

Whilst we expect to fund our remaining balance of the cash consideration for the Anasuria Cluster amounting to US\$48.5 million (or equivalent to RM210.9 million) via borrowings and the cash flows from the Anasuria Cluster, our rationale for embarking on the sale of the Call Options is to have a standby facility for greater certainty of funding. Further, the sale of the Call Options is a preferred method of funding over equity fundraising so as to avoid the dilution to the shareholdings of our existing shareholders in the event that very low oil prices prevail from the Economic Date to Completion and for the period to 18 months after Completion during which time the Deferred Consideration is being paid to the Vendors.

If the cash flows from the Anasuria Cluster and BTL's funding are insufficient to fund part of the Initial Consideration and the Deferred Consideration, we will seek additional financing. The ability to raise sufficient additional funding (if required) on acceptable terms is subject to the vagaries of the market, which may be unfavourable to us.

Future planned developments of the Anasuria Cluster such as the drilling and tie-in of additional subsea wells, will require substantial additional capital from time to time, which we may be unable to raise sufficiently on acceptable terms or at all in the future. This in turn may limit our ability to execute planned developments for the Anasuria Cluster and could have a material adverse effect on production, reserves and results of operations of the Anasuria Cluster.

4.12 Foreign exchange risks

Currently, the expenses for the operations of the Anasuria Cluster are mostly denominated in £ and the revenue generated from the production of the Anasuria Cluster is denominated in US\$. As such, the repatriation of income and payment of expenses denominated in foreign currencies may subject our Group to the risk of fluctuations in foreign exchange rates. Further, fluctuations in foreign exchange rates could bring an adverse impact to our Group's financial performance as a portion of our expenses is denominated in RM. In the case of repatriation of income from the Anasuria Cluster, an appreciation of the RM against the US\$ may materially and adversely affect our Group.

To mitigate against foreign exchange fluctuations, our Group maintains foreign currency accounts in the respective countries in which we carry on businesses. These accounts are used to make payments in the respective foreign currencies for expenses incurred by our businesses located abroad and to receive payments from customers in foreign currencies thus providing a natural hedge against the risk of foreign currencies exchange fluctuation.

5. INDUSTRY OVERVIEW AND PROSPECTS

The Anasuria Cluster is principally involved in the production and development of O&G in the UK. Accordingly, the prospects of the Anasuria Cluster are largely linked to the prospects of the O&G industry in the UK.

5.1 Global outlook

The US EIA estimates that global consumption of petroleum and other liquid fuels grew by 1.4 million b/d in 2015, averaging 93.8 million b/d for the year. EIA expects global consumption of petroleum and other liquid fuels to grow by 1.4 million b/d in both 2016 and 2017. World real gross domestic product (GDP) weighted by oil consumption, which increased by an estimated 2.4% in 2015, is projected to grow by 2.7% and 3.2% in 2016 and 2017, respectively.

Consumption of petroleum and other liquid fuels outside of the OECD countries grew by an estimated 0.8 million b/d in 2015, considerably lower than the increase in 2014 of 1.4 million b/d mainly caused by the slowdown in Eurasia, which saw a contraction in its consumption, and to a lesser degree due to the slightly slower demand growth in China. Non-OECD consumption growth is projected to be 1.1 million b/d in both 2016 and 2017, reflecting higher growth in the Middle East and Eurasia.

OECD petroleum and other liquid fuels consumption rose by 0.6 million b/d in 2015. OECD consumption is projected to grow by 0.3 and 0.4 million b/d in 2016 and 2017, respectively, driven by an increase in US consumption. OECD Europe demand is also expected to rise through the forecast period, albeit at a slower pace than the 0.3 million b/d increase in 2015. US consumption is projected to grow by 0.2 and 0.3 million b/d in 2016 and 2017, respectively.

It is estimated that the non-OPEC production grew by 1.3 million b/d in 2015, which mainly reflects production growth in North America. The non-OPEC production is expected to decline by 0.6 million b/d in 2016, which would be the first decline since 2008. Most of the forecast decline in 2016 is expected to be in the US. Non-OPEC production is forecast to decrease by an additional 0.1 million b/d in 2017.

The EIA estimates that OECD commercial crude oil and other liquid fuels inventories totalled 3.06 billion bbl at the end of 2015, equivalent to roughly 66 days of consumption. The projected OECD crude oil and other liquids inventories are expected to rise to 3.13 billion bbl at the end of 2016 and is also expected to be 3.13 billion bbl at the end of 2017.

Brent crude oil spot prices decreased by US\$6 per bbl in December 2015, to a monthly average of US\$38 per bbl, the lowest monthly average price since June 2004. Prices fell in December as OPEC producers indicated plans to continue the policy of defending market share in a low oil price environment and as global oil inventories continued to build. Continuing increases in global liquids inventories have put significant downward pressure on oil prices since mid-2014. Inventories rose by an estimated 1.9 million b/d in 2015, and Brent crude oil prices averaged US\$52 per bbl in 2015, a decrease of US\$47 per bbl from 2014.

The Brent crude oil price is projected to average US\$40 and US\$50 per bbl in 2016 and 2017, respectively with upward price pressures concentrated in the latter part of 2017. At that point, the market is expected to experience small inventory draws, with the possibility of further draws beyond the forecast period. Brent crude oil prices are projected to average US\$56 per bbl in the fourth quarter of 2017.

(Source: Short Term Energy Outlook (STEO), US EIA, January 2016)

5.2 UK outlook

RPS Energy considers that the UK Sector of the North Sea is a relatively high cost producing province as a result of the high cost of personnel, goods and services compared with other jurisdictions. Recent reductions in oil price have created a significant cost challenge for the O&G industry in the North Sea. Late life assets such as the Anasuria Cluster are being sold by larger oil companies to smaller companies that do not have the high overhead cost structures. There has also recently been reductions in salaries and service costs in order to create a sustainable business environment for assets which otherwise would have to be decommissioned.

Recognising the industry challenges, the UK government introduced in the 2015 budget additional investment allowances and significantly reduced the taxes to be paid on O&G revenues. The effective corporation tax to be paid by the Anasuria Cluster fell from 62% to 50% during this year. The UK government has flagged the introduction of other brown field and new investment allowances to stimulate growth in the UK O&G sector if the current low oil prices prevail.

(Source: Valuation Report)

5.3 Prospects of the Anasuria Cluster

Our Group intends to pursue various future development opportunities across the Anasuria Cluster which have the potential to drive medium term production growth and optimise the value of the Anasuria Cluster.

Future planned developments are expected to be funded by cash flows from the Anasuria Cluster during the period of 2016 to 2021 and includes utilising a dedicated semi-submersible rig to implement a programme of workovers and infill well drilling across the Anasuria Cluster to maximise recovery from the remaining resource base. This includes drilling two infill wells in the Guillemot A Field, workover of two Guillemot A and one Teal South wells in order to implement gas lift as well as a workover of one Guillemot A well to recomplete it within the Forties reservoir sand. The total cost of these workovers and infill wells is estimated to be £160.0 million (or equivalent to RM1,027.8 million) over the 6-year period. Please refer to Appendix V of this Circular for further details on these field development projects.

In addition, our Group intends to perform remedial work on the Anasuria FPSO which includes FPSO life extension, remediation and major maintenance projects such as tank and hull inspections and remedial work to address any fatigue issues identified, reinstatement of vessel classification with a classification society, inspection and replacement of mooring components as required, gas lift system debottlenecking, installation of chemical injection systems for hydrogen sulphide removal, inspection and potential replacement of subsea dynamic risers, replacement of product swivels and replacement of the tri-ethylene glycol (TEG) contactor which removes water vapour from the export gas stream at an estimated cost of £120.0 million (or equivalent to RM770.8 million) over the 6-year period in order to secure the long term operation of the Anasuria FPSO and improve uptime.

In order to pursue the various future development opportunities, Anasuria Hibiscus and Ping Petroleum have a team of O&G professionals with experience across a broad range of O&G disciplines and in various geographic locations from the Gulf of Mexico, North Sea, Offshore Malaysia and North Africa.

A brief summary of the expertise and experience of the individuals identified for key positions in AOCL are set out below:

Name	Designation	Key Experience
Roy	Chairman	Please refer to Section 2.2.2 of this Circular for the key experiences of Roy
Phil Oldham ("Phil")	UK Managing Director	<p>Phil has over 40 years of experience in the O&G industry. Between the period 2005 to 2012, Phil was Managing Director of Nexen Petroleum U.K. Limited where he led the growth of the company from a small position to the second largest oil production operator in the UK Continental Shelf with gross production of 250,000 b/d. He also held the position of General Manager of Kerr McGee Oil (UK) plc from 1987 to 2002 and was responsible for the operation and production of Gryphon FPSO unit and Janice Floating Production Unit.</p> <p>Phil has extensive experience dealing with the Department of Energy and Climate Change and complex asset operatorship transitions for new North Sea entrants such as Trent and Tyne fields.</p> <p>Phil has a BSc in Engineering Science with Economics and MSc in Fluid Mechanics from University of Leicester (UK).</p>
Ning	Commercial/ Finance Director	Please refer to Section 2.2.2 of this Circular for the key experiences of Ning
Mark Paton ("Mark")	Production Director	<p>Mark has over 30 years of experience in O&G E&P and is currently holding the position of Chief Business Development Officer of our Group.</p> <p>During his tenure with BHP Petroleum, he led drilling, well completion and FPSO operations as well as management of offices and logistics base. He founded Upstream Petroleum Pty Ltd which focused on providing operations and maintenance services and marginal field development solutions to the Australian O&G industry. Mark was also the former Chief Executive Officer of Cue Energy Resource Limited.</p> <p>Mark has a BSc (Hons) in Chemical Engineering from University of Leeds (UK).</p>
Duncan Nuttall ("Duncan")	Production Manager	Duncan has over 30 years of experience in the O&G industry. He has extensive experience in FPSO operations and as a duty holder, as well as in subsea well projects and field abandonments. He was previously the Chief Executive Officer of Triangle Energy, an E&P Company listed on the Australian Stock Exchange. He was also a Director of Upstream Petroleum Pty Ltd.
Paul	Subsurface Manager	Please refer to Section 2.2.2 of this Circular for the key experiences of Paul

AOCL will strive to seek out state-of-the-art technology and procedures to maximise the efficiency of subsurface evaluation, drilling, completions and production operations of the Anasuria Cluster.

Further, AOCL has engaged Petrofac (a company publicly listed on the London Stock Exchange, providing integrated services across the O&G asset life cycle worldwide), which deepens the pool of available expertise. Petrofac employs over 1,000 people in Aberdeen with a very broad range of skills. Where specialist skills are not available within Petrofac and AOCL, there is a large pool of competent contracting and consulting organisations within Aberdeen and the UK which can be used to supplement the core team. Our Company and Ping Petroleum Limited are also developing relationships with other UK-based service companies such as Schlumberger Limited, Performance Drilling Limited, CGG and others who will provide specific services to assist AOCL to achieve optimal field evaluation and performance.

As mentioned in Section 4.11 of this Circular, we expect to fund our remaining balance of the cash consideration for the Anasuria Cluster amounting to US\$48.5 million (or equivalent to RM210.9 million) via borrowings and the cash flows from the Anasuria Cluster. For added assurance, we also have in place a stand-by call option facility with BTL whereby we may sell the Call Options to raise up to US\$15.0 million (or equivalent to RM65.2 million) as a source of funding for the balance purchase consideration for the Proposed Acquisition.

Assuming we sell the Call Options to BTL and BTL exercises them, we will either suffer a diminution in value or lose the upside from up to 75% of the 1P PDP oil Reserves in the event of any future improvement in oil prices beyond what we or RPS Energy have forecast.

Notwithstanding the above, the 75% 1P PDP oil Reserves make up only about 22% of the total 2P oil Reserves. There is no limit to the upside for the remaining 78% 2P oil Reserves should oil price improve in the future. Since the quantum of 2P oil Reserves not subjected to the Call Options greatly exceeds those which are subjected to the Call Options, we envisage that the potential upside from the former would outweigh the disadvantages of having 75% of the 1P PDP oil Reserves subjected to the Call Options.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued and paid-up share capital

The Proposed Acquisition will not have any effect on the issued and paid-up share capital of our Company.

6.2 NA, NA per share and gearing

For illustrative purposes, the pro forma effects of the Proposed Acquisition on the NA, NA per share and gearing of our Group assuming that the Proposed Acquisition was completed on 30 June 2015 and based on the exchange rate of US\$1.00:RM3.7825 as at that date are as follows:

		(I)	(II)
	Audited as at 30 June 2015	After adjustments for completed corporate exercises ⁽⁴⁾	After (I) and the Proposed Acquisition
		RM 000	
Share capital	9,278	10,832	10,832
Share premium	535,731	594,866	594,866
Foreign exchange reserve	38,431	38,431	38,431
Other reserves	241	241	241
Accumulated losses	(71,944)	(71,944)	(72,974) ⁽⁵⁾
NA	511,737	572,426	571,396
No. of Hibiscus Petroleum Shares in issue (000)	927,779	1,083,204	1,083,204
NA per Hibiscus Petroleum Share (RM)	0.55	0.53	0.53
Total borrowings (RM 000) ⁽¹⁾	219	219	77,666 ⁽⁶⁾
Total deposits, cash and bank balances (RM 000)	5,930	68,307	64,033
Gearing (times)	— ⁽²⁾	— ⁽²⁾	0.14
Net gearing (times)	— ⁽³⁾	— ⁽³⁾	0.02

Notes:

(1) Comprises redeemable convertible preference shares and interest-bearing borrowings.

(2) Negligible.

(3) Net cash position.

(4) Adjusted for the private placements of 18.2 million, 34.8 million, 90.0 million and 12.4 million Hibiscus Petroleum Shares that were completed on 15 July 2015, 6 August 2015, 7 December 2015 and 21 December 2015 respectively.

(5) After deducting estimated expenses of approximately RM1.0 million which include professional fees and other miscellaneous expenses in relation to the Proposed Acquisition.

The remaining estimated expenses of RM26.6 million consist of an introducer fee (as described in Section 2.1.11 of this Circular) and other professional fees. The other professional fees consist of fees incurred in connection with professional advice sought and technical due diligence exercises carried out. The introducer fee and other professional fees will be capitalised as intangible assets and plant and machinery as per Malaysian Financial Reporting Standards ("MFRS") 116 (Property, Plant and Equipment) and MFRS 138 (Intangible Assets) as the costs are directly attributable to the Proposed Acquisition.

(6) Assuming the Initial Consideration to be paid by Anasuria Hibiscus is financed through a combination of borrowings and the sale of Call Options (as defined in Section 4.11 of this Circular).

6.3 Substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on our substantial shareholders' shareholdings in our Company.

6.4 Earnings and earnings per share

As the Proposed Acquisition is expected to be completed by the first quarter of 2016, it is expected to contribute positively to the earnings of our Group for the FYE 30 June 2016.

7. APPROVALS REQUIRED

The Proposed Acquisition is subject to approvals, consents and/or waivers being obtained from the following:

- (i) our shareholders at our forthcoming EGM, for the Proposed Acquisition;
- (ii) the Secretary of State for Energy and Climate Change of the UK Government for the following:
 - (a) the transfer of the Anasuria Cluster;
 - (b) the execution of (and the transactions contained in) assignment documents including the transfer of the licenses and transfer of operatorships; and
 - (c) the appointment of AOCL on Completion (or, in relation to the Cook Field, a relevant third party) as operator of the Anasuria Cluster.

An application on the above was submitted to the Oil and Gas Authority, an executive agency sponsored by the Department of Energy and Climate Change for their recommendation to the Secretary of State for Energy and Climate Change of the UK Government and is pending approval;

- (iii) relevant third parties (including Ithaca Energy (UK) Limited as the 61.35% interest owner of the Cook Field) for the transfer by the Vendors to the Purchasers of the Anasuria Cluster and the appointment on Completion of either AOCL or a relevant third party as operator of the Cook Field; and
- (iv) other relevant authorities and/or parties, if required.

Under the SPAs, the Vendors and the Purchasers are entitled to mutually waive any of the conditions precedent set out in Section 2.1.8.2 of this Circular. However, it is unlikely that the Vendors or the Purchasers will waive regulatory conditions as they are required to be fulfilled under the laws of the relevant jurisdictions.

8. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of our Directors and major shareholders and/or persons connected with them has any interests, direct or indirect, in the Proposed Acquisition.

9. DIRECTORS' RECOMMENDATION

After having considered all aspects of the Proposed Acquisition, including the rationale of the Proposed Acquisition as set out in Section 3 of this Circular, our Board is of the opinion that the Proposed Acquisition is in the best interest of our Group. Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.

10. OTHER CORPORATE PROPOSALS

As at the LPD, we do not have any outstanding corporate proposals which have been announced but pending implementation, save for the Proposed Acquisition and as disclosed below:

- (i) the proposed placement of up to 326,935,484 new Hibiscus Petroleum Shares, representing up to 25% of the enlarged issued and paid-up share capital of Hibiscus Petroleum, as approved by the shareholders of our Company at the EGM on 13 October 2015 ("**Proposed Placement**"); and
- (ii) on 9 November 2015, we entered into a binding equity transaction term sheet with Hydra Energy Holdings Pty Ltd ("**HEH**") in relation to the proposed acquisition of 100% equity interest in HEH to be satisfied through the issuance of new Hibiscus Petroleum Shares and/or in such other forms to be mutually agreed to by the parties subject to the terms and conditions in the definitive share sale and purchase agreement to be entered into between our Company and the shareholders of HEH ("**Proposed Acquisition of HEH**").

The Proposed Acquisition is not conditional upon the Proposed Placement, Proposed Acquisition of HEH and/or any other corporate exercises/schemes.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all the conditions precedent to the SPAs being fulfilled (unless validly waived), including all the required approvals being obtained, the Proposed Acquisition is expected to be completed by the first quarter of 2016. The tentative timetable in relation to the Proposed Acquisition is as follows:

Event	Tentative timeline
EGM for the Proposed Acquisition	4 February 2016
Fulfilment of all conditions precedent to the SPAs	Mid February 2016
Completion of the Proposed Acquisition	End February 2016

12. EGM

We will hold an EGM, the notice of which is enclosed in this Circular at Nexus 3, Level 3A, Connexion@Nexus, Bangsar South City, No. 7 Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 4 February 2016 at 4.00 p.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution set out in the Notice of EGM.

If you are unable to attend and vote in person at the EGM, please complete and return the enclosed Form of Proxy for the EGM to the office of our share registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not later than 48 hours before the time set for the EGM or at any adjournment thereof. The Form of Proxy should be completed strictly in accordance with the instructions contained therein. The completion and the return of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

13. FURTHER INFORMATION

We request that you refer to the attached appendices for further information.

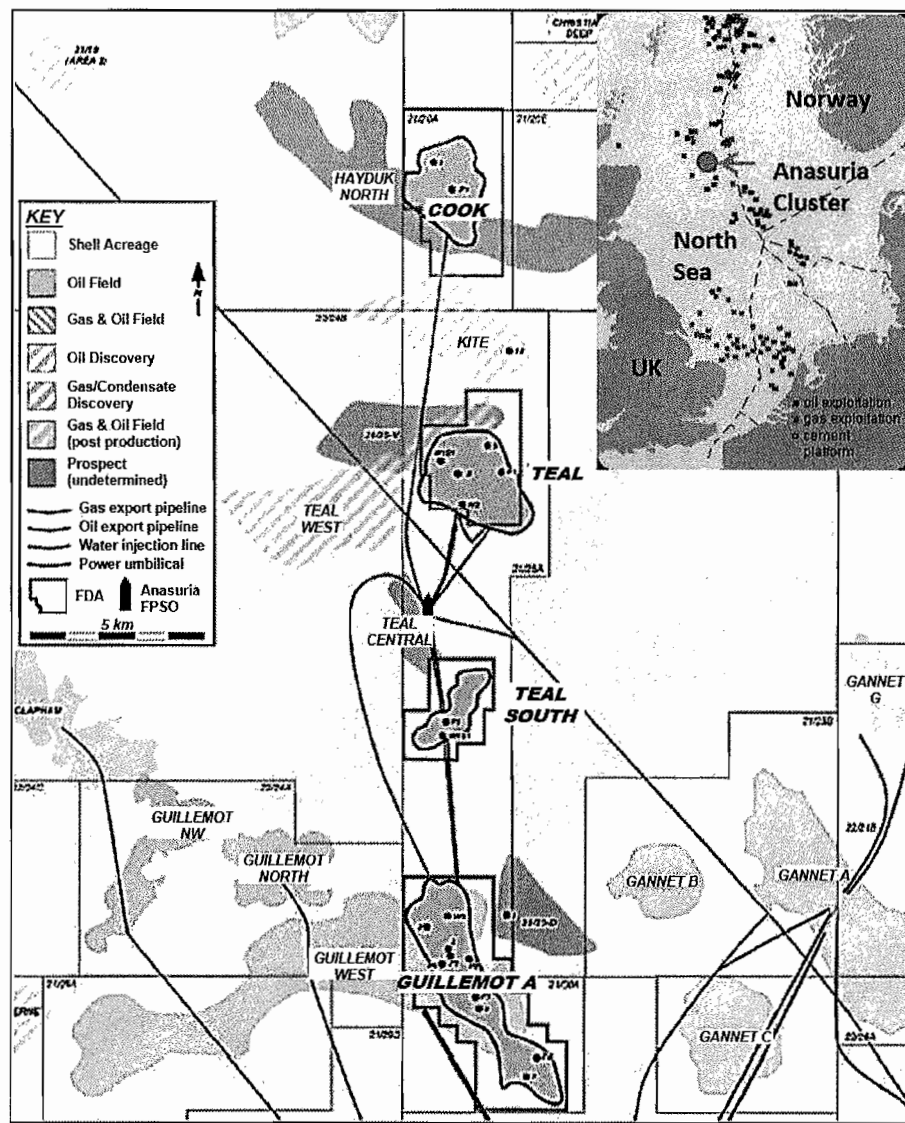
Yours faithfully
for and on behalf of the Board of
Hibiscus Petroleum Berhad

Zainul Rahim bin Mohd Zain
Non-Independent Non-Executive Chairman

INFORMATION ON THE ANASURIA CLUSTER

1. Overview of the Anasuria Cluster

The Anasuria Cluster represents a geographically focused package of operated producing fields and associated infrastructure. The Anasuria Cluster is located in a water depth of 94 metres approximately 175 km east of Aberdeen in the UK Central North Sea as shown below.



Production from the Anasuria Cluster commenced in 1996, with the Guillemot A Field, the Teal Field and the Teal South Field jointly developed under a single field development plan as subsea tie-backs to the purpose-built Anasuria FPSO. The Cook Field was developed later as a single well subsea tie-back to the Anasuria FPSO, with production commencing in 2000.

1.1 Guillemot A Field

The Guillemot A Field is located in Blocks 21/25 and 21/30. The field was discovered in 1979 and was subsequently developed with 4 production wells and 2 water injection wells tied-back to the Anasuria FPSO, with first production in 1996. A fifth production well was drilled on the field in early 2014 and came on-stream on 28 May 2014.

1.2 Cook Field

The Cook Field is located in Block 21/20a and is the northernmost field of the Anasuria Cluster. The field was discovered in 1983 and developed as a single-well subsea tie-back to the Anasuria FPSO, with production commencing in 2000.

1.3 Teal Field

The Teal Field is located in Block 21/25 and was discovered in 1989. The Teal Field was subsequently developed as a subsea tie-back to the Anasuria FPSO, with first production in 1997.

1.4 Teal South Field

The Teal South Field is located in Block 21/25 and was discovered in 1992. The field was developed as a subsea tie-back to the Anasuria FPSO with production commencing in 1996.

1.5 Anasuria FPSO

The Anasuria FPSO was built in 1995 with a design life span of 60 years and was installed in 1996 as part of the development of the Guillemot A Field, the Teal Field, and the Teal South Field, with the Cook Field being tied-in 4 years later. The Anasuria FPSO is located between the Teal Field and the Guillemot A Field, approximately 175 km east of Aberdeen. The Anasuria FPSO represents the infrastructure hub for the Anasuria Cluster, including future discoveries in the wider area.

The Anasuria FPSO provides the infrastructure for the development of the oilfields and has the capacity (i.e. processing facilities for up to 69,000 bbl per day of well fluid, separating it into oil plus gas for export and produced water and storage capacity of 850,000 bbl of oil) and longevity to accommodate future infill opportunities, tie-backs of new fields and any future discoveries in the surrounding area.

The primary functions of the Anasuria FPSO are to:

- (a) produce dead crude for export via offtake tankers;
- (b) treat, and export, associated gas into the Fulmar Gas Line;
- (c) provide gas lift for the Guillemot A Field and the Cook Field;
- (d) treat produced water prior to disposal overboard; and
- (e) treat and inject seawater for water injection.

In addition, the Anasuria FPSO controls all the wells in the Anasuria Cluster and provides mooring, connection, loading and disconnection services for tankers offloading Anasuria Cluster crude.

1.6 Further information on the Anasuria Cluster is set out below:

Estimated remaining : 20 years
lifetime

- Licences : (i) Guillemot A Field, Teal Field and Teal South Field interests - United Kingdom Petroleum Production Licence number P.013 dated and with effect from 17 September 1964; and
- (ii) Cook Field - United Kingdom Petroleum Production Licence number P.185 dated 10 July 1972 and with effect from 15 March 1972

Licences in the UK are granted for the field life. Annually the operator has to submit a production consent application and field development plan for approval by the Oil and Gas Authority.

There is no obligation on the part of the licensee to pursue further field development if the economics are unfavourable or the participants cannot fund the development.

Area : 21.5 square km (5,321.4 acres)

Number of wells : 7 (4 producing wells in the Guillemot A Field, 1 producing well in the Cook Field, 1 producing well in the Teal Field and 1 suspended well in the Teal South Field)

Total cumulative production of O&G as at 31 December 2014		Oil MMstb	Gas Bscf
Guillemot A Field	A	41.5	20.2
Cook Field		43.7	48.6
Teal Field		56.6	47.5
Teal South Field		7.2	4.5

Production volume as at 31 December 2014 (b/d)	Guillemot A Field	5,100
	Cook Field	4,000
	Teal Field	1,600
	Teal South Field	_(1)

Note:

(1) Teal South Field is currently not in operation due to the detection of hydrogen sulphide however efforts are on-going to bring the field back on-stream in 2016.

Estimated cost of production per barrel (based on the estimated 2P Reserves by RPS Energy)	US\$
2015 to 2020	31
2021 to 2034	51

(Source: Vendors, Management of our Company)

2. O&G Reserves of the Anasuria Cluster

Please refer to Section 2.1.3.1 of this Circular for a summary of the O&G Reserves of the Anasuria Cluster and Appendix V for the expert's report in relation to the reserves and resources evaluation of the Anasuria Cluster.

3. Key financial data

Key financial data of the Anasuria Cluster such as revenue, profit before taxation and profit after taxation has not been made available due to the following:

- (i) the confidentiality of the off-take prices for the sale of O&G from the Anasuria Cluster by each Vendor; and
- (ii) the Vendors recording their share of the Anasuria Cluster at their respective holding company level and no separate financial records are maintained for the Anasuria Cluster. As such, the following information in respect of the Anasuria Cluster is not available:
 - (a) stock balance at each year end for each Vendor;
 - (b) total cost base including depreciation charges and finance costs for each Vendor;
 - (c) asset retirement obligation relating to the Anasuria Cluster which impacts the depreciation and finance costs for each Vendor; and
 - (d) current tax and deferred tax relating to the operations of the unincorporated joint venture between the Vendors.

However, the following production data and costs of the Anasuria Cluster attributable to the Vendors for the past 3 years are made available, as set out below:

	For the FYE 31 December		
	2012	2013	2014
Oil production (bbl)	849,986	1,568,331	1,723,264
Gas production (standard cubic meters - Sm ³)	33,785,910	39,646,852	38,624,919
Lifting volume (bbl) ⁽¹⁾	866,201	1,783,901	1,674,950
Capital expenditure (£' 000) ⁽²⁾	35,069	44,181	58,051
Operating expenditure (£' 000) ⁽³⁾	47,450	48,429	58,256
Total (£' 000)	82,519	92,610	116,307

Notes:

- (1) The amount of crude oil which is transferred from the Anasuria FPSO tanks and the export tanker.
- (2) Capital expenditure covers costs associated with:
 - (i) drilling of new oil producer or water injector wells;
 - (ii) workover of an existing well to enhance/increase the production from the well;
 - (iii) replacement of equipment/hardware in order to extend the design life of the Anasuria FPSO, process systems, pipelines/umbilicals and the oil/water injector wells;

- (iv) *upgrade of the Anasuria FPSO or process system in order to increase its capacity; and*
 - (v) *acquisition of data (e.g. Guillemot Field 4D Seismic) which could potentially lead to drilling of additional wells and increased oil reserves.*
- (3) *Operating expenditure represents day-to-day running costs of the Anasuria Cluster including offshore manpower and production consumables such as fuel and chemicals, logistics such as helicopters, maintenance spares and personnel and onshore support personnel.*

(Source: Vendors)

4. Material Litigation

As at the LPD, the Vendors have confirmed that they are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, in relation to the Anasuria Cluster, which has a material effect on the financial position or business of the Anasuria Cluster and its Directors are not aware of any proceedings, pending or threatened, against the Vendors in relation to the Anasuria Cluster, or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Anasuria Cluster.

(Source: Vendors)

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LETTER ON POLICIES RELATING TO FOREIGN INVESTMENTS, TAXATION AND
REPATRIATION OF PROFITS FROM THE UK



Private & Confidential

Hibiscus Petroleum Berhad
2nd Floor, Syed Kechik Foundation Building
Jalan Kapas, Bangsar
59100 Kuala Lumpur

Attention: Mr Vincent Jacob Lee

15 January 2016

Dear Sirs

**LETTER ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION
OF PROFITS FROM THE UNITED KINGDOM (“UK”)**

We have been requested to provide our professional statement, summary information and the current policies regarding the restrictions on foreign investment, taxation and repatriation of profits from UK (“the Professional Statement”) in connection with the proposed acquisition of 50% interest in the Anasuria Cluster.

