

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

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**HIBISCUS PETROLEUM BERHAD**  
(Company No.: 798322-P)  
(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

- (I) **PROPOSED PRIVATE PLACEMENT OF UP TO 210,000,000 NEW CONVERTIBLE REDEEMABLE PREFERENCE SHARES OF RM0.01 EACH ("CRPS") IN HIBISCUS PETROLEUM BERHAD ("HIBISCUS PETROLEUM") AT AN ISSUE PRICE OF RM1.00 PER CRPS;**
- (II) **PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL FROM RM25,000,000 COMPRISING 2,400,000,000 ORDINARY SHARES OF RM0.01 EACH IN HIBISCUS PETROLEUM ("HIBISCUS PETROLEUM SHARES") AND 100,000,000 REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM0.01 EACH IN HIBISCUS PETROLEUM ("RCPS") TO RM50,000,000 COMPRISING 4,690,000,000 HIBISCUS PETROLEUM SHARES, 100,000,000 RCPS AND 210,000,000 CRPS BY THE CREATION OF AN ADDITIONAL 2,290,000,000 NEW HIBISCUS PETROLEUM SHARES AND 210,000,000 NEW CRPS; AND**
- (III) **PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF HIBISCUS PETROLEUM**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Adviser & Co-Placement Agent**



**Hong Leong Investment Bank Berhad** (43526-P)

A Member of the Hong Leong Group

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**Co-Placement Agent**



**OSK Investment Bank Berhad** (14152-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of our Extraordinary General Meeting ("**EGM**"), which has been scheduled to be held at PJ Hilton Hotel, Kristal Ballroom, 1<sup>st</sup> Floor, West Wing, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 26 September 2012 at 11.00 a.m., or immediately following the conclusion or adjournment (as the case may be) of the 2<sup>nd</sup> Annual General Meeting of the Company which will be held at the same venue and on the same day at 10.00 a.m., whichever is later, together with the Form of Proxy are enclosed herein.

You are entitled to attend and vote at our EGM or appoint a proxy to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our share registrar's office at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, no later than 48 hours before the time fixed for our EGM or any adjournment thereof. The last day and time for you to lodge the Form of Proxy is on Monday, 24 September 2012 at 11.00 a.m. The lodging of the Form of Proxy will not preclude you from attending and voting in our EGM should you subsequently wish to do so.

This Circular is dated 4 September 2012

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## DEFINITIONS

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

- "1C" : Conservative estimate of Contingent Resources: If probabilistic methods are used to assess the volumes of recoverable Contingent Resources, then there should be at least a 90% probability that the quantities of hydrocarbons actually recovered will equal or exceed the estimate
- "2C" : Best estimate of Contingent Resources: If probabilistic methods are used to assess the volumes of recoverable Contingent Resources, then there should be at least a 50% probability that the quantities of hydrocarbons actually recovered will equal or exceed the estimate
- "3C" : Aggressive estimate of Contingent Resources: If probabilistic methods are used to assess the volumes of recoverable Contingent Resources, then there should be at least a 10% probability that the quantities of hydrocarbons actually recovered will equal or exceed the estimate
- "1P" : Proven Reserves: If probabilistic methods are used to assess the volumes of recoverable Reserves, then there should be at least a 90% probability that the quantities of hydrocarbons actually recovered will equal or exceed the estimate
- "2P" : Proven plus probable Reserves: If probabilistic methods are used to assess the volumes of recoverable Reserves, then there should be at least a 50% probability that the quantities of hydrocarbons actually recovered will equal or exceed the estimate
- "3P" : Proven, probable plus possible Reserves: If probabilistic methods are used to assess the volumes of recoverable Reserves, then there should be at least a 10% probability that the quantities of hydrocarbons actually recovered will equal or exceed the estimate
- "2D seismic" : A seismic exploration method which provides a two-dimensional seismic image of the subsurface being investigated
- "3D" : A seismic exploration method which provides a three-dimensional seismic image of the subsurface being investigated
- "Act" : Companies Act, 1965, as amended from time to time and any re-enactment thereof
- "AED" : United Arab Emirates Dirham
- "AUD" : Australian Dollar

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## DEFINITIONS (Cont'd)

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- "Balance Proceeds" : The balance (if any) as at the Cut-Off Date of the total proceeds raised by the Company from the issuance of all tranches of CRPS pursuant to the Proposed Private Placement of CRPS (excluding interest earned) after deducting:
- (i) all amounts utilised or applied by the Company within the parameters of the Permitted Utilisation (the fulfillment of such parameters being verified by Independent Expert(s)); and
  - (ii) the total proceeds attributable to the CRPS which have been converted into Conversion Shares during the Conversion Period,
- such balance in RM as well as being expressed as a percentage of the total proceeds raised by the Company from the issuance of all tranches of CRPS pursuant to the Proposed Private Placement of CRPS
- "BNM" : Bank Negara Malaysia
- "Board" : Board of Directors of Hibiscus Petroleum
- "Bursa Securities" : Bursa Malaysia Securities Berhad
- "Business Day" : A day except Saturdays, Sundays and public holidays, on which banks in Kuala Lumpur are open for business
- "CMSA" : Capital Market Services Act, 2007, as amended from time to time and any re-enactment thereof
- "Circular" : This circular to shareholders of Hibiscus Petroleum dated 4 September 2012 in relation to the Proposals
- "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
- "Conversion Period" : The period commencing from the earlier of:
- (a) The date falling six (6) months after the First Tranche Issue Date; and
  - (b) The date the transacted market price of the Hibiscus Petroleum Share on Bursa Securities first reaches RM3.00 or more (regardless of the duration the transacted price remains at such level),
- up to the Cut-Off Date (excluding both dates)

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**DEFINITIONS (Cont'd)**

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- "Conversion Price" : The conversion price of the CRPS has been or will be fixed at a premium of up to ten per cent (10%) over the 5-day VWAMP of Hibiscus Petroleum Shares immediately prior to the price-fixing date (which is the date of the subscription agreement for each relevant tranche of CRPS) or RM1.60, whichever is higher
- The Conversion Price is subject to any applicable adjustments as set out in the subscription agreement(s) entered into or to be entered into between the Company and the relevant placees
- "Conversion Shares" : New Hibiscus Petroleum Shares to be issued upon the conversion of the CRPS, such Conversion Shares to rank *pari passu* in all respects with all other then existing Hibiscus Petroleum Shares (except for any dividends, rights, allotment and/or distributions the entitlement date of which is on or prior to the date of issue of the Conversion Shares)
- "CRPS" : Convertible redeemable preference shares, of par value of RM0.01 each in the capital of Hibiscus Petroleum, to be issued by the Company pursuant to the Proposed Private Placement of CRPS
- "CRPS Custodian" : The financial institution or trust company appointed by the Company to administer the subscription monies pursuant to the CRPS Subscription Agreement
- "CRPS Holder(s)" : A person(s) for the time being duly registered as a holder(s) of the issued and subsisting CRPS in the statutory records of the Company
- "CRPS Subscription Agreements" : Collectively, all subscription agreements entered or to be entered into between Hibiscus Petroleum and the relevant placees in relation to the Proposed Private Placement of CRPS, including the First Tranche Subscription Agreements and the Second Tranche Subscription Agreements
- "Cut-Off Date" : The Business Day falling one (1) month prior to the Maturity Date
- "E&P" : Exploration and production
- "EBIDTA" : Earnings before interest, depreciation, tax and amortisation
- "EGM" : Extraordinary general meeting
- "EPS" : Earnings per share
- "First Tranche CRPS Placees" : Sri Inderajaya, MDL Energy Services Limited, Lee Chye Tek Lionel and Hanizah binti Mohd Nasir
- "First Tranche CRPS Placement" : Subscription of an aggregate of 52,480,000 CRPS by the First Tranche CRPS Placees
- "First Tranche Issue Date" : Such date on which the first tranche of the CRPS is issued by the Company
- "First Tranche Subscription Agreements" : Separate conditional subscription agreements dated 2 August 2012 entered into between Hibiscus Petroleum and each of the First Tranche CRPS Placees in respect of the First Tranche CRPS Placement
- "FPE" : Financial period ended/ending, as the case may be
- "FYE" : Financial year ended/ending, as the case may be

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**DEFINITIONS (Cont'd)**

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“Group”	: Hibiscus Petroleum, its subsidiaries and its jointly controlled entity, collectively
“HLIB” or “Adviser”	: Hong Leong Investment Bank Berhad (43526-P)
“Hibiscus Petroleum” or “Company”	: Hibiscus Petroleum Berhad
“Hibiscus Petroleum Share(s)” or “Share(s)”	: Ordinary share(s) of RM0.01 each in Hibiscus Petroleum
“Independent Expert(s)”	: Independent third party(ies) appointed by the Company for purposes of verifying the fulfilment of the Permitted Utilisation parameters in relation to each application or utilisation for the Permitted Utilisation.
“km”	: Kilometre(s)
“km <sup>2</sup> ”	: Square kilometre(s)
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities
“Lime”	: Lime Petroleum Plc, a jointly-controlled entity in which Hibiscus Petroleum has a 35% equity interest. Lime Petroleum Plc is incorporated in the Isle of Man.
“Lime Group”	: Lime and its subsidiary companies
“LPD”	: 27 August 2012, being the latest practicable date prior to the printing of this Circular
“M&A”	: Memorandum and Articles of Association of Hibiscus Petroleum
“Maturity Date”	: The date falling eighteen (18) months after the First Tranche Issue Date, on which all CRPS (unless earlier redeemed or converted) shall be converted into Hibiscus Petroleum Shares at the Conversion Price
“Main Market”	: Main Market of Bursa Securities
“NA”	: Net assets
“OSKIB”	: OSK Investment Bank Berhad (14152-V)
“Permitted Utilisation”	: The proceeds raised may be applied or utilised in relation to acquisitions and/or investments in development and/or production assets (whether directly or indirectly, through entities holding such assets or otherwise) which may include potential exploration upside, and associated transaction and other costs. The qualifying parameters of such assets are as set out in Section 4 of this Circular
“Placement Agent”	: HLIB or OSKIB, as the case may be
“Proposals”	: Proposed Private Placement of CRPS, Proposed Increase in Authorised Share Capital and Proposed Amendments, collectively
“Proposed Allocation”	: Proposed issuance and allotment of 5,000,000 CRPS to Sri Inderajaya under the Proposed Private Placement of CRPS
“Proposed Amendments”	: Proposed amendments to the M&A in respect of the issuance of CRPS pursuant to the Proposed Private Placement of CRPS and Proposed Increase in Authorised Share Capital

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**DEFINITIONS (Cont'd)**

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- "Proposed Farm-In" : Shall have the meaning ascribed in the announcement enclosed as Appendix I
- "Proposed Increase in Authorised Share Capital" : Proposed increase in authorised share capital of Hibiscus Petroleum from RM25,000,000 comprising 2,400,000,000 Hibiscus Petroleum Shares and 100,000,000 RCPS to RM50,000,000 comprising 4,690,000,000 Hibiscus Petroleum Shares, 100,000,000 RCPS and 210,000,000 CRPS by the creation of an additional 2,290,000,000 new Hibiscus Petroleum Shares and 210,000,000 new CRPS
- "Proposed Private Placement of CRPS" : Proposed issuance of up to 210,000,000 new CRPS in Hibiscus Petroleum at an issue price of RM1.00 per CRPS through a private placement exercise
- "Proposed Subscription" : Shall have the meaning ascribed in the announcement enclosed as Appendix I
- "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.
- "Qualifying Acquisition" : The initial acquisition of business(es) by a special purpose acquisition company, which has an aggregate fair market value equal to at least 80% of the aggregate amount in the trust account and is in line with the business strategy disclosed in the listing prospectus issued in relation to the special purpose acquisition company's initial public offering.
- "RCPS" : Redeemable convertible non-cumulative preference shares of RM0.01 each in Hibiscus Petroleum
- "Record of Depositors" : Record of depositors as provided by Bursa Malaysia Depository Sdn Bhd to the Company
- "Redemption Price" : Redemption price (in RM) per CRPS to be determined based on the formula below:

$$R = \left[ 1 + \left( 5\% \times \frac{U}{365} \right) \right]$$

where,

R = Redemption price per CRPS.

U = Number of days from the issue date of each relevant tranche of CRPS to Maturity Date.

- "Reserves" : Those quantities of petroleum (oil or gas) 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.
- "RM" and "sen" : Ringgit Malaysia and sen, respectively
- "Second Tranche CRPS Places" : Diran International Inc. and Dato' Azizul Rahman bin Abd Samad

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**DEFINITIONS (Cont'd)**

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"Second Tranche CRPS Placement"	Subscription of an aggregate of 22,000,000 CRPS by the Second Tranche CRPS Placees
"Second Tranche Subscription Agreements"	: Separate conditional subscription agreements dated 3 August 2012 entered into between Hibiscus Petroleum and each of the Second Tranche CRPS Placees in respect of the Second Tranche CRPS Placement
"Sri Inderajaya"	: Sri Inderajaya Holdings Sdn Bhd
"Subscription Price"	: The price of RM1.00 each payable for each CRPS
"Total Placement CRPS"	: Up to 210,000,000 CRPS
"USD"	: United States Dollar
"VWAMP"	: Volume weighted average market price

Words importing the singular only shall include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

All references to the time of day in this Circular are references to Malaysian time.