The Professional Statement has been prepared on the basis of laws and policies that are in force in UK at the date of this letter. The laws are subject to change and may impact our statement materially. The text below is a brief summary and therefore, limited to a general overview. It does not cover every aspect of investments and cannot provide information regarding individual circumstances. The information given in this memorandum is limited to the tax regulations and does not constitute legal advice.

(Please note that PricewaterhouseCoopers Taxation Services Sdn Bhd is not permitted to provide legal services and legal advice, and therefore our comments below on the policies on foreign investments and repatriation of profits of UK are general comments only.)

1.1 RESTRICTION ON FOREIGN INVESTMENT

Broadly, UK does not block foreign acquisitions and does not commonly exercise discriminatory control over foreign takeovers.

1.2 TAXATION IN THE UK

Overview of (corporate) income taxation

General corporation tax rates

The full rate of UK corporation tax is 21% for the year ending 31 March 2015. The rate for the year ending 31 March 2014 was 23%. This main rate applies to companies with profit in excess of GBP 1.5

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PricewaterhouseCoopers Taxation Services Sdn Bhd (464731-M),
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my



million. From 1 April 2014 the rate changed from 23% to 21% and at 1 April 2015, changed from 21% to 20%.

For UK resident companies with tax-adjusted profits below GBP 300,000, a small profits rate of 20% is generally applicable. For companies with tax-adjusted profits between GBP 300,000 and GBP 1,500,000, there is a sliding scale of tax rates.

For corporate entities with associated companies, both profit limits are divided by the number of active companies worldwide, being one plus the number of associated companies.

From 1 April 2015, the corporation tax rate will be unified with a single rate of 20% for all profits.

Special corporation tax regimes

Profits that arise from oil or gas extraction, or oil or gas rights, in the UK and the UK Continental Shelf ('ring-fence profits') are subject to tax. The current main rate on ring fence profits is 30%. Such activities also attract 100% capital allowances on most capital expenditure. Prior to 1 April 2015, a supplementary tax charge ("SCT") of 32% applied to 'adjusted' ring fence profits in addition to normal corporation tax. Adjusted ring fence profits exclude financing costs. From 1 January 2015, the SCT rate is 20%. From 1 April 2015, the charge to supplementary charge may be partially or wholly offset by the investment allowance, cluster area allowance or onshore allowance depending on characteristics of an oil field.

Basis of corporate income taxation

Taxable profits of companies are based on the annual financial statements prepared under the UK GAAP or IFRS but subject to various adjustments for tax purposes. For years commencing on or after 1 January 2015, there is a mandatory adoption for one of two new frameworks; FRS 101 being IFRS with disclosure exemptions and FRS102 – the "New UK GAAP".

The UK tax system requires taxable profits to be calculated by finding the aggregate of a company's net income from each source and the company's net chargeable gains arising from the sale of capital assets.

UK incorporated companies (treated as UK resident) and companies incorporated overseas that are deemed as UK resident are taxable in the UK on their worldwide profits. Meanwhile, non-resident companies are subject to UK corporation tax only on the trading profits attributable to a UK permanent establishment ("PE"), plus UK income tax (generally by way of withholding) on certain UK source income.

Activities in relation to oil extraction on the UK continental shelf can give rise to a deemed PE, subject to UK tax. This includes gains on disposal of unquoted shares deriving their value from UK oil assets.

Any other UK source income (interest, royalty etc) received by a non-resident company is subject to UK income tax at the basic rate, currently 20%, without any allowances (subject to any relief offered by a double tax treaty if applicable). This charge can arise where a UK company is paying interest to a recipient outside the UK but can also arise in relation to UK rental income earned by a non-resident landlord ("NRL"). The UK therefore operates a NRL Scheme which requires the NRL's letting agent or tenants to withhold the appropriate tax at source unless they have been notified that the NRL has applied and been given permission to receive rents gross.

Hibiscus Petroleum Berhad
15 January 2016



Unabsorbed tax losses

Losses of a particular trade can be set off against current year profits in the same accounting period, with any balance available for carry back against total profits of (normally) the previous 12 months (provided the same trade was being carried on in that period) or carried forward indefinitely only against profits of the same trade. There is a more limited facility to carry back certain non-trading losses, also normally for 12 months. If no action is taken, then the carry forward of a trading loss is an automatic relief.

Losses from decommissioning of UK oil fields can be carried back against ring fence profits to 2002.

Excess management expenses or rental losses can be set off against all income or gains of the same or future periods but may not be carried back.

Losses may also be surrendered to certain other group companies which are subject to UK corporation tax (including UK PEs of non UK entities) to set off against their taxable profits for the same period. The group relationship requires 75% direct or indirect ownership including economic ownership of ordinary share capital. There are more complex rules for consortia and for certain losses incurred in the European Union ("EU") or other European Economic Area territories.

Capital losses may also be carried forward indefinitely but may not be carried back. There is no ability to surrender capital losses to fellow capital gains group members but gains or losses arising on the disposal of particular asset can effectively be allocated to another group member (by means of a joint election on an asset by asset basis) and therefore there is a limited ability for the capital losses of one company to be offset against the gains of a fellow capital gains group member in the same or subsequent period.

There are complex anti-avoidance rules which restrict the utilisation of losses where there are changes to the trade or changes in ownership of the company.

Transfer pricing

The UK has widely drafted transfer pricing rules that are intended to apply to almost any kind of transaction made or imposed between related parties that give rise to a provision that differs from one that would have been made between third parties, and gives rise to a UK tax advantage (potential or actual) to one or more of the parties.

These rules apply to UK-to-UK transactions as well as cross-border transactions.

This regime therefore applies not only to the provision of products and services but also to finance arrangements, including both the rate of return charged and the amount of loan principal (or equivalent) made available. It is therefore the mechanism by which the UK's revenue authorities address the issue of thin capitalisation.

Thin capitalisation

Anti-avoidance measures to address excessive debt of UK resident companies (and PEs of foreign companies) are included as part of the transfer pricing rules. When considering whether the interest on a loan from, for example, a foreign parent is deductible, the arm's length principle must be



followed. Generally, the ability of a borrower to support the loan is looked at on a stand-alone basis (ignoring the status of the group of which it is a part and any guarantees made to support the borrower's loan), except that assets that it owns (including subsidiaries) can be taken into account. There are no safe harbour provisions.

UK debt capping rules

The UK has further rules that can apply to restrict the amount of finance expenses a UK company can deduct for corporation tax purposes. Very broadly, the rules seek to limit the net borrowing costs of the UK members of a large group by reference to the gross borrowing costs of the group as a whole. A group is defined by reference to international accounting standards. The UK members of the group must be 75% subsidiaries of the ultimate parent of the group. Finance expenses for both the UK and worldwide measures are interest and interest-like costs, such as a discount. They do not include borrowing costs such as foreign exchange adjustments or hedging. In the main, however, finance expenses will be interest costs.

The debt capping rules do not apply to ring fence profits.

Control foreign company ("CFC")

New CFC rules were introduced which have effect for CFC accounting periods beginning on or after 1 January 2013. The new regime is intended to be a more territorial regime (it is intended only to tax profits which have been artificially diverted from the UK) which is more aligned with global business operating models.

Under the new CFC regime, profits of a CFC will only be subject to a UK CFC apportionment to the extent that:

- the profits pass through the CFC charge gateway; and
- the profits are not exempt.

Although there are similarities between the pre-Finance Act ("FA") 2012 regime and the new one, there are some key differences.

The new regime has introduced the concept of the CFC charge gateway, whereby only those profits of a CFC which pass through the CFC charge gateway are subject to a CFC apportionment (unless exempt). The gateway tests are intended to ensure that only those profits which have been artificially diverted from the UK are subject to a CFC charge, giving a more proportional approach than under the pre-FA 2012 regime, which generally seeks to tax (or exempt) the whole of a CFC's profits. It is also intended that the gateway tests should ease the compliance burden by offering a straightforward way out of the CFC rules for a large number of companies, although it remains to be seen whether this will be the case in practice.

Withholding tax

Generally, there is no withholding tax applies to dividends paid by UK resident companies. Payments of interest and royalties are subject to withhold tax at 20%, however, there are a number of exceptions



to the rate where tax treaties are in place with other countries. For instance, the treaty rate on the payments of interest and royalties to Malaysian resident company is 10% and 8% respectively.

Double tax treaties

UK has entered into double tax treaties with a large number of states including Malaysia for the purposes of avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains.

Other taxes

Capital gains

Gains on capital assets are taxed at the normal corporation tax rates. The chargeable gain (or allowable loss) arising on the disposal of a capital asset is calculated by deducting from gross proceeds the costs of acquisition and subsequent improvements, plus the incidental costs of sale and indexation allowance. Indexation allowance compensates for the increase in costs based on the percentage rise (if any) in the UK retail prices index to the date of disposal. Indexation allowance is, however, limited; it cannot create or increase a capital loss, it can only reduce or eliminate a chargeable gain.

Disposal of UK oil fields will be taxed at 30% and 20% SCT.

Note that gains on goodwill and other intangibles acquired after March 2012 are taxed as income, not as capital gains. As noted above, disposal of unquoted shares deriving their value from UK oil assets by non UK residents, will be subject to UK tax. This is subject to tax at 20%.

Stamp taxes

Stamp duty is charged at 0.5% of the consideration of transfers of stock or marketable securities (but not gilts or bonds) where a transfer document, such as a stock transfer form, is used. Agreements to sell equities usually attract stamp duty reserve tax ("SDRT") at 0.5% of the consideration. SDRT can usually be cancelled by paying the stamp duty due on a transfer instrument executed in pursuance of the agreement. Stamp duty is not usually charged on an issue of shares, but is charged at a higher rate of 1.5% on an issue of shares in bearer form. Issues or transfers of shares to clearance services or depositary receipt systems (or their nominees) may attract SDRT or stamp duty at 1.5%. Special rules apply to, amongst others, intermediaries and stock lending transactions.

Transfers of interests in partnerships that hold equities may also attract 0.5% stamp duty.

Transactions involving UK land (including buildings and fixtures) are subject to stamp duty land tax ("SDLT"). Prior to the Autumn statement 2014 on 4 December 2014, the SDLT was payable at the percentage threshold which the total property price fell into. This has now changed and SDLT is charged at progressive rates for each portion of the purchase price.

Properties up to £125,000 have no SDLT from 4 December 2014. The portion from £125,001 to £250,000 have SDLT at 2%, the next £675,000 (from £250,001 to £925,000) is at 5%, the next £575,000 after this is 10% and the remaining amount (the portion above £1.5million) is at 12%. For new residential leaseholds, SDLT is payable on both the purchase price and the net present value of the rent payable. There is no SDLT up to £125,000 and the portion over this is at 1%.

Hibiscus Petroleum Berhad
15 January 2016



SDLT is charged at 15% on residential properties costing more than £500,000 bought by certain corporate bodies including companies.

Land and Buildings Transaction Tax ("LBTT") is a tax on transactions in land situated in Scotland. LBTT applies to standard house purchases and to other types of land transaction where someone acquires a chargeable interest in land. Under LBTT there is no tax payable up to £145,000, the percentage of chargeable consideration between £145,000 and £250,000 is taxed at 2%, between £250,000 and £325,000 at 5%, between £325,000 and £750,000 at 10% and above £750,000 at 12%.

1.3 REPATRIATION OF PROFITS

Generally, UK does not impose exchange control rules on repatriation of dividends.

A UK company can repatriate profits to the home territory of its parent company in a number of ways, for example dividend, interest, royalty, other intercompany trading transactions etc. Dividend payments are generally not subject to withholding tax. Other payments such as interest, royalty etc are subject to withholding tax at 20% unless a relevant double tax treaty applies. The underlying agreements under which the interest, royalties etc are paid may be subject to the application of anti-avoidance rules such as transfer pricing, thin capitalisation and debt equity rules.

Notes to this Professional statement

This Professional Statement is based on the completeness and accuracy of the facts and/or representation provided by you. If any of the aforementioned facts, representations or assumptions is not entirely complete or accurate, it is imperative that we be informed immediately, as inaccuracy and incompleteness could have a material effect on the validity of this Professional Statement.

This Professional Statement reflects our interpretation of the applicable laws and the corresponding jurisprudence.

This Professional Statement is prepared based on current tax laws in United Kingdom and is subject to changes in such laws, or in the interpretation thereof. Such changes may be retrospective. While the comments are considered to be a correct interpretation of existing laws in force as at the latest practicable date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.

We have no obligation to update the contents of this Professional Statement as laws or practices change, unless specifically requested to do so.

No inference beyond their normal meaning should be drawn from the use of the words "will", "should", etc as they relate to the relative strengths of a particular position outlined in the document.

This Professional Statement, which would be included in the circular and be distributed to the shareholders of Hibiscus Petroleum Berhad, was prepared solely for Hibiscus Petroleum Berhad on the basis of the engagement letter concluded between Hibiscus Petroleum Berhad and ourselves. Third parties' notice of its content is entirely at their own risk.

*Hibiscus Petroleum Berhad
15 January 2016*



We have no obligation, responsibility or duty of care towards third parties (reliance restricted), unless otherwise confirmed to a third party in advance in writing.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Lavindran Sandragasu'.

Lavindran Sandragasu
Senior Executive Director

LS/OSK

Hibiscus Petroleum Berhad
15 January 2016

LEGAL OPINION ON THE OWNERSHIP OF TITLE TO THE ANASURIA CLUSTER AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS



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15 January 2016

Dear Sirs

1. Introduction

We have acted as English legal advisers to Hibiscus Petroleum Berhad ("**Hibiscus**") in connection with the joint potential purchase of certain assets in the Anasuria Cluster in the North Sea by its wholly-owned subsidiary, Anasuria Hibiscus UK Limited ("**Anasuria Hibiscus**") with Ping Petroleum UK Limited ("**Ping**") from Shell U.K. Limited ("**Shell UK**") and Shell EP Offshore Ventures Limited (together "**Shell**"), and Esso Exploration and Production UK Limited ("**Esso**") (the "**Transaction**"). Such assets include interests in the Cook Field, the Teal Field, the Teal South Field, the Guillemot A Field and the Anasuria FPSO, all as more particularly described in the circular distributed to the shareholders of Hibiscus in relation to the Transaction, to which a copy of this opinion letter will be attached (together the "**Assets**").

This opinion letter is given at the request of our client, Hibiscus, with respect to the ownership of and title to the Assets, the enforceability of agreements, representations and undertakings given by counterparties under the laws of England and Wales, and other relevant legal matters relating to the Transaction.

2. Laws of England and Wales

This opinion letter is limited to the laws of England and Wales as applied by the English courts and published and in effect on the date of this opinion letter. It is given on the basis that it and all matters relating to it will be governed by, and construed in accordance with, English law. We express no opinion as to the laws of any jurisdiction other than England and Wales and have assumed that no provisions of the laws of any jurisdiction outside England and Wales will affect the conclusions in this opinion letter. In particular (but without limitation), we express no opinion on European Union Law as it affects any jurisdiction other than England and Wales.

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We also express no opinion as to whether or not a foreign court (applying its own conflict of law rules) will act in accordance with the parties' agreement as to jurisdiction and/or choice of law.

3. Documents Examined

3.1 For the purpose of giving the opinions in this letter we have examined the following documents (the "**Reviewed Documents**");

- (a) all legal documents governed by English law contained in the FTP Data Site, including but not limited to applicable licences, trust deeds, joint operating agreements and transportation agreements in relation to the Cook Field, the Teal Field, the Teal South Field and the Guillemot A Field, which can be found at: <ftp://210.186.131.214>;
- (b) executed copies of each of: (i) two separate sale and purchase agreements entered into respectively between: (1) Anasuria Hibiscus, Ping and Shell; and (2) Anasuria Hibiscus, Ping and Esso, in relation to the sale and purchase the Assets (together the "**SPA**"); (ii) a transfer of operatorship agreement entered into between Anasuria Hibiscus, Ping, Anasuria Operating Company Limited ("**AOCL**") and Shell UK in relation to the transfer of operatorship of the Guillemot A, Teal and Teal South Fields from Shell to AOCL (the "**TOA**"); (iii) a vessel sale agreement entered into between Anasuria Hibiscus, Ping, Shell UK and Esso in relation to the sale of the Anasuria FPSO ("**Vessel Sale Agreement**"); and (iv) a shareholders' agreement entered into between Anasuria Hibiscus and Ping for the formation, scope, capitalisation, funding, ownership, control and management of AOCL as the joint operating company ("**Shareholders' Agreement**");
- (c) draft copies of each of: (i) a decommissioning security agreement to be entered into between Anasuria Hibiscus, Ping, Shell UK, Esso and AOCL in relation to the Guillemot A, Teal and Teal South Fields (the "**DSA**"); (ii) a decommissioning security side agreement to be entered into between Anasuria Hibiscus, Ping, Shell UK, Esso and AOCL (the "**DSA Side Agreement**"); (iii) an agreement for the sale and purchase of natural gas from the Guillemot A, Teal and Teal South Fields to be entered into between Anasuria Hibiscus, Ping, Shell UK and Esso (the "**GSA**"); and (v) a chattel mortgage over the Anasuria FPSO between Ping, Anasuria Hibiscus, Shell UK and Esso ("**Chattel Mortgage**");
- (d) a copy of the minutes of the board of directors with respect to Shell UK dated 27 July 2015 and a power of attorney dated 27 July 2015 in relation to the execution and delivery of the SPA, the Vessel Sale Agreement, DSA, DSA Side Agreement, GSA, TOA and Chattel Mortgage;
- (e) a copy of the minutes of the board of directors with respect to Shell EP Offshore Ventures Limited dated 24 July 2015 and a power of attorney dated 24 July 2015 in relation to the execution and delivery of the SPA;
- (f) a copy of the minutes of the board of directors with respect to Esso dated 27 July 2015 in relation to the execution and delivery of the SPA, Vessel Sale Agreement, DSA, DSA Side Agreement, GSA and Chattel Mortgage;
- (g) a copy of the minutes of the board of directors with respect to Ping dated 29 July 2015 in relation to the execution and delivery of the SPA, Vessel Sale Agreement, DSA, DSA Side Agreement, GSA, TOA, Chattel Mortgage and Shareholders' Agreement.

- (h) a copy of the minutes of the board of directors with respect to Anasuria Hibiscus dated 05 August 2015 in relation to the execution and delivery of the SPA, Vessel Sale Agreement, DSA, GSA, TOA, Chattel Mortgage and Shareholders' Agreement;
 - (i) a copy of the minutes of the board of directors with respect to AOCL dated 5 August 2015 in relation to the execution and delivery of the TOA;
 - (j) on the date of this opinion letter, our search of the public records on file for inspection on the website for the Oil and Gas Authority ("**OGA**") in relation to Licences P.013 and P.185; and
 - (k) on the date of this opinion letter, our online search of the public records on file and available for inspection at Companies House ("**Companies House**") with respect to each of Shell and Esso.
- 3.2 Except as mentioned above, we have not examined any documents or made any enquiries in connection with the giving of this opinion letter.
- 4. Assumptions**
- 4.1 In considering the Reviewed Documents we have assumed:
- (a) the genuineness of all signatures and seals on the Reviewed Documents and that any signature or execution pages on which any such signatures and/or seals appear physically form part of complete and final versions of those documents at the time of signing and/or sealing;
 - (b) the accuracy and completeness of all facts stated in any such Reviewed Documents and of all representations and warranties given by or in respect of any party to the Reviewed Documents (except insofar as they relate to matters of law on which we expressly opine in this opinion letter);
 - (c) the authenticity and completeness of all original documents submitted to us or used to provide copies to us and the conformity to original documents of all copy documents submitted to us (and that all translations of any such documents are accurate);
 - (d) that, so far as the laws of any other jurisdiction other than England and Wales are concerned, each Reviewed Document constitutes legal, valid, binding and enforceable obligations of the parties thereto;
 - (e) that, so far as the laws of any other applicable jurisdiction other than England and Wales are concerned, all consents, licences, approvals, authorisations, notices, filings, recordations, publications and registrations that are required by such applicable laws other than the laws of England and Wales in order to permit, or in connection with, the execution, delivery or performance of the Reviewed Documents by the parties thereto have been made or obtained within the period permitted by such laws or regulations and are in full force and effect;
 - (f) that there are no provisions of the laws of any jurisdiction other than England and Wales which would be contravened by the execution, delivery or performance of the Reviewed Documents by any of the parties thereto or which would render the Reviewed Documents (or any part of them) or the performance of any of their provisions illegal, ineffective or unenforceable or which would otherwise have any

implications for the opinions we express and, insofar as the laws of any country or jurisdiction outside England and Wales may be relevant, such laws have been and will be complied with;

- (g) no party has entered into, or will be entering into, any Reviewed Document as a result of fraud, coercion, bad faith, duress, undue influence or mistake and that no misrepresentation has been or will be made by or on behalf of any party, their employees, agents or advisers relating to the subject matter of the Reviewed Documents;
- (h) that the Reviewed Documents have not been further amended, modified or terminated between the date of their signature and the date of this opinion letter;
- (i) that there are no agreements, letters or other arrangements in existence, other than those specifically referred to in the Reviewed Documents, modifying the terms or effect of the Reviewed Documents or which render a party incapable of performing its obligations under the Reviewed Documents and that there are no written or oral representations made in connection with the Reviewed Documents that have not been disclosed to us;
- (j) that none of the parties to the Reviewed Documents are subject to any insolvency procedure and that no steps have been taken to subject any of them to such a procedure;
- (k) that the choice of the law of England and Wales as the law governing each Reviewed Document has not been made in order to avoid application of the laws of a jurisdiction under which any provision of such Reviewed Document would be illegal;
- (l) that each Reviewed Document has been entered into for bona fide commercial reasons and on arm's length terms by each of the parties thereto;
- (m) that the submission by each of the parties to the jurisdiction of English courts in relation to any proceedings relating to each Reviewed Document is a valid submission by each such party under all applicable laws (other than the law of England and Wales);
- (n) that the submission by each of the parties to arbitration in relation to any proceedings relating to each Reviewed Document is a valid submission by each such party under all applicable laws (other than the law of England and Wales);
- (p) that none of the parties is or will be seeking to achieve any purpose not apparent from any Reviewed Document which might render such Reviewed Document illegal, void or unenforceable; and
- (q) in respect of the board minutes referred to in paragraphs 3.1(d) through to 3.1(i) that:
 - (i) the meeting of the board of directors was properly convened and a quorum was present at all times;
 - (ii) all directors who attended and voted at that meeting were entitled to do so;
 - (iii) the resolutions referred to in these minutes were properly passed and have not been varied, revoked or superseded either in whole or in part; and

(iv) all provisions relating to the declaration of directors' interests or the power of interested directors to vote were properly complied with.

4.2 The opinions given in this opinion letter assume that the warranties given and statements made in the SPA by each of Shell and Esso are true and can be relied upon without reservation.

4.3 The opinions given in this opinion letter are strictly limited to the matters stated in paragraph 5 below and do not extend to and are not to be read as extending by implication to any other matters in connection with any Reviewed Document. We express no opinion as to matters of fact.

5. Opinions

5.1 Based upon and subject to the foregoing and subject to the reservations, qualifications and observations set out in paragraph 6 (Qualifications) below and to any matters not disclosed to us, we are of the opinion that:

- (a) each Reviewed Document, including any representations and undertakings provided under such Reviewed Document by a party to it, constitutes the valid, binding and enforceable obligations of each party to it and as such, each Reviewed Document is enforceable against the counterparties under the Laws of England and Wales;
- (b) except as may be detailed within each Reviewed Document, no consent, licence, approval or authorisation of any public, governmental, judicial or other body, authority or agency of, or in, England and Wales is expected to be required in connection with the execution, delivery or performance of any Reviewed Document by any party thereto in order to ensure the validity or legality of such Reviewed Document;
- (c) except as may be detailed within each Reviewed Document, no filing, registration, publication or recording with any public, governmental, judicial, or other body, authority or agency of, or in, England and Wales is required in connection with the execution, delivery or performance of any Reviewed Document by any party thereto in order to ensure the validity or legality of such Reviewed Document;
- (d) no notarisation, sealing or other similar formal requirement, other than such formal requirement that has been satisfied, is necessary, and no stamp duty, documentary or similar taxes are payable in England and Wales, in respect of the execution and delivery of any Reviewed Document;
- (e) the choice of English law to govern each Reviewed Document will be recognised and upheld by the English courts;
- (f) each of AOCL, Ping, Shell and Esso is a private limited liability company duly incorporated, existing and registered under the laws of England and Wales, in accordance with Companies House;
- (g) Shell has all the necessary capacity and power to enter into the SPA and to perform its obligations under this agreement and Shell UK has all the necessary capacity and power to enter into the TOA, Vessel Sale Agreement, DSA, DSA Side Agreement, GSA and Chattel Mortgage, and to perform its obligations under these documents, that the execution and delivery of the SPA, TOA and Vessel Sale Agreement by Shell and/or Shell UK (as applicable) has been duly authorised and that these documents have been duly executed and delivered by Shell and/or Shell UK (as applicable);

- (h) Esso has all the necessary capacity and power to enter into the SPA, Vessel Sale Agreement, DSA, DSA Side Agreement, GSA and Chattel Mortgage, and perform its obligations under these documents, that the execution and delivery of the SPA and Vessel Sale Agreement by Esso has been duly authorised and that these documents have been duly executed and delivered by Esso;
- (i) Ping has all the necessary capacity and power to enter into the SPA, TOA, Vessel Sale Agreement, DSA, DSA Side Agreement, GSA, Chattel Mortgage and Shareholders' Agreement, and to perform its obligations under these documents, that the execution and delivery of the SPA, TOA, Vessel Sale Agreement and Shareholders' Agreement by Ping have been duly authorised and that these documents have been duly executed and delivered by Ping;
- (j) AOCL has all the necessary capacity and power to enter into the TOA, DSA and DSA Side Agreement and to perform its obligations under such agreement and that the execution and delivery of the TOA by AOCL has been duly authorised and that this document has been duly executed and delivered by AOCL; and
- (k) each of Shell and Esso has good legal title to the Assets to be acquired by Anasuria Hibiscus and Ping in accordance with the terms of the Reviewed Documents and the public records on file for inspection on the website of the OGA.

6. Qualifications

The opinions expressed in this opinion letter are subject to the following reservations, qualifications and observations:

6.1 *Enforceability of Claims*

- (a) the term “**enforceable**” as used in this opinion letter means that the relevant obligations are of a type and form ordinarily enforced by the English courts. It does not mean that those obligations will necessarily be enforced in all circumstances in accordance with their terms and conditions or in foreign jurisdictions or by or against third parties or that any particular remedy will be available. Nor does it mean that a party will, or will be able to, comply with or satisfy any judgment, order or award that may be entered or made against it. It also does not address the extent to which a court judgment or an expert determination or an arbitral decision obtained outside England will be enforced in England. Such enforcement is in any event subject to, among other things, the qualifications set out below:
 - (i) an order of specific performance and an injunction are each a discretionary remedy and accordingly an English court might refuse to make such an order or grant an injunction and/or instead make an award of damages if such a remedy is sought;
 - (ii) claims may become barred by lapse of time or may be or become subject to defences of set-off or counterclaim;
 - (iii) the rights and obligations of the parties to the Reviewed Documents may be held to have been frustrated by events happening after their execution;

- (iv) to the extent that any of the Reviewed Documents provides that any matter is expressly to be determined by future agreement or negotiation, the relevant provision may be unenforceable or void for uncertainty;
- (v) any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those provisions would be determined by an English court in its discretion; and
- (vi) a party to a contract may be able to avoid its obligations under that contract (and may have other remedies) where it has entered into that contract on the basis of a mistake or has been induced to enter into that contract by a misrepresentation.

6.2 *General Principles and Insolvency*

- (a) the binding nature and enforceability of the obligations under each Reviewed Document of each relevant party to it are subject to matters of public policy, rules of equity and all bankruptcy, insolvency, liquidation, administration, moratorium, arrangement, reorganisation and other laws of general application relating to or affecting the rights of creditors;
- (b) any guarantees or third party security given by any person in any of the Reviewed Documents are subject to all applicable principles of English law which may operate to exonerate, discharge, reduce or extinguish the liabilities of guarantors notwithstanding the express terms of such guarantees or third party security;
- (c) the enforceability of the obligations under each Reviewed Document of each relevant party to it may be affected by the recognition by the English courts of any "foreign proceeding" (within the meaning of the Cross-Border Insolvency Regulations 2006 (S.I. 2006 No. 1030)) taking place in respect of any party in a non-EU Member State in which it has its "centre of main interests" or an "establishment" (as defined in those Regulations) at the time the foreign proceeding is commenced;
- (d) in some circumstances, an English court would not give effect to those sections of any Reviewed Document which would provide that in the event of any illegality, invalidity or unenforceability of any provision of such Reviewed Document the remaining provisions thereof shall not be affected or impaired, in particular if to do so would not accord with public policy or would involve the court in making a new contract for the parties;
- (e) to the extent that each Reviewed Document provides that any matter is expressly to be determined by future agreement or negotiation, the relevant provision may be unenforceable or void for uncertainty. However, this does not affect the validity or enforceability of any other provisions of such Reviewed Document dealing with the consequences of any failure to agree on or negotiate the relevant matter;
- (f) a party to a contract may be able to avoid its obligations under that contract (and may have other remedies) where it has entered into that contract on the basis of a mistake or has been induced to enter into that contract by a misrepresentation and the English courts will generally not enforce an obligation if there has been fraud;

- (g) a clause which provides that a notice shall be deemed to have been served at a fixed time after dispatch may have no application where it is proved that the notice was not in fact received by the addressee;
- (h) any obligation imposed on any person to hold certain moneys receivable by it on trust for, or to the order of, any other person pursuant to any Reviewed Document may constitute a charge which may be required to be registered in accordance with the Companies Act 2006 in order to be effective;
- (i) a clause which purports to exclude or restrict a duty of care, or a liability for breach of such a duty, is of no effect unless it is demonstrably reasonable. Moreover, such a clause, or a clause excluding or restricting a fiduciary or similar duty or a clause which provides for an indemnity, is to be interpreted narrowly and against the party whom it is intended to protect;
- (j) any provision in any Reviewed Document which confers, or purports to confer, or waives a right of set-off or similar right may be ineffective against a liquidator or creditor; and
- (k) under the rules of procedure applicable, an English court may, at its discretion, order a plaintiff in an action, or a claimant in an arbitration held in England, who is not ordinarily resident in some part of the United Kingdom, to provide security for costs.

6.3 *English Proceedings*

- (a) where all the other elements relevant to the situation at the time of the choice of English law are located in another country, the fact that the parties have chosen English law will not prejudice the application of provisions of the law of that other country which cannot be derogated from by agreement. In addition, an English court may also give effect to the overriding mandatory provisions of the law of the country where the obligations arising out of the English Law Documents have to be or have been performed, in so far as those overriding mandatory provisions render the performance of the English Law documents unlawful;
- (b) the enforcement in England and Wales of each Reviewed Document will be subject to the rules of civil procedure of England and Wales;
- (c) an English court has discretion, whenever it is necessary to prevent injustice, to stay or strike out proceedings in England. Subject to the provisions, where applicable, of the 1968 Brussels Convention (the “**1968 Convention**”), Council Regulation (EC) No. 1215/2012 of 12 December 2012 (the “**Jurisdiction Regulation**”) and the 2007 Lugano Convention (the “**2007 Convention**”) on, in each case, jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, an English court may stay proceedings or decline jurisdiction where it is shown that the proceedings can be tried in a more convenient forum or if concurrent proceedings are pending or being brought elsewhere or where the merits of the issues in dispute have already been judicially determined or should have been raised in previous proceedings between the parties. In addition, where the provisions of the 1968 Convention, the Jurisdiction Regulation and/or the 2007 Convention apply, the English courts will be bound to stay proceedings or decline jurisdiction if they find that the courts of a contracting or member state have already been validly seised in respect of proceedings between the same parties and involving the same cause of action, save where there is a valid and binding agreement conferring exclusive jurisdiction on the English courts.

Further, pursuant to the 1968 Convention, the Jurisdiction Regulation and/or, where applicable, the 2007 Convention, if a related action is pending in the courts of another contracting or member state, the English courts may, if they find that they are not the courts first seised, stay their own proceedings, save where there is a valid and binding agreement conferring exclusive jurisdiction on the English courts;

- (d) where the English court is seised of jurisdiction as a result of the operation of the Jurisdiction Regulation, the English court may be able to stay proceedings in England in favour of the courts of a country or state that is not an EU member state only in circumstances where there are:
 - (i) proceedings involving the same parties and the same cause of action in a non-member state and provided: (i) it is expected that the judgment of the non-member state will be capable of recognition and enforcement in England; and (ii) the English court is satisfied that a stay is necessary for the proper administration of justice; or
 - (ii) proceedings involving a related cause of action in a non-member state and provided: (i) it is expedient to hear and determine the related actions together to avoid the risk of irreconcilable judgments resulting from separate proceedings; (ii) it is expected that the judgment of the non-member state will be capable of recognition and enforcement in England; and (ii) the English court is satisfied that a stay is necessary for the proper administration of justice.

The English court may also dismiss the English proceedings if the proceedings in the court of the non-member state are concluded and have resulted in a judgment capable of recognition and, where applicable, of enforcement in England; and

- (e) we express no opinion on any provision in the Reviewed Documents purporting to waive a *forum non conveniens* defence or other similar right.

6.4 We express no opinion as to whether any waiver by any party of its rights to immunity from legal proceedings in respect of its obligations under any of the Reviewed Documents would be effective or enforceable.

6.5 *Application of Foreign Law*

- (a) we express no opinion on the binding effect of the choice of law provisions in the Reviewed Documents insofar as they relate to non-contractual obligations arising out of or in connection with the Reviewed Documents;
- (b) where any obligation under any of the Reviewed Documents is to be performed or observed, or is based upon a matter arising, in a country or jurisdiction outside England, such obligation may not be enforced under English law if it would be unlawful, unenforceable or contrary to public policy under the laws of that country or jurisdiction and an English court may take into account the law of the place of performance in relation to the manner of performance and the steps to be taken in the event of defective performance; and
- (c) if a party to the Reviewed Documents is controlled by or otherwise connected with a person (or is itself) resident in, incorporated in or constituted under the laws of a country which is the subject of United Nations, European Community or UK sanctions

implemented or effective in the United Kingdom, or is otherwise the target of any such sanctions, then the obligations to that party under the Documents may be unenforceable or void.

6.6 *Default Interest and Indemnities*

- (a) any obligation to pay or to guarantee payment of interest on overdue amounts contained in any of the Reviewed Documents may be held to be void or unenforceable. An English court will only give effect to such an obligation if it can be established that the rate of interest specified therein as being payable on overdue amounts represents a genuine pre-estimate of loss and not a charge in the nature of a penalty. Should the court decide that the rate of interest amounts to a charge in the nature of a penalty, the obligation would be unenforceable and damages would only be recoverable according to normal common law rules. We can express no view on the question of whether any relevant rate of interest specified in any of the Documents constitutes a genuine pre-estimate of loss;
- (b) we express no opinion as to enforceability of any provision in any Reviewed Document with regard to any United Kingdom stamp duty which might be or subsequently become payable, any stamp duty or other taxes chargeable or payable in any jurisdiction outside England or any purported indemnity in respect of such stamp duty;
- (c) the effectiveness of certain provisions exculpating (or, in the case of an indemnity, having the effect of exculpating) a party from liability or a duty otherwise owed may be limited by law;
- (d) an English court may refuse to give effect to any indemnity for legal costs incurred by an unsuccessful litigant and may not award by way of costs all of the expenditure incurred by a successful litigant in proceedings brought before it; and
- (e) we express no opinion as to whether an English court would give effect to a currency indemnity clause contained in any of the Reviewed Documents. Whilst English courts may render judgments for a monetary amount in a foreign currency, the judgment may be converted into pounds sterling for the purposes of enforcement. There is also some possibility that an English court would hold that a judgment on any Reviewed Document would supersede that Reviewed Document so that any currency indemnity would not be held to survive judgment.

6.7 *Discretions, Certifications and Amendments*

- (a) where any party to any of the Reviewed Documents is vested with a discretion or may determine a matter in its opinion, English law may require that such discretion is exercised reasonably or that such an opinion is based on reasonable grounds;
- (b) any provision of any of the Reviewed Documents to the effect that any calculation, certification or determination will be final, conclusive and/or binding will not be effective if such calculation, certification or determination is fraudulent or has an unreasonable or arbitrary basis or is given without good faith or is manifestly inaccurate, and will not necessarily prevent judicial enquiry into the merits of any claim by an aggrieved party; and


- (c) we express no opinion on any provision in any Reviewed Document requiring written amendments or waivers in respect of that Reviewed Document insofar as it suggests that oral or other amendments or waivers could not be effectively agreed upon or granted by the parties. In addition, failure to exercise a right may operate as a waiver of that right notwithstanding any provision in any Document to the contrary.

7. Benefit of the Opinion

- 7.1 This opinion letter is given solely for the benefit of the persons to whom it is addressed and solely in connection with the Transaction.
- 7.2 This opinion letter may not be relied upon for any other purpose or by any other person and may not be transmitted or disclosed to any other person or entity (including governmental agency or stock or other exchange) or filed with any person or entity or be quoted or referred to in any public document without our prior written consent, except:
- (a) that a copy of this opinion letter may be disclosed to the legal advisors and other transaction advisors of Hibiscus;
 - (b) that a copy of this opinion letter will be attached to a circular distributed to the shareholders of Hibiscus in relation to the Transaction, which it is noted will be a publically available document (including on the website of Bursa Malaysia Securities Berhad); and
 - (c) that a copy of this opinion letter may be submitted to Bursa Malaysia Securities Berhad as part of the relevant regulatory approval process in relation to the Transaction; and
 - (d) as required by law.

This opinion letter is given by CMS Cameron McKenna LLP. No individual owes or shall owe any duty of care to any person for this opinion letter in his or her personal capacity, except to the extent provided by English law.

Yours faithfully



CMS Cameron McKenna LLP

VALUATION REPORT



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23rd September 2015

Dear Sirs

VALUATION REPORT

The Board of Hibiscus Petroleum Berhad (“Hibiscus Petroleum” or “Company”) (“Board”) has requested RPS Energy to undertake an independent valuation and conduct a Reserves and Resource evaluation to the 2007 SPE/AAPG/WPC/SPEE Petroleum Resource Management System (“PRMS”) of the four producing fields, being the oil-producing Guillemot A, Cook, Teal, and Teal South fields tied back to the Anasuria Floating Production Storage and Offloading unit. Shell & Esso own an aggregated 100% interest in the Guillemot A, Teal, and Teal South fields and the Anasuria FPSO, and an aggregated 38.65% interest in the Cook field, these assets being known as the Anasuria Cluster. The Anasuria Cluster, operated by Shell, is located in a water depth of 94 metres approximately 175 km east of Aberdeen in the UK Central North Sea as shown in Figure 1 below.

Hibiscus Petroleum had, on 6 August 2015 announced that Anasuria Hibiscus UK Limited (“Anasuria Hibiscus”), a wholly-owned subsidiary of the Company, together with Ping Petroleum UK Limited (“Ping Petroleum”), entered into the following agreements in relation to the proposed acquisition by Anasuria Hibiscus of 50% interest in the Anasuria Cluster for a total cash consideration of US\$52.5 million (or equivalent to RM 233.2 million (“Proposed Acquisition”):

- (i) a conditional sale and purchase agreement with Shell U.K. Limited and Shell EP Offshore Ventures Limited; and
- (ii) a conditional sale and purchase agreement with Esso Exploration and Production UK Limited.

Client and Instruction

In accordance with RPS Energy Consultants Limited’s (“RPS”) letter of engagement dated 14 April 2015, RPS has been instructed by Hibiscus Petroleum to prepare a Reserves and Resources Evaluation (“RRE”) report and carry out an independent asset valuation for its 50% interest in the Anasuria Cluster, pursuant to the Proposed Acquisition.

The RRE report and this Valuation Report have been prepared solely for the use of Hibiscus Petroleum, its other advisors and Bursa Malaysia Securities Berhad.

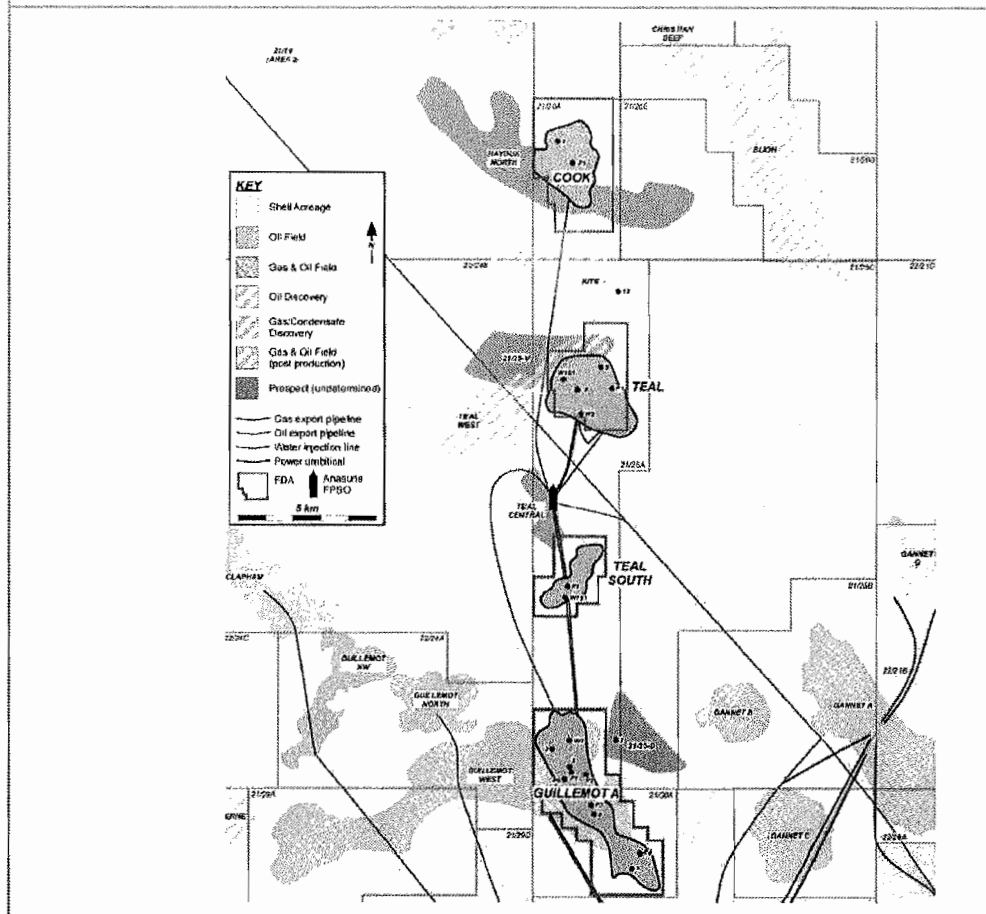
RPS did not undertake a site visit to the FPSO. Petrofac (a FTSE 250 company, providing integrated services across the oil and gas asset life cycle in 29 countries worldwide) was retained by Hibiscus Petroleum to complete a site visit to perform survey work and due diligence on the FPSO (Floating, Production, Storage and Offloading) facilities including providing their view of the ongoing capital projects and operating costs and the client had supplied RPS with their report. Significant remedial work is required at the FPSO and RPS has included future capex for this. Field uptime has been relatively low over the last three years and RPS has assumed this remedial work will improve uptime.

UK | USA | Canada | Australia | Malaysia | Singapore | The Netherlands | Ireland | Poland

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RPS

Figure 1: Anasuria Cluster Location



Source: Operator

Note: Guillemot West field is not included in the Proposed Transaction

Figure 1: Anasuria Cluster Location

The primary reservoir is the Upper Jurassic Fulmar Fm, significant in place volumes also exist in the Triassic Skagerrak Fm, but there is modest evidence of sustained economic recovery from this reservoir. Minor volumes are also present in the Palaeocene Forties Fm and Upper Jurassic Heather Fm sandstones. RPS has estimated Developed Reserves by decline curve analysis (DCA). The development has been mainly based on water injection supplemented by depletion in some of the reservoirs.

RPS has reviewed the in place volumes and attended a dataroom in Aberdeen to review a number of the geological models. The Operator in-place volume estimates are considered reasonably well defined. Given in-place volume estimates as provided by Shell and the Developed Reserves from DCA a number of the field's exhibit modest final recovery factors. In particular the largest field, Guillemot, has a forecast developed Recovery Factor of only circa 20%. A number of potential infill opportunities across the four fields are summarized in the Vendors material but they are not mature technically and are not supported by reservoir simulation. The modest developed recovery may suggest scope for further infill drilling activity but the expected ultimate recover factors are modest because of:-

- Heterogeneity of the primary fulmar reservoir leading to relatively inefficient water-flooding performance.
- The low GOR oil resulting in low primary depletion (~12% down to the bubblepoint).
- The low well count, generally one producer injector pair per fault block makes achieving high areal sweep challenging.

RPS has considered the gas lift additions to the Guillemot wells and two infill Guillemot wells as undeveloped Reserves. In the absence of simulation models this has been done by analogue to the recent P5 infill well and suggests an estimated ultimate recovery of 1.2 to 2.5 MMstb/well. In addition the recompletion of Guillemot well P2 into a dedicated Forties producer has also been included as Reserves.

Other opportunities are considered by RPS as Contingent Resources:-

- The Kite discovery on the basis of the very limited appraisal data (no flow tests or PVT data).
- A potential infill well located to the SW of the Cook field on the basis of uncertainty whether reservoir is present and no evidence of Joint Venture commitment.
- Infill wells in the Triassic Skagerrak.

No Prospective resources were evaluated and the Exploration potential of the licences is considered to be modest.

Reserves and Resources for the Evaluation are summarized in Sections 4 to 7 of this report, in the Anasuria Cluster Reserves & Resources Evaluation Report and Table 1 to 3 below. The evaluation reflects our informed judgement based on the SPE PRMS 2007 Standards, but is subject to generally recognised uncertainties associated with the interpretation of geological, geophysical and engineering data. The reported hydrocarbon resource volumes are estimates based on professional engineering judgment and are subject to future revisions, upward or downward, as a result of future operations or as additional information become available.

We reserve the right to revise any estimates provided herein if any relevant data existing prior to preparation of this report were not made available, if any data between the effective date of the evaluation and the date of this report were to vary significantly from that forecast, or if any data provided were found to be erroneous.

SUMMARY OF OIL RESERVES as of January 01, 2015 BASE CASE PRICES AND COSTS

	Full Field Gross Reserves ¹			Shell/Esso Working Interest Reserves					
	1P MMstb	2P MMstb	3P MMstb	Gross ²			Net ³		
				1P MMstb	2P MMstb	3P MMstb	1P MMstb	2P MMstb	3P MMstb
Guillemot A	17.7	27.5	36.3	17.7	27.5	36.3	17.7	27.5	36.3
Cook	9.6	16.0	22.1	3.7	6.2	8.5	3.7	6.2	8.5
Teal	2.6	3.2	3.7	2.6	3.2	3.7	2.6	3.2	3.7
Teal South	1.7	3.5	5.5	1.7	3.5	5.5	1.7	3.5	5.5
TOTAL⁴	31.7	50.2	67.6	25.8	40.4	54.0	25.8	40.4	54.0

Notes:

¹ Gross field Reserves (100% basis) after economic limit test

² Companies working interest share of gross field Reserves after economic limit test

³ Companies net attributable share of Reserves, after royalties. As no Royalties are paid the Net and Gross Working interest are the same.

⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Reserves are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1P Reserves may be a very conservative assessment and the total 3P Reserves a very optimistic assessment.

Any discrepancies in the tables included in this Valuation Report between the amounts listed, actual figures and the total thereof in this Valuation Report are due to rounding adjustments.

Table 1: Summary of Oil Reserves

SUMMARY OF GAS RESERVES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	Full Field Gross Reserves ¹			Shell/Esso Working Interest Reserves					
	1P Bscf	2P Bscf	3P BScf	Gross ²			Net ³		
				1P Bscf	2P Bscf	3P Bscf	1P Bscf	2P Bscf	3P Bscf
Guillemot A	6.2	9.6	12.6	6.2	9.6	12.6	6.2	9.6	12.6
Cook	21.2	35.3	48.7	8.2	13.6	18.8	8.2	13.6	18.8
Teal	1.2	1.5	1.7	1.2	1.5	1.7	1.2	1.5	1.7
Teal South	1.5	3.2	5.0	1.5	3.2	5.0	1.5	3.2	5.0
TOTAL⁴	30.1	49.5	68.0	17.1	27.9	38.2	17.1	27.9	38.2

Notes:

¹ Gross field Reserves (100% basis) after economic limit test

² Companies working interest share of gross field Reserves after economic limit test

³ Companies net attributable share of Reserves, after royalties As no Royalties are paid the Net and Gross Working interest are the same.

⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Reserves are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1P Reserves may be a very conservative assessment and the total 3P Reserves a very optimistic assessment. Any discrepancies in the tables included in this Valuation Report between the amounts listed, actual figures and the total thereof in this Valuation Report are due to rounding adjustments.

Table 2: Summary of Gas Reserves

SUMMARY OF CONTINGENT OIL RESOURCES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	Full Field Gross Resources ¹			Shell/Esso Working Interest Resources					
	1C MMstb	2C MMstb	3C MMstb	Gross ²			Net ³		
				1C MMstb	2C MMstb	3C MMstb	1C MMstb	2C MMstb	3C MMstb
Kite	0.4	1.4	3	0.4	1.4	3	0.4	1.4	3
Cook	0.3	1.29	7.5	0.1	0.5	2.9	0.1	0.5	2.9
Teal South	0.8	1.5	3	0.8	1.5	3	0.8	1.5	3
Guillemot A	3.6	7	12	3.6	7	12	3.6	7	12
TOTAL⁴	4.9	11.2	25.5	4.8	10.4	20.9	4.8	10.4	20.9

Notes:

¹ Gross field Resources (100% basis) after economic limit test

² Companies working interest share of gross field Resources after economic limit test

³ Companies net attributable share of Resources, after royalties As no Royalties are paid the Net and Gross Working interest are the same

⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Resources are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1C Resources may be a very conservative assessment and the total 3C Resources a very optimistic assessment. Any discrepancies in the tables included in this Valuation Report between the amounts listed, actual figures and the total thereof in this Valuation Report are due to rounding adjustments.

Table 3: Summary of Contingent Oil Resources

SUMMARY OF CONTINGENT GAS RESOURCES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	Full Field Gross Reserves ¹			Shell/Esso Working Interest Reserves					
	1C Bscf	2C Bscf	3C BScf	Gross ²			Net ³		
				1C Bscf	2C Bscf	3C Bscf	1C Bscf	2C Bscf	3C Bscf
Kite	0.3	1.2	2.5	0.3	1.2	2.5	0.3	1.2	2.5
Cook	0.3	1.3	7.5	0.1	0.5	2.9	0.1	0.5	2.9
Teal South	0.4	0.7	1.4	0.4	0.7	1.4	0.4	0.7	1.4
Guillemot A	1.2	2.4	4.4	1.2	2.4	4.4	1.2	2.4	4.4
TOTAL⁴	2.1	5.6	15.8	2	4.8	11.2	2	4.8	11.2

Notes:

¹ Gross field Resources (100% basis) after economic limit test

² Companies working interest share of gross field Resources after economic limit test

³ Companies net attributable share of Resources, after royalties As no Royalties are paid the Net and Gross Working interest are the same

⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Resources are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1C Resources may be a very conservative assessment and the total 3C Resources a very optimistic assessment.

Any discrepancies in the tables included in this Valuation Report between the amounts listed, actual figures and the total thereof in this Valuation Report are due to rounding adjustments.

Table 4: Summary of Contingent Gas Resources

SUMMARY OF NET PRESENT VALUES of RESERVES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	NPV @ 10% (US\$MM)				NPV @ 10% (RM\$MM) ²	
	Shell/Esso Working Interest		50 % Working Interest to Hibiscus Petroleum		50 % Working Interest to Hibiscus Petroleum	
	1P	2P	1P	2P	1P	2P
DEVELOPED¹	-98.4	51.0	-49.2	25.5	-209.2	108.4
DEVELOPED + UNDEVELOPED¹	35.5	226.5	17.8	113.3	75.5	481.5

Notes:

¹ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Reserves are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1P Reserves and the value derived may be a very conservative assessment and the total 3P Reserves and value derived a very optimistic assessment.

² Unless otherwise stated, the exchange rate of US\$1.00:RM4.2520, being Bank Negara Malaysia's middle rate as at 5.00 p.m. on 26 August 2015, is used throughout this Valuation Report for purposes of translation of US\$ into RM

Table 5: Summary of Net Present Values for Anasuria Cluster

Purpose of the Valuation

The Board has appointed RPS to conduct an independent asset valuation of the Anasuria Cluster to satisfy Paragraph 10.04(1) of the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad which stipulates that a valuation is to be conducted where a transaction involves

the acquisition or disposal of any real estate or any corporation which owns real estate and any one of the percentage ratios of the transaction is 25% or more for the transaction.

Valuation Guidelines

The valuation has been prepared in accordance with RPS' understanding of the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

Yours faithfully

On behalf of RPS Energy Consultants Limited



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Anasuria Cluster - Competent Person's Report for Petroleum Reserves and Resources

Prepared for
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September 2015

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Anasuria Cluster - Competent Person's Report for Petroleum Reserves and Resources

Prepared for
Hibiscus Petroleum Berhad

DISCLAIMER

The opinions and interpretations presented in this report represent our best technical interpretation of the data made available to us. However, due to the uncertainty inherent in the estimation of all sub-surface parameters, we cannot and do not guarantee the accuracy or correctness of any interpretation and we shall not, except in the case of gross or wilful negligence on our part, be liable or responsible for any loss, cost damages or expenses incurred or sustained by anyone resulting from any interpretation made by any of our officers, agents or employees.

Except for the provision of professional services on a fee basis, RPS Energy does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this report.

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1. INTRODUCTION

1.1 UK North Sea History

The four fields being investigated lie in the central North Sea. The first British discovery of hydrocarbons in the North Sea, occurred in the West Sole field, by BP. However, it was not until 1975 that a small entrepreneurial American company, Hamilton Brothers working in the Argyle field, brought the first British oil ashore, followed very soon after by BP in the giant Forties field.

By the early 1980s Britain had become a net exporter of oil, and by the mid-1990s of gas. Two of the key centres of the industry have been the Great Yarmouth/Lowestoft area, Aberdeen, which is now regarded as the oil capital of Europe. Among other centres to have been central to the success of the industry have been the northern isles of Orkney and Shetland.

During the 1990s, like the rest of the world, the North Sea was vulnerable to the fluctuation of world oil prices. Nevertheless production grew and peaked around 2000/1. Now, the North Sea is regarded as a mature province on decline. However, thanks to ever more sophisticated technology, important amounts of oil and gas could be drawn for anything up to 50 years. New discoveries are still being made and the industry is now well established west of Shetland in the Atlantic

1.2 Geological Setting

The primary reservoir in all four fields is the Fulmar Sandstone Member (the "Fulmar"), which sits within the Upper Jurassic Heather Formation (the "Heather"). The second largest accumulation of hydrocarbons occurs within the Triassic aged Skagerrak Formation (the "Skagerrak"). Within the Heather there are additional sandstone packages; these Heather sands are stratigraphically younger and sit above the Fulmar. Within the much younger Paleogene, there are an additional two reservoirs: the Forties Sandstone Member (the "Forties"), which sits within the Sele Formation (the "Sele"), and the Tay Sandstone Member (the "Tay"), which is part of the Horda Formation (the "Horda")

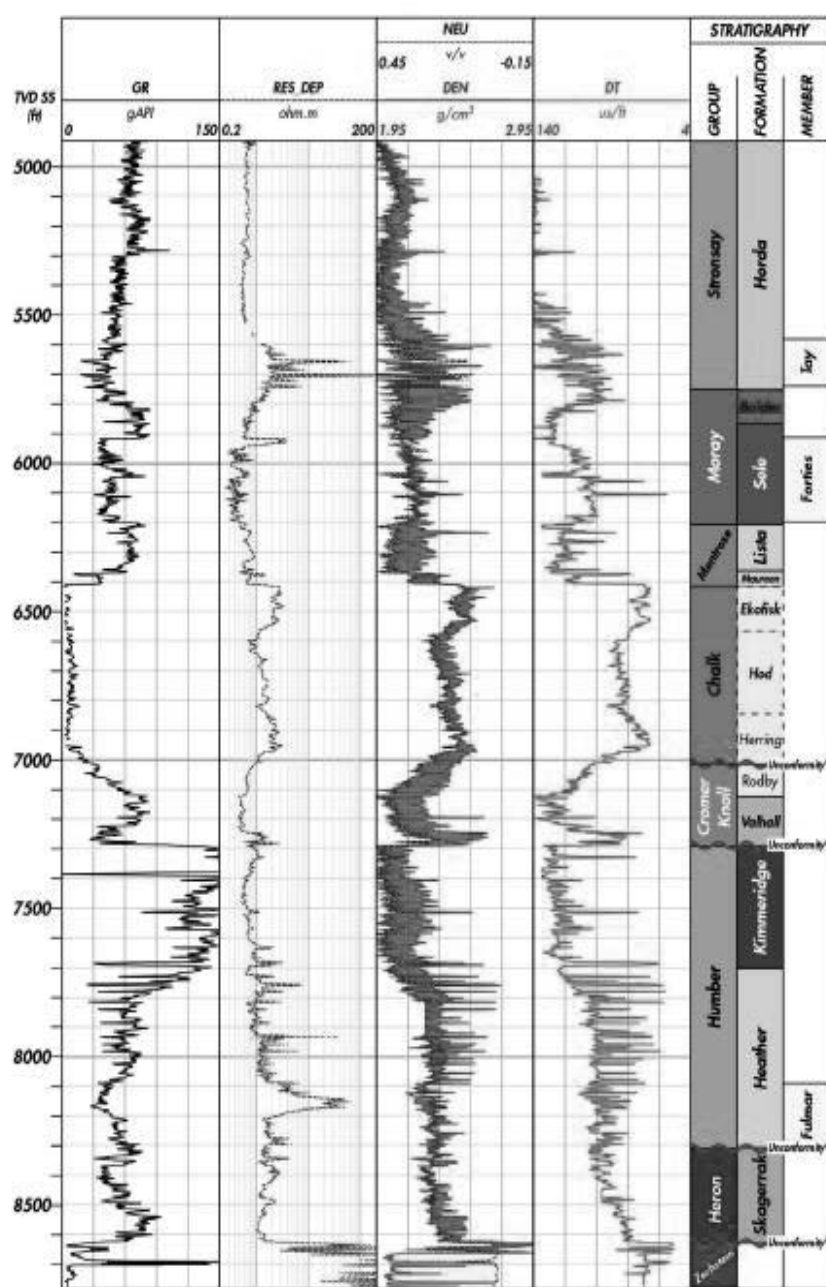


Figure 1.1: Anasuria Cluster Stratigraphic Overview

In terms of the distribution of these reservoir intervals across the Anasuria Cluster, the Fulmar and Skagerrak are present in all four Anasuria Cluster Fields, with the Fulmar being the main reservoir. The Skagerrak, however, is only present above the hydrocarbon / water contact in the Guillemot A and Teal South Fields. Younger aged Heather sands are present aurally in only the Guillemot A and Cook Fields. The Forties is located only in the Guillemot A Field.