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

**Registered Office:**

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

4 September 2012

**Board of Directors:**

Zainul Rahim bin Mohd Zain	<i>(Non-Independent Non-Executive Chairman)</i>
Dr Kenneth Gerard Pereira	<i>(Managing Director)</i>
Dr Rabi Narayan Bastia	<i>(Non-Independent Non-Executive Director)</i>
Roushan A/L Arumugam	<i>(Independent Non-Executive Director)</i>
Zainol Izzet bin Mohamed Ishak	<i>(Independent Non-Executive Director)</i>
Datin Sunita Mei-Lin Rajakumar	<i>(Independent Non-Executive Director)</i>
Tay Chin Kwang	<i>(Independent Non-Executive Director)</i>

**To: The Shareholders of Hibiscus Petroleum**

Dear Sir/Madam,

**PROPOSALS**

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**1. INTRODUCTION**

On 2 August 2012, on behalf of our Board, HLIB had announced that our Company proposes to undertake the following:

- (i) an issuance of up to 210,000,000 new CRPS at an issue price of RM1.00 per CRPS through a private placement exercise without prospectus;
- (ii) increase the authorised share capital of Hibiscus Petroleum from RM25,000,000 comprising 2,400,000,000 Hibiscus Petroleum Shares and 100,000,000 RCPS to RM50,000,000 comprising 4,690,000,000 Hibiscus Petroleum Shares, 100,000,000 RCPS and 210,000,000 CRPS by the creation of an additional 2,290,000,000 new Hibiscus Petroleum Shares and 210,000,000 new CRPS; and
- (iii) amend the M&A in respect of the issuance of CRPS pursuant to the Proposed Private Placement of CRPS and Proposed Increase in Authorised Share Capital.

On the same day, on behalf of our Board, HLIB had also announced that our Company had entered into the First Tranche Subscription Agreements.

On 3 August 2012, on behalf of our Board, HLIB had announced that our Company had entered into the Second Tranche Subscription Agreements.

The total aggregate CRPS subscribed for under the First Tranche Subscription Agreements and the Second Tranche Subscription Agreements is 74,480,000 CRPS, representing 35.47% of the Total Placement CRPS.

The balance of the Total Placement CRPS of up to 135,520,000 CRPS shall be placed out to investor(s) to be identified at a later stage in multiple tranches. Placee(s) shall be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the CMSA including, without limitation, individuals whose total net personal assets exceed RM3,000,000 or its equivalent in foreign currencies and corporations with total net assets exceeding RM10,000,000 or its equivalent in foreign currencies based on the last audited accounts.

The purpose of this Circular is to provide you with relevant information on the Proposals, set out our Board's recommendation on the Proposals, and to seek your approval for the resolutions pertaining to the Proposed Increase in Authorised Share Capital, Proposed Private Placement of CRPS, Proposed Allocation and Proposed Amendments to be tabled at our forthcoming EGM. The notice of EGM together with the Proxy Form is enclosed in this Circular.

**YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL, PROPOSED PRIVATE PLACEMENT OF CRPS, PROPOSED ALLOCATION AND PROPOSED AMENDMENTS TO BE TABLED AT OUR FORTHCOMING EGM.**

## **2. DETAILS OF THE PROPOSALS**

### **2.1 Proposed Private Placement of CRPS**

The Proposed Private Placement of CRPS entails the issuance of up to 210,000,000 CRPS. The CRPS are to be placed out in multiple tranches within 6 months from the date the necessary approval from Bursa Securities (for the listing of the Conversion Shares on Bursa Securities) in relation to the Proposed Private Placement of CRPS is obtained.

All CRPS will have a maturity date of 18 months from the First Tranche Issue Date.

There is no minimum level of subscription for the Proposed Private Placement of CRPS.

#### **2.1.1 Salient terms of the CRPS Subscription Agreements**

The salient terms of the CRPS Subscription Agreements include:

##### **2.1.1.1 Conditions Precedent**

###### **A. Conditionality**

The CRPS Subscription Agreements are subject to, and conditional upon, the fulfilment of the following conditions precedent:

- (a) the necessary approvals of the Board and the members of the Company (including pursuant to Section 132D of the Act) in connection with the Proposed Private Placement of CRPS, including but not limited to:
  - (i) the issue of the CRPS pursuant to the Proposed Private Placement of CRPS;
  - (ii) the issue of Conversion Shares pursuant to the Proposed Private Placement of CRPS;

- (iii) the increase in the authorised share capital of the Company to an amount sufficient to accommodate the issue of the maximum number of CRPS and Conversion Shares pursuant to the Proposed Private Placement of CRPS; and
- (iv) the relevant amendments to the M&A to facilitate the issue of the CRPS,

being duly obtained.

- (b) the necessary approval of Bursa Securities (for the listing of the Conversion Shares on Bursa Securities) and BNM (for any issue of the CRPS to non-residents of Malaysia) in relation to the Proposed Private Placement of CRPS being duly obtained;
- (c) the necessary consent of the holder(s) of the RCPS in relation to the issue of the CRPS pursuant to the CRPS Subscription Agreements, being duly obtained; and
- (d) such other consents or approvals as may be required of any governmental, regulatory body or competent authority having jurisdiction over the Proposed Private Placement of CRPS being duly obtained,

(each a "**Condition Precedent**", collectively referred to as the "**Conditions Precedent**").

**B. Waiver**

Where such fulfilment is not required by law, the parties may agree to waive the fulfilment of any one or more of the Conditions Precedent.

**C. Non-fulfilment**

Unless specifically waived by the parties under Section 2.1.1.1B, if any Condition Precedent is not fulfilled within one hundred and eighty (180) days after the date of the CRPS Subscription Agreements or such later date as the parties may otherwise agree:

- (a) the CRPS Subscription Agreements shall automatically cease and determine;
- (b) the Placement Agent shall return the Initial Payment (as defined under Section 2.1.1.2B) (together with all accrued interest) within five (5) Business Days to the subscribers;
- (c) all obligations and liabilities of the parties under the CRPS Subscription Agreements shall cease to have effect; and
- (d) no party shall have any claim against the other parties in relation to the CRPS Subscription Agreements,

but a party (being the Subscriber or the Company) shall continue to be liable in relation to all antecedent breaches of the CRPS Subscription Agreements.

*In terms of the liabilities of the parties under the CRPS Subscription Agreements :-*

- (a) *In the event of a breach of the term(s) of the CRPS Subscription Agreement, the non-defaulting party is entitled to monetary compensation and the remedy of specific performance and injunctive relief (as may be applicable), if monetary compensation by itself is not an adequate remedy.*
- (b) *In the event that the CRPS Subscription Agreement is terminated due to a default or breach of the terms of the CRPS Subscription Agreement on the part of the subscriber, Hibiscus Petroleum is also entitled to forfeit the whole*

*Initial Payment as agreed reasonable compensation for opportunity and other costs incurred by Hibiscus Petroleum in relation to the CRPS Subscription Agreement and the proposed transactions under the CRPS Subscription Agreement.*

*The rights and remedies of the parties as provided in the CRPS Subscription Agreement are in addition to, and do not exclude or limit, any rights and remedies provided by law.*

#### **2.1.1.2 CRPS Subscription**

- A. Subject to fulfilment of the Conditions Precedent, the subscribers shall subscribe in cash for the relevant number of CRPS ("**Subscription CRPS**") as prescribed in the CRPS Subscription Agreements at the Subscription Price ("**Subscription Monies**");
- B. No later than ten (10) Business Days (subject to an extension of five (5) Business Days, if such extended period is mutually agreed by the parties in writing within the ten (10) Business Days period) after the subscribers' execution of the CRPS Subscription Agreements, a sum being equivalent to five percent (5%) of the total Subscription Monies, shall be fully paid by the subscribers by way of Malaysian banker's draft/cashier's order or by way of telegraphic transfer or direct deposit into the Placement Agent's bank account ("**Designated Bank Account**") ("**Initial Payment**");
- C. Within three (3) Business Days after the date on which the last of the outstanding Conditions Precedent are completely fulfilled and satisfied upon the terms set out in the CRPS Subscription Agreements, the balance ninety five percent (95%) of the total Subscription Monies shall be fully paid by the subscribers by way of Malaysian banker's draft/cashier's order or by way of telegraphic transfer or direct deposit into the Designated Bank Account. The Subscription Monies shall be held and dealt with by the Placement Agent in accordance with the CRPS Subscription Agreements and such other terms as may be agreed between the Company and the Placement Agent;
- D. Upon its receipt of the balance Subscription Monies pursuant to Section 2.1.1.2C, the Placement Agent shall immediately (and in any event no later than two (2) Business Days thereafter) provide a written confirmation of its receipt of the total Subscription Monies to the Company ("**Placement Agent's Receipt Confirmation**");
- E. The Company shall effect the allotment and issue the Subscription CRPS (free from all charges, liens, pledges, trusts and other encumbrances) to the subscribers (including the delivery of valid share certificates) within ten (10) Business Days after the receipt by the Company of the Placement Agent's Receipt Confirmation; and
- F. Upon the allotment and issue of the Subscription CRPS, the total Subscription Monies shall be fully released and paid by the Placement Agent to the CRPS Custodian, within two (2) Business Days after the Placement Agent's receipt of the confirmation from the Company that the Subscription CRPS have been allotted and issued to the subscribers, by way of banker's draft, cashier's order, telegraphic transfer or such other manner of payment as may be agreed by the Placement Agent, the Company and the CRPS Custodian, to be held and dealt with by the CRPS Custodian in accordance with the terms of its appointment for purposes of the CRPS Subscription Agreements. In addition to the funds to be released to the Company for purposes of the Permitted Utilisation, the CRPS Custodian shall release to the Company accordingly:
  - (a) upon any conversion of the CRPS, all proceeds (including accrued interest) attributable to such CRPS which have been converted into Conversion Shares; and

- (b) after the Maturity Date, all balance proceeds and monies (including accrued interest).

### **2.1.1.3 Adjustment**

The Conversion Price is subject to any applicable adjustments as set out in the CRPS Subscription Agreements.

### **2.1.1.4 Governing law and jurisdiction**

The CRPS Subscription Agreements are governed by the laws of Malaysia and each party irrevocably submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Malaysia.

## **2.1.2 Salient Terms of the CRPS**

- Subscription Price : The subscription price for each CRPS shall be RM1.00 each.
- Form and Denomination : The CRPS will be issued in registered form and in denominations or multiples of RM0.01 each.
- Tenure : For each relevant tranche of CRPS issued, the tenure will commence from the date of issuance of the relevant respective tranche of CRPS up to Maturity Date.
- Transferability : The CRPS are not transferable.
- Maturity Date : The Maturity Date for all CRPS will be 18 months from the First Tranche Issue Date.
- Dividend : The CRPS shall not be entitled to any dividend.
- Conversion Price : The Conversion Price has been or will be fixed at a premium of up to 10% over the 5-day VWAMP of Hibiscus Petroleum Shares immediately before the price-fixing date (which is the date of the subscription agreement for each relevant tranche of CRPS) or RM1.60, whichever is higher.

The Conversion Price is subject to any applicable adjustments as set out in the subscription agreement(s) entered into or to be entered into between the Company and the relevant placees.

- Conversion Period : The period commencing from the earlier of:
- (a) The date falling six (6) months after the First Tranche Issue Date; and
- (b) The date the transacted market price of the Hibiscus Petroleum Share (including any intraday price) on Bursa Securities first reaches RM3.00 or more (regardless of the duration the transacted price remains at such level),

up to the Cut-Off Date (excluding both dates).

For avoidance of doubt, the Conversion Period commences upon the fulfilment of either one of the above events (whichever is earlier).

Conversion Right : CRPS Holders will have the option to convert all or part of their holdings of CRPS into Conversion Shares (rounded down to the nearest whole number of Conversion Share) at the Conversion Price at any time (and from time to time) during Conversion Period.

The conversion would then be on the basis of each CRPS being equivalent to the value of RM1.00 towards satisfying the Conversion Price.

Mandatory Conversion : On the Maturity Date, all outstanding CRPS will automatically be converted into Conversion Shares (rounded down to the nearest whole number of Conversion Share) at the Conversion Price through the surrender of the CRPS, on the basis of each CRPS being equivalent to the value of RM1.00 towards satisfying the Conversion Price.