2. SUMMARY OF ASSETS

The Interests to be valued by RPS were 4 producing fields, Guillemot A, Cook, Teal, Teal South and the Kite discovery in addition to the Anasuria FPSO. Each asset is described in more detail in from sections 4 to 9 along with the associated production profiles.

SUMMARY OF ASSETS as of January 01, 2015

Asset	Percentage Ownership (%)	Acreage (Acres)	
		Gross ¹	Net ²
Guillemot A	100%	2350.0	2350.0
Cook	38.65%	1951.1	754.1
Teal	100%	921.5	921.5
Teal South	100%	925.8	925.8
Kite	100%	370.0 ¹	370.0
Anasuria FPSO	100%	N/A	N/A
<i>Notes:</i> ¹ This is an estimate based upon maps supplied by Shell and used within RPS volumetric calculations ² Net is Gross at Percentage Ownership			

Table 2.1: Summary of Assets Investigated by RPS

3. METHODOLOGY

RPS reviewed the Guillemot A static model for the Forties, Fulmar and Skagerrak reservoirs plus the Cook and Teal South Fulmar static models for reasonableness over two days in a Shell data room. Based on this review RPS supported the published STOIIP values for the reservoirs. No reservoir simulation models were available for review and to generate developed forecasts, RPS generated a production database with production up to March 2015 for the producing fields. The production data was converted into monthly potential using the fraction of the month on production and hence was a 'producing days' forecast. The 1P forecasts were calculated using an exponential decline, 3P using a harmonic decline and 2P calculated arithmetical as the mean of the 1P and 3P.

Petrofac provided RPS with an uptime forecast based on a 2017 offshore shut-down scenario, see Table 3.1.

Uptime	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Low	63	66	52	72	74	68	74	58	74	74	68	71	64	63
Base	68	76	62	82	84	78	84	68	84	84	78	81	74	73
High	73	86	72	92	94	88	94	78	94	94	88	91	84	83

Table 3.1: % Uptime Assumptions used for Production Forecasts

RPS applied the actual uptime for each well as recorded by Shell from January to May 2015 and then applied the uptime factors, as supplied by Petrofac, for the rest of the forecast.

4. GUILLEMOT A FIELD

The Guillemot A oil and gas field is located in Blocks 21/25 and 21/30 (Figure 4.1). The field was discovered in 1979 and was subsequently developed with four production wells and two water injection wells (one water injector was later converted into a producer) tied-back to the Anasuria FPSO, with first production in 1996. A fifth production well ("GUA-P5") was drilled in early 2014 and came on-stream in May 2014. As at 31 December 2014, the Guillemot A Field has produced an estimated 41.5 MMstb of oil and 20.2 Bscf of gas since it commenced production in 1996. Oil production rate as at 31 December 2014 was 5100 bopd with a watercut of 56%

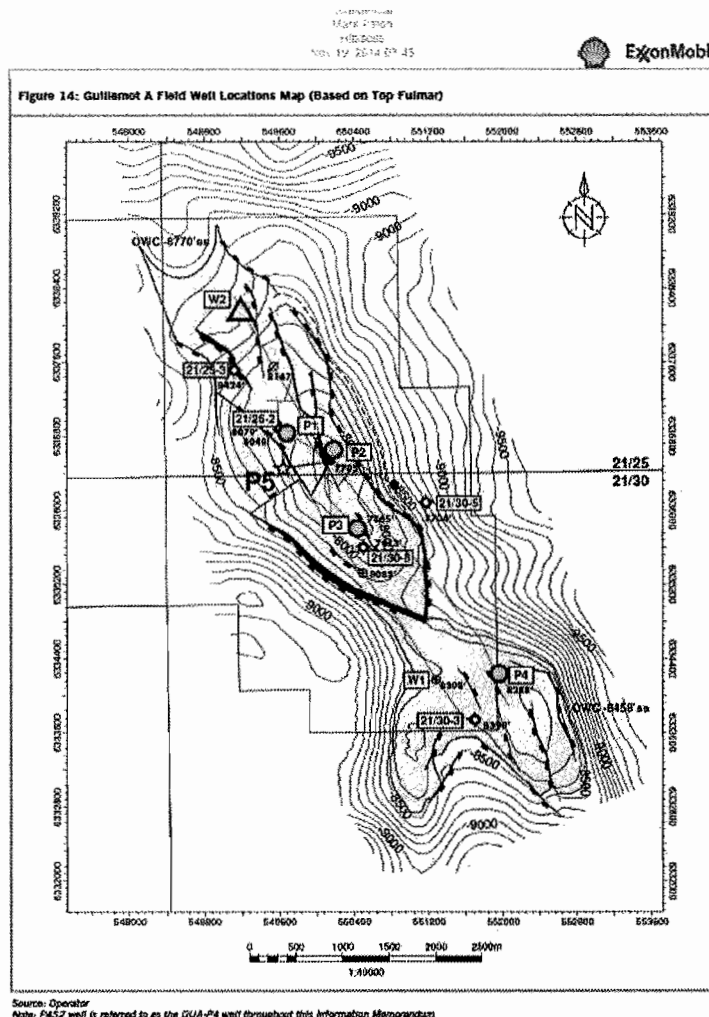


Figure 4.1: Guillemot A Field

4.1 Reserves

4.1.1 Geological Models

The Guillemot A field comprises of three main reservoir intervals (Fulmar, Forties and Skagerrak), split into three areal sections (North, Central and South).

Fulmar

- Structural model has good agreement with the seismic interpreted surface with the exception of the small crestal graben area where the model horizon is

shallower than the mapped surface. It is our view that this difference is not significant.

- Average reservoir properties in the model show reasonable agreement with the average values from the well logs
- There are two OWCs areas, North and South,
 - North - 8770ft TVDSS based on RFT pressures
 - South – 8458ft TVDSS based on logs in 31/30-3
- There is probably no major risk of no reservoir on the eastern flank, where there is potential to recompleting the P2 and/or to drill a new infill well further south on this side.
- The in place volumes, 160 MMstb, were confirmed and reproduced in the model.

Zone	Thickness (ft)	Porosity (%)	Permeability (md)	Datum Depth (ft TVDSS)	Pressure at Datum (Psi)
Fulmar (North and Central)	190-210	24	10-200	7900	4900
Fulmar (South)	190-263	24	10-200	7900	3500-4000

Table 4.1: Fulmar Geological Data

Forties

- There was no documentation for the Forties Petrel model in the supplied database due to the work having been recently completed by Shell. Average reservoir property distribution is consistent with the averages in the wells.
- It was not possible to check how well the Sw from the height function compared to the log derived Sw. The average Sw of 38% however seems reasonable. A range of OWC's was defined, shallow 5948 ft TVDSS, mid 5953ft TVDSS, deep 5963ft TVDSS, which reflect the contact uncertainty.
- The mid case Vendors STOIP of 17.7 MMstb was confirmed in the model.

Zone	Thickness (ft)	Porosity (%)	Permeability (md)	Datum Depth (ft TVDSS)	Pressure at Datum (Psi)
Forties	250-300	25-35	30-3000	5889	2100-2500

Table 4.2: Forties Geological Data

Skagerrak

- In general the Skagerrak has poor reservoir rock quality. Interbedded distributary channel sands are of better quality. In the P1 well these are well developed as stack channel deposits but are significantly less in 21/25-2 well (Figure 4.2). This supports the view from Shell that they are “ephemeral”. The facies model had a high proportion of better quality channel sand. This represents an uncertainty since the distribution and connectivity of these better quality sands is unknown.

There is limited production data to give confidence that flow rates from these sands is sustainable

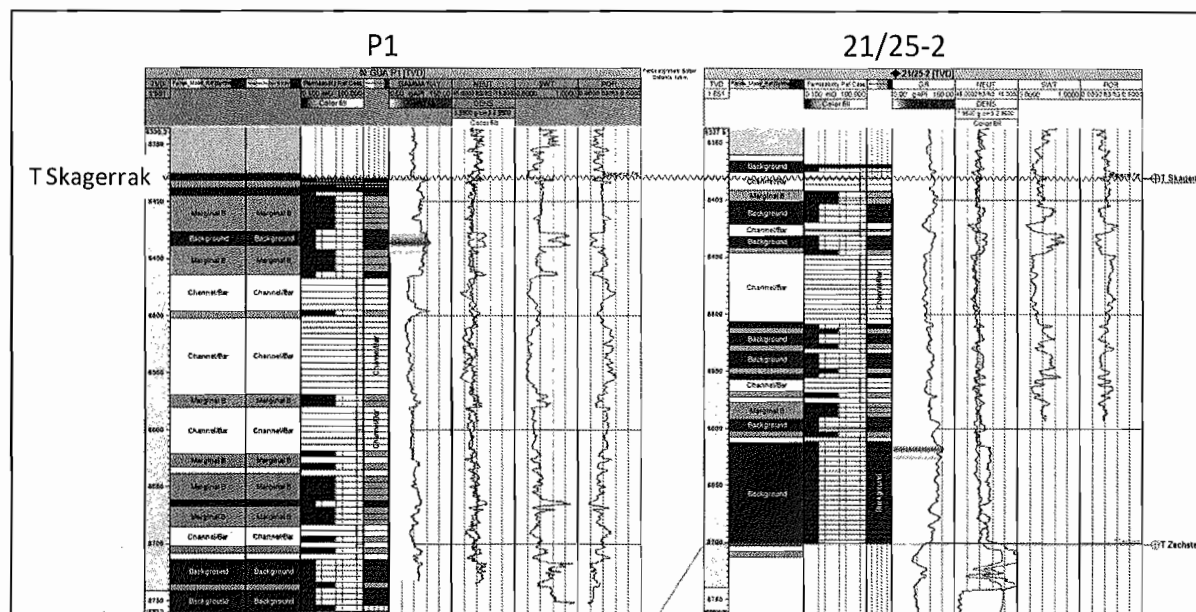


Figure 4.2: Correlation between Wells P1 and 21/25-2 illustrating the Channel Facies Development

- OWC was defined at 8728ft TVDSS from pressure data
- The in place volumes could be reproduced. It is noted that range of STOIP is very tight at Low: 81.1 MMstb, Mid: 95.7 MMstb, High: 106.2 MMstb. There should more uncertainty captured on the distribution of the channel sands.

Zone	Thickness (ft)	Porosity (%)	Permeability (md)	Datum Depth (ft TVDSS)	Pressure at Datum (Psi)
Skagerrak	60-150	19	1-200	7900	N/A

Table 4.3: Skagerrak Geological Data

4.1.2 Developed Reserves

To generate Developed producing forecasts, RPS generated an production database with historical production provided up to March 2015. From the production data supplied, a producing day forecast was calculated by applying decline curve analysis (DCA) to production from months with good uptime. RPS estimated a range of profiles for the three producers P1, P3 and P5.

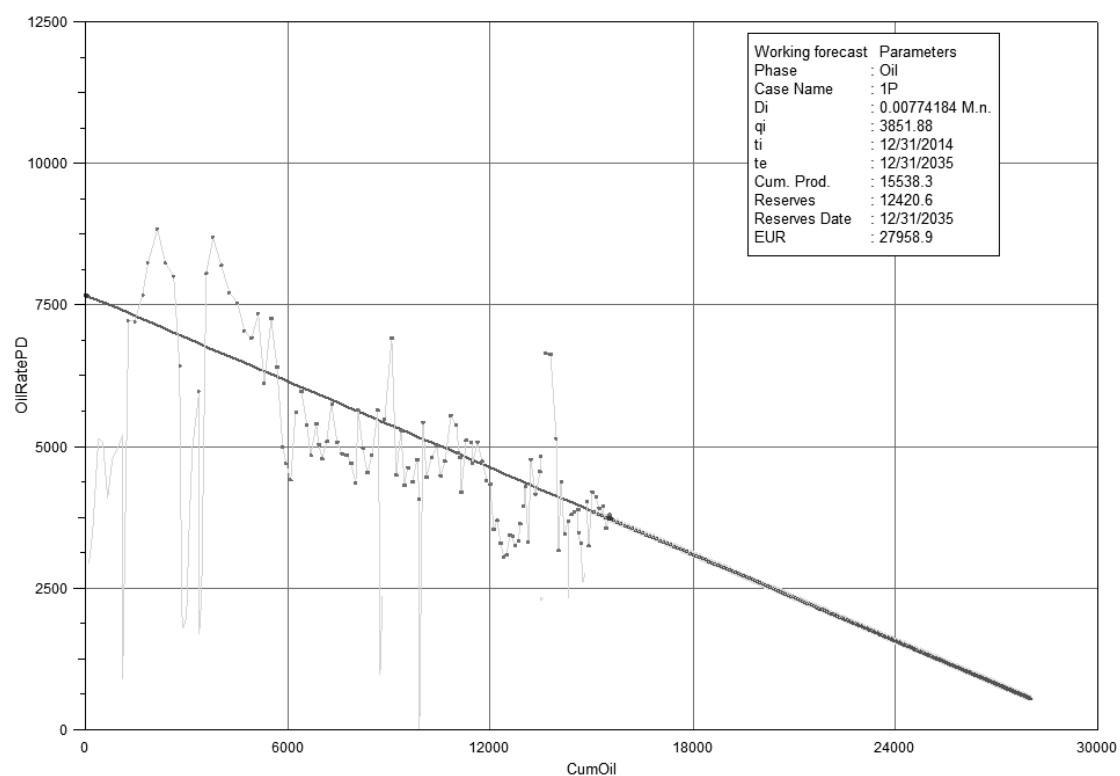


Figure 4.3: Guillemot P3 1P DCA

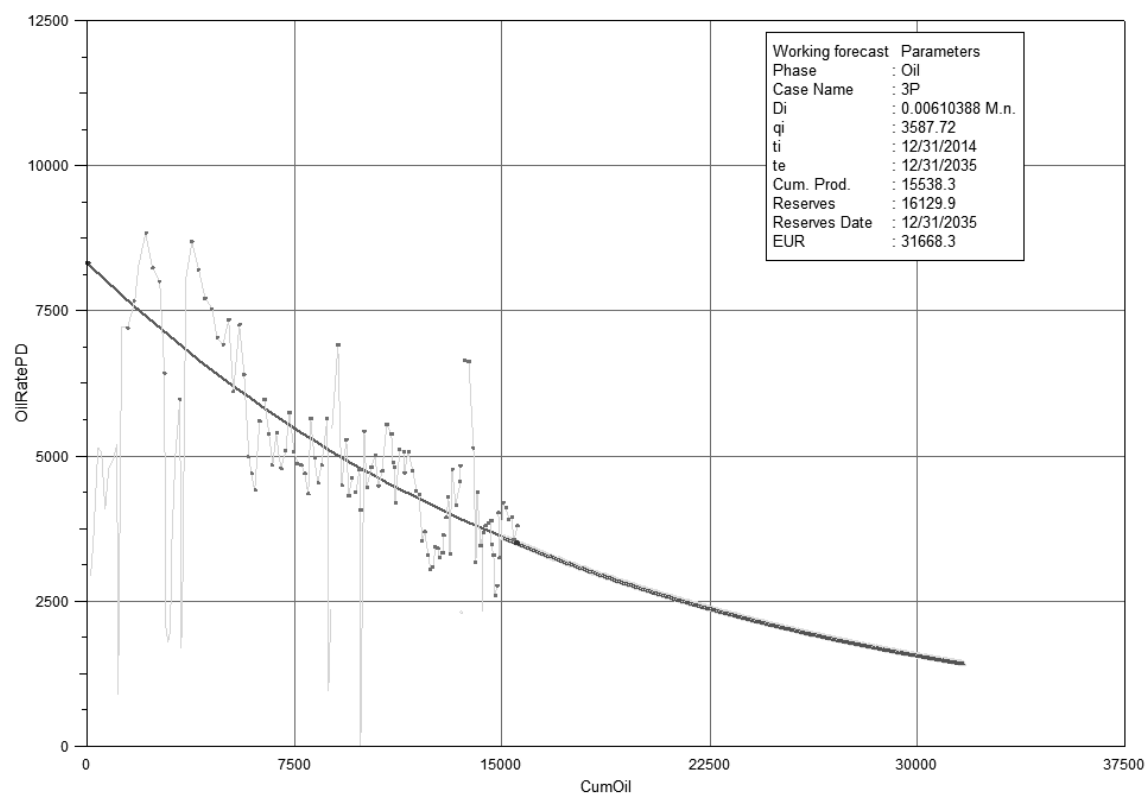


Figure 4.4: Guillemot P3 3P DCA

4.1.3 Guillemot Gas Lift and Forties Recompletion Reserves

The performance of the P3 well has led to development plans being put in place to implement gas lift for the remaining Fulmar wells. P5 already has the required facilities but P1 and P4 require interventions to hook up gas lift. In addition the P2 well is planned to be recompleted over the Forties reservoir which could bring in additional potential.

4.1.3.1 Gas Lift

Without access to full field simulation models assessing the potential benefit of gas lift on ultimate recovery is difficult to quantify. To assess the impact of gas lift RPS studied the water-oil-ratio trend of P1. The incremental increase due to gas lift was estimated by extending the current Water Oil Ratio (WOR) trend to a 98% watercut, see Figure 4.5.

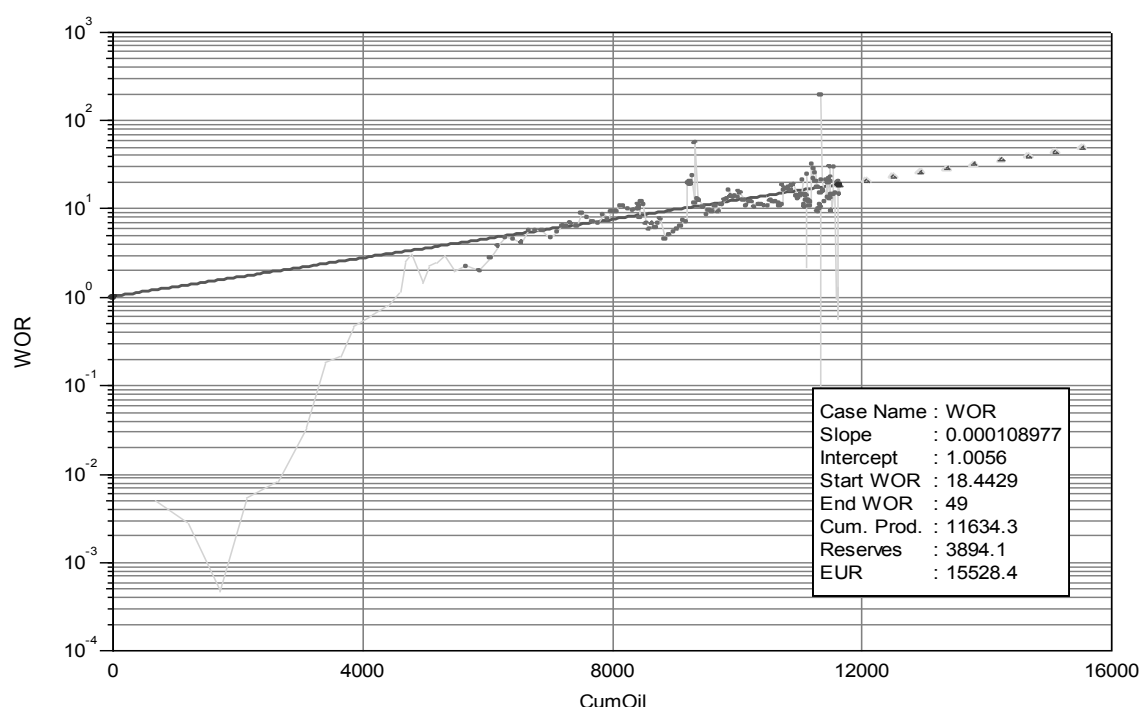


Figure 4.5: Guillemot A Well P1 WOR Trend

The increase was then converted into a performance enhancement percentage over the 2P Reserves. This percentage was then applied to the 1P and 3P profiles to provide their gas lift incremental profiles. Monthly uptime was then applied to produce a technical profile.

After studying the MBal model provided by the client (and taking into consideration about the lack of recent production figures), P4 was attributed the same gas lift profile as P1.

Well P5 has limited production and no discernible Water-Oil-Ratio trend and the increments calculated for P1 were thus assigned to P5.

4.1.3.2 Well P2 Forties Recompletion

RPS agrees with the P50 estimated STOIP for the Forties reservoir of 17.7 MMstb and that an additional 2 MMstb of oil could be additionally produced from the Forties

reservoir with a recovery factor of 11%. This recovery factor when applied to RPS 1P and 3P STOIIPs of 14.0 and 25.0 MMstb respectively indicates a range of ultimate recoveries from 1.5 MMstb to 2.8 MMstb.

Reserves (MMstb)	To Come On-Stream	1P	2P	3P
GUA –P1 Gas Lift	May 2017	1.4	1.9	2.4
GUA –P4 Gas Lift	May 2017	1.4	1.9	2.4
GUA –P5 Gas Lift	May 2016	1.4	1.9	2.5
GUA–P2 Recompletion	July 2017	1.5	2.0	2.8
Total		5.6	7.6	10.2

Table 4.4: Gas Lift & Forties Recompletion Reserves for Guillemot A

4.1.3.3 Infill Drilling (Reserves)

RPS considers the proposed drilling of two infill wells, one in Guillemot Central and one in Guillemot North, (with first oil in January 2018,) can be considered as Reserves. In the absence of simulation models to quantify their potential however, the volumes of these wells have been limited, by analogue, to the recent P5 infill well and assigned Reserves of 1.2 to 2.5 MMstb/well.

4.1.4 Production Schedule

The total reserves profiles are given below in Table 4.5. These are based on the addition of the separate forecasts once uptime had been applied. It is assumed that any projects that have been described above come onstream at the stated times.

Year	Yearly Oil Production (Mstb)		
	1P	2P	3P
2015	1462	1522	1583
2016	1227	1453	1702
2017	1170	1551	2046
2018	2126	2925	4010
2019	2026	2749	3679
2020	1681	2288	3058
2021	1613	2164	2852
2022	1176	1619	2166
2023	1309	1749	2280
2024	1202	1605	2083
2025	1006	1355	1651
2026	945	1190	1312
2027	788	869	1083
2028	588	763	1007
2029	537	708	949
2030	477	666	901
2031	444	629	858
2032	415	596	821
2033	387	562	782
2034	361	533	750
2035	338	507	720
pre Economic Limit Test (ELT) Reserves to end 2035 (MMstb)	21.3	28.0	36.3

Table 4.5: Guillemot 100 % Working Interest (WI) Forecast Profile

4.2 Contingent Resources

Three opportunities proposed have been classified as Contingent Resources by RPS.

- One infill well in the Guillemot South Block
- Two wells to penetrate the Skagerrak interval (one in the Central and one in the Northern block)
- The Southern infill well is a very immature prospect and the Skagerrak formation in Guillemot is of unknown potential and has uncertain communication with the Fulmar formations above it.

Year	Yearly Oil Production (Mstb)		
	1P	2P	3P
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020	1500	3000	5500
2021	721	1442	2496
2022	412	823	1346
2023	270	540	847
2024	193	386	591
2025	144	288	437
2026	110	220	331
2027	85	169	254
2028	65	131	197
2029	0	0	0
Cumulative to end 2035 (MMstb)	3.5	7.0	12.0

Table 4.6: Guillemot A Field Contingent Resources Forecast Profile (100% WI)

5. COOK FIELD

The Cook oil and gas field is located in Block 21/20a and is the northernmost field of the Anasuria Cluster. The field was discovered in 1983 and has been developed as a single-well subsea tie-back to the Anasuria FPSO, with production commencing in 2000. As at 31 December 2014, the Cook Field has produced an estimated 43.7 MMstb of oil and 48.6 Bscf of gas since it commenced production in 2000. Oil production rate as at 31 December 2014 was 4000 bopd with a watercut of 1%

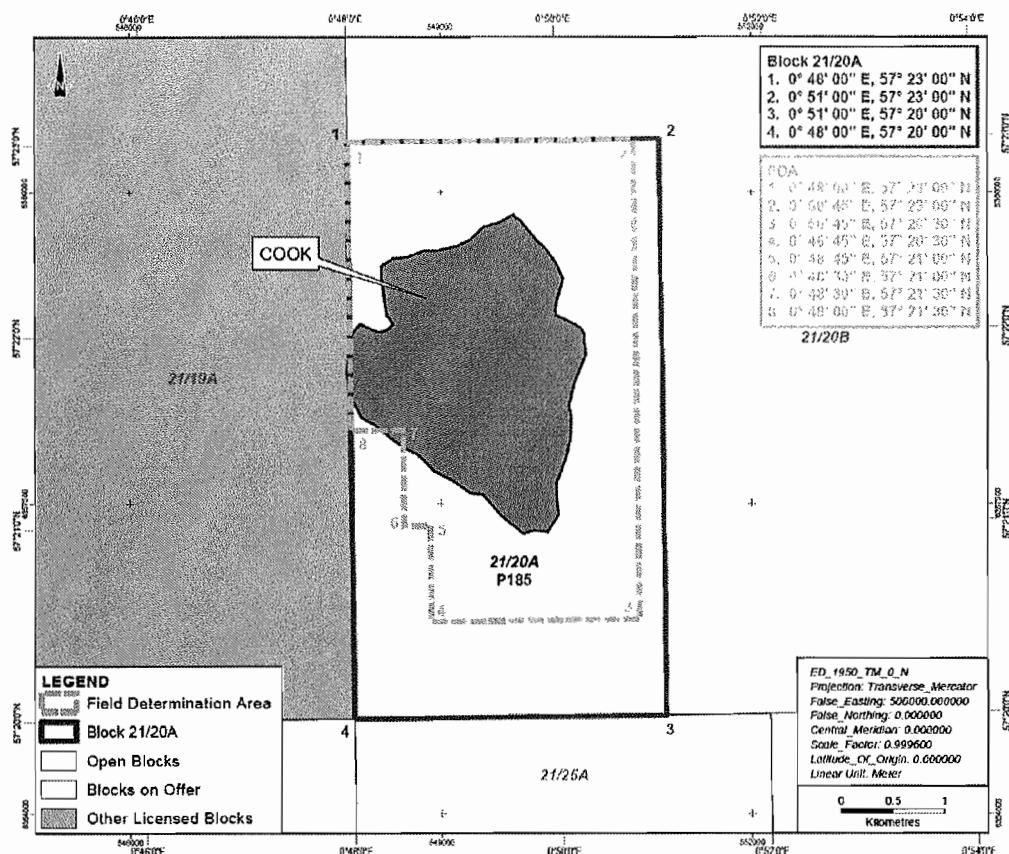


Figure 5.1: Cook Field

5.1 Reserves

5.1.1 Geological Models

The producing reservoir units of the Cook Field are the Fulmar and Heather sandstone members. The Jurassic Fulmar is the main producing interval which displays high permeabilities and porosities, whilst the Heather sandstone is a minor producing interval.

- The modelled horizon is in places shallower than the input depth surface, Figure 5.2. This may result in a slight overestimation of GRV.
- The OWC was defined in the 21/20A-2 well.
- In general the average NTG and porosity in the model were in good agreement with log derived averages, where differences existed the model was more conservative.

- The Sw property from the height function was in reasonable agreement with log calculated curves.

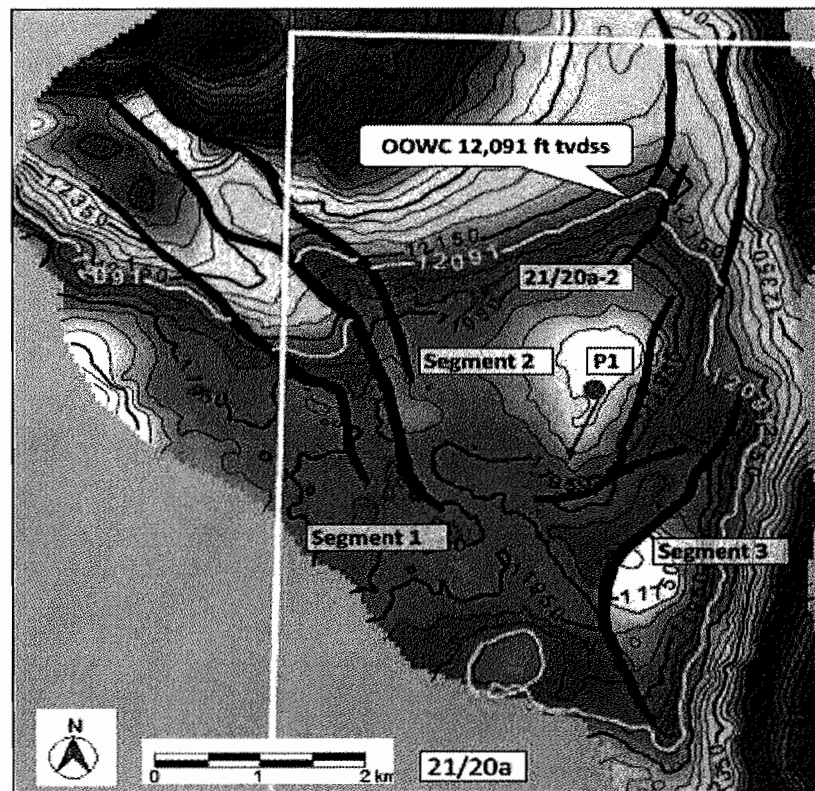


Figure 5.2: Cook Field, Top Fulmar Depth Structure Map

- The model STOIP of 86.6 MMstb was reproduced and is consistent with that reported.

Field	Thickness (ft)	Porosity (%)	Permeability (md)	Datum Depth (ft TVDSS)	Pressure at Datum (Psi)
Cook	~ 210	13-29	1-2,000	11887	200-2500

Table 5.1: Cook Geological Numbers

5.1.2 Developed Reserves

A simple material balance model was created using early gauge data and a single pressure survey acquired in 2005. This model indicated a best fit STOIP of 135 MMstb and a very small aquifer ($R_e/R_o = 1.2$ and 10 mD). This material balance evaluation demonstrates good agreement with the volumetric evaluations and a small limited aquifer, consistent with the Shell 2009 simulation study and suggests the risk of rapid water breakthrough is very low.

Decline curve analysis was applied in a similar manner to the Guillemot A field as shown in Figure 5.3 and Figure 5.4. This produced a production forecast onto which uptime percentages provided by Petrofac were then applied to provide calendar day forecasts.

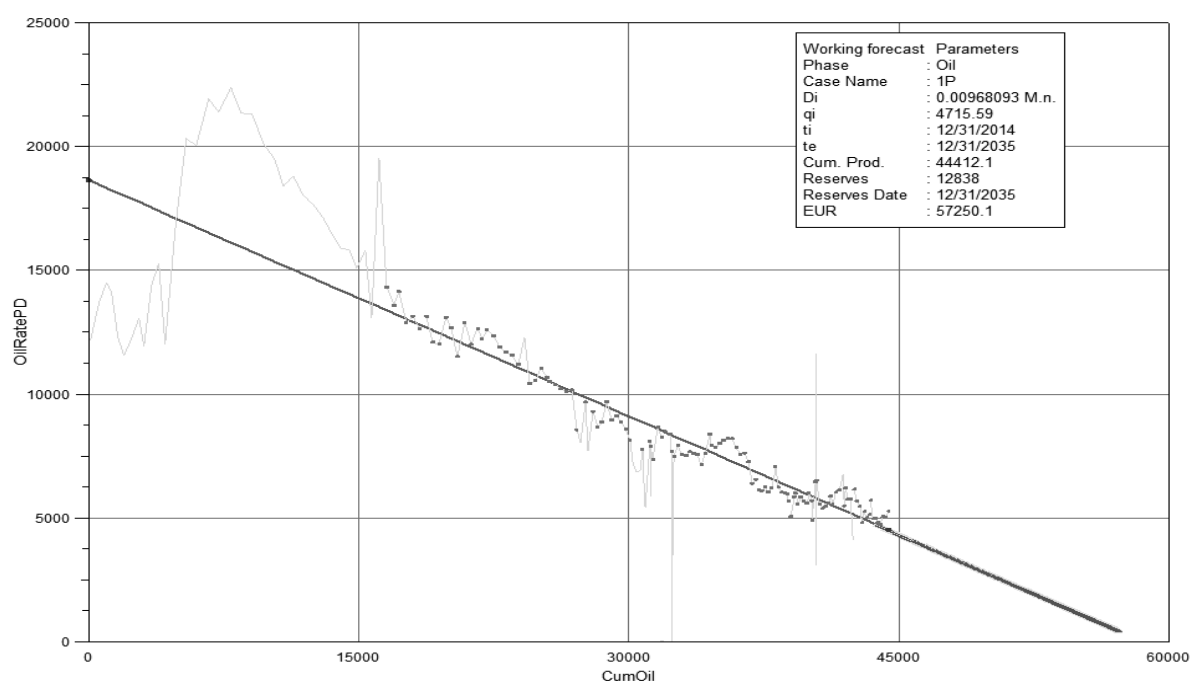


Figure 5.3: Cook P1 1P DCA

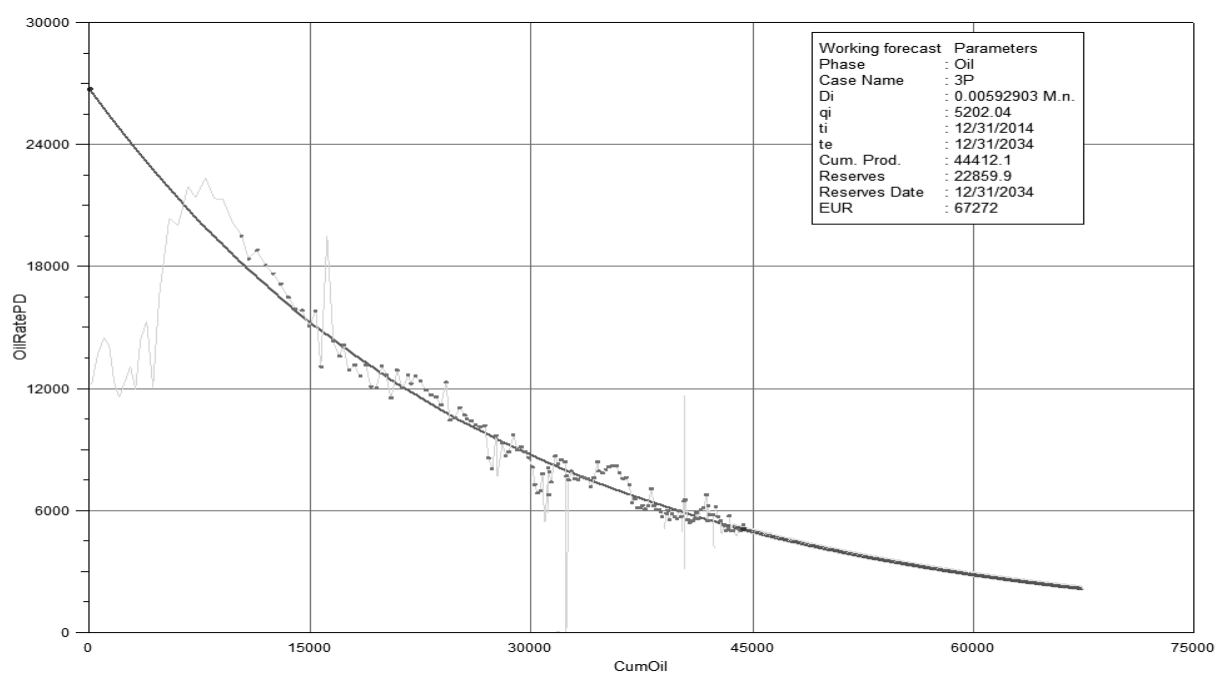


Figure 5.4: Cook P1 3P DCA

5.1.3 Production Schedule

The total 1P to 3P production schedules are given below in Table 5.2. These are based on the addition of the separate forecasts once uptime had been applied. It is assumed that any projects that have been described above come onstream at the stated times.

Year	Yearly Oil Production (Mstb)		
	1P	2P	3P
2015	1303	1426	1555
2016	1005	1237	1495
2017	756	973	1221
2018	930	1163	1433
2019	897	1132	1412
2020	768	994	1269
2021	756	988	1275
2022	564	773	1036
2023	640	870	1160
2024	600	833	1130
2025	509	733	1019
2026	485	713	1006
2027	409	624	904
2028	371	584	862
2029	343	555	831
2030	319	530	806
2031	296	507	782
2032	276	487	762
2033	255	466	739
2034	237	447	719
2035	220	430	700
Cumulative to end 2035 (MMstb)	11.9	16.5	22.1

Table 5.2: Cook Field (100 % WI) Forecast Profile

5.2 Contingent Resources

Several infill wells have been proposed for the Cook field to supplement production from the prolific P1 well. The South East infill which would target the South East flank is being driven by 4D seismic that suggests that this area has not been depleted. This scenario is possible, but an alternative is that the South East block doesn't contain the Fulmar reservoirs at all.

Year	Yearly Oil Production (Mstb)		
	1P	2P	3P
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018	100	502	2911
2019	63	315	1825
2020	39	197	1144
2021	25	123	715
2022	16	78	450
2023	10	49	282
2024	6	30	177
2025	0	0	0
Cumulative to end 2035 (MMstb)	0.3	1.3	7.5

Table 5.3 Cook Field Contingent Resources Forecast Profile (100% WI)

6. TEAL FIELD

The Teal oil and gas field is located in Block 21/25 with first production in 1997. The Teal Field is produced via one producer and two water injectors which provide reservoir pressure support. Teal was shut-in late 2012, due to a riser leak. However production was restarted in December 2014 following the replacement of the production riser. As at 31 December 2014, the Teal Field has produced an estimated 56.6 MMstb of oil and 47.5 Bscf of gas since it commenced production in 1997. Oil production rate as at 31 December 2014 was 1600 bopd with a watercut of 91%

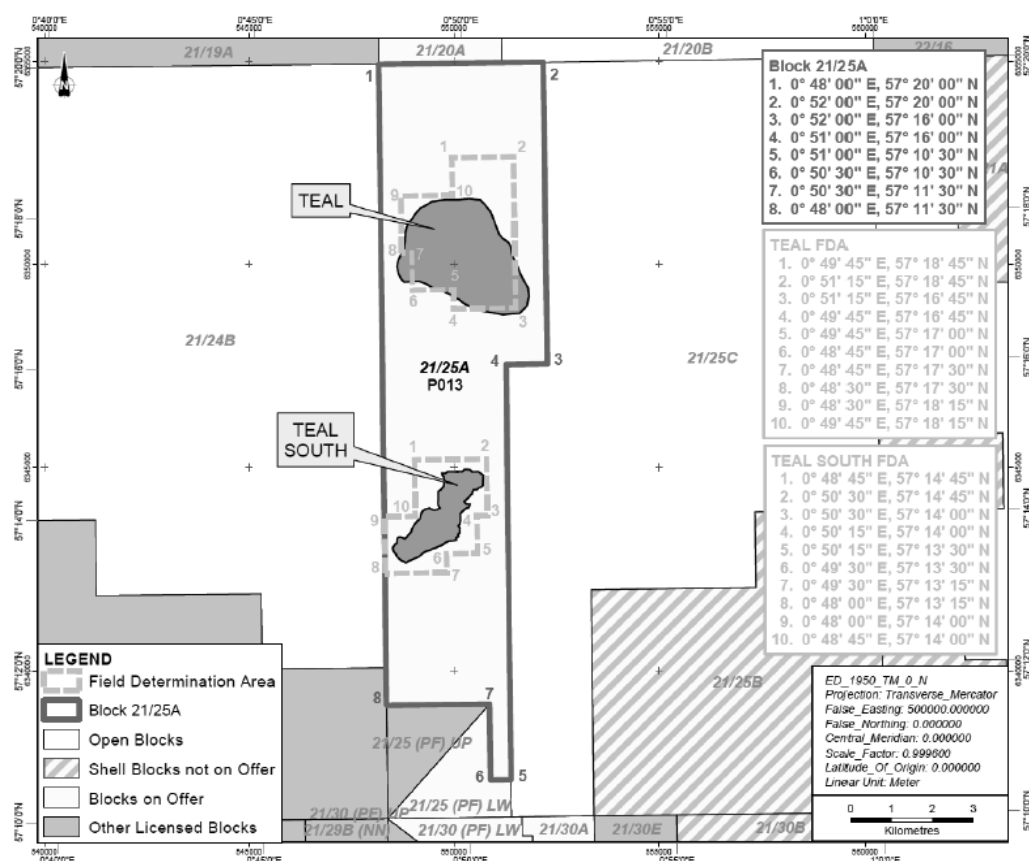


Figure 6.1: Teal and Teal South Fields

6.1 Reserves

6.1.1 Geological Model

- The main producing interval of the Teal field is the Upper Jurassic Fulmar, where there are excellent quality sands
- A brief review was conducted, in the data room, of Shell's seismic interpretation which was found to be reasonable and considered "fit for purpose"
- The surface and modelled horizon had very good agreement.
- The model STOIP of 93.0 MMstb was reproduced and is consistent with that reported.

6.1.2 Developed Reserves

Decline curve analysis was applied in a similar manner to the Guillemot A field as shown in Figure 6.2 and Figure 6.3. This created a production forecast onto which

uptime percentages were then applied to calculate the technical profiles. DCA was only applied to Teal P2 as P1 has not been active since the end of 2005.

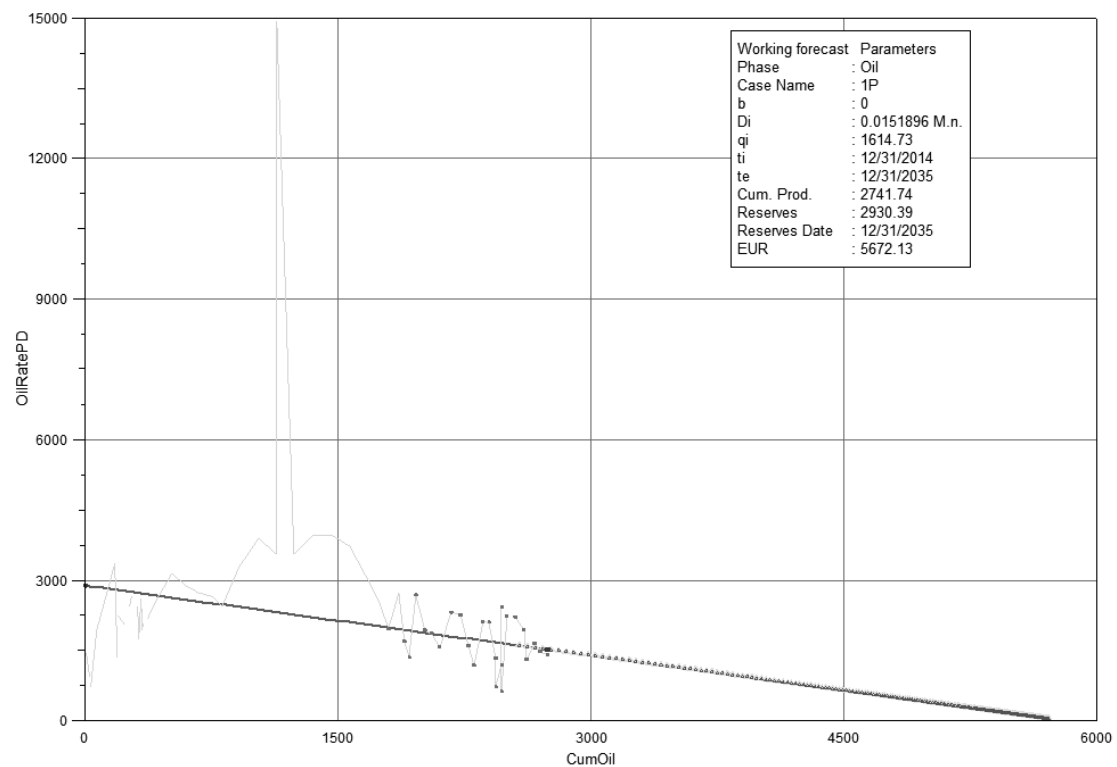


Figure 6.2: Teal P2 1P DCA

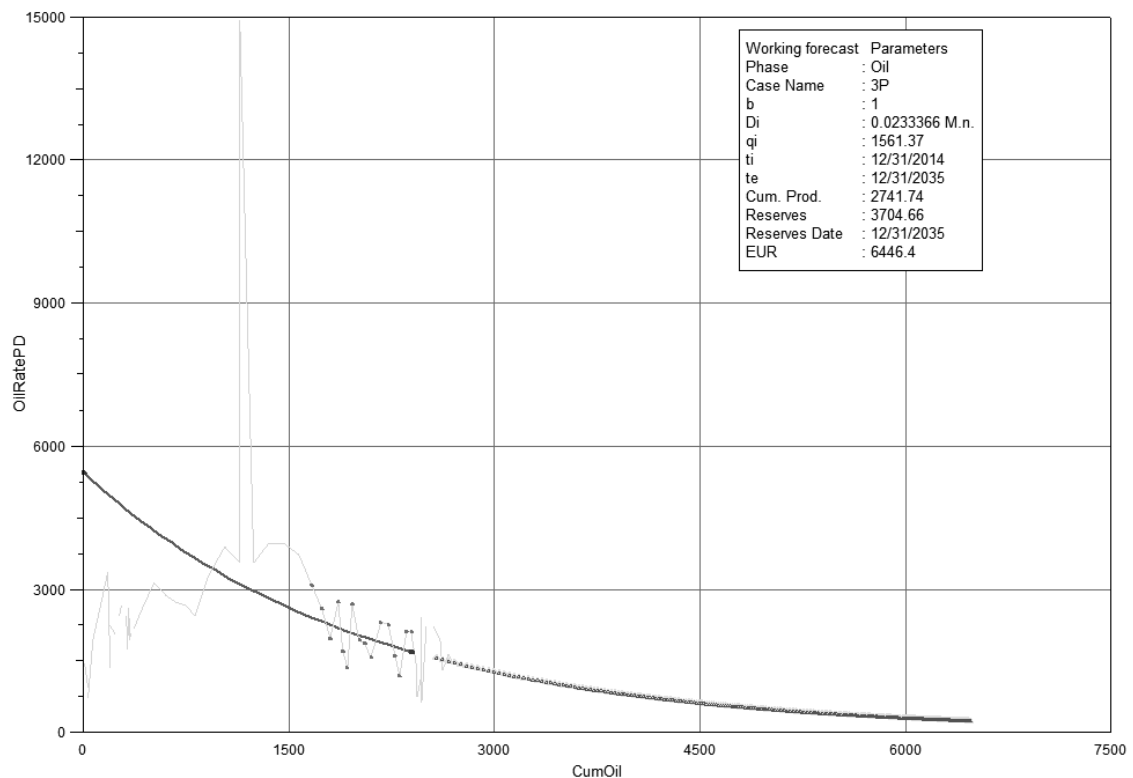


Figure 6.3: Teal P2 3P DCA

6.1.3 Reserves and Production Profile

The total developed and undeveloped 1P to 3P profiles are given below in Table 6.1.

Year	Yearly Oil Production (Mstb)		
	1P	2P	3P
2015	400	402	402
2016	325	350	369
2017	234	256	271
2018	277	286	291
2019	255	259	263
2020	208	213	221
2021	195	199	209
2022	139	148	162
2023	151	158	174
2024	135	144	163
2025	109	120	142
2026	99	112	136
2027	80	94	119
2028	69	85	111
2029	61	78	105
2030	55	72	99
2031	49	67	95
2032	43	62	91
2033	39	58	87
2034	34	54	83
2035	31	51	80
Cumulative to end 2035 (MMstb)	3.0	3.3	3.7

Table 6.1: Teal Field Forecast Profile (100% WI)

7. TEAL SOUTH FIELD

The Teal South oil and gas field is located in Block 21/25 with production commencing in 1996. The field is a two-well development consisting of a producer and a water injector. The Teal South Field has been shut-in since 2012 following the detection of H₂S however a project is ongoing to bring the field back onstream in 2016. As at 31 December 2014, the Teal South Field has produced an estimated 7.2 MMstb of oil and 4.5 Bscf of gas since it commenced production in 1996. Currently the Teal South Field has been shut in since 2012.

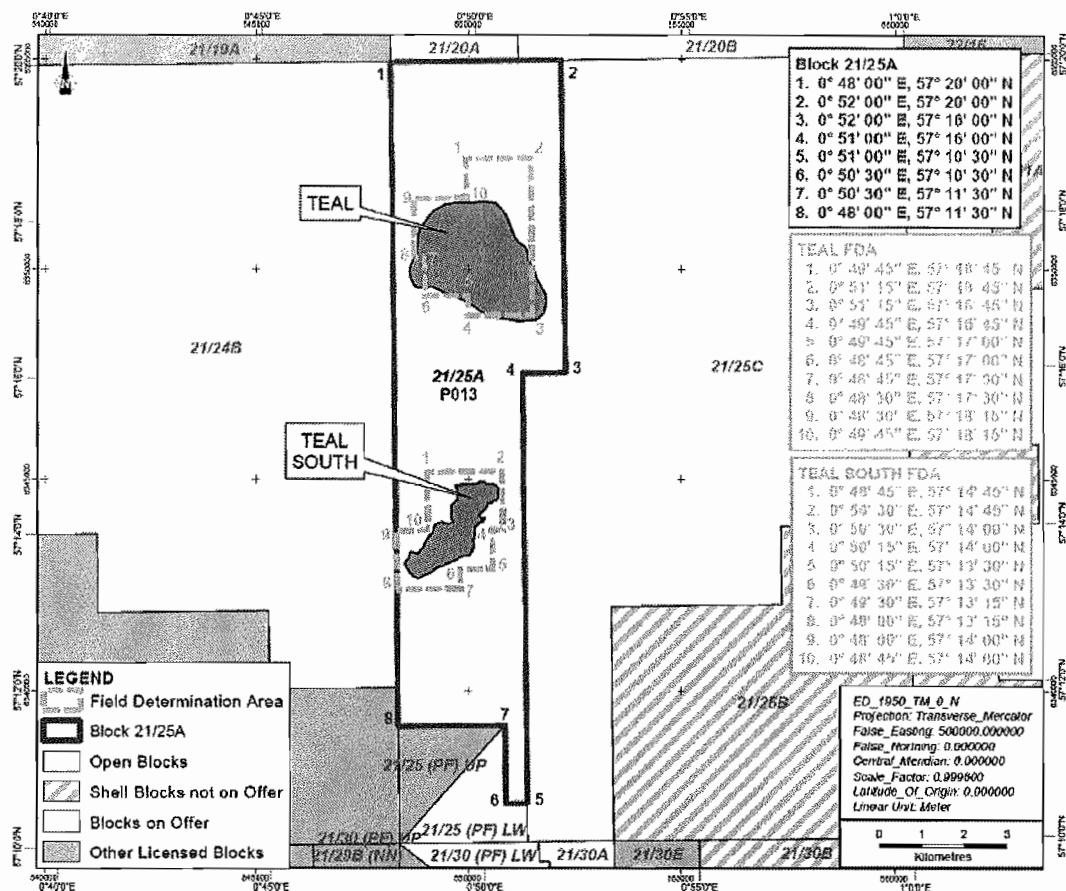


Figure 7.1: Teal and Teal South Fields

7.1 Reserves

7.1.1 Geological Model

The producing reservoir units of the Teal South Field are the Jurassic Fulmar and the Triassic Skagerrak. The operator has divided the Fulmar into three zones with the high permeability Middle Fulmar being the main producing interval.

- A brief review was conducted, in the data room, of Shell's seismic interpretation which was found to be reasonable and considered "fit for purpose"
- The reservoir and its lateral extent is well imaged on the seismic data.
- According to Shell's mapping, which seems to be reasonably robust, there is the possibility of unswept oil both in the attic above the producer and in an eastern structural nose where thicker Fulmar has been mapped.

- There may also be unswept oil to the west of the water injector (Figure 7.2).
- The model STOIP of 39.8MMstb was reproduced and is consistent with that reported.

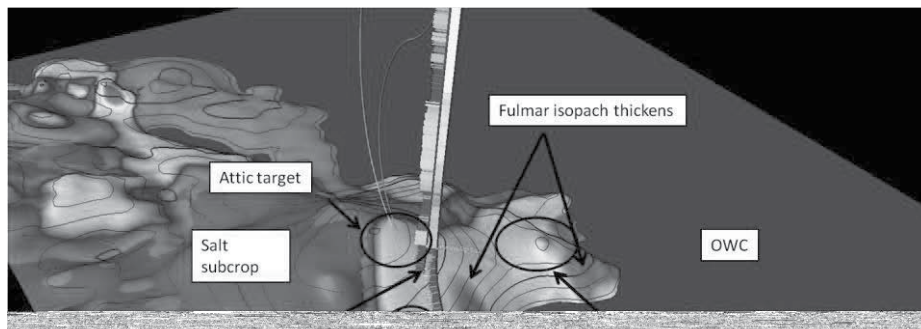


Figure 7.2: Teal South Field

7.1.2 Developed Reserves

The Teal South P1 well is shut-in while H₂S scavenging measures are being put in place; it is expected to restart during 2016. Decline curve analysis was applied to Teal South P1 with a starting date of August 2016, when the expected development is planned to be finished. DCA was applied in a similar manner as to that of Guillemot A in that production profiles were forecasted and then uptime percentages were applied.

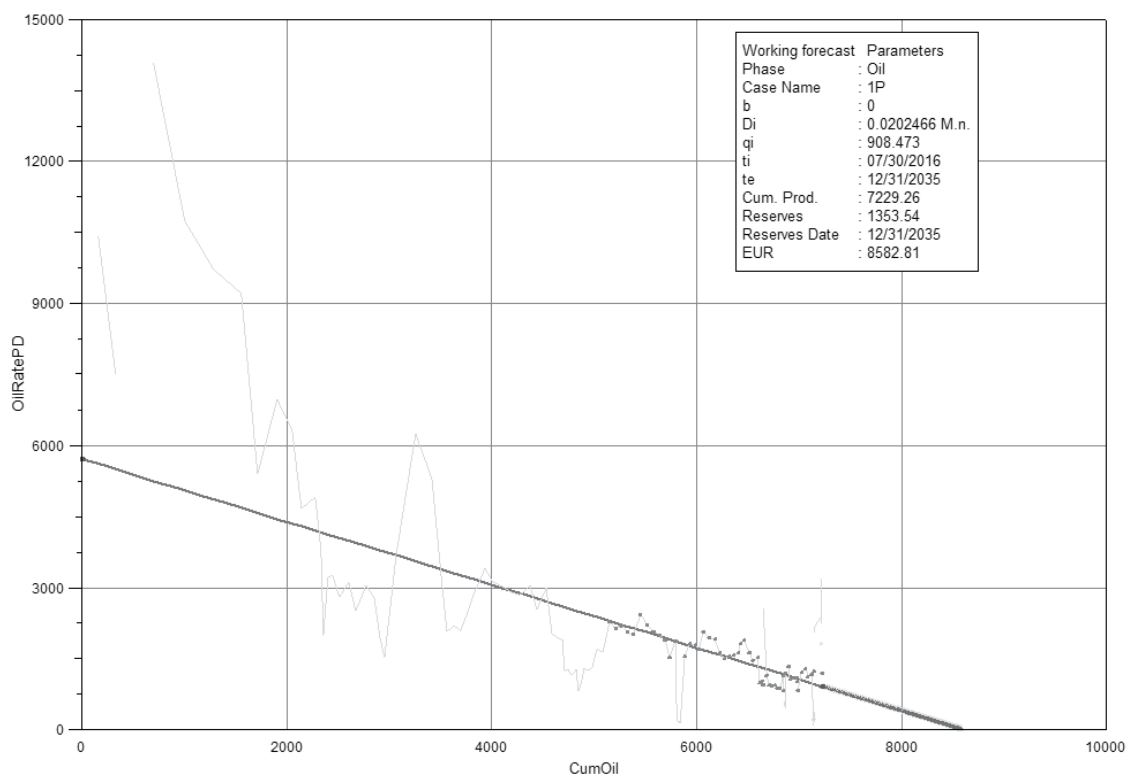


Figure 7.3: Teal South P1 1P DCA

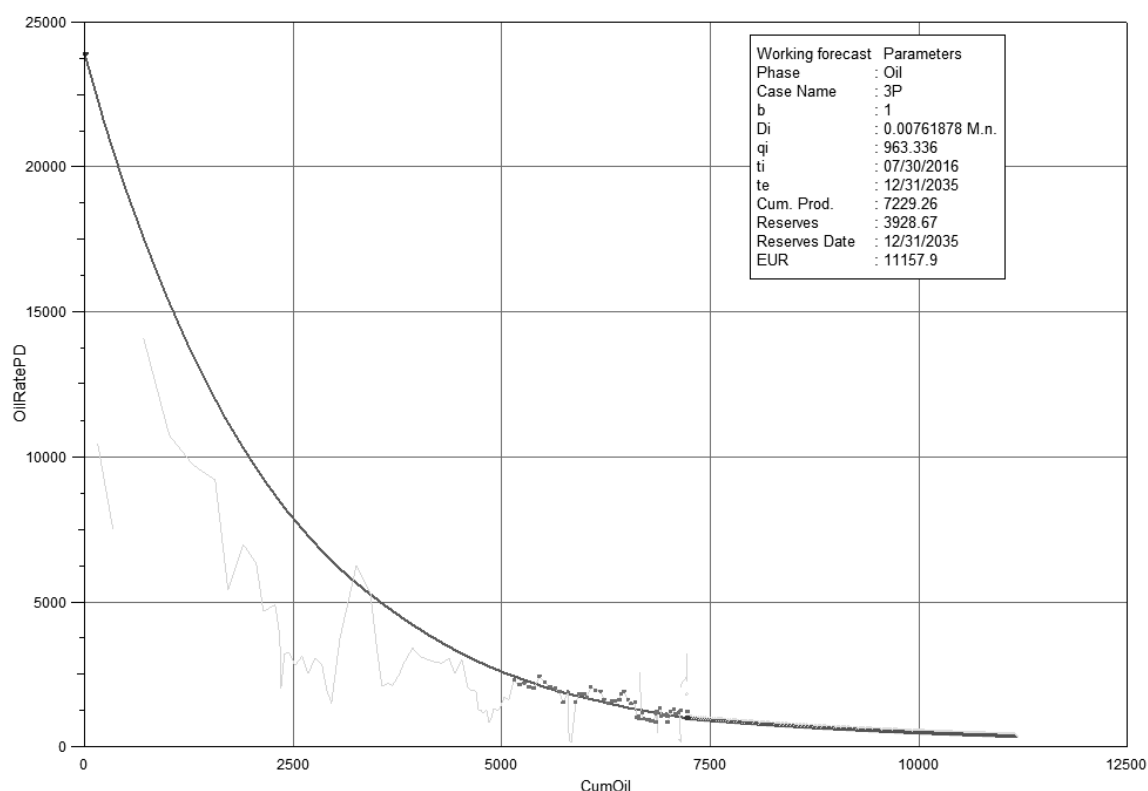


Figure 7.4: Teal South P1 3P DCA

7.1.3 Teal South Gas Lift Reserves

Without access to full field simulation models assessing the potential benefit of gas lift on ultimate recovery is difficult to quantify.