Redemption Option : In the event the Balance Proceeds as at the Cut-Off Date is more than 20%, CRPS Holders have a one-time option to redeem part of the total number of CRPS they hold, at the Redemption Price on a pro-rated basis based on the following formula:

$$N = \frac{O}{P} \times Q$$

where,

$N$  = Number of CRPS the CRPS Holder is entitled to redeem at the Redemption Price

$O$  = Total number of CRPS held by the CRPS Holder (excluding, for the avoidance of doubt, all CRPS previously converted by the CRPS Holder)

$P$  = Total number of CRPS issued by the Company (excluding all CRPS previously converted by all CRPS Holders)

$Q$  = Balance Proceeds

In the event CRPS Holders fail to exercise this redemption option, such CRPS shall be automatically converted into Conversion Shares at the Conversion Price on the Maturity Date.

In the event the Balance Proceeds as at the Cut-Off Date is less than or equal to 20%, the Redemption Option shall not be applicable.

Condition of Redemption : The redemption of the CRPS shall be subject to, and in accordance with, Section 61 of the Act.

Redemption Price : Redemption price (in RM) will be determined based on the formula below:

$$R = \left[ 1 + \left( 5\% \times \frac{U}{365} \right) \right]$$

where,

$R$  = Redemption price per CRPS.

$U$  = Number of days from the issue date of each relevant tranche of CRPS to Maturity Date.

The 5% represents a 5% per annum premium on the Subscription Price in the event of redemption.

Voting rights	:	The CRPS shall entitle the CRPS Holder to the voting rights as referred to in Section 148(2) of the Act and all other mandatory statutory voting rights.
Priority on winding-up or liquidation	:	The CRPS shall have priority in the repayment of the CRPS (if such repayment is applicable to the CRPS) over any payment in relation to the Hibiscus Petroleum Shares and RCPS upon any liquidation, return of capital or winding-up of Hibiscus Petroleum. The CRPS shall not be entitled to participate in the surplus assets and profits of Hibiscus Petroleum.
Ranking of CRPS	:	The CRPS shall rank <i>pari passu</i> amongst themselves.
Ranking and rights of Conversion Shares	:	The Conversion Shares shall rank <i>pari passu</i> in all respects with all other then existing Hibiscus Petroleum Shares, except that the Conversion Shares shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions the entitlement date of which is on or prior to the date of issuance of Conversion Shares.

### 2.1.3 Basis of determining the issue price and conversion price of the CRPS

All CRPS will be issued at an issue price of RM1.00 each. The Subscription Price is fixed at a premium of RM0.99 above the par value of RM0.01 per CRPS.

The conversion prices of the CRPS have been and will be fixed at a premium of up to 10% over the 5-day VWAMP of Hibiscus Petroleum Shares immediately before the price-fixing date (which is the date of the subscription agreement for each relevant tranche of CRPS) or RM1.60, whichever is higher.

The percentage of premium accorded over the 5-day VWAMP of Hibiscus Petroleum Shares is based on the amount of CRPS subscribed by the placee(s) on the following reducing scaled basis, whereby a lower premium is accorded for a higher amount of CRPS subscribed:

	Premium to 5-day VWAMP				
	0%	2.5%	5.0%	7.5%	10.0%
<b>Amount of CRPS subscribed (RM' million)</b>	≥60	45 to <60	30 to <45	15 to <30	<15

In relation to the First Tranche CRPS Placement, the price-fixing date was 2 August 2012, being the date of the First Tranche Subscription Agreement. The 5-day VWAMP of Hibiscus Petroleum Shares up to 1 August 2012 (the last market day prior to the date of the First Tranche Subscription Agreements) was RM1.69. The conversion prices for the respective First Tranche CRPS Placees are as follows:

First Tranche CRPS Placees	No. of First Tranche CPRS subscribed	Premium over the 5-day VWAMP of Hibiscus Petroleum Shares up to 1 August 2012 (%)		Conversion Price (RM)	% of Total Placement CRPS
Sri Inderajaya	5,000,000	10.00		1.85	2.38
MDL Energy Services Limited	16,000,000	7.50		1.81	7.62
Lee Chye Tek Lionel	9,480,000	10.00		1.85	4.51
Hanizah binti Mohd Nasir	22,000,000	7.50		1.81	10.48
	<b>52,480,000</b>				<b>24.99</b>

In relation to the Second Tranche CRPS Placement, the price-fixing date was 3 August 2012, being the date of the Second Tranche Subscription Agreements. The 5-day VWAMP of Hibiscus Petroleum Shares up to 2 August 2012 (the last market day prior to the date of the Second Tranche Subscription Agreements) was RM1.70. The conversion prices for the respective Second Tranche CRPS Placees are as follows:

<b>Second Tranche CRPS Placees</b>	<b>No. of Second Tranche CRPS Placement subscribed</b>	<b>Premium over the 5-day VWAMP of Hibiscus Petroleum Shares up to 2 August 2012 (%)</b>	<b>Conversion Price (RM)</b>	<b>% of Total Placement CRPS</b>
Diran International Inc.	17,000,000	7.50	1.82	8.10
Dato' Azizul Rahman bin Abd Samad	5,000,000	10.00	1.86	2.38
	<b>22,000,000</b>			<b>10.48</b>

The conversion prices for the CRPS placed out would depend on the date of the respective CRPS Subscription Agreements, and the amount of CRPS subscribed, which would then determine the percentage of premium to be accorded to calculate the respective Conversion Price.

The actual number of Conversion Shares depends upon the actual number of CRPS placed out and the relevant Conversion Price for each tranche of CRPS issued.

For illustrative purposes, the Conversion Price of the CRPS is assumed to be at RM1.60 for all CRPS. Based on this assumed Conversion Price of RM1.60 for all CRPS, the total number of Conversion Shares, assuming full subscription and conversion of the CRPS, is 131,250,000 Hibiscus Petroleum Shares.

#### **2.1.4 Listing of the CRPS and new Hibiscus Petroleum Shares to be issued arising from the conversion of the CRPS**

The CRPS will not be listed on the Main Market of Bursa Securities. An application was made for the listing of and quotation for the new Conversion Shares on the Main Market of Bursa Securities. On 30 August 2012, Bursa Securities had resolved via its letter dated 30 August 2012, to approve the listing of and quotation for up to 131,250,000 new Hibiscus Petroleum Shares to be issued upon the conversion of the CRPS subject to the fulfilment of the conditions announced on 30 August 2012.

#### **2.1.5 Background information of the First Tranche CRPS Placees and Second Tranche CRPS Placees**

##### **First Tranche CRPS Placees**

##### **2.1.5.1 Sri Inderajaya**

Sri Inderajaya was incorporated in Malaysia on 29 May 1985 as a private limited company. As at LPD, Sri Inderajaya has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which all have been issued and fully paid-up. The principal activity of Sri Inderajaya is investment holding.

Sri Inderajaya is an existing shareholder of Hibiscus Petroleum, holding 6,500,000 Hibiscus Petroleum Shares or 1.48% of the issued and paid-up share capital of Hibiscus Petroleum as at LPD.



As at LPD, the substantial shareholder of Sri Inderajaya and his shareholding in Sri Inderajaya is as follows:

Substantial Shareholder	Nationality	<---Direct--->		<---Indirect--->	
		No of shares held	%	No of shares held	%
Tan Sri Dato' Seri Arumugam A/L A Packiri	Malaysian	4,999,800	99.996	-	-

As at LPD, the directors of Sri Inderajaya and their shareholdings in Sri Inderajaya are as follows:

Directors	Nationality	<---Direct--->		<---Indirect--->	
		No of shares held	%	No of shares held	%
Tan Sri Dato' Seri Arumugam A/L A Packiri	Malaysian	4,999,800	99.996	-	-
Puan Sri Datin Seri Letchimy @ Suguna Devi A/P RJ Naidu	Malaysian	200	0.004	-	-
Roushan A/L Arumugam	Malaysian	-	-	-	-
Meera Qurratulayn A/P Arumugam	Malaysian	-	-	-	-
Ang Kee Sim (alternate director to Tan Sri Arumugam)	Malaysian	-	-	-	-
Usha Qurratulayn A/P Arumugam (alternate director to Puan Sri Suguna)	Malaysian	-	-	-	-
Cheong Oi Ling (alternate director to Roushan A/L Arumugam)	Malaysian	-	-	-	-

Roushan A/L Arumugam, an independent non-executive director of Hibiscus Petroleum, is the son of Tan Sri Dato' Seri Arumugam A/L A Packiri and Puan Sri Datin Seri Letchimy @ Suguna Devi A/P RJ Naidu. Meera Qurratulayn A/P Arumugam and Usha Qurratulayn A/P Arumugam are his sisters.

Our Company proposes to seek your approval for authority to issue and allot CRPS under the Proposed Private Placement of CRPS to Sri Inderajaya.

#### 2.1.5.2 MDL Energy Services Limited

MDL Energy Services Limited was incorporated with the Ras Al Khaimah Investment Authority (RAKIA), United Arab Emirates on 30 July 2012 as a company limited by shares. As at LPD, MDL Energy Services Limited has an authorised share capital of AED10,000 comprising 100 ordinary shares of AED100 each. The principal activities of MDL Energy Services Limited are business and management consultancy, technical advisory and designing services, international commercial services including project management and consultancy, holding shares and participation in companies and international trading.

MDL Energy Services Limited is not a shareholder of Hibiscus Petroleum as at LPD.

MDL Shipping Services Pte Ltd, a company incorporated in Singapore, is the sole shareholder and director of MDL Energy Services Limited. As at LPD, MDL Shipping Services Pte Ltd has an issued and paid-up capital of USD1.00. The principal activity of MDL Shipping Services Pte Ltd is the provision of a variety of shipping related services.

As at LPD, the substantial shareholders of MDL Shipping Services Pte Ltd and their shareholdings in MDL Shipping Services Pte Ltd are as follows:

Substantial Shareholders	Country of Incorporation/ Nationality	<---Direct--->		<---Indirect--->	
		No of shares held	%	No of shares held	%
MDL Marine Holdings Pte Ltd	Singapore	1	100	-	-
MDL Energy Pvt Ltd	India	-	-	1 <sup>(1)</sup>	100
Kulpreet Singh Sahni	Indian	-	-	1 <sup>(2)</sup>	100
Asheen Sahni	Indian	-	-	1 <sup>(3)</sup>	100

Notes:

- (1) Deemed interested by virtue of the company being the sole shareholder of MDL Marine Holdings Pte Ltd.  
(2) Deemed interested by virtue of his substantial shareholding in MDL Energy Pvt Ltd.  
(3) Deemed interested by virtue of her substantial shareholding in MDL Energy Pvt Ltd.

As at LPD, the directors of MDL Shipping Services Pte Ltd and their shareholdings in MDL Shipping Services Pte Ltd are as follows:

Directors	Nationality	<---Direct--->		<---Indirect--->	
		No of shares held	%	No of shares held	%
Dipak Agarwal	Indian	-	-	-	-
Kulpreet Singh Sahni	Indian	-	-	1 <sup>(1)</sup>	100

Notes:

- (1) Deemed interested by virtue of his substantial shareholding in MDL Energy Pvt Ltd.

### 2.1.5.3 Lee Chye Tek Lionel and Hanizah binti Mohd Nasir

Lee Chye Tek Lionel is an existing substantial shareholder of Hibiscus Petroleum, holding 40,000,000 Hibiscus Petroleum Shares or 9.13% of the issued and paid-up capital of Hibiscus Petroleum as at LPD. He is also the group managing director and major shareholder of Ezra Holdings Limited, a public company listed on Singapore Exchange Limited and a leading offshore contractor and provider of integrated offshore solutions in the oil and gas industry.

Hanizah binti Mohd Nasir is currently a housewife. She is not a shareholder of Hibiscus Petroleum as at LPD.

## **Second Tranche CRPS Places**

### 2.1.5.4 Diran International Inc.

Diran International Inc. was incorporated as a corporation limited by shares in the Republic of Panama on 5 March 2012. As at LPD, Diran International Inc. has an authorised capital of USD10,000 comprising 100 common shares of USD100 each, of which all have been issued and fully paid-up. The principal activity of Diran International Inc. is investment holding.

Diran International Inc. is not a shareholder of Hibiscus Petroleum as at LPD.

Johann Herbert Schneider is the sole shareholder of Diran International Inc.. The directors of Diran International Inc. are Johann Herbert Schneider, Mario Frick and Kuno Frick.

Johann Herbert Schneider obtained his degree from the University of Basel, Switzerland in 1976. He started his career as a private attorney at law with a law firm. He founded his own law firm in 1989 and is currently an attorney at law and a notary public.

#### **2.1.5.5 Dato' Azizul Rahman bin Abd Samad**

Dato' Azizul Rahman bin Abd Samad obtained his Bachelor of Arts (Honours) in Law from the University of Kent at Canterbury, United Kingdom in 1988. Upon obtaining the Certificate of Legal Practice (Malaysia), he started off his career as a partner at Rahman, Too & Co., a Kuala Lumpur based legal practice. In 1996, Dato' Azizul Rahman bin Abd Samad was appointed a director in Nauticalink Berhad and assumed the position of chief executive officer in 2000. He subsequently resigned in 2002.

Dato' Azizul Rahman bin Abd Samad joined Ramunia Holdings Berhad (now known as TH Heavy Engineering Berhad) in 2002 and was appointed a director in 2004. He subsequently resigned in 2012. Currently, Dato' Azizul Rahman bin Abd Samad is a director and major shareholder of Ramunia Energy & Marine Corporation Sdn Bhd, a company with the principal activity of investment holding. Dato' Azizul Rahman bin Abd Samad is not a shareholder of Hibiscus Petroleum as at LPD.

## **2.2 Proposed Increase in Authorised Share Capital and Proposed Amendments**

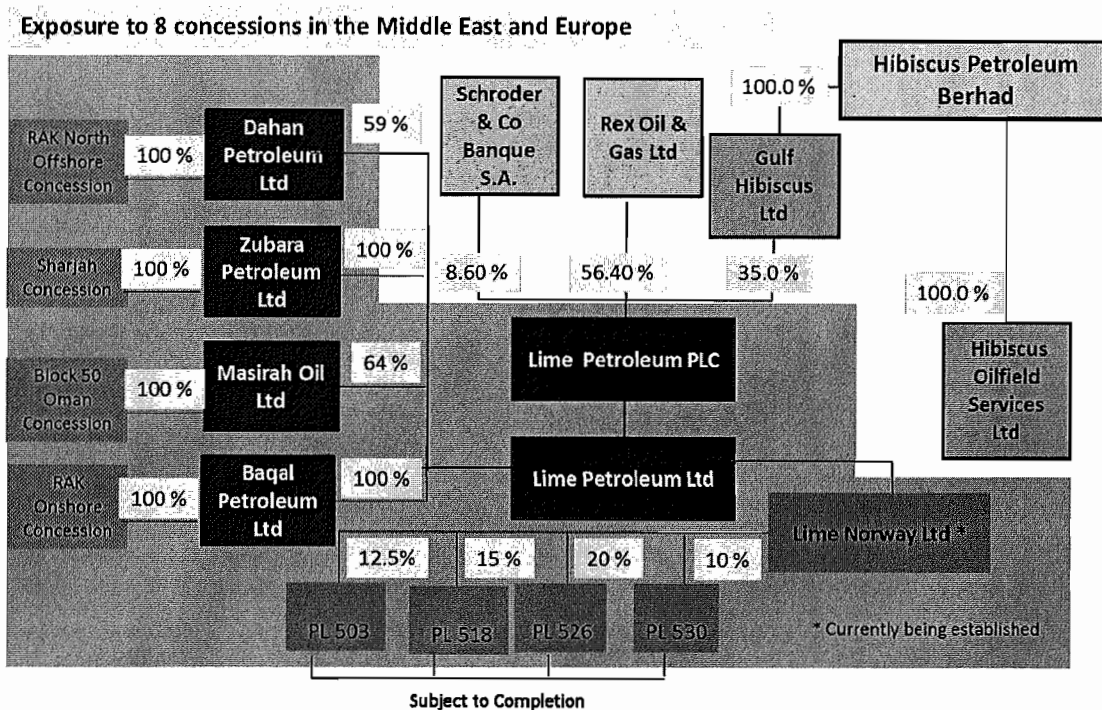
The present authorised share capital of Hibiscus Petroleum is RM25,000,000 comprising 2,400,000,000 Hibiscus Petroleum Shares and 100,000,000 RCPS, of which RM4,404,423 comprising 438,248,422 Hibiscus Petroleum Shares and 2,193,880 RCPS have been issued and fully paid up and are subsisting as at LPD.

In order to accommodate the issuance of the CRPS, any future increase in share capital due to the conversion of CRPS and any future corporate exercises, Hibiscus Petroleum proposes to increase its authorised share capital from RM25,000,000 comprising 2,400,000,000 Hibiscus Petroleum Shares and 100,000,000 RCPS to RM50,000,000 comprising 4,690,000,000 Hibiscus Petroleum Shares, 100,000,000 RCPS and 210,000,000 CRPS by the creation of an additional new 2,290,000,000 Hibiscus Petroleum Shares and 210,000,000 new CRPS.

The Proposed Amendments will involve amendments to relevant clauses and articles of the M&A to facilitate the issuance of CRPS under the Proposed Private Placement of CRPS and the Proposed Increase in Authorised Share Capital. Further details of the Proposed Amendments are set out in Appendix II of this Circular.

### 3. CURRENT BUSINESS OF OUR GROUP

#### Lime Group Structure



On 18 April 2012, our Company completed its Qualifying Acquisition of a 35% jointly-controlled interest in Lime comprising :-

- the acquisition of a 27.2% equity interest (by way of a new issue of shares) in Lime for a cash consideration of USD50 million (equivalent to RM154.44 million) by our wholly-owned subsidiary, Gulf Hibiscus Limited; and
- the acquisition of a further 7.8% equity in Lime from Rex Oil & Gas Limited ("Rex") by Gulf Hibiscus Limited for a cash consideration of USD5 million (equivalent to RM15.43 million). In addition, the share purchase agreement stipulates that a one off bonus payment of USD5 million (equivalent to RM15.55 million\*) is payable to Rex upon receipt of an independent confirmation of a commercial discovery of hydrocarbons under any of the RAK North Concession, Sharjah Concession and Block 50 Oman Concession no later than 31 December 2013.

\* converted at an exchange rate of RM3.109 to USD1.00 as at LPD

Lime is in the business of oil and gas E&P and it has interests in several oil concessions in the Middle East and Norway. The investment in Lime comprises several components which made it an attractive investment opportunity. Firstly, it provides us with an opportunity to access high-potential acreage in the prolific petroleum basins of the Middle East (at the time of execution of the transaction agreements, Lime held concession rights to three assets located in Oman and the United Arab Emirates). Secondly, these concessions were secured with minimal work commitments, with no obligation to drill exploration wells. Thirdly, the Project Management and Technical Services Agreement (PMTSA) executed between Lime and Hibiscus Oilfield Services Limited, a wholly-owned subsidiary of our Company, allows us to contribute in a meaningful way towards the attainment of the joint venture's business objectives (it provides our Company with project management control of Lime's existing and future oil and gas concessions in the Middle East). Finally, the acquisition of Lime also provided our Group exclusive access to proprietary technologies from Rex (comprising Rex Gravity, Rex Seepage and Rex Virtual Drilling which help to better define the potential presence of liquid hydrocarbons in prospects prior to drilling), for fifteen countries in the Middle East.

Further to the execution of Lime transaction agreements, Lime had secured a fourth concession – RAK Onshore in the UAE on 10 April 2012.

With the completion of the acquisition of Lime, our Company transformed into a full-fledged oil and gas E&P company.

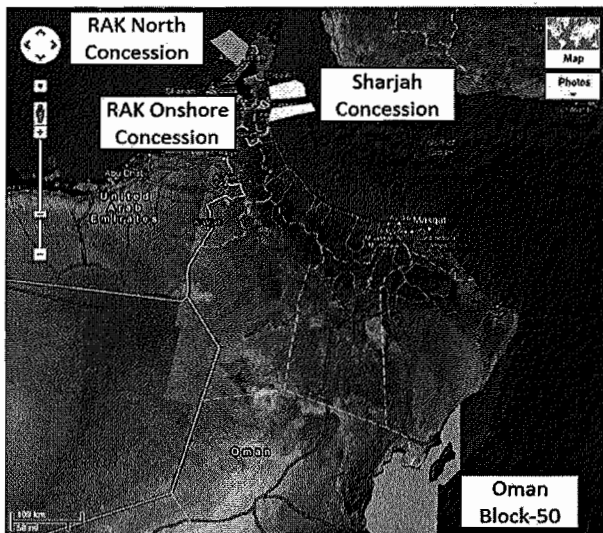
On 2 May 2012, Lime executed agreements to secure a 50% stake in North Energy ASA's ("North Energy") interests in four concessions for a purchase consideration of approximately Norwegian Krone ("NOK") 31.8 million (equivalent to RM16.8 million\*) (if the transfer of interests is completed in 2012 and if the deal is completed in 2013, the purchase consideration will include Lime's share of actual costs incurred in 2012).

The transaction agreements executed with North Energy are conditional upon, among others, Lime obtaining its pre-qualification status as an oil and gas exploration company in Norway as well as approval from the Ministry of Petroleum and Energy, Norway. Activities to secure both pre-qualification and the necessary approvals are being aggressively pursued.

Through our interest in Lime, our Group currently has access to 4 oil and gas concessions in the Middle-East and potentially another 4 concessions in Norway (after completion of the transfer of interests in the concessions). Both the Middle-East and Norwegian concessions ("Lime Assets") are currently at early to advanced stages of exploration as depicted and elaborated in Section 4.2 of this Circular.

\* converted at an exchange rate of 1 NOK : USD0.1741 : RM0.5272 as at the date of the announcement

### Middle East Concessions

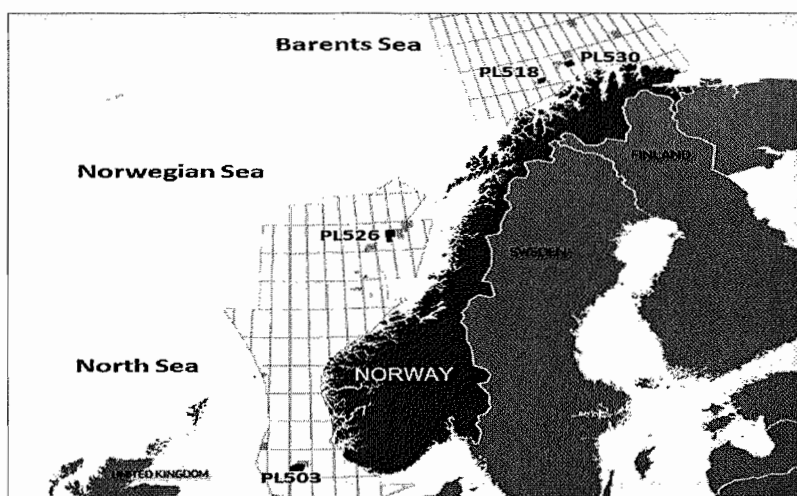


The Middle East concessions are governed by executed Exploration & Production Sharing Agreements ("EPSA") and Concession Agreement ("CA"), which outline the rights and obligations of the parties to the EPSAs and CA. Further details of the concessions (including an overview of the terms of the EPSAs and CA) are as follows :-

Details	RAK North EPSA	RAK Onshore EPSA	Sharjah CA	Block 50 EPSA
Acreage	1,200 km <sup>2</sup>	886 km <sup>2</sup>	1,600 km <sup>2</sup>	16,900 km <sup>2</sup>
Location	Ras Al Khaimah, which is located in the south eastern part of the Persian Gulf	Ras Al Khaimah, which is located in the south eastern part of the Persian Gulf	East coast of Sharjah	South east cost of the Sultanate of Oman

Details	RAK North EPSA	RAK Onshore EPSA	Sharjah CA	Block 50 EPSA
Term	<p><b><u>Terms for Area C</u></b></p> <p>Initial term – 3 years (from 24 May 2010)</p> <p>Second term – 3 years</p> <p>Upon Declaration of Commerciality (“DOC”) – 20 years with rights to request for renewal for an additional 5 years</p> <p><b><u>Terms for Area B</u></b></p> <p>Initial term – 1 year (from 10 April 2012)</p> <p>Second term – 2 years</p> <p>Upon declaring a Development Plan (proposed plan on the production of petroleum from a commercial discovery) or Enhancement Plan (proposed plan to increase the production of petroleum) – 20 years</p>	<p>Initial term – 18 months</p> <p>Second term – 2 years</p> <p>Upon DOC – 20 years, with rights to request for renewal for an additional 5 years</p>	<p>Initial term – 3 years</p> <p>Upon DOC – 20 years</p>	<p>Initial term - 3 years</p> <p>Second term – 3 years</p> <p>Upon DOC – 20 years with rights to request for renewal for an additional 5 years</p>
Effective date of the EPSAs and CA	<p><b><u>Area C</u></b></p> <p>24 May 2010 (original agreement)</p> <p>10 April 2012 (amended agreement)</p> <p><b><u>Area B</u></b></p> <p>10 April 2012</p>	10 April 2012	6 June 2011	23 March 2011
Awarding parties of the EPSAs/CA	Government of Ras Al Khaimah (as represented by Rakgas L.L.C)	Government of Ras Al Khaimah (as represented by RAK GAS L.L.C)	Government of the Emirate of Sharjah	Government of the Sultanate of Oman
Lime's participating interest in the concession companies	59%	100%	100%	64%

## Norwegian Concessions



Details relating to these 4 Norwegian concessions are shown below:

Production License ("PL") / Prospect	Current ownership interest of North Energy	Interest to be transferred to Lime
PL 503 / Valberget	25.0%	12.5%**
PL 518 / Zapffe	30.0%	15.0%
PL 526 / Vågar	40.0%	20.0%**
PL 530 / Heilo	20.0%	10.0%

\*\* denotes the minimum interest to be acquired

#### 4. UTILISATION OF PROCEEDS

The Proposed Private Placement of CRPS is expected to raise total gross proceeds of up to RM210,000,000.