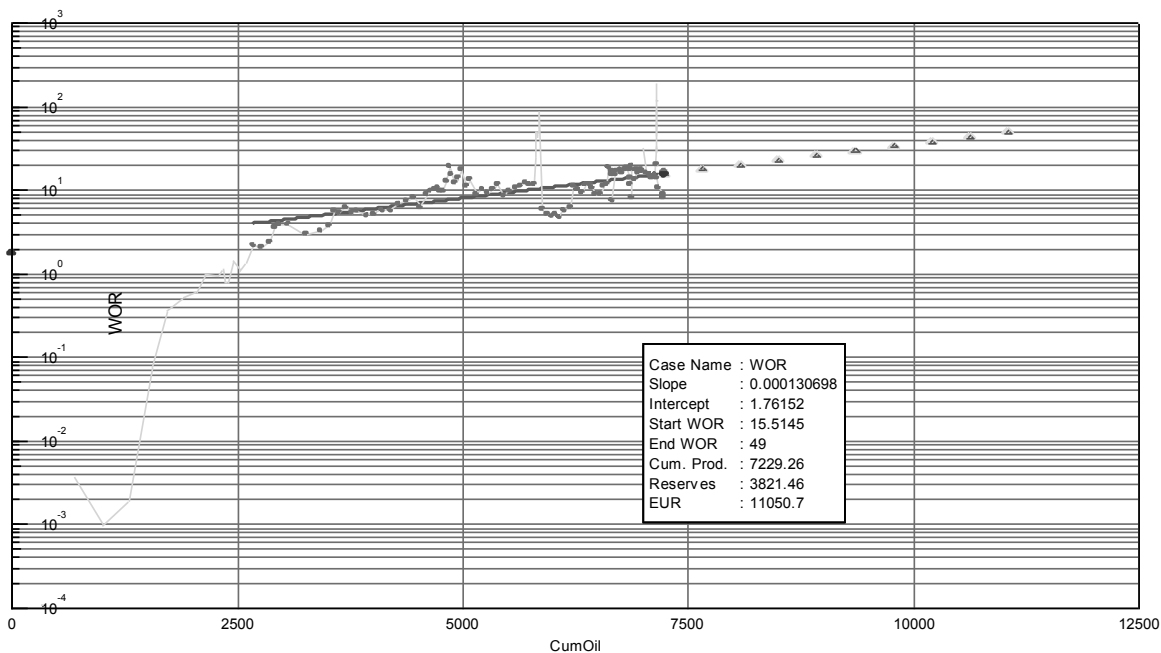


Figure 7.5: Water-Oil-Ratio trend for Teal South P1

To determine the impact of gas lift on the future performance and ultimate recovery of the Teal South P1 well a similar method to Guillemot A was applied. The water-oil-ratio trend was examined to determine the achievable recovery, up to a watercut of 98% (Figure 7.5).

The remaining Reserves being 3.8 MMstb of which the 2P DCA gives us 2.4 MMstb, so we assume 1.4 MMstb can be realised using gas lift or a 56% increment over a non-gas lifted well. This percentage increase when applied to the 1P and 3P Reserves translated into 0.8 MMstb and 2.0 MMstb respectively for 1P and 3P gas lift Reserves. Preparation for Gas Lift is expected to be completed and ready for production by October 2017.

7.1.4 Production Schedule

The total developed and undeveloped 1P to 3P profiles are given below in Table 7.1. These are based on the addition of the separate forecasts once uptime had been applied. It is assumed that any projects that have been described above come onstream at the stated times.

	Yearly Oil Production (Mstb)		
Year	1P	2P	3P
2015	0	0	0
2016	84	102	122
2017	165	214	273
2018	253	363	512
2019	231	340	489
2020	185	287	424
2021	172	275	412
2022	121	208	324
2023	131	226	352
2024	116	210	332
2025	93	179	290
2026	84	170	278
2027	68	145	242
2028	59	133	225
2029	53	123	211
2030	47	116	200
2031	42	109	189
2032	38	103	180
2033	34	96	171
2034	31	91	162
2035	28	86	155
Cumulative to end 2035 (MMstb)	2.0	3.6	5.5

Table 7.1: Teal South Field Forecast Profile (100% WI)

7.2 Contingent Resources

The proposed infill well for Teal South in the North East of the field is considered a valid target by RPS.

The volume of the target is estimated as 20% of the field total of 40 MMstb, thus is 8 MMstb. If we assume a 19% recovery factor, in line with the current production of P1 it could be expected to generate some 1.5 MMstb (2C), with a range from 0.8 MMstb (1C) to 3.0 MMstb (3C). The profiles are given below in Table 7.2.

Year	Yearly Oil Production (Mstb)		
	1P	2P	3P
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020	500	1000	2000
2021	167	333	667
2022	56	111	222
2023	19	37	74
2024	6	12	25
2025	2	4	8
2026	1	1	3
2027	0	0	1
2028	0	0	0
2029	0	0	0
2030	0	0	0
Cumulative to end 2035 (MMstb)	0.8	1.5	3.0

Table 7.2: Teal South Field Contingent Resources Forecast Profile (100% WI)

8. OTHER MATERIAL ASSETS - ANASURIA FPSO

The Anasuria FPSO is permanently moored approximately 175 km east of Aberdeen in a water depth of 89 m. The vessel is located above Teal so the other fields are tied back to the FPSO.

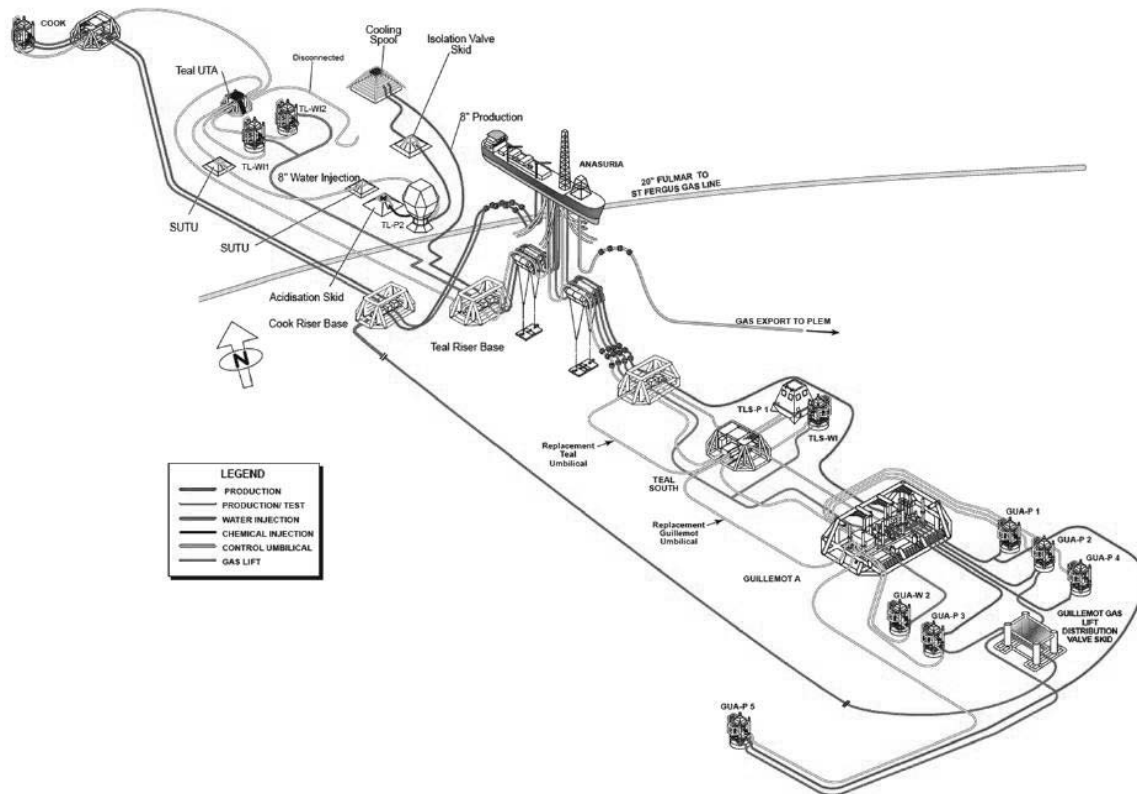


Figure 8.1: Anasuria FPSO Cluster Subsea Configuration

The Anasuria FPSO is a purpose built FPSO which was built in 1995 in Nagasaki, Japan, with topsides installation completed in Newcastle prior to installation and commissioning in 1996 as part of the development of the Guillemot A, Teal, and Teal South Fields. The Cook Field was subsequently developed as a subsea satellite tie-back to the Anasuria FPSO in 2000. No other third party fields are currently tied-back to the Anasuria FPSO.

The Anasuria FPSO represents the core of the Anasuria Cluster, providing the infrastructure for development of the Anasuria Cluster Fields and has the capacity and longevity to accommodate future infill opportunities, tie-backs of new fields including the Kite Discovery and any future discoveries in the surrounding area.

The primary functions of the Anasuria FPSO are:

- To produce dead crude for export via offtake tankers;
- To treat, and export, associated gas into the Fulmar Gas Line;
- To provide gas lift for the Guillemot A and Cook Fields;
- To treat produced water prior to disposal overboard; and
- To treat and inject seawater for water injection.

In addition, the Anasuria FPSO controls all the wells in the Anasuria Cluster and provides mooring, connection, loading and disconnection services for tankers offloading Anasuria Cluster crude.

The processing facilities on the Anasuria FPSO are designed for 11,000 m³/d (c.69,260 bbls/d) gross well fluids, which is separated into oil, gas and produced water. These capacities are sufficient for the future production forecasts. There are two first stage separators (one dedicated to the Cook Field) for the purpose of reservoir management and thereafter the process is single stream with common second and third stage separators.

There has been no significant reportable crude oil spill during Anasuria FPSO operations. The Oil-in-Produced-Water ("OIPW") system is reliable with a good clean up quality down to approximately 10ppm. Fuel gas consumption has remained below internal targets and Shell manages the asset with a very low flare consent, with engagements with the Department of Energy and Climate Change (DECC) for updates through the year if required. Emissions of CO₂ from the Anasuria FPSO are subject to the conditions of the European Union Emissions Trading Scheme.

9. KITE DISCOVERY

The Kite discovery is located between the Cook and Teal fields and is mostly in Block 21/25A and 21/20A. Three wells penetrate the interpreted structural closure, 21/25-8, -9 and -12 (Figure 9.1). The Kite discovery was made in 1993 by the 21/25-12 well.

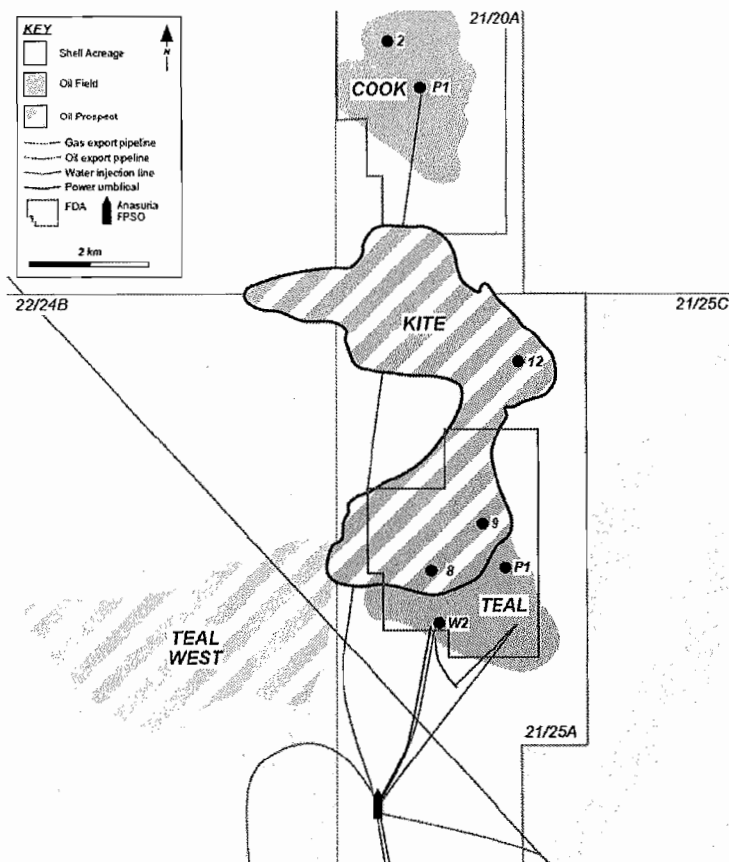


Figure 9.1: Kite Discovery Location Map

9.1 Contingent Resources

9.1.1 Geological Description

The main Kite reservoirs are the Palaeocene Ekofisk and Maastrichtian Tor formations of the Chalk Group which were penetrated in all three wells. Overlying the Chalk are the Maureen and Lista shales which act as a seal. The source rock for the hydrocarbons is the Upper Jurassic Kimmeridge Shale Formation from which migration into the reservoir occurred via faults (Figure 9.2).

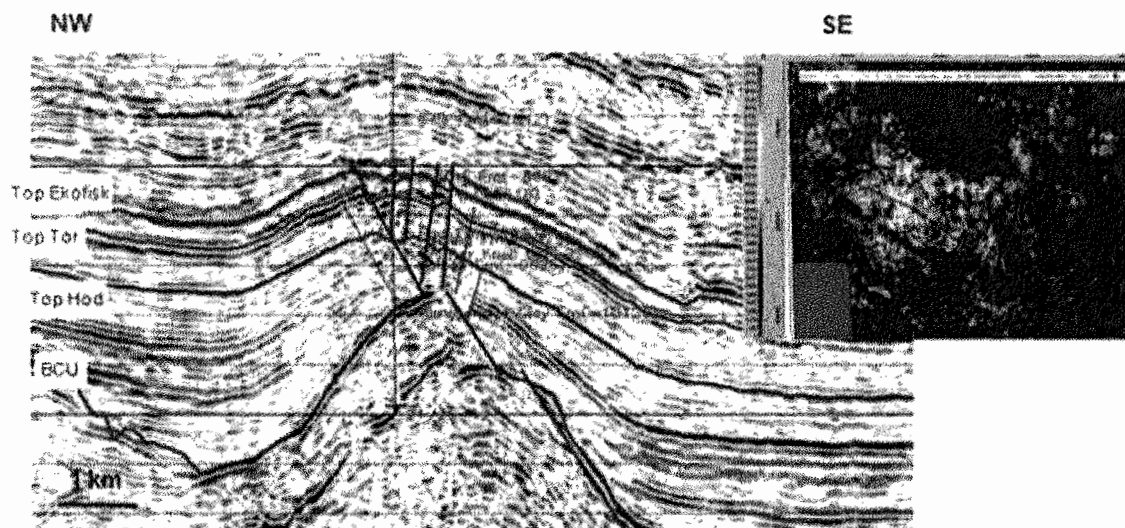


Figure 9.2: Kite Seismic Line

Oil shows were recorded at both Ekofisk and Tor reservoir levels in all 3 wells. No cores were taken, no well tests carried out, no image logs recorded and no hydrocarbon samples recovered. Standard well log suites were taken. Pressure data were recorded but were bad quality in 21/25-12, recorded in the water leg with limited drawdowns in 21/25-9 and showed low mobilities where recorded in the water leg in 21/25-8.

The presence of possible oil columns in each well is interpreted largely from the oil shows and gas chromatograph readings whilst drilling from which it is interpreted by Shell that the most likely hydrocarbon phase is liquid but this is not proven.

Average properties interpreted for the 3 wells are shown in Table 9.1.

Well	Zones	Top	Bottom	Reference Unit	Gross	Net	Net to Gross	Average phi	Average Sw
21_25-8	T Ekofisk Fm	8179	8465	Ft	286.0	84.5	0.30	0.193	0.72
21_25-9	T Ekofisk Fm	8424	8693	Ft	269.0	68.0	0.25	0.208	0.75
21_25-12	T Ekofisk Fm	8493.31	8729.42	Ft	236.1	54.0	0.23	0.191	0.71

Well	Zones	Top	Bottom	Reference Unit	Gross	Net	Net to Gross	Average phi	Average Sw
21_25-8	T Tor Fm	8465	9098	Ft	633.0	225.0	0.36	0.182	0.97
21_25-9	T Tor Fm	8693	9295.32	Ft	602.3	218.0	0.36	0.192	0.99
21_25-12	T Tor Fm	8729.42	9334.8	Ft	605.4	174.5	0.29	0.199	0.71

Table 9.1: Kite Average Reservoir Parameters

In the view of RPS, the presence of significant hydrocarbon saturations in the Tor Formation in 21/25-8 is questionable and in the Ekofisk is in doubt due to the hole size issue. The varying depths of the interpreted pay zones have been interpreted as indicating a tilted base to oil accumulations at both Ekofisk and Tor intervals, those tilts being at 1.5° at an azimuth of 40°. This is referred to by Shell as a diagenetic

structural trap but clearly relies on a significant element of stratigraphic trapping with both base and lateral changes in rock properties.

The basis, therefore of the proposed, single, tilted accumulations over the area indicated by the Vendor is dubious at best.

9.1.2 Hydrocarbon Initially in Place

9.1.2.1 Volumetrics – RPS

In the view of RPS, each of the separate models combined by Shell should be evaluated separately to generate a P90-50-10 range of volumes with an associated geological probability of success (GPoS).

Model 1 is equivalent to Shell's Low Case model with resources at the Tor interval. Shell does not calculate any resource volumes at the Ekofisk interval. Although no well test was carried out on the Tor in 21/25-12, the well log interpretation is considered sufficient to allocate these volumes to Contingent Resources (Table 9.2).

Model 2 is equivalent to Shell's "Structural Uncertainty" case which is based on seismic amplitude extent and a tilted contact at the Tor interval. With risks on reservoir quality including fracture distribution and hence productivity and the risk that the seismic amplitudes do not relate to hydrocarbon presence, this model and resultant volume range is considered as Prospective Resources with an associated chance of success.

Probabilistic			STOIIP MMstb	Recoverable MMstb	GPoS %	Resource Class
			Tor			
	Model 1	P90	8.6	0.4	100	Contingent
		P50	13.8	1.4		
		P10	20.3	3.0		
	Model 2	P90	10.1	0.5	25	Prospective
		P50	22.8	2.3		
		P10	46.6	7.0		
	Model 3	P90	11.0	0.6	20	Prospective
		P50	40.4	4.0		
P10		98.2	14.7			

Table 9.2: Kite Discovery Volumetrics (RPS Energy)

Model 3 incorporates an unproven lobe interpreted from seismic amplitude data. It is considered to be a separate prospect that may or may not be in communication with the 21/25-12 well and would require a separate exploration to prove Prospective Resource volumes.

Without access to the surfaces used by Shell in their volume estimates, RPS has calculated volume ranges and GPoS's for the Tor Formation for each of the three models. The GRV inputs are based on area, depth and thickness inputs for each model. Areas were measured from the Top Tor maps. The potential volumes in the Ekofisk Formation are very small as shown by Shell.

Volume ranges for comparable models are not dissimilar to those generated by Shell. The main difference is that RPS apply a chance factor (GPoS) to models 2 and 3.

9.2 Contingent Resources and Production profile

The Contingent Resources for the Kite development have been entirely based on the volumetric discussion detailed above, thus the 1C, 2C and 3C range of 0.4 MMstb, 1.4 MMstb and 3.0 MMstb.

Year	Yearly Oil Production (Mstb)		
	1P	2P	3P
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020	229	800	1714
2021	98	343	735
2022	42	147	315
2023	18	63	135
2024	8	27	58
2025	3	12	25
2026	1	5	11
2027	1	2	5
2028	0	1	2
2029	0	0	0
2030	0	0	0
Cumulative to end 2035 (MMstb)	0.4	1.4	3.0

Table 9.3 Kite Discovery Contingent Resources (Model One) Forecast Profile (100% WI)

10. CAPEX AND OPEX

10.1 Facilities and Costs

RPS reviewed costs associated with the production of hydrocarbons from Anasuria FPSO which serves as production and storage facilities for the Guillemot A, Teal, Teal South and Cook Fields.

Petrofac were contracted to perform survey work and Due Diligence on the FPSO (Floating, Production, Storage and Offloading) facilities including providing their view of the ongoing capital projects and operating costs. Petrofac have an in depth knowledge of operating North Sea Fields. RPS was provided with cost data from Shell (the existing operator), Petrofac and Hibiscus Petroleum and RPS has reviewed this in the preparation of the future cost estimates.

10.2 Capital Expenditure

In addition to the ongoing operational costs there are a number of capital projects or backlog that were due to be undertaken in 2015. These projects have now been deferred and consequently the work packages for 2016 and 2017 are now considerable and require the attendance of a Diving Support Vessel (DSV), Heavy Lift (HL) Vessel and 'Walk To Work' (WTW) Vessel to provide additional accommodation capacity. After a number meetings and discussions with Petrofac RPS has estimated the costs detailed in Table 10.1 for 'capex' related items.

Work Package	2015 £MM's	2016 £MM's	2017 £MM's
Replace TEG Contactor	-	-	2.50
Gas Export Control Valve	-	1.50	1.50
FPSO Hull Strengthening (Offshore)	-	-	1.00
H2S Scouring Project	-	7.50	7.50
Mooring Inspection & Replacement	-	4.83	-
Well Jumper Replacement	-	0.50	1.50
Hull Fatigue Survey	-	0.50	-
Riser Replacement	-	5.00	16.00
Replace Mooring Jewellery	-	0.33	0.33
Routine Capex Maintenance	2.30	2.30	2.30
2017 DSV Campaign	-	-	5.00
WTW Vessel	-	-	38.40
HL Vessel	-	-	7.60

Table 10.1: CAPEX Costs

In addition to the above costs, there is a general consensus that the Anasuria FPSO mooring system will require replacement in 2021 and the sum of £22.50MM should be allocated for the change out.

These work packages are subject to a 15% contingency which RPS has added for unforeseen additional costs.

10.3 Drilling Costs

For future drilling costs, RPS has used the latest Petrofac well cost estimates in our evaluation. Three sources of drilling costs were examined including Performance Drilling, the Vendor's and Petrofac. The final drilling costs were included as follows (Table 10.2):

	2017 £MM's	2018 £MM's
Infill Drilling at GUA North	5.88	39.31
Infill Drilling at GUA Central	5.88	39.31
Rig Use - Gas lift GUA P5 & P1	0.80	15.13
Rig Use - Gas lift GUA P4	0.80	15.13
Rig Use - Gas lift at TLS-P1	0.80	15.13
Rig Use - Recompletions at Forties	0.68	12.94
Miscellaneous	0.08	4.44

Table 10.2: Drilling Costs

10.4 Operating Costs

As stated above Petrofac were instructed by Hibiscus Petroleum to review the operators costs associated with the maintenance and operation of the FPSO. Both Petrofac and RPS used the Vendors data as a starting point which has an average annual opex of £45MM. This excludes Operators Overheads which is estimated by the operator to be £5MM/annum for the vessel opex and any field specific costs (such as subsea scope). Several other minor opex items are included separately in the Vendors material life extension studies, riser storage, EU Trading and H₂S chemicals amounting to £3 to £4MM/annum. RPS has reduced the operators general and administrative expenses (G&A) by 50% in recognition that a new more focussed Operator would be able to make significant savings in this arena.

RPS has also addressed the subsea opex associated with the Guillemot, Cook, and Teal fields. Again using Shell data as a starting point, RPS examined the Shell G&A content historically and were able to make similar reductions to the sub-sea opex for G&A / timewriting. The Guillemot opex has now been reduced to an average of £7MM/annum and Teal to £2MM/annum.

The existing operator provides its own Insurance facility. RPS has included an annual premium of £1.78MM based on quotes provided.

A 5% contingency has been applied to the opex for any unidentified transitional cost for the period 2015 to 2017. Total opex costs for the vessel and sub-sea are averaging about £68MM/annum over the next ten year period. Adjusting for new future cost scope (H₂S chemical and the increased cost of Carbon Trading) this is circa 15 % lower than the Shell Historical opex cost for 2012 to 2014. RPS considers that this can be achieved on the grounds of a more focussed lower overhead operator, some softening in market conditions in light of the recent oil price decline

and the movement of some Field opex for subsea scope into CAPEX in this evaluation.

11. ECONOMICS

11.1 Valuation Assumptions

11.1.1 General

THE EFFECTIVE DATE OF THIS REPORT IS 1ST JANUARY 2015 AND THIS HAS BEEN USED AS THE DISCOUNT DATE FOR THE VALUATION.

ALL VALUES ARE POST-TAX AND HAVE BEEN EXPRESSED OVER A RANGE OF DISCOUNT RATES, USING MID-YEAR DISCOUNTING.

AN ANNUAL INFLATION RATE OF 2% HAS BEEN ASSUMED FROM 2016 ONWARDS AND IS APPLIED TO BOTH COSTS AND REVENUES.

A CONSTANT EXCHANGE RATE OF 1.5 US\$ TO UK£ WAS ASSUMED.

11.1.2 Oil Prices

THE VALUATION HAS BEEN BASED ON THE RPS LONG TERM FORECAST FOR BRENT AS SHOWN IN Table 11.1.

A Low Price Case (\$50/stb in real 2015 dollars) and High Price Case (\$100/stb in real 2015 dollars) are also shown in the Table in Money of the Day (MoD) and have been used for price sensitivity purposes. Recent oil prices over the last 5 years has demonstrated considerable variability and highlights the uncertainty in forecasting medium to long term oil prices.

	Low Price Case (US\$/stb, MoD)	Base Price Case (US\$/stb, MoD)	High Price Case (US\$/stb, MoD)
2015	50.00	60.00	100.00
2016	51.00	70.00	102.00
2017	52.02	77.00	104.04
2018	53.06	82.00	106.12
2019	54.12	86.00	108.24
2020	55.20	90.00	110.41
2021	56.31	94.00	112.62
2022	57.43	97.64	114.87
2023	58.58	99.59	117.17
2024	59.75	101.58	119.51
2025	60.95	103.61	121.90
2026 onwards	+ 2% p.a.	+ 2% p.a.	+ 2% p.a.

Table 11.1: RPS Brent Price Forecasts (Q2 2015)

Based on the historical realised crude price from 2011 to 2014, a premium to Brent of 1.63% was applied for the Anasuria Blend (39° API, 0.3% sulphur), which is crude oil

offtake from the Anasuria FPSO and contains comingled oil from the Guillemot A, Cook, Teal and Teal South fields.

Assuming no supply shocks, RPS anticipates global oil price will remain at the bottom of market expectations, in the region of \$40-\$50/bbl, until the back end of 2016 when global demand growth is expected to result in an improved balance between supply and demand. In the medium to long term, RPS expects global oil price (Brent) to rise towards \$85/bbl (base case; our low case is \$70/bbl and high case is \$100/bbl) as long term price reflects the marginal cost of exploration and production based on current demand forecasts. We expect the WTI - Brent differential to remain at \$5-\$10/bbl over the next ten years unless the US decides to repeal the legislation limiting the export of domestic crude oil.

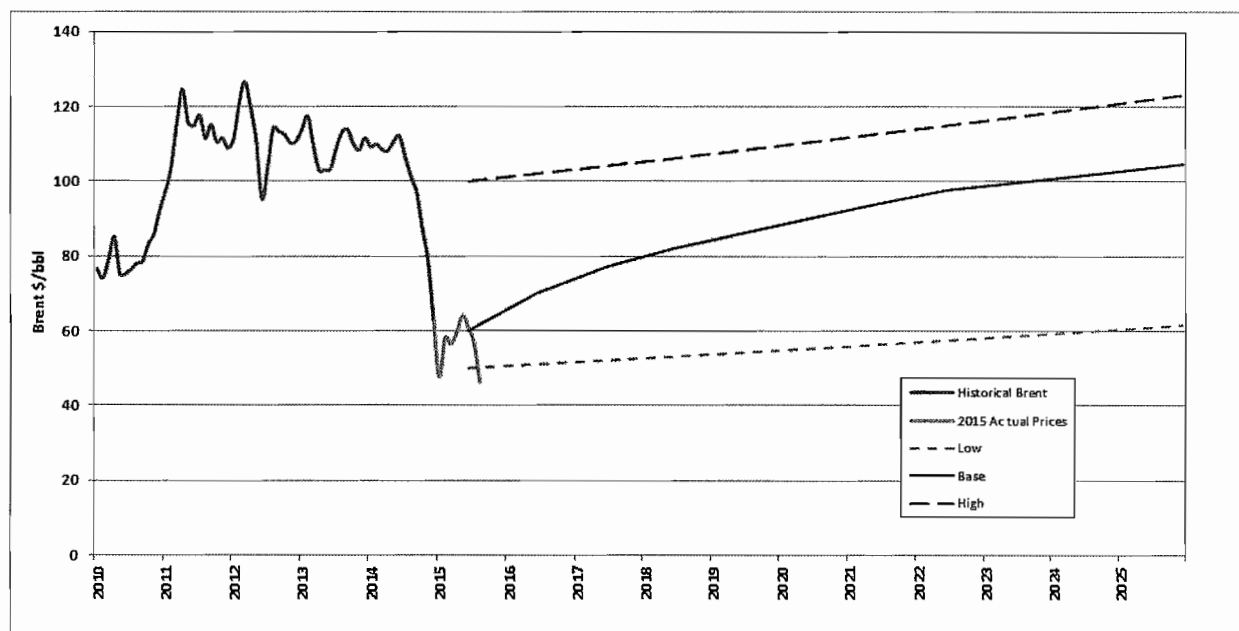


Figure 11.1: Historical & RPS Forecast Oil Price

11.1.3 Gas Prices

SALES GAS HAS BEEN VALUED ON THE RPS LONG TERM PRICE FORECAST FOR UK National Balancing Point (NBP) GAS AS SHOWN IN Table 11.2.