The proceeds raised from the Proposed Private Placement of CRPS are expected to be utilised as follows:

Description	RM'000	Timeframe for the utilisation of proceeds
Future synergistic acquisitions	168,000	Within 18 months from the receipt of the proceeds
Working capital	42,000	Within 18 months from the receipt of the proceeds
	<b>210,000</b>	

The proposed utilisation as set out above is based on the scenario whereby the entire 210,000,000 CRPS will be fully placed out and subscribed by investors, therefore resulting in raising the entire sum of RM210,000,000. Based on the said scenario, in the event the actual amount for future synergistic acquisitions, which would include associated transaction and other costs, exceeds RM168,000,000, the excess will be funded out of the remaining amount of RM42,000,000 set aside for working capital. Associated transaction and other costs include legal, technical, financial, corporate and valuation advisory services in relation to due diligence exercises, preparation of legal documents and other acquisition-related costs such as stamp duties.

We intend to prioritise the utilisation of the proceeds raised from the issuance of the CRPS for future acquisitions and/or investments in development and/or production assets (whether directly or indirectly, through entities holding such assets or otherwise) which may include potential exploration upside, and associated transaction and other costs for the acquisitions.

The target assets will be located in our Group's regions of interest namely South Asia, East Asia, Middle East, North Africa and Oceania. These assets will contain fields that are at the development and/or producing stages (further elaborated in Section 4.2 below). It is possible that, in addition to development and/or producing fields, such assets may also contain prospects that have not been explored but have promising indications of the presence of hydrocarbons based on available data. The qualifying parameters of the Permitted Utilisation will only be applied to the development and/or producing fields within such assets.

Any remaining amount after utilisation for the acquisitions and/or investments will only then be utilised for working capital purposes such as to further develop the projects acquired to achieve first oil, and/or to increase the production of already producing fields. The costs relating to development of projects include costs to be incurred for the drilling of production wells, and setting up the necessary infrastructure to produce hydrocarbons, whilst the costs relating to the production phase include costs to be incurred for the extraction, processing, storage and transportation of hydrocarbons. The nature and quantum to be utilised for such purposes, if any, may only be determined after the acquisition targets have been identified and after the following details, inter-alia, have been confirmed :-

- the consideration of the acquisition and the amount which will be injected into the asset for further development;
- the approved work programme and the debt and equity funding requirements; and
- the participating interest of our Company in the asset and its corresponding equity funding obligations.

Expenses and associated costs of the Proposals, which include placement fees, professional fees and other costs are estimated to be approximately RM5.0 million and will be paid from Hibiscus Petroleum's internal funds.

Pending utilisation for the above purposes, the proceeds will be placed in interest-bearing instruments and/or accounts with financial institutions.

Prior to release of funds by the CRPS Custodian for utilisation by Hibiscus Petroleum, an Independent Expert shall first be appointed by our Company to verify the fulfilment of the Permitted Utilisation parameters in relation to each application or utilisation in relation to the Permitted Utilisation.

The qualifying parameters of the Permitted Utilisation are as follows:

<b>Parameters *</b>	<b>In the case of development asset(s) (based on 2P/2C) ***</b>	<b>In the case of producing asset(s) (based on 2P) ***</b>
Estimated payback period**	≤5 years	≤4 years
Internal Rate of Return (IRR)	>20%	>12%

Notes:

\* *In any case where the asset(s) include both development and producing assets, the applicable qualifying parameters for such asset(s) are satisfied as long as they fall within the above specified ranges.*

\*\* *Estimated payback period is the period of time required for the return on an investment to repay the sum of the original investment*

\*\*\* *Development asset(s) and producing asset(s) are explained in Section 4.2 of this Circular and resource classifications (2P/2C) are depicted in Section 4.3 of this Circular.*

No new proceeds will be raised from the conversion of the CRPS into Conversion Shares as the conversion will be wholly satisfied through the surrender of the CRPS.



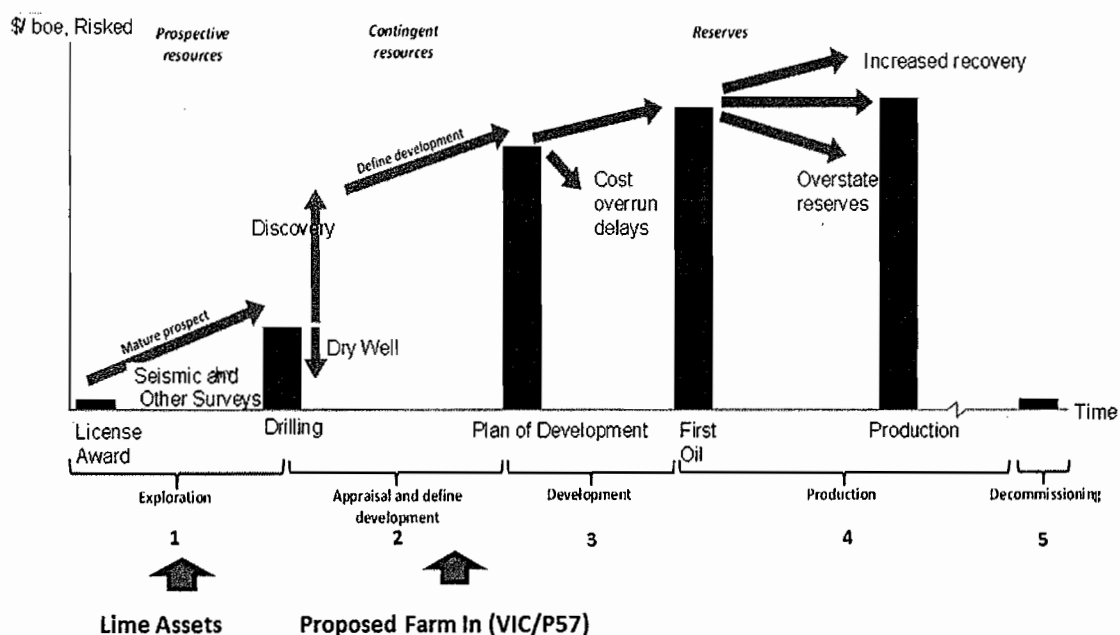
#### 4.1 Proposed utilisation of part of the proceeds

On 14 August 2012, on behalf of our Board, HLIB had announced the Proposed Subscription and the Proposed Farm-In. Please refer to the copy of the announcement dated 14 August 2012 enclosed as Appendix I for information and details of the Proposed Subscription and Proposed Farm-In. Further information and details of the Proposed Subscription and Proposed Farm-In will be disclosed in a separate circular to shareholders of our Company at a later date.

Both the Proposed Subscription and Proposed Farm-In are intended to be funded from the proceeds of the Proposed Private Placement of CRPS and available internal funds in accordance with the terms thereof. An independent expert, Pareto Securities Asia Pte. Ltd. ("Pareto Securities") has been appointed by our Company to verify the fulfilment of the qualifying parameters for the Proposed Subscription and Proposed Farm-In. The valuation by Pareto Securities is still in progress and not finalised as at LPD.

#### 4.2 Key stages of the E&P value chain

The key stages of the E&P value chain, including the value accretion and risks, of the E&P spectrum are illustrated below :-



Notes:

##### 1 Exploration Phase

The first major value creation takes place in the exploration phase, subject to discovery of commercial resources. Exploration activities involve the search for rock formations with hydrocarbon deposits. After obtaining an exploration license from the host government, seismic surveys are typically used to assess the potential of oil and gas prospects, and to increase probability of drilling in the right location. Prospects with promising geological structure are then identified for drilling. Upon drilling, one may be successful in discovering resources or may encounter a dry well. In the event of a dry well, the value of an asset will be significantly reduced.

##### 2 Appraisal and Define Development Phase

The second key value generating milestone is the approval of the Plan of Development. Following a discovery during the exploration phase, appraisal wells are drilled primarily to obtain a better understanding of the reservoir and the volumes actually recoverable. A Plan of Development is then prepared for approval.

### 3 Development Phase

Once the discovered resources are well understood and the Plan of Development is approved by the host government, the asset can be developed for production. Development activities involve drilling of production wells and possibly also injection wells, in addition to the necessary infrastructure to produce the hydrocarbons, which could be in the form of platform, subsea facilities, pipelines, floating production storage facilities. As the development progresses toward production, the inherent risk in development is reduced, resulting in increased valuations of the asset. However, valuations may be reduced by cost overruns or unforeseen delays. Assets involved in this phase are known as development assets.

### 4 Production Phase

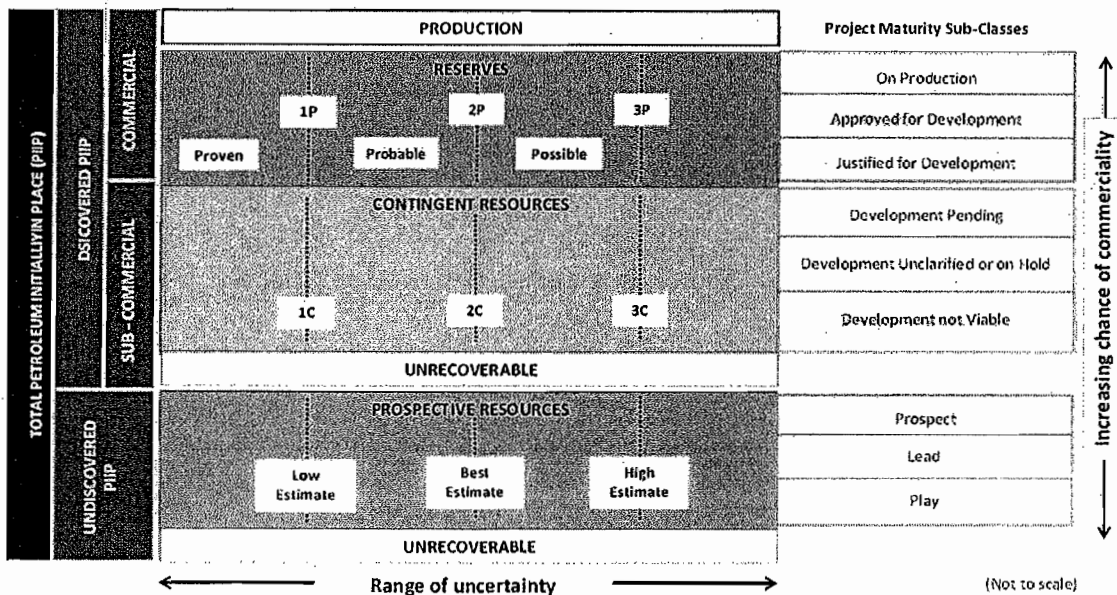
The production phase involves the extraction, processing, storage, and transportation of hydrocarbons from the fields. After first oil, value could be increased by improved reserve estimates, lower than projected operating costs and/or higher than estimated recovery rates whilst value may be diminished in the event the opposite occurs. Assets involved in this phase are known as producing assets.

### 5 Decommissioning Phase

As production from a field declines to a point where the cost of production does not justify further extraction, the field will be abandoned. The wells will need to be plugged, and production facilities will need to be removed. This can be a costly process and the host government will usually require the contractor to build up an abandonment fund prior to the estimated time of decommissioning. As this fund is being built up, the contractor is normally allowed to recover the cost from the field's revenue.

## 4.3 Resource classification

Oil and gas assets are classified according to uncertainty and chance of commerciality. Exploration assets with undiscovered oil and gas are typically classified as prospective resources and are associated with low chance of commerciality while oil and gas discoveries with an approved plan of development have a higher chance of commerciality and are classified as reserves.