A Low Price Case (UK£4.50/MMBTU in real 2015 terms) and High Price Case (UK£7.50/MMBTU in real 2015 terms) are also shown in the Table in Money of the Day and have been used for valuation sensitivity to UK gas prices.

	Low Price Case (UK£/MMBTU, MoD)	Base Price Case (UK£/MMBTU, MoD)	High Price Case (UK£/MMBTU, MoD)
2015	4.50	4.67	7.50
2016	4.59	5.30	7.65
2017	4.68	5.93	7.80
2018	4.78	6.16	7.96
2019	4.87	6.28	8.12
2020	4.97	6.40	8.28
2021	5.07	6.53	8.45
2022	5.17	6.66	8.62
2023	5.27	6.80	8.79
2024	5.38	6.93	8.96
2025	5.49	7.07	9.14
2026 onwards	+ 2% p.a.	+ 2% p.a.	+ 2% p.a.

Table 11.2: RPS UK NBP Gas Price Forecasts (Q2 2015)

Gas from the Guillemot A, Teal and Teal South fields is transported, processed and redelivered via the SEGAL System. The Shell-Esso Gas and Liquids (SEGAL) system terminal at St Fergus is located 65km north of Aberdeen and has a capacity of 32 million sm³/d of wet gas. Shell and Esso require the purchaser of the Anasuria cluster to sell the gas from these fields to Shell and Esso at the point where the gas enters the SEGAL System for the price of 85% UK NBP and in accordance with the terms of a gas sale and purchase agreement to be agreed.

Cook gas is also exported via the SEGAL system and redelivered to the Cook field owners at the redelivery point at St. Fergus Terminal. Under the terms of the Cook GSA, Cook field gas is sold at a price that is 40% of the UK NBP gas price.

11.2 Valuation Methodology

RPS production and cost forecasts for the Guillemot A, Cook, Teal and Teal South fields were generated for each field at the 1P, 2P and 3P Reserves in conjunction with Anasuria FPSO cost estimates. The annual forecasts of production and costs were used in the RPS UK economic cashflow model and aggregated for the 1P, 2P and 3P Reserves cases.

Shell and Esso together wholly own the Guillemot A, Teal, and Teal South Fields, the Anasuria FPSO and the associated (non-Cook Field) production infrastructure in the Anasuria Cluster. No specific commercial agreements exist between Shell and Esso regarding ownership and operatorship of the assets, other than the 1965 Operating Agreement. Under the terms of the Cook Field processing agreement there is an opex sharing arrangement with the Cook field regarding Anasuria FPSO opex, based on Cook oil field production relative to the oil production from the Anasuria Cluster as a whole. The agreement is the Cook Field Transportation, Processing and

Operational Services Agreement dated 20 April 2000, as amended. The Cook Field owners pay to the Anasuria owners a tariff that is a share of the operating costs of the Anasuria FPSO on a dry oil basis. Capital costs on the Anasuria FPSO are incurred by the owners of the Anasuria FPSO.

The RPS Reserves cases are truncated at the economic limit, a point in time that defines the economic life of the project. The economic limit is determined when the Anasuria cluster cumulative gross operating cashflow turns irreversibly negative. The operating cashflow for this purpose is defined on a gross basis as production revenue less cash opex.

11.3 Fiscal Assumptions

UK petroleum activities are taxed within a concessionary tax system. Company profits from upstream oil and gas operations in the UK are subject to Corporation Tax (CT) at a rate of 30%, and Supplementary Charge (SC) at a rate of 20% from 1 January 2015. Both taxes are ring-fenced to upstream activities. Capital and operating expenditures are allowed against tax as incurred once the company is in a tax paying position. Abandonment and decommissioning costs are allowed at 100% against CT and SC subject to there being sufficient taxable revenues in prior years: tax losses caused by abandonment costs can be carried back to April 2002.

An Investment allowance is available from 1 April 2015 against SC. The allowance removes an amount equal to 62.5% of investment expenditure incurred by a company in relation to a field from its ring fence profits which are subject to the supplementary charge.

The existing Brown Field Allowance for the GUA-P5 well qualified for a Brown Field Allowance (BFA) of £25.8 million in 2014. The remaining allowance assumed at 1 January 2015 is £20.6 million. On Hibiscus Petroleum's advice from CW Energy this allowance can be transferred to a new licensee.

Hibiscus Petroleum has advised that they intend to purchase US\$30MM of Plant and Machinery Allowances. These have been included in the calculations of CT and SC.

11.4 Decommissioning Security Agreement

Hibiscus Petroleum has advised of their intended mechanism for a future Decommissioning Security Agreement, which has been included in the cashflow valuations. The DSA will be paid into an escrow account according to the following arrangement: 70% of net profit is available for the escrow account with a floor of US\$6.50/bbl of oil and an upper limit proposed to Shell at \$12/bbl of oil. No interest has been applied on the escrow account in the valuation.

11.5 Valuation of Reserves

After applying economic limits and applying the Shell/Esso Working Interest %, Reserves for the fields in the Anasuria Cluster are summarised in Table 11.3 and Table 11.4 below.

SUMMARY OF OIL RESERVES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	Full Field Gross Reserves ¹			Shell/Esso Working Interest Reserves					
	1P MMstb	2P MMstb	3P MMstb	Gross ²			Net ³		
				1P MMstb	2P MMstb	3P MMstb	1P MMstb	2P MMstb	3P MMstb
Guillemot A	17.7	27.5	36.3	17.7	27.5	36.3	17.7	27.5	36.3
Cook	9.6	16.0	22.1	3.7	6.2	8.5	3.7	6.2	8.5
Teal	2.6	3.2	3.7	2.6	3.2	3.7	2.6	3.2	3.7
Teal South	1.7	3.5	5.5	1.7	3.5	5.5	1.7	3.5	5.5
TOTAL⁴	31.7	50.2	67.6	25.8	40.4	54.0	25.8	40.4	54.0
Notes: ¹ Gross field Reserves (100% basis) <u>after</u> economic limit test ² Companies working interest share of gross field Reserves <u>after</u> economic limit test ³ Companies net attributable share of Reserves, after royalties ⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Reserves are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1P Reserves may be a very conservative assessment and the total 3P Reserves a very optimistic assessment. Any discrepancies in the tables included in this Valuation Report between the amounts listed, actual figures and the total thereof in this Valuation Report are due to rounding adjustments.									

Table 11.3: Summary of Oil Reserves
SUMMARY OF GAS RESERVES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	Full Field Gross Reserves ¹			Shell/Esso Working Interest Reserves					
	1P Bscf	2P Bscf	3P BScf	Gross ²			Net ³		
				1P Bscf	2P Bscf	3P Bscf	1P Bscf	2P Bscf	3P Bscf
Guillemot A	6.2	9.6	12.6	6.2	9.6	12.6	6.2	9.6	12.6
Cook	21.2	35.3	48.7	8.2	13.6	18.8	8.2	13.6	18.8
Teal	1.2	1.5	1.7	1.2	1.5	1.7	1.2	1.5	1.7
Teal South	1.5	3.2	5.0	1.5	3.2	5.0	1.5	3.2	5.0
TOTAL⁴	30.1	49.5	68.0	17.1	27.9	38.2	17.1	27.9	38.2
Notes: ¹ Gross field Reserves (100% basis) <u>after</u> economic limit test ² Companies working interest share of gross field Reserves <u>after</u> economic limit test ³ Companies net attributable share of Reserves, after royalties ⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Reserves are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1P Reserves may be a very conservative assessment and the total 3P Reserves a very optimistic assessment. Any discrepancies in the tables included in this Valuation Report between the amounts listed, actual figures and the total thereof in this Valuation Report are due to rounding adjustments.									

Table 11.4: Summary of Gas Reserves

The valuation of the 1P, 2P and 3P Reserves at 1 January 2015 are presented in Table 11.5. Sensitivities of valuations to changes in discount rate and low price and high price scenarios are shown in Table 11.6 and Table 11.7.

SUMMARY OF NET PRESENT VALUES of RESERVES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	NPV @ 10% (US\$MM)				NPV @ 10% (RM\$MM) ²	
	Shell/Esso Working Interest		50 % Working Interest		50 % Working Interest	
	1P	2P	1P	2P	1P	2P
DEVELOPED¹	-98.4	51.0	-49.2	25.5	-209.2	108.4
DEVELOPED + UNDEVELOPED¹	35.5	226.5	17.8	113.3	75.5	481.5
Notes: ¹ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Reserves are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1P Reserves and the value derived may be a very conservative assessment and the total 3P Reserves and value derived a very optimistic assessment. ² Unless otherwise stated, the exchange rate of US\$1.00:RM4.2520, being Bank Negara Malaysia's middle rate as at 5.00 p.m. on 26 August 2015, is used throughout this Valuation Report for purposes of translation of US\$ into RM						

Table 11.5: Valuation of Reserves

SUMMARY OF NET PRESENT VALUES of RESERVES
as of January 01, 2015
DISCOUNT RATE SENSITIVITIES

	Anasuria Cluster 2P NPVs				
	Shell/Esso Working Interest				
	NPV0	NPV8	NPV10	NPV12	NPV15
TOTAL (US\$MM)	405	250.8	226.5	205.7	179.7
TOTAL (RM MM)	1722.1	1066.4	963.1	874.6	764.1

Table 11.6: Sensitivity to Discount Rate of Valuation of Anasuria Cluster 2P

**SUMMARY OF NET PRESENT VALUES of RESERVES
as of January 01, 2015
PRICE SENSITIVITIES**

Price Scenario	NPV @ 10% (US\$MM)			
	Shell/Esso Working Interest			
	DEVELOPED		DEVELOPED + UNDEVELOPED	
	1P	2P	1P	2P
Low Price	-339.5	-239.4	-343.2	-117.6
Base Price	-98.4	51.6	35.5	226.5
High Price	117.1	251.4	256.4	490.1
<i>Notes:</i> ¹ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Reserves are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1P Reserves and the value derived may be a very conservative assessment and the total 3P Reserves and value derived a very optimistic assessment.				

Table 11.7: Sensitivity to Prices of Valuation of Anasuria Cluster Reserves

11.6 Alternative Market Valuation

The valuation of the Shell/Esso working interests in the Anasuria Cluster described above in section 11.1 to 11.5 was undertaken by the Discounted Cash Flow Method in conjunction with a normal Reserves and Resource evaluation to SPE-PRMS guidelines. The RPS estimate of 2P Reserves as of 1 January 2015 is 40.4 MMstb of oil and 27.9 Bscf of gas, which converts to 45.2MMboe, assuming 5,800 scf/boe. The valuation of the net 2P Reserves at the RPS Base Brent price and applying a 10% discount rate is US\$ 226.5 Million. The value per barrel is therefore US\$ 5.0/boe.

For the alternative valuation method, by comparison to similar market transactions, we have reviewed the publically available transactions in the UK North Sea in the years 2010 to 2015, and considered those deals relating to mature oil fields for comparison with the Anasuria cluster. We discarded those transactions that were:-

- primarily for gas assets,
- contained heavy oil,
- primarily exploration or assets yet to be developed,
- assets which had insufficient reserves data or data obscured within larger corporate deals,
- those that contained large elements of infrastructure such as pipelines and onshore terminals.

This has reduced the list of deals to seven, which are broadly comparable to the Anasuria cluster. A summary of these deals is shown in Table 11.8.

	Effective Date	Asset name	Buyer	Seller	Deal (\$MM)	2P Reserve (MMboe)	Deal price (\$/boe)
1	1 July 2010	Triton Area , Scott & Telford, Inner Moray Firth exploration	Dana	Suncor	372	33.5	11.10
2	1 Jan 2011	Cook	Ithaca Energy	Hess	57	5.75	9.91
3	1 Jan 2012	Cook, MacCulloch	Ithaca Energy	Noble Energy	38.5	3.4	11.32
4	1 Jan 2012	Flotta Hub, Greater Fulmar Hub, Montrose/Arbroath hub, others	SINOPEC	Talisman	1,500	173.7	8.64
5	1 Jan 2013	Greater Kittiwake assets	Enquest	Centrica	39.9	4.7	8.49
6	1 Jan 2014	Scott, Rochelle, Telford, & exploration blocks	MOL	Premier Oil	130	14.3	9.09
7	1 Jan 2014	Cook, Pierce and Wyth Farm	Ithaca Energy	Sumitomo	163	12	13.58
Simple Average							10.17

Table 11.8: Summary of North Sea Valuations Previously Conducted by RPS

11.7 Adjustments to Market Value

The market transactions tabulated above will have been made under different price environments and different tax rates to the current market and UK tax regime, so adjustments to the reported values are considered necessary.

In Figure 11.2, we have plotted the acquisition price in \$/boe and compared these with a plot of the Argus Brent oil spot price at the effective date of the deal. There is no apparent trend between spot oil price and the valuation \$/boe price but we have assumed that in most cases, transaction values will track medium to long term oil market expectations rather than day to day price movements. For this reason we have rebased the reported transaction values to account for current lower market conditions.

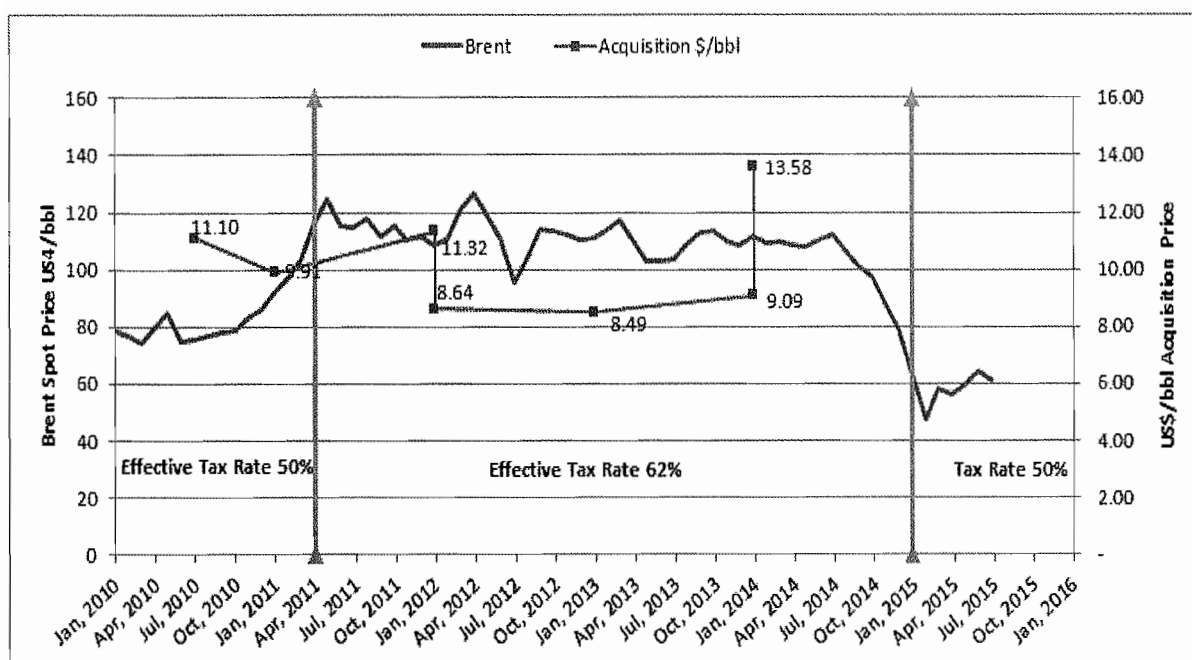


Figure 11.2: Market Valuation & Oil Price

The effective UK corporate income tax rate has changed over the period 2010 to 2015 due to changes in the rate of the Supplementary Charge. The rates of Supplementary Charge in this period have been as follows: 1 January 2006 to 31 March 2011 20%, from 1 April 2011 to 31 December 2014 32%, and from 1 January 2015 20%. The UK Ring Fence Corporation Tax rate has been constant at 30%, giving an effective tax rate of either 50% or 62%. The figure above does have some movement down in values during the period of higher tax rates.

In conclusion we have adjusted the reported transaction values for the oil price and tax rate prevailing at the effective date of the transactions. The values have been re-based to the effective date of the proposed transaction of 1 January 2015 by applying a Brent oil price of US\$55.4/bbl (daily spot Brent price) and an effective tax rate of 50%. This gives the rebased acquisition prices as shown in Figure 11.3.

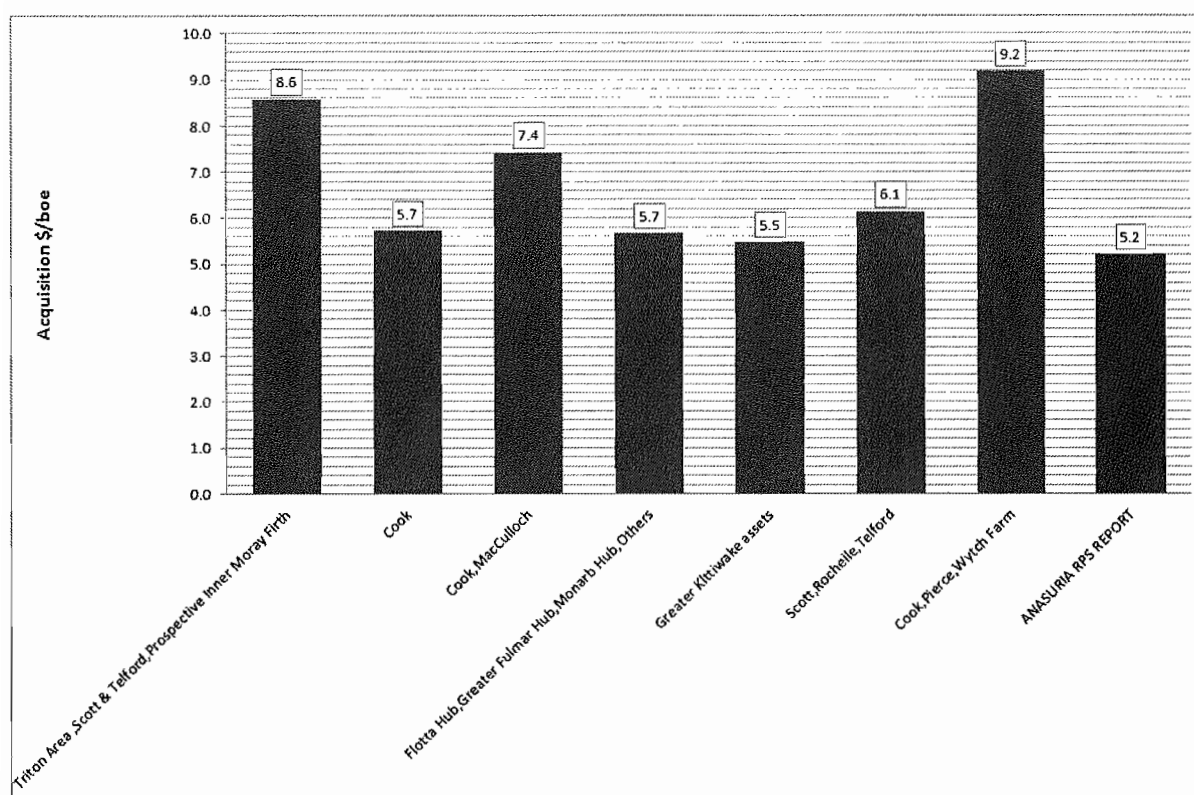


Figure 11.3: Rebased Acquisition Prices

Also included in Figure 11.3 is the RPS valuation of the 2P Reserves (Developed plus Undeveloped) of the Anasuria cluster in \$/boe. This is 5.2 \$/boe and compares to a simple average of the market transactions of \$6.9/boe. The value per boe for the RPS valuation does not include any premium to the underlying DCF valuation. The difference in the average market transaction unit value and the RPS reported unit value could be accounted for by the addition of a premium to the RPS DCF assets values. All but one of the reported transactions were undertaken in a period when the oil price was higher than \$100/bbl, and so a premium relative to the prevailing market conditions at the time is the likely explanation for this difference.

The comparison values from the transaction public data all precede the approximate halving in oil prices from mid-2014 to today. We believe the market sentiment in this period of higher sustained oil prices generated a premium to the underlying asset values. For example, the purchase of the Cook, Pierce, and Wytch Farm fields by Ithaca Energy in 2014 of \$13.6/boe was valued at the time by RPS Energy at \$12.1 per 2P boe. The acquisition price of \$13.6/boe suggests a 12% premium to the DCF assets values of 12%.

In the current Brent oil price environment of approximately \$50/bbl and Brent futures prices in 2016 in the low \$50s/bbl and in 2017 at approximately \$60/bbl, we would expect a bearish sentiment to continue. Accordingly, RPS considers the DCF valuations of 1P Reserves at \$35.5 million and 2P Reserves of \$226.5 million a more accurate reflection of value than the comparison transaction values. Typically the market will pay 90 to 100 % of the Proved Value and 30 – 60 % of the Possible.

A summary of the undiscounted and weighted NPV10 DCF evaluation and the rebased market evaluations is provided below, the consideration at 2.3 \$/boe is lower

that than the rebased acquisition prices and we consider this reflects the market sentiment given the current low oil price.

		Value of Reserves NPV(10) US\$ Million	Weighting	Consideration US\$ Million	Consideration US\$/boe
DCF	1P	35.5	100%	35.5	
	2P	226.5			
	Probable Reserves (by difference)	191	36%	69.5	
	Weighted Value			105.0	2.3
Rebased Acquisition Prices					5.7 – 9.2

Table 11.9: Comparison of Valuations

11.8 UK Outlook

RPS considers that the UK Sector of the North Sea is a relatively high cost producing province as a result of the high cost of personnel, goods and services compared with other jurisdictions. Recent reductions in oil price has created a significant cost challenge for the oil and gas industry in the North Sea. Late life assets such as the Anasuria Cluster are being sold by larger oil companies to smaller companies that do not have the high overhead cost structures. There has also recently been reductions in salaries and service costs in order to create a sustainable business environment for assets which otherwise would have to be decommissioned.

Recognising the industry challenges the UK government introduced in the 2015 budget additional investment allowances and significantly reduced the taxes to be paid on oil and gas revenues. The effective Corporation rate tax to be paid by the Anasuria cluster fell from 62% to 50% during this year. The UK government has flagged the introduction of other brown field and new investment allowances to stimulate growth in the UK oil and gas sector if the current low oil prices prevail.

APPENDIX 1: GLOSSARY OF TERMS AND ABBREVIATIONS

API	American Petroleum Institute
asl	above sea level
B	Billion
bbl(s)	Barrels
bbls/d	barrels per day
Bcm	billion cubic metres
B _g	gas formation volume factor
B _{gi}	gas formation volume factor (initial)
B _o	oil formation volume factor
B _{oi}	oil formation volume factor (initial)
B _w	water volume factor
bopd	barrels of oil per day
BTU	British Thermal Unit
Bscf	billions of standard cubic feet
bwpd	barrels of water per day
CO ₂	Carbon dioxide
condensate	liquid hydrocarbons which are sometimes produced with natural gas and liquids derived from natural gas
cP	centipoise
C _{ROCK}	rock compressibility
C _w	water compressibility
DBA	decibels
E _a	areal sweep efficiency
EMV	Expected Monetary Value
EPSA	Exploration and Production Sharing Agreement
ESD	emergency shut down
E _{vert}	vertical sweep efficiency
FBHP	flowing bottom hole pressure
FTHP	flowing tubing head pressure
ft	feet
ftSS	depth in feet below sea level
GDT	Gas Down To
GIP	Gas in Place

GIIP	Gas Initially in Place
GOR	gas/oil ratio
GRV	gross rock volume
GWC	gas water contact
H ₂ S	Hydrogen sulphide
HIC	hydrogen induced cracking
IRR	internal rate of return
KB	Kelly Bushing
k _a	absolute permeability
k _h	horizontal permeability
km	kilometres
km ²	square kilometres
kPa	kilopascals
k _r	relative permeability
k _{rg}	relative permeability of gas
k _{rgcl}	relative permeability of gas @ connate liquid saturation
k _{rog}	relative permeability of oil-gas
k _{roso}	relative permeability at residual oil saturation
k _{roswi}	relative permeability to oil @ connate water saturation
k _v	vertical permeability
LNG	Liquefied Natural Gases
LPG	Liquefied Petroleum Gases
M	thousand
MM	million
M\$	thousand US dollars
MM\$	million US dollars
MD	measured depth
mD	permeability in millidarcies
m ³	cubic metres
m ³ /d	cubic metres per day
MMscf/d	millions of standard cubic feet per day
m/s	metres per second
msec	milliseconds
mV	millivolts
Mt	thousands of tonnes

MMt	millions of tonnes
MPa	mega pascals
NTG	net to gross ratio
NGL	Natural Gas Liquids
NPV	Net Present Value
OWC	oil water contact
P_b	bubble point pressure
P_c	capillary pressure
petroleum	deposits of oil and/or gas
phi	porosity fraction
p_i	initial reservoir pressure
PI	productivity index
ppm	parts per million
psi	pounds per square inch
psia	pounds per square inch absolute
psig	pounds per square inch gauge
p_{wf}	flowing bottom hole pressure
PVT	pressure volume temperature
rb	barrel(s) of oil at reservoir conditions
rcf	reservoir cubic feet
RFT	repeat formation tester
RKB	relative to kelly bushing
rm^3	reservoir cubic metres
SCADA	supervisory control and data acquisition
SCAL	Special Core Analysis
scf	standard cubic feet measured at 14.7 pounds per square inch and 60° F
scf/d	standard cubic feet per day
scf/stb	standard cubic feet per stock tank barrel
SGS	Sequential Gaussian Simulation
SIS	Sequential Indicator Simulation
sm^3	standard cubic metres
S_o	oil saturation
S_{or}	residual oil saturation
S_{orw}	residual oil saturation (waterflood)
S_{wc}	connate water saturation

S _{oi}	irreducible oil saturation
SSCC	sulphur stress corrosion cracking
stb	stock tank barrels measured at 14.7 pounds per square inch and 60° F
stb/d	stock tank barrels per day
STOIIP	stock tank oil initially in place
S _w	water saturation
\$	United States Dollars
t	tonnes
THP	tubing head pressure
Tscf	trillion standard cubic feet
TVDSS	true vertical depth (sub-sea)
TVT	true vertical thickness
TWT	two-way time
US\$	United States Dollar
V _{sh}	shale volume
W/m/K	watts/metre/° K
WC	water cut
WUT	Water Up To
φ	porosity
μ	viscosity
μ _{gb}	viscosity of gas
μ _{ob}	viscosity of oil
μ _w	viscosity of water
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
1C	Contingent Resources Low Estimate
2C	Contingent Resources Best Estimate
3C	Contingent Resources High Estimate

EXPERT'S REPORT IN RELATION TO THE RESERVES AND RESOURCES EVALUATION OF
THE ANASURIA CLUSTER

**Anasuria Cluster
Reserves & Resources Evaluation**

Prepared for
**Hibiscus Petroleum Berhad &
Ping Petroleum**

September 2015

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are considered reasonably well defined. Given (IM) in-place volume estimates reported in the Shell Information Memorandum and the Developed Reserves from DCA a number of the field's exhibit modest recovery factors. In particular the largest field, Guillemot, has a forecast developed Recovery Factor of only circa 20%. A large number of potential infill opportunities across the four fields are summarized in the Shell IM but none are very mature technically and they are not supported by reservoir simulation.

Although this low developed recovery may suggest scope for further development and infill drilling activity the expected ultimate recover factors are modest because of:-

- Heterogeneity of the primary fulmar reservoir leading to relatively inefficient water-flooding performance.
- The low GOR oil resulting in low primary depletion (~12% down to the bubblepoint).
- The low well count, generally one producer injector pair per fault block has made achieving high areal sweep challenging.

RPS has considered the gas lift additions to the Guillemot wells and two infill Guillemot wells as undeveloped Reserves. In the absence of simulation models this has been done by analogue to the recent P5 infill well and suggests a EUR of 1.2 to 2.5 MMstb/well. In addition the recompletion of Guillemot well P2 into a dedicated Forties producer has also been included as Reserves.

Other opportunities are considered by RPS as Contingent Resources for the following reasons: -.

- The Kite discovery on the basis of the very limited appraisal data (no flow tests or PVT data). The Chalk reservoirs, which have a modest analogues in the UK sector of the North Sea, as they depend on natural fracture systems (which are a challenge to define without test data) to achieve commercial rates. RPS considers this project subject to further appraisal to demonstrate commercial production rates
- A potential infill well located to the SW of the Cook field on the basis of uncertainty whether reservoir is present, no evidence of JV commitment and the need to achieve JV alignment on the opportunity (as the Shell Exxon JV does not hold a 100 % WI).
- Infill wells in the Triassic Skagerrak are also considered as Contingent resources.

Significant remedial work is required at the FPSO and RPS has included future capex for this. Field uptime has been relatively low over the last three years and RPS has assumed this remedial work will help improve uptime.

Reserves and Resources for the Evaluation are summarized in Table 1.1 and Table 1.2 below.

Summary tables containing the Net Reserves (pre economic limit) and Net Contingent Resources by individual activity can be found in Appendix 2. Annual production profiles of Net Reserves (after economic limit) are shown graphically in Appendix 3. Appendices 4 to 7 contain tables of the production profiles for all cases of Reserves and Contingent Resources that were evaluated. Economic evaluation has been conducted for the Contingent Resource opportunities (see Table 1.3 and

Table 1.4) but it should be noted that the evaluation of the opportunities is relatively immature.

SUMMARY OF OIL RESERVES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	Full Field Gross Reserves ¹			Shell/Esso Working Interest Reserves					
	1P MMstb	2P MMstb	3P MMstb	Gross ²			Net ³		
				1P MMstb	2P MMstb	3P MMstb	1P MMstb	2P MMstb	3P MMstb
Guillemot A	17.7	27.5	36.3	17.7	27.5	36.3	17.7	27.5	36.3
Cook	9.6	16.0	22.1	3.7	6.2	8.5	3.7	6.2	8.5
Teal	2.6	3.2	3.7	2.6	3.2	3.7	2.6	3.2	3.7
Teal South	1.7	3.5	5.5	1.7	3.5	5.5	1.7	3.5	5.5
TOTAL⁴	31.7	50.2	67.6	25.8	40.4	54.0	25.8	40.4	54.0

Notes:

¹ Gross field Reserves (100% basis) after economic limit test

² Companies working interest share of gross field Reserves after economic limit test

³ Companies net attributable share of Reserves, after royalties

⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Reserves are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1P Reserves may be a very conservative assessment and the total 3P Reserves a very optimistic assessment.

Table 1.1: Summary of Oil Reserves
SUMMARY OF GAS RESERVES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	Full Field Gross Reserves ¹			Shell/Esso Working Interest Reserves					
	1P Bscf	2P Bscf	3P BScf	Gross ²			Net ³		
				1P Bscf	2P Bscf	3P Bscf	1P Bscf	2P Bscf	3P Bscf
Guillemot A	6.2	9.6	12.6	6.2	9.6	12.6	6.2	9.6	12.6
Cook	21.2	35.3	48.7	8.2	13.6	18.8	8.2	13.6	18.8
Teal	1.2	1.5	1.7	1.2	1.5	1.7	1.2	1.5	1.7
Teal South	1.5	3.2	5.0	1.5	3.2	5.0	1.5	3.2	5.0
TOTAL⁴	30.1	49.5	68.0	17.1	27.9	38.2	17.1	27.9	38.2

Notes:

¹ Gross field Reserves (100% basis) after economic limit test

² Companies working interest share of gross field Reserves after economic limit test

³ Companies net attributable share of Reserves, after royalties

⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Reserves are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1P Reserves may be a very conservative assessment and the total 3P Reserves a very optimistic assessment.

Table 1.2: Summary of Gas Reserves

SUMMARY OF CONTINGENT OIL RESOURCES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	Full Field Gross Resources ¹			Shell/Esso Working Interest Resources					
	1C MMstb	2C MMstb	3C MMstb	Gross ²			Net ³		
				1C MMstb	2C MMstb	3C MMstb	1C MMstb	2C MMstb	3C MMstb
Kite	0.4	1.40	3.0	0.4	1.4	3.0	0.4	1.4	3.0
Cook SE Infill	0.3	1.29	7.5	0.1	0.5	2.9	0.1	0.5	2.9
Teal South Infill	0.8	1.50	3.0	0.8	1.5	3.0	0.8	1.5	3.0
Guillemot A South Infill	2.0	4.00	6.0	2.0	4.0	6.0	2.0	4.0	6.0
GUA North (Sk) Infill	0.8	1.50	3.0	0.8	1.5	3.0	0.8	1.5	3.0
GUA Central (Sk) Infill	0.8	1.50	3.0	0.8	1.5	3.0	0.8	1.5	3.0
TOTAL⁴	4.9	11.2	25.5	4.8	10.4	20.9	4.8	10.4	20.9

Notes:

¹ Gross field Resources (100% basis) after economic limit test

² Companies working interest share of gross field Resources after economic limit test

³ Companies net attributable share of Resources, after royalties

⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Resources are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1C Resources may be a very conservative assessment and the total 3C Resources a very optimistic assessment.

Table 1.3: Summary of Contingent Oil Resources

SUMMARY OF CONTINGENT GAS RESOURCES
as of January 01, 2015
BASE CASE PRICES AND COSTS

	Full Field Gross Reserves ¹			Shell/Esso Working Interest Reserves					
	1C Bscf	2C Bscf	3C BScf	Gross ²			Net ³		
				1C Bscf	2C Bscf	3C Bscf	1C Bscf	2C Bscf	3C Bscf
Kite	0.3	1.2	2.5	0.3	1.2	2.5	0.3	1.2	2.5
Cook SE Infill	0.3	1.3	7.5	0.1	0.5	2.9	0.1	0.5	2.9
Teal South Infill	0.4	0.7	1.4	0.4	0.7	1.4	0.4	0.7	1.4
Guillemot A South Infill	0.4	0.8	1.2	0.4	0.8	1.2	0.4	0.8	1.2
GUA North (Sk) Infill	0.4	0.8	1.6	0.4	0.8	1.6	0.4	0.8	1.6
GUA Central (Sk) Infill	0.4	0.8	1.6	0.4	0.8	1.6	0.4	0.8	1.6
TOTAL⁴	2.1	5.6	15.8	2.0	4.8	11.2	2.0	4.8	11.2

Notes:

¹ Gross field Resources (100% basis) after economic limit test

² Companies working interest share of gross field Resources after economic limit test

³ Companies net attributable share of Resources, after royalties

⁴ PRMS recommends that for reporting purposes, assessment results should not incorporate statistical aggregation beyond the field, property or project level. The total Resources are therefore the product of arithmetic addition and as such are not statistically correct. As a result the total 1C Resources may be a very conservative assessment and the total 3C Resources a very optimistic assessment.

Table 1.4: Summary of Contingent Gas Resources

The evaluation reflects our informed judgement based on the SPE PRMS 2007 Standards, but is subject to generally recognised uncertainties associated with the interpretation of geological, geophysical and engineering data. The reported hydrocarbon resource volumes are estimates based on professional engineering judgment and are subject to future revisions, upward or downward, as a result of future operations or as additional information become available.

We reserve the right to revise any estimates provided herein if any relevant data existing prior to preparation of this report were not made available, if any data between the effective date of the evaluation and the date of this report were to vary significantly from that forecast, or if any data provided were found to be erroneous.

Yours faithfully

On behalf of RPS Energy Consultants Limited



Gordon Taylor, C.Eng, C.Geol
Director, Head of Subsurface

2. INTRODUCTION

In late 2014 RPS energy were asked to perform a Phase 1 initial assessment of the UK CNS Anasuria cluster. This consists of four producing fields, Guillemot A, Cook, Teal and Teal South tied back to the Shell operated Anasuria FPSO.

RPS generated a production profile by decline curve analysis for a no-further-activity (NFA) case and considered any potential red-flag barriers to Hibiscus purchasing this asset.

In this second phase RPS has updated the Phase 1 evaluation and also considered undeveloped activity, including the addition of gas lift and the drilling of two of Development infill wells at Guillemot. A number of additional infill opportunities have been evaluated but as a result of the limited technical maturity these they have been categorized as Contingent Resources.

There are four reservoir formations which make up the Guillemot field, Triassic Skagerrak, Upper Jurassic Fulmar and Heather and Palaeocene Forties. In the case of Cook and Teal the Fulmar is the only reservoir. The Fulmar sandstone is the most important producing interval for all the producing fields. The Fulmar sands were deposited in a shallow marine setting and are present over the most Guillemot, Cook and South Teal structures. In Guillemot A the sand package thickness is commonly in the range of 190 to 210ft with the maximum thickness of 263ft, as penetrated by the 21/30-3 well. The majority of the production from the Fulmar is from an 80ft thick slightly coarser sand interval with some secondary porosity developed. The permeabilities in this interval are 1-2 orders of magnitude higher than the rest of the Fulmar at about 500 to 1000mD with average porosities of about 24%.

The Skagerrak formation in Guillemot A is formed of floodplain mudstones with interbedded fluvial sands. The later are of reasonable reservoir quality, 10 to 100mD, where coarser grained channel sands are encountered however these are described as be ephemeral. The background clastic facies, the much poorer quality silty sheetflood splay sandstones, have a permeability range of 0.1 to 10mD. The result is reasonable flow rates from the channel sands falling off to low rates once the high permeability facies are depleted.

The Heather formation has local sand development in Guillemot A, 235ft thick, in the GUA-P2 well. This unit is difficult to define on seismic and has not been penetrated in any of the other wells in the field. The in-place volumes of these sands is currently uncertain with a tentative estimate of 10MMstb.

In Guillemot A the Palaeocene Forties sands are trapped in a 4-way-dip closed structure draping a deeper salt induced structure. The sands were deposited as part of the extensive Forties turbidite system. Sand thickness is about 250-300ft TVD which is significantly thicker than the vertical closure of 108ft. Reservoir quality is generally excellent with porosities ranging from 25% to 35% and permeabilities from 30mD to 3D.

3. METHODOLOGY

Four producing assets have been assessed for this study; Cook, Guillemot, Teal and Teal South. In addition the Kite discovery was also assessed as a Contingent Resource.

RPS reviewed the Guillemot A static model for the Forties, Fulmar and Skagerrak reservoirs plus the Cook and Teal South Fulmar static models for reasonableness over two days in a Shell data room. A summary of our approach was as follows:

- Determine if the structural interpretation has been reasonably captured in the model with good agreement between the depth surface and model horizon, e.g. Figure 3.1.

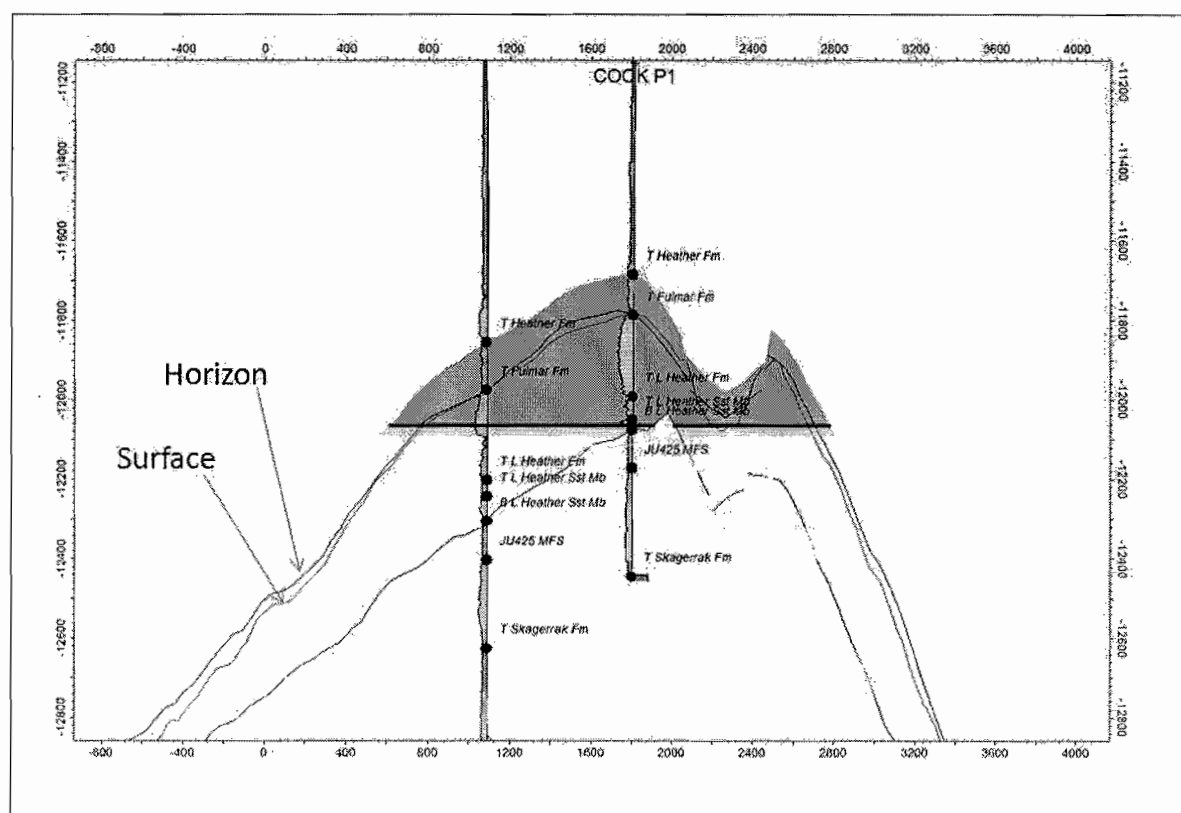


Figure 3.1: Example of Surface versus Model Horizon in Cook Fulmar

- Review the main reservoir formation and reservoir unit correlations between the wells is sound and has been translated into model
- Review that the depositional model is appropriate and if so ensure is reasonably reflected in the static model both in terms of facies definition and controls on deposition
- Review reservoir property distribution and that the controls on the distribution have been honoured
- Compare Sw from height function to log calculated Sw for reasonableness.
- Calculate in-place volumes and cross check against published volumes and volumes being taken into reservoir simulation.

RPS was able to review five petrel models in a data room provided by Shell. Within the time restrictions it was only possible to conduct a basic review of the reasonableness of the models to determine if the published oil in-place values are justified.

Based on the above methodology RPS was generally content with published STOIIIP values for the reservoirs although concerns in the Cook model became clear on inspection of the Cook seismic interpretation, as described below. Specific comments on the individual reservoirs and resulting STOIIIP are given below.

No reservoir simulation models were available for review and to generate developed forecasts, RPS generated an OFM database with production up to March 2015 for the producing fields. The production data was converted into monthly potential using the fraction of the month on production and hence was a 'producing days' forecast. The 1P forecasts were calculated using an exponential decline, 3P using a harmonic decline and 2P calculated arithmetical as the mean of the 1P and 3P.

Petrofac provided RPS with an uptime forecast based on a 2017 offshore shut-down scenario, this is broadly consistent with a separate FPSO uptime benchmarking exercise conducted by RPS independently, see Table 3.1 below.

Uptime	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Base	68	76	62	82	84	78	84	68	84	84	78	81	74	73
High	73	86	72	92	94	88	94	78	94	94	88	91	84	83
Low	63	66	52	72	74	68	74	58	74	74	68	71	64	63

Table 3.1: Uptime Assumptions used for Production Forecasts

RPS applied the actual uptime for each well as recorded by Shell from January to May 2015 and then applied the uptime factors, as supplied by Petrofac, for the rest of the forecast. This was done by converting the monthly potential rate versus cumulative production into a function and using linear regression to assign the rate for each month's production based on the cumulative production already achieved. This has the effect of delaying production from early years with lower uptime, increasing production in later years, but has minimal effect on overall ultimate recovery (given a long enough period of production).

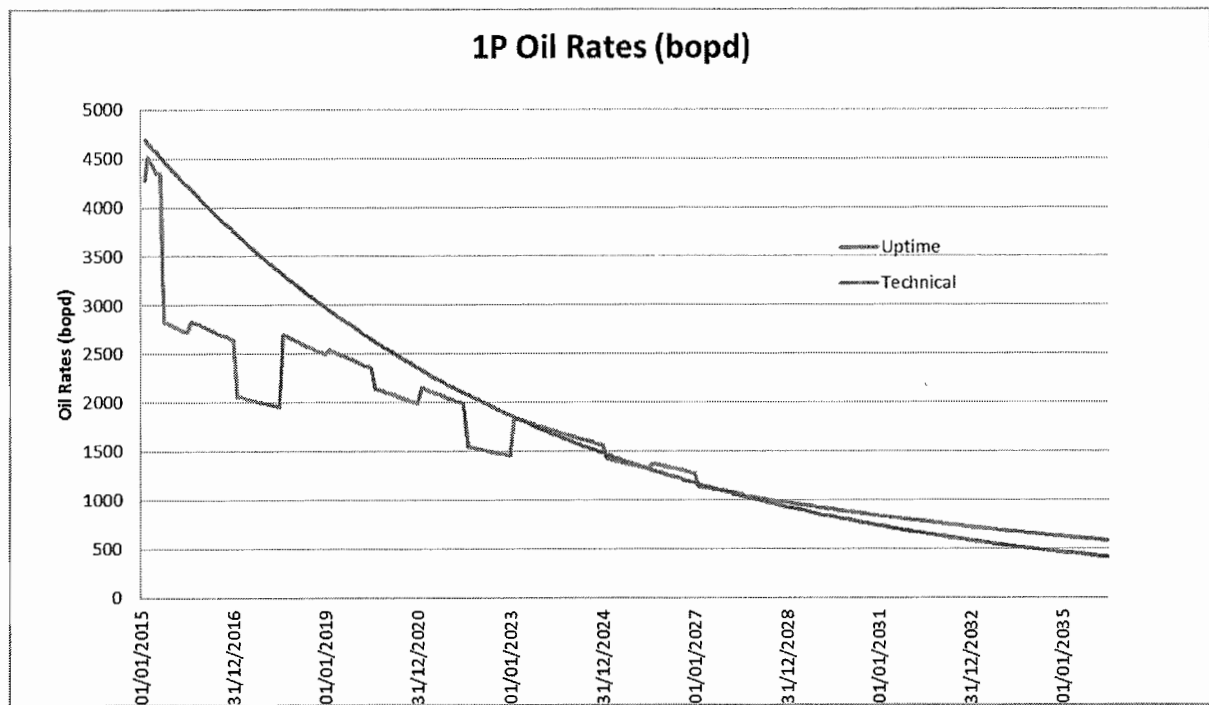


Figure 3.2: Example Uptime Calculation

4. GUILLEMOT FIELD

The Guillemot A oil and gas field is located in Blocks 21/25 and 21/30 (Figure 4.1). The field was discovered in 1979 and was subsequently developed with four production wells and two water injection wells (one water injector was later converted into a producer) tied-back to the Anasuria FPSO, with first production in 1996. A fifth production well ("GUA-P5") was drilled on the field in early 2014 and came onstream on 28 May 2014. Guillemot A has the largest in-place volume of the Anasuria assets.

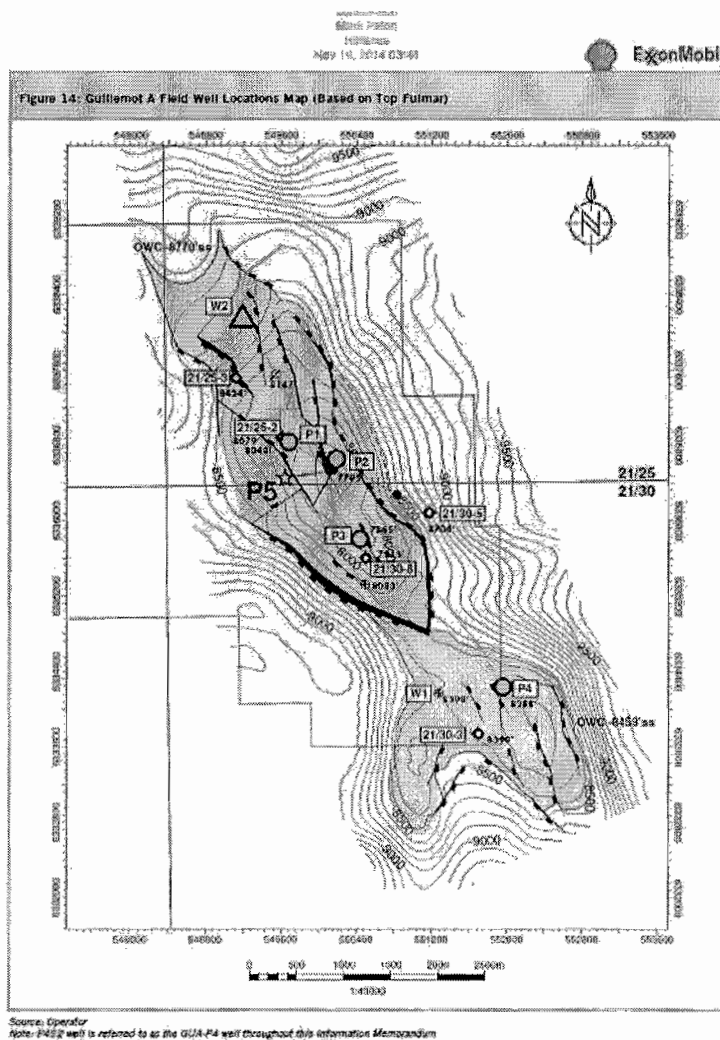


Figure 4.1: Guillemot Field (from IM)

4.1 Hydrocarbon Initially in Place

4.1.1 Seismic Interpretation

The Top Fulmar time reflector is fairly easy to map on the various seismic data cubes available, particularly over the crest of the structure where there is well control, and in the south where the Top Fulmar has been mapped on a strong, continuous peak. On the eastern flank however, the presence of a salt wall and probably a major N-S fault has made seismic correlation from the crest to the east rather difficult. The P2 well penetrated the Fulmar on the crest and re-entered downflank, so giving some well control there. There is probably no major risk of no reservoir on the eastern flank, where there is potential to recomplete the P2 and/or to drill a new infill well further

south on this side. The southern fault block is already drained by the P4 well but there is likely to be unswept oil to the south of the southern culmination and this appears to be supported by 4D effects.

4.1.2 Geological Models

Fulmar

- Structural model has good agreement with the seismic interpreted surface with the exception of the small crestal graben area where the model horizon is shallower than the mapped surface. It is our view that this difference is not significant.
- Average reservoir properties in the model show reasonable agreement with the average values from the well logs. The Sw property, based on a saturation height function shows good agreement with the log calculated Sw.
- There are two OWCs areas, North and South, Figure 4.2:
 - North - 8770ft TVDSS based on RFT pressures
 - South – 8458ft TVDSS based on logs in 31/30-3
- The NTG distribution in the model gave an average NTG similar to that from well logs. No trends were applied which was considered to be reasonable with well control available.
- The average porosity property show good agreement with log computed averages, consistent with NTG property.
- The Sw property was based on a saturation height function which gave good agreement with
- The in place volumes quoted in the IM, 160 MMstb, were confirmed and reproduced in the model.

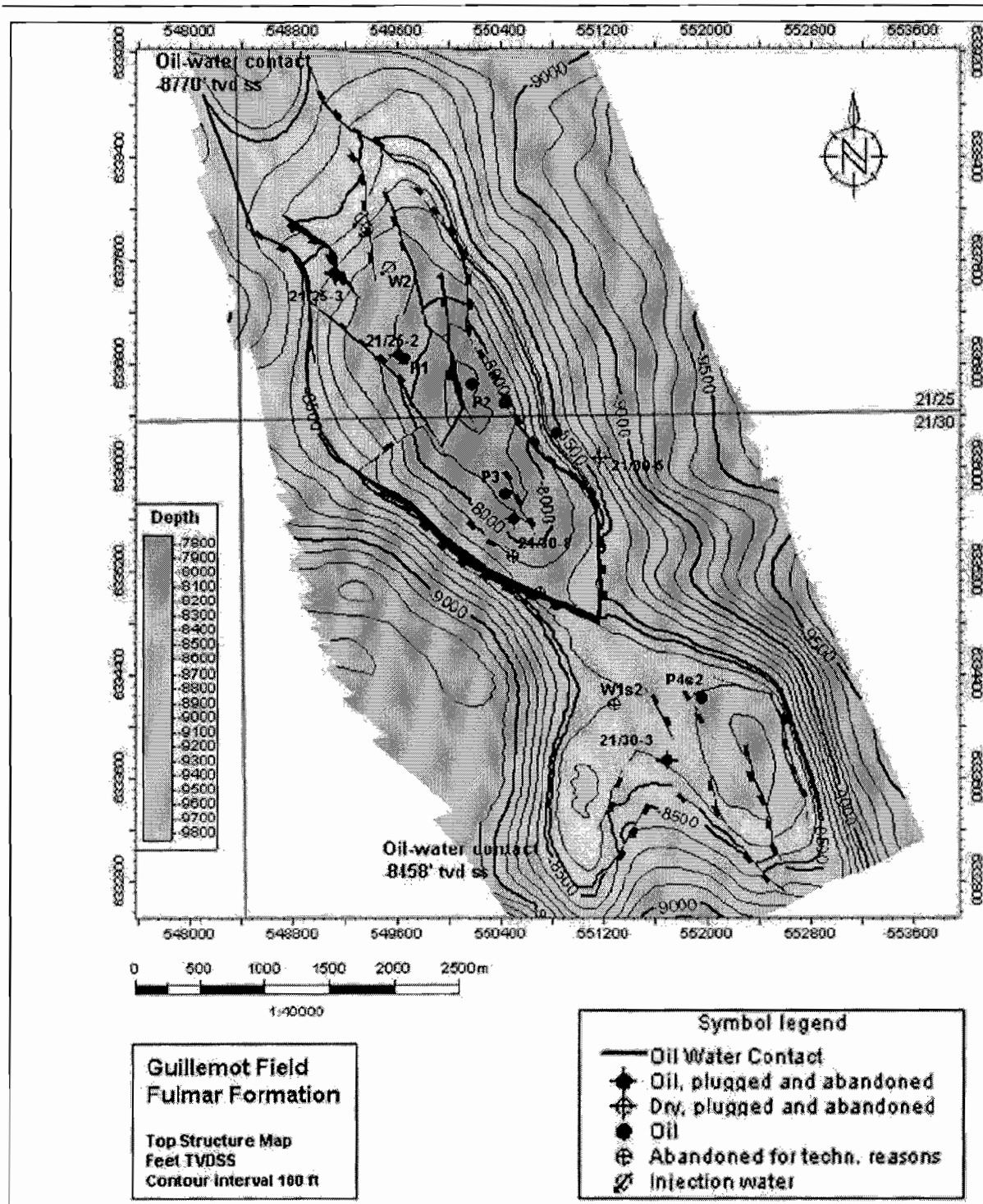


Figure 4.2: Guillemot Field Top Fulmar, Depth. OWC Areas North and South

Forties

- There was no documentation for the Forties Petrel model in the supplied data base due to the work having been recently completed by Shell. A report was available in the dataroom as was the Forties static model.
- The seismic depth surfaces and modelled horizon show reasonable agreement, Figure 4.3.

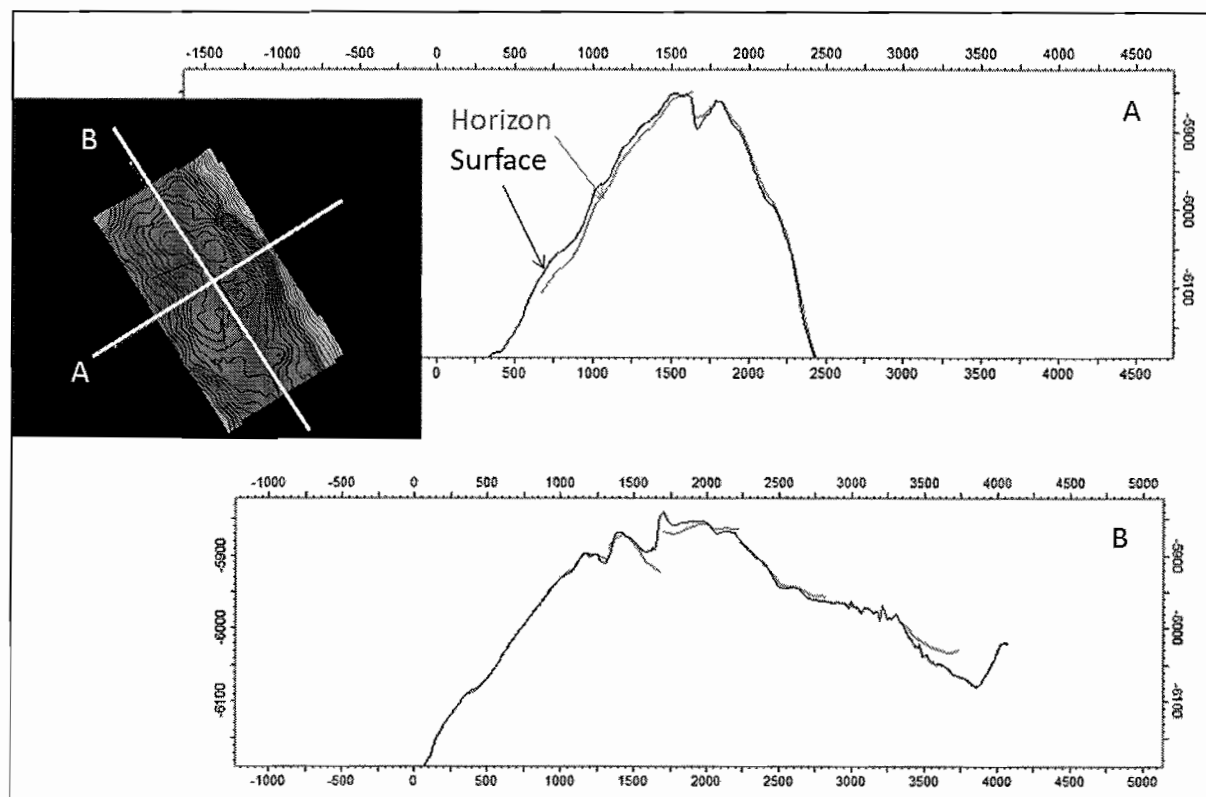


Figure 4.3: Guillemot Forties - Surface v Horizon

- Average reservoir property distribution consistent with the averages in the wells.
- It was not possible to check the how well the Sw from the height function compared to the log derived Sw. The average Sw of 38% however seems reasonable. A range of OWC's was define, shallow 5948 ft TVDSS, mid 5953ft TVDSS, deep 5963ft TVDSS, which reflect the contact uncertainty.
- The modelled properties NTG and porosity gave overall averages in good agreement with well averages reflection no trend was applied. Over the limited area of the accumulation this is satisfactory.
- It was not possible to compare the Sw derived from the height function with log computed Sw's due to the latter not being in the model. Average model Sw of 38% would appear to be reasonable for the reservoir quality.
- The mid case IM STOIP of 17.7 MMstb was confirmed in the model.

Skagerrak

- The model horizon conforms well to the seismic surface.
- In general the Skagerrak has poor reservoir quality. Interbedded distributary cannel sands are of better quality. In the P1 well these are well developed as stack channel deposits but are significantly less in 21/25-2 well, Figure 4.4. This supports the view from Shell that they are "ephemeral". The facies model had a high proportion of better quality channel sand. This represent an uncertainty since the distribution and connectivity of these better quality sands is unknown. There is no production data to give confidence that flow rates from these sands is sustainable