Source: Gaffney, Cline & Associates, Pareto

## 5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

### 5.1 Overview and outlook of the oil & gas industry

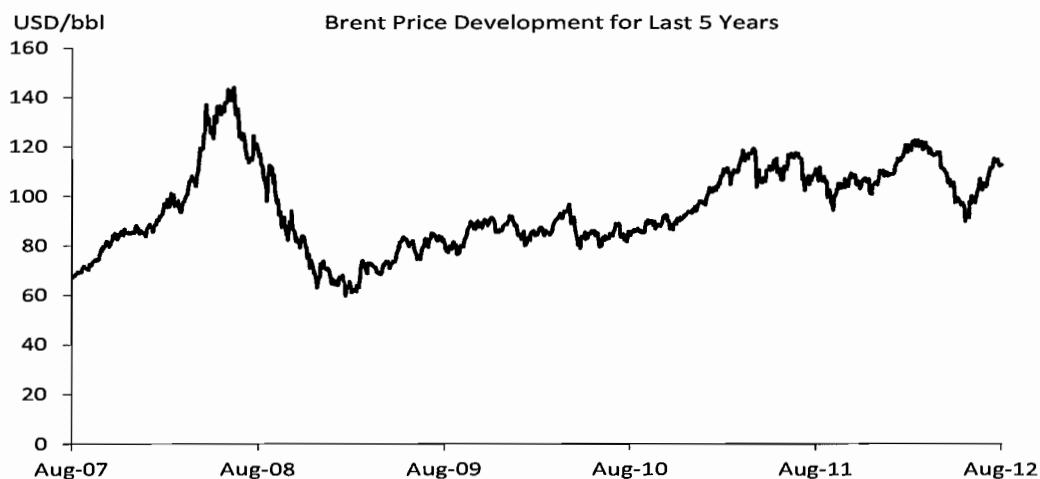
The key driver for the oil and gas industry is the prevailing price of oil and gas and the expected development of these prices in the future. Oil is a global commodity and price developed is, inter alia, affected by global supply and demand trends, gross domestic product ("GDP") growth, geopolitical issues, influence from the Organization of the Petroleum Exporting Countries ("OPEC") and government regulations. While oil is a global commodity, gas production is to a greater extent supplied to markets in the vicinity of discovered resources. For larger gas discoveries, it can be economically viable to produce liquefied natural gas for supply to the global market.

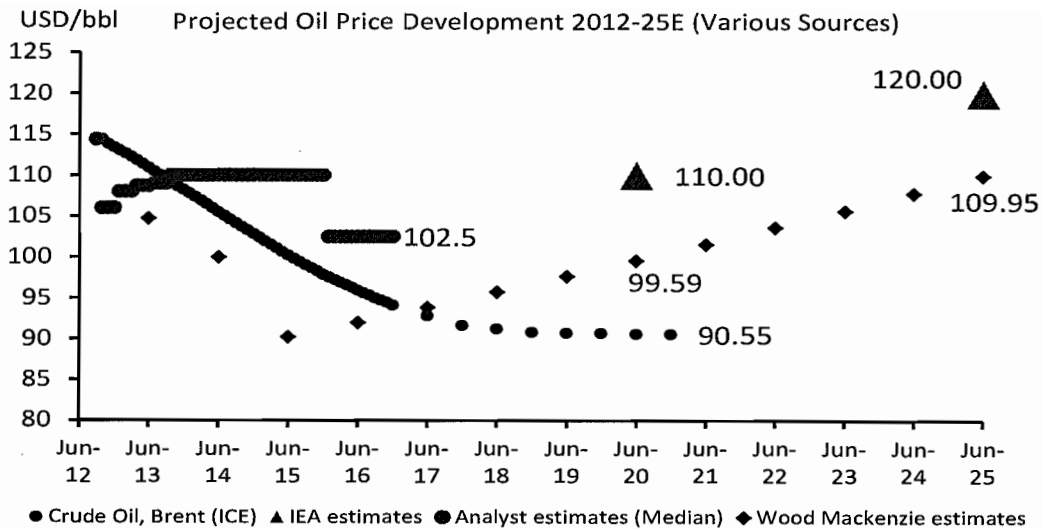
The recent trend in oil prices suggests that the global oil market has entered a period of increased scarcity. The origins of this scarcity can be traced to the tension between the upward shift in global oil consumption growth due to fast-growing emerging market economies and supply constraints which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

Demand growth is mainly being driven by the populous countries of Asia, which are experiencing high economic growth. Over the last decade, China has accounted for about 40% global oil demand growth (followed by the Middle East at 26%).

According to International Energy Agency ("IEA"), the global primary energy demand will continue to grow through 2035. It expects global demand for oil (excluding biofuels) to increase from 84.8 million barrels per day ("MMbbls/d") in 2009 to 99 MMbbls/d in 2035 (Source : *IEA World Energy Outlook 2010*). Economic activity is the principal driver of demand for each type of energy service and the underlying GDP data (obtained from International Monetary Fund, World Bank databases and IEA databases) shows a global GDP growth rate averaging at 3.2% per year from 2008 to 2035, with Organisation for Economic Co-operation and Development ("OECD") growth at 1.8% and non-OECD growth at 4.6% for the same period. Population growth is also an important driver of the amount and type of energy use and data (obtained from United Nations Development Programme and World Bank databases) shows a global population growth of 0.9% with an OECD growth of 0.8% and a non-OECD growth of 1.0%.

The diagrams below depict oil (Brent) price development over the last 5 years and projected oil price development from 2012 to 2025 (estimate) :





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

(Source: Pareto Securities)

Oil prices have significantly increased from the region of USD 20 to USD 30 per barrel in 2001 to the USD 90 to USD 100 per barrel region in 2011, having peaked in the middle of 2008 before it underwent a correction. Recently, oil prices have been significantly volatile as demand factors are affected by the European debt-crisis as well as a slower rate of economic recovery in European nations and the U.S. Although the long term oil demand is predicted to grow, turbulence in the global economy may impact demand for oil and gas and consequently, putting downward pressure on prices in the short to medium term. (Source: Pareto Securities, E&P Industry Report, 16 February 2012)

IEA's 2010 World Energy Outlook assumes an upward sloping price curve, reaching USD 120 per barrel in 2025 and USD 135 per barrel in 2035 (in real terms, 2009 prices) according to their Current Policies Scenario. (Source: Pareto Securities, E&P Industry Report, 16 February 2012)

## 5.2 Future Prospects of Hibiscus Petroleum

Under our initial strategy, we had focused on exploration assets to build early value and provide optimal upside to our shareholders. As indicated under the chart depicting the key stages of the E&P value chain under Section 4.2, the biggest value creation takes place during the exploration phase in the event of a discovery of commercial resources. The Lime Group's assets are at an early to advanced exploration phase with drilling activities planned in the near to medium term. In the event of a commercial discovery, the value of Lime Group's assets is expected to be enhanced. Our Group's next phase of growth strategy is two-pronged :-

- **Continuing Implementation of the work programme of Lime Group**

Our ongoing work as Project Manager on Lime Group's work programme for 2012 comprises seismic acquisition, processing and interpretation, geological studies and pre-drilling/drilling activities.

### Seismic acquisition, processing and interpretation

2D and 3D seismic acquisitions were planned for all 3 offshore Middle East concessions. The programme ran from 18 February 2012 until 1 July 2012. The summary of the data acquired is listed as follows:

Period	Field Work Programme	Location	Service Provider	Status
18 February – 24 February 2012	78 km 2D	Sharjah East Coast Concession	BGP International Equipment (M.E) FZE	Completed
10 April – 4 May 2012	446 km <sup>2</sup> 3D		BGP International Equipment (M.E) FZE	Completed
03 March – 06 April 2012	147km 2D and 121 km <sup>2</sup> 3D seismic	RAK North Concession	BGP International Equipment (M.E) FZE	Completed
17 May – 1 July 2012	560 km 2D and 346 km <sup>2</sup> 3D seismic	Block 50 Oman Concession	BGP International Equipment (M.E) FZE	Completed

The 2D data for Block 50 Oman has been processed and is currently being interpreted. Virtual drilling has been carried out on the new seismic data in detail for the prospects in Block 50 Oman. This technique, proprietary to Rex, uses responses from the low frequency band of conventional seismic to identify resonance signatures from reservoir fluids. Using this methodology, positive indications of hydrocarbon accumulations have been seen over the identified prospects and leads.

Seismic processing of the 2D and 3D data for RAK Offshore and Sharjah, and the 3D data for Block 50 Oman is currently in progress and should be completed by late 2012 and early 2013.

A further seismic survey is being planned for RAK Onshore to be executed in 2013.

### Drilling Programme

The drilling programme for Lime is initially focused on Block 50 Oman. Following a technical and commercial evaluation of several proposals, SPD LLC ("SPD"), a division of Petrofac Production Solutions, was selected as the drilling project management service company. Hibiscus Petroleum representatives have since been assigned to the SPD office in Dubai to work on developing the drilling strategy, in addition to, the well engineering plan and overseeing of the tender process.

The Ministry of Oil and Gas of the Sultanate of Oman has reviewed all tender strategies for the two exploration wells to be drilled, and, the majority of the tenders have been initiated. Discussions are on-going with drilling rig contractors and a contract for detailed geo-technical site surveys will be awarded in the near term.

Together with SPD, we have conducted a logistics study and identified the preferred base of operations. In the next few months, we will focus on making this option as cost-effective as possible.

Meanwhile, submissions for all the required regulatory approvals for the work programme are on-going.

The drilling programme for Block 50 Oman is scheduled to start in the fourth quarter of 2012 or first quarter of 2013 pending the finalisation of drilling rig procurement.

Work is currently on-going with SPD for the preliminary well design for RAK Offshore to identify the long lead items required. At the same time, a market survey is under way to source rigs that are able to drill in a safe and efficient manner taking into account the anticipated challenges.

- **Future Acquisition of Development and/or Producing Assets**

Proposed future acquisitions of development and/or producing assets to balance its asset portfolio with more moderate and low risk assets. Our Company believes that current uncertainty in the global markets and decline in oil prices provide an ideal opportunity to acquire the desired type of assets.

Our Board is optimistic about the future prospects of Hibiscus Petroleum Group after considering the following :-

- The potential outcome of drilling activities under Lime Group in the near to medium term.
- The potential upside to be derived from the Proposed Farm-in of 50.1% interest in the exploration permit VIC/P57. The West Seahorse field is a small offshore oil field with 2C Contingent Resources of 5.5 million barrels ("MMbbls") and Best Estimate Prospective Resources (as defined in Appendix I) of 1.8 MMbbls of light oil, which are based on the Company's current estimate. VIC/P57 also has significant potential exploration upside in the Sea Lion field and to a lesser extent, in the Felix field.

*(Source: Company)*

## **6. RATIONALE FOR THE PROPOSALS**

### **6.1 Proposed Private Placement of CRPS**

As part of our Group's growth strategy to acquire development and/or producing oil and gas assets, we are proposing to raise up to RM210,000,000 by way of issuance of CRPS to fund such acquisitions.

Our Board is of the view that the Proposed Private Placement of CRPS is the most appropriate method of raising funds in a manner which is not detrimental to our current shareholders and also attractive to potential investors, for the following reasons :-

- the Conversion Price of the CRPS is fixed at a premium of up to 10% over the 5-day VWAMP of Hibiscus Petroleum Shares immediately before the price-fixing date or RM1.60, whichever is higher, unlike a rights issue or private placement of shares which are usually issued at a discount to the market price of shares;
- it will enable our Company to raise funds without paying interest cost as compared to bank borrowings on the premise that the CRPS will be converted;
- the inclusion of safeguards for CRPS Holders whereby funds will be placed with an independent CRPS Custodian and will only be disbursed by such custodian after confirmation by the Independent Expert that the minimum pre-defined qualifying parameters have been met or when the CRPS have been converted;
- the CRPS Holders are provided an option to convert all or part of their CRPS into Conversion Shares at any time during the Conversion Period (being the period commencing from the earlier of the date falling 6 months from the date of issuance of the first tranche of CRPS and the date the transacted market price of Hibiscus Petroleum Shares first reaches RM3.00 or more, up to the Cut-Off Date); and
- the CRPS Holders also have a one-time option to redeem part of the total number of CRPS they hold in the event that the Balance Proceeds as at the Cut-Off Date exceeds 20%.

The placement of CRPS in tranches also allows our Company to obtain a one-off mandate from our shareholders and subsequently place out the CRPS within 6 months from the date the necessary approval from Bursa Securities in relation to the Proposed Private Placement of CRPS is obtained, to suitable investors as and when such investors are identified.

## 6.2 Proposed Increase in Authorised Share Capital and Proposed Amendments

The Proposed Increase in Authorised Share Capital is required to facilitate the issuance of the new CRPS and Conversion Shares. The Proposed Amendments are intended to facilitate the Proposed Private Placement of CRPS and Proposed Increase in Authorised Share Capital.

## 7. EFFECTS OF THE PROPOSALS

The Proposed Increase in Authorised Share Capital and Proposed Amendments will not have any effect on the issued share capital, substantial shareholdings, EPS, NA per share and gearing of our Company.

For illustrative purposes, the effects of the Proposed Private Placement of CRPS shall be based on the following 2 scenarios:

Scenario 1 : Assuming full redemption of the entire CRPS prior to Maturity Date and no exercise of all outstanding Warrants-A and Warrants-B

Scenario 2 : Assuming full conversion of the entire CRPS at Maturity Date and full exercise of all outstanding Warrants-A and Warrants-B

### 7.1 Share capital

The proforma effects of the Proposed Private Placement of CRPS on the issued and paid-up share capital of our Company as at LPD are shown below.

#### Scenario 1

	No. of Hibiscus Petroleum Shares	No. of RCPS <sup>(4)</sup>	RM
Issued and paid-up capital as at LPD	438,248,422	2,193,880	4,404,423
Assuming full redemption of entire CRPS <sup>(1)</sup>	1,312,500	-	13,125
Assuming no exercise of all outstanding Warrants-A <sup>(2)</sup>	-	-	-
Assuming no exercise of all outstanding Warrants-B <sup>(3)</sup>	-	-	-
<b>Enlarged share capital</b>	<b>439,560,922</b>	<b>2,193,880</b>	<b>4,417,548</b>

#### Scenario 2

	No. of Hibiscus Petroleum Shares	No. of RCPS <sup>(4)</sup>	RM
Issued and paid-up capital as at LPD	438,248,422	2,193,880	4,404,423
Assuming full conversion of entire CRPS <sup>(5)</sup>	131,250,000	-	1,312,500
Assuming full exercise of all outstanding Warrants-A <sup>(2)</sup>	314,236,022	-	3,142,360
Assuming full exercise of all outstanding Warrants-B <sup>(3)</sup>	83,611,200	-	836,112
<b>Enlarged share capital</b>	<b>967,345,644</b>	<b>2,193,880</b>	<b>9,695,395</b>

**Notes:**

- (1) *The full redemption of the par value of the entire CRPS is assumed from the proceeds of new issue of 1,312,500 Hibiscus Petroleum Shares at RM1.60 per share. Pursuant to Section 61(3) of the Act, redeemable preference shares shall not be redeemed except out of profits which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purposes of the redemption and unless they are fully paid up. Based on the assumption that our Company does not have sufficient profits which would otherwise be available for dividend at the time of redemption of the CRPS, we have assumed that a new issue of Hibiscus Petroleum Shares would be required to redeem the par value of the entire CRPS.*
- (2) *The Warrants-A are listed on the Main Market of Bursa Securities and are exercisable anytime during the period commencing from 18 April 2012 up to 24 July 2014. The exercise price of Warrants-A is RM0.50 per Warrant-A.*
- (3) *The Warrants-B are not listed. Of the total Warrants-B issued, based on the moratorium imposed by the Securities Commission on the securities held by the non-independent directors and management team of the Company, 50% is exercisable within the first year after the completion of the Qualifying Acquisition. The remaining 50% is exercisable in the following year. The Warrants-B are held by Hibiscus Upstream Sdn Bhd, a major shareholder of Hibiscus Petroleum. The exercise price of Warrants-B is RM0.10 per Warrant-B.*
- (4) *As at LPD, there are 2,193,880 RCPS issued and subsisting. The RCPS are classified as current liabilities in the latest audited financial statements of Hibiscus Petroleum pursuant to the Financial Reporting Standard, as the RCPS are redeemable at the option of the RCPS holder. The remaining RCPS are not convertible into Hibiscus Petroleum Shares.*
- (5) *The Conversion Price is assumed at RM1.60 for all CRPS to illustrate the maximum number of Conversion Shares.*

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## 7.2 Shareholdings of substantial shareholders

The proforma effects of the Proposed Private Placement of CRPS on the shareholding structure of our substantial shareholders based on our Company's Record of Depositors as at LPD are set out below:

### Scenario 1

	Existing as at LPD		Proforma I After the Proposed Private Placement of CRPS		Proforma II After Proforma I and assuming full redemption of the entire CRPS		Proforma III After Proforma II and assuming no exercise of all outstanding Warrants- A and Warrants-B	
	←-- Direct ---> No. of Shares '000)	←-- Indirect ---> % No. of Shares '000)	←-- Direct ---> No. of Shares '000)	←-- Indirect ---> % No. of Shares '000)	←-- Direct ---> No. of Shares '000)	←-- Indirect ---> % No. of Shares '000)	←-- Direct ---> No. of Shares '000)	←-- Indirect ---> % No. of Shares '000)
Hibiscus Upstream Sdn Bhd	83,611	19.08	83,611	19.08	83,611	19.02	83,611	19.02
Dr Kenneth Pereira	-	83,611	19.08 <sup>(5)</sup>	-	83,611	19.02 <sup>(5)</sup>	83,611	19.02 <sup>(5)</sup>
Lee Chye Tek Lionel	40,000	9.13	40,000	9.13	40,000	9.10	40,000	9.10
Littleton Holdings Pte Ltd <sup>(4)</sup>	30,415	6.94	30,415	6.94	30,415	6.92	30,415	6.92
Roushan A/L Arumugam	-	30,415	6.94 <sup>(6)</sup>	-	30,415	6.92 <sup>(6)</sup>	-	30,415
Mercury Pacific Marine Pte Ltd	27,978	6.38	27,978	6.38	27,978	6.36	27,978	6.36
Picadilly Middle East Limited	26,667	6.08	26,667	6.08	26,667	6.07	26,667	6.07

**Scenario 2**

	Existing as at LPD		After the Proposed Placement of CRPS		After Proforma I conversion of the entire CRPS		After Proforma II and assuming full exercise of all outstanding Warrants-A and Warrants-B <sup>(1),(2)</sup>	
	Direct % No. of Shares ('000)	Indirect % No. of Shares ('000)	Direct % No. of Share S ('000)	Indirect % No. of Shares ('000)	Direct % No. of Share S ('000)	Indirect % No. of Shares ('000)	Direct % No. of Shares ('000)	Indirect % No. of Shares ('000)
Hibiscus Upstream Sdn Bhd	83,611	19.08	83,611	19.08	83,611	14.68	167,223	17.29
Dr Kenneth Pereira	-	83,611	-	83,611	-	83,611	-	167,223
Lee Chye Tek Lionel <sup>(3)</sup>	40,000	9.13	40,000	9.13	45,925	8.06	79,344	8.20
Littleton Holdings Pte Ltd <sup>(4)</sup>	30,415	6.94	30,415	6.94	30,415	5.34	53,415	5.52
Roushan A/L Arumugam	-	30,415	-	30,415	-	30,415	-	53,415
Mercury Pacific Marine Pte Ltd	27,978	6.38	27,978	6.38	27,978	4.91	57,578	5.95
Picadilly Middle East Limited	26,667	6.08	26,667	6.08	26,667	4.68	53,334	5.51

**Notes:**

- (1) Hibiscus Upstream Sdn Bhd holds the entire 83,611,200 Warrants-B.
- (2) Based on Company's Record of Depositors in respect of warrants as at LPD.
- (3) For the purpose of illustration of the above proforma effects on the substantial shareholdings, we had assumed that the conversion prices for the entire CRPS is at RM1.60 per Conversion Share. Based on this, Lee Chye Tek Lionel's shareholdings in Hibiscus Petroleum Shares in Proforma II and Proforma III include 5,925,000 Conversion Shares at the assumed Conversion Price of RM1.60 arising from the 9,480,000 CRPS subscribed by him under the First Tranche CRPS Placement. However, based on Lee Chye Tek Lionel's subscription of 9,480,000 CRPS pursuant to the First Tranche Subscription Agreement, which conversion price was fixed at RM1.85, he will hold 45,124,324 Hibiscus Petroleum Shares under Proforma II and 78,543,324 Hibiscus Petroleum Shares under Proforma III.
- (4) The direct interest of 30,415,000 Hibiscus Petroleum Shares of Littleton Holdings Pte Ltd comprises:
  - 24,265,000 Hibiscus Petroleum Shares held under Maybank Nominees (Asing) Sdn Bhd for DBS Bank for Littleton Holdings Pte Ltd
  - 150,000 Hibiscus Petroleum Shares held under EComL Nominees (Asing) Sdn Bhd for Littleton Holdings Pte Ltd
  - 6,000,000 Hibiscus Petroleum Shares held under Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank NA Singapore (Julius Baer) for Littleton Holdings Pte Ltd
- (5) Deemed interested via his shareholdings in Hibiscus Upstream Sdn Bhd pursuant to Section 6A of the Act.
- (6) Deemed interested via his shareholdings in Littleton Holdings Pte Ltd pursuant to Section 6A of the Act.

### 7.3 Earnings and EPS

The Proposed Private Placement of CRPS may result in an estimated maximum finance cost (representing the accretion of the liability portion of the CRPS based on an effective interest rate of 5.5%) of up to approximately RM6,900,000 for the duration of the CRPS for the FYE 31 March 2013 to our Group. This is based on the assumption that the entire amount of RM210,000,000 CRPS are issued in one tranche on 1 October 2012 and no amount is utilised or converted up to 31 March 2013.

The proceeds to be raised are expected to be utilised within 18 months from the date of the receipt of proceeds from the Proposed Private Placement of CRPS. The proceeds will be placed in interest bearing instruments during the period, if not utilised and may result in gross interest income of up to RM3,150,000 for the FYE 31 March 2013 at the assumed interest rate of 3% per annum.

The EPS of our Group may be diluted as a result of an increase in the number of Hibiscus Petroleum Shares in issue after the issuance of Conversion Shares. However, given its purpose, the Proposed Private Placement of CRPS is expected to enhance the future earnings of our Group. The future EPS of our Group may increase or decrease depending on the returns from deploying the proceeds raised from the Proposed Private Placement of CRPS and the number of Conversion Shares arising.

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## 7.4 NA and Gearing

For illustrative purposes, the proforma effects of the Proposed Private Placement of CRPS on the audited consolidated NA of our Company based on its audited consolidated financial statements as at 31 March 2012 are set out below:

### Scenario 1

	Audited as at 31 March 2012	Proforma I After adjustment for subsequent events <sup>(1)</sup>	Proforma II After Proforma I and the Proposed Private Placement of CRPS	Proforma III After Proforma II and assuming full redemption of the entire CRPS <sup>(2)</sup>	Proforma IV After Proforma III and assuming no exercise of all outstanding Warrants A and Warrants-B
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	4,180	4,379	4,379	4,392	4,392
Share premium	137,216	152,804	152,804	154,891	154,891
Warrant reserves	98,151	92,312	92,312	92,312	92,312
Foreign exchange reserve	(1,314)	(1,314)	(1,314)	(1,314)	(1,314)
Other reserves	-	-	517	517	517
Accumulated losses	(6,089)	(6,089)	(6,089)	(27,356)	(27,356)
<b>Shareholders' funds / NA</b>	<b>232,144</b>	<b>242,092</b>	<b>242,609</b>	<b>223,442</b>	<b>223,442</b>

No. of Shares in issue ('000)

418,048      437,943      437,943      439,256      439,256

NA per Share (RM)

0.56      0.55      0.55      0.51      0.51

Total interest-bearing  
borrowings (RM'000)

-      -      -      -      -

Gearing ratio (times)

-      -      -      -      -

## Scenario 2

	Audited as at 31 March 2012	Proforma I After adjustment for subsequent events <sup>(1)</sup>	Proforma II After Proforma I and the Proposed Private Placement of CRPS	Proforma III After Proforma II and assuming full conversion of the entire CRPS <sup>(2),(4)</sup>	Proforma IV After Proforma III and assuming full exercise of all outstanding Warrants A and Warrants-B <sup>(5)</sup>
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	4,180	4,379	4,379	5,692	9,673
Share premium	137,216	152,804	152,804	356,491	610,454
Warrant reserves	98,151	92,312	92,312	92,312	-
Foreign exchange reserve	(1,314)	(1,314)	(1,314)	(1,314)	(1,314)
Other reserves	-	-	517	-	-
Accumulated losses	(6,089)	(6,089)	(6,089)	(6,089)	(6,089)
<b>Shareholders' funds / NA</b>	<b>232,144</b>	<b>242,092</b>	<b>242,609</b>	<b>447,092</b>	<b>612,724</b>
No. of Shares in issue ('000)	418,048	437,943	437,943	569,193	967,346
NA per Share (RM)	0.56	0.55	0.55	0.79	0.63
Total interest-bearing borrowings (RM'000)	-	-	-	-	-
Gearing ratio (times)	-	-	-	-	-

### Notes:

- (1) Adjustment for subsequent events include adjustment for acquisition of 35.0% equity interest in Lime which was completed on 18 April 2012 and exercise of 19,895,500 Warrants-A up to 31 July 2012.
- (2) Assuming upon full redemption of the entire CRPS, amortisation of placement and professional fees and other costs associated with the Proposed Private Placement of CRPS and both the balance Warrants-A and Warrants-B remain unexercised. The full redemption of the par value of the entire CRPS is assumed from the proceeds of new issue of 1,312,500 Hibiscus Petroleum Shares at RM1.60 per share. Pursuant to Section 61(3) of the Act, redeemable preference shares shall not be redeemed except out of profits which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purposes of the redemption and unless they are fully paid up. Based on the assumption that our Company does not have sufficient profits which would otherwise be available for dividend at the time of redemption of CRPS, we have assumed that a new issue of Hibiscus Petroleum Shares would be required to redeem the par value of the entire CRPS. The redemption date is assumed on 31 March 2012. The increase in accumulated losses of RM21.2 million under Scenario 1 represents the difference between redemption price and the carrying amount of the liability portion of the CRPS.
- (3) Assuming the costs associated with the Proposed Private Placement of CRPS, e.g. placement and professional fees and other costs totalling RM5.0 million are set off against share premium.
- (4) The Conversion Price is assumed at RM1.60 for all CRPS to illustrate the maximum number of Conversion Shares. The conversion date is assumed on 31 March 2012.
- (5) The exercise price of Warrants-A is RM0.50 per Warrant-A while the exercise price of Warrants-B is RM0.10 per Warrant-B.

## **7.5 Existing convertible securities**

As at LPD, save for the outstanding 314,236,022 Warrants-A and 83,611,200 Warrants-B that have yet to be exercised, our Company does not have any other existing convertible securities. The Proposals will not give rise to adjustments to the respective exercise price of the Warrants-A and Warrants-B and the number of Warrants-A and Warrants-B, pursuant to the provisions of the deeds poll of Warrants-A and Warrants-B respectively. Accordingly, the rights and obligations of the Warrants-A holders and Warrants-B holders will remain unchanged.

## **8. INTER-CONDITIONALITY**

The Proposals are inter-conditional upon each other. The Proposals are not conditional upon any other corporate exercise of the Company.

## **9. APPROVALS REQUIRED**

The Proposed Private Placement of CRPS is subject to approvals being obtained from the following:

- (i) Bursa Securities, for the listing of and quotation for the Conversion Shares (approval-in-principle of Bursa Securities was obtained vide its letter dated 30 August 2012);
- (ii) BNM, for the issuance of the CRPS to non-resident placees;
- (iii) the shareholders of our Company at an EGM;
- (iv) the necessary consent of the holder of the RCPS; and
- (v) any other relevant authorities, if required.

The Proposed Increase in Authorised Share Capital and the Proposed Amendments are subject to approvals being obtained from the following:

- (i) the shareholders of our Company at an EGM; and
- (ii) any other relevant authorities, if required.

## **10. CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED**

On 4 May 2012, our Company had announced that Lime has entered into transaction agreements with North Energy on 2 May 2012 to secure 50% of North Energy's interests in 4 concessions located in the Norwegian Continental Shelf in Norway. The completion of these transaction agreements is conditional upon, inter-alia, approval from the Ministry of Petroleum and Energy in Norway and the approval of Lime's application to obtain pre-qualification status as an oil and gas exploration company in Norway in order to jointly participate with North Energy, the license holder in partner-operated licenses in the Norwegian Continental Shelf. There is no change in the status of the proposed transfer of Norwegian interests to Lime since the date of the Company's last half yearly report on 30 May 2012.

Save for the above, the Proposals, the Proposed Subscription and Proposed Farm-In (which were announced on 14 August 2012 and a copy of the announcement being enclosed in Appendix I of this Circular), our Board confirms that there is no other corporate proposal that has been announced but not completed as at the date of this Circular.

The Proposals are not conditional upon the Proposed Subscription and/or the Proposed Farm-In or any other corporate exercise or scheme of our Company.

## 11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Roushan A/L Arumugam, our independent non-executive director, is the son of Tan Sri Dato' Seri Arumugam A/L A Packiri and Puan Sri Datin Seri Letchimy @ Suguna Devi A/P RJ Naidu, who are the shareholders and also directors on the Board of Directors of Sri Inderajaya. Therefore, he is deemed interested in respect of the proposed issuance of CRPS to Sri Inderajaya under the Proposed Private Placement of CRPS.

Roushan A/L Arumugam has abstained and will continue to abstain from the deliberation and voting by the Board with regard to the Proposed Allocation.

Further, Roushan A/L Arumugam will abstain from voting, in respect of his direct and/or indirect interests in Hibiscus Petroleum, on the proposed ordinary resolution in relation to the Proposed Allocation to be tabled at our Company's EGM. Roushan A/L Arumugam will also ensure that persons connected to him will abstain from voting on their direct and/or indirect shareholdings, if any, on the proposed ordinary resolution pertaining to the Proposed Allocation.

As at LPD, Roushan A/L Arumugam has an indirect shareholding of 30,415,000 Hibiscus Petroleum Shares by virtue of his interest in Littleton Holdings Pte Ltd, representing approximately 6.94% of the issued and paid-up share capital of our Company.

Save as disclosed above, none of the Directors and major shareholders of our Company and/or any persons connected to them have any interest, direct or indirect, in the Proposals.

## 12. DIRECTORS' RECOMMENDATION

Our Board, having considered all aspects of the Proposals (including but not limited to the rationale in respect of the Proposals), is of the opinion that the Proposals as a whole are in the best interest of our Company and recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of our Company.

Our Board (except for Roushan A/L Arumugam), having considered all aspects of the Proposed Allocation, is of the opinion that the Proposed Allocation is in the best interest of our Company and recommends that you vote in favour of the resolution pertaining to the Proposed Allocation to be tabled at the forthcoming EGM of our Company.

## 13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, our Board expects the Proposals to be completed by the 1<sup>st</sup> quarter of 2013. The tentative timetable in relation to the implementation of the Proposals is as follows:

<b>Event</b>	<b>Tentative Timeline</b>
EGM	September 2012
Allotment and issuance of the First Tranche CRPS Placement and Second Tranche CRPS Placement	October 2012
Completion of the private placement of the CRPS	February 2013

#### 14. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the Hibiscus Petroleum Shares transacted for the past 12 months from September 2011 to August 2012 are as follows:

	<b>High RM</b>	<b>Low RM</b>
<b>2011</b>		
September	0.565	0.52
October	0.695	0.545
November	0.78	0.65
December	0.96	0.745
<b>2012</b>		
January	1.53	1.02
February	1.84	1.46
March	1.82	1.62
April	2.10	1.65
May	1.77	1.45
June	1.51	1.44
July	1.71	1.48
August	1.88	1.65

The last transacted market price of our Shares immediately prior to the announcement on 2 August 2012 RM1.72

The last transacted market price of our Shares as at the LPD prior to the printing of the Circular RM1.70

*(Source: Bloomberg)*

#### 15. EGM

An EGM, the notice of which is set out in this Circular, will be held at PJ Hilton Hotel, Kristal Ballroom, 1<sup>st</sup> Floor, West Wing, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 26 September 2012 at 11.00 a.m., or immediately following the conclusion or adjournment (as the case may be) of the 2<sup>nd</sup> Annual General Meeting of the Company which will be held at the same venue and on the same day at 10.00 a.m., whichever is later, for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals and the Proposed Allocation.

You are entitled to attend and vote at our forthcoming EGM or appoint a proxy to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our share registrar's office at Level 17, The Gardens, North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur no later than 48 hours before the time fixed for our EGM or any adjournment thereof. The last day and time for you to lodge the Form of Proxy is on Monday, 24 September 2012 at 11.00 am. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.



**16. FURTHER INFORMATION**

Shareholders are requested to refer to the appendices for further information.

Yours faithfully  
For and on behalf of the Board of  
**HIBISCUS PETROLEUM BERHAD**

**Zainul Rahim bin Mohd Zain**  
Chairman

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN**

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**HIBISCUS PETROLEUM BERHAD ("HIBISCUS PETROLEUM" OR "COMPANY")**

- Proposed subscription of 30,963,000 new fully paid ordinary shares representing approximately 13.04% of the enlarged total issued share capital of 3D Oil Limited ("3D Oil") for a subscription amount of AUD2,043,558
- Proposed acquisition of a 50.1% unencumbered legal and beneficial right, title and interest in the exploration permit VIC/P57 ("VIC/P57")

**1. INTRODUCTION**

On behalf of the Board of Directors of Hibiscus Petroleum ("Board"), Hong Leong Investment Bank Berhad ("HLIB") wishes to announce that:

- (i) Hibiscus Petroleum, Oceania Hibiscus Sdn Bhd ("OHSB"), a wholly-owned subsidiary company of Hibiscus Petroleum and 3D Oil have entered into a conditional subscription agreement on 14 August 2012 ("**Subscription Agreement**") for the subscription of 30,963,000 new fully paid ordinary shares in the capital of 3D Oil ("**Subscription Shares**"), representing approximately 13.04% of the enlarged total issued share capital of 3D Oil immediately following the issue of the Subscription Shares for a subscription amount of AUD2,043,558 (equivalent to RM6,731,071\*) ("**Subscription Consideration**") ("**Proposed Subscription**").
- (ii) Hibiscus Petroleum, Carnarvon Hibiscus Pty Ltd ("CHPL"), a wholly-owned subsidiary company of OHSB, and 3D Oil, have also entered into a conditional farm-in agreement on 14 August 2012 ("**Farm-In Agreement**") for the acquisition of a 50.1% unencumbered legal and beneficial right, title and interest in VIC/P57 and any petroleum recovered from the permit area, together with all relevant property, data and information (whether held by 3D Oil or otherwise) relating to VIC/P57 ("**Farm-In Interest**") by CHPL, from 3D Oil for a purchase consideration of AUD13,473,000 (equivalent to RM44,377,367\*) ("**Purchase Consideration**") and a contribution of AUD13,527,000 (equivalent to RM44,555,233\*) ("**Project Contribution**") towards the joint operating activities of the project in respect of the Farm-In Interest ("**Proposed Farm-In**").

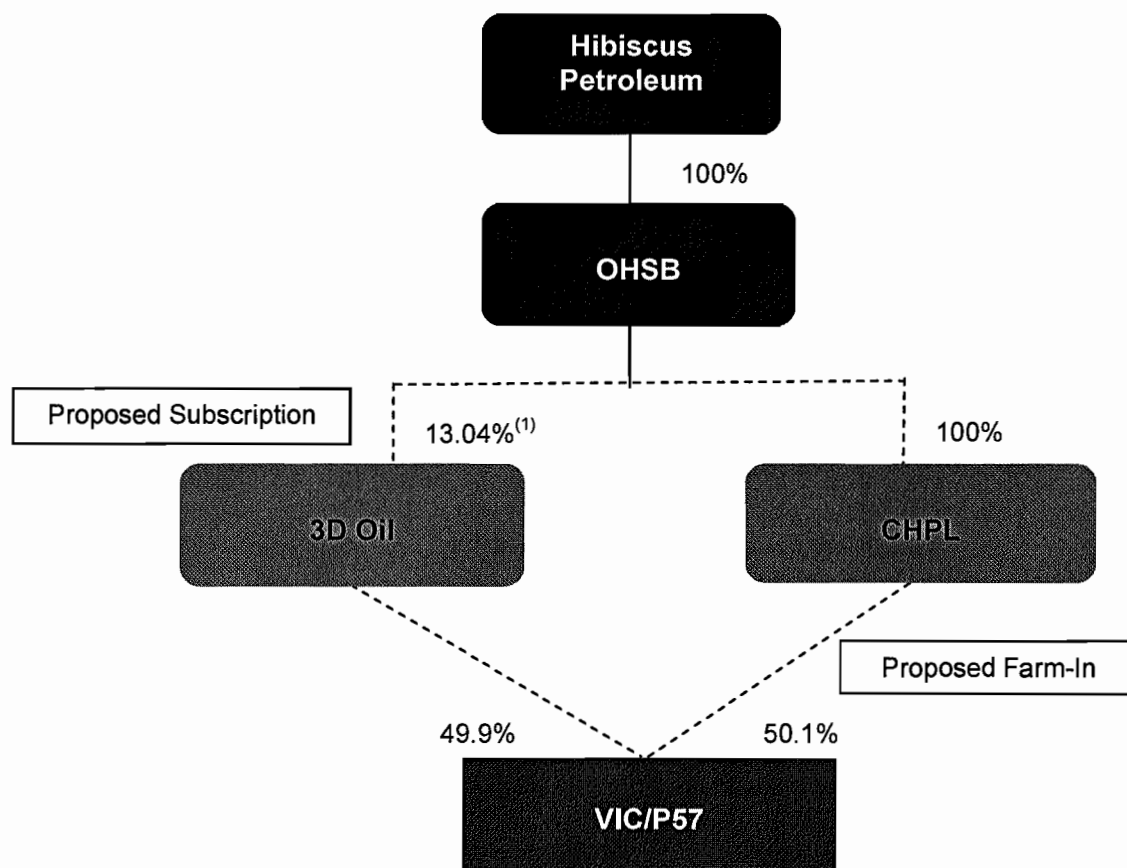
Collectively, the Purchase Consideration and the Project Contribution amounting to AUD27,000,000 are referred to as the "**Farm-In Investment**".

Collectively, the Proposed Subscription and the Proposed Farm-In are hereinafter referred to as the "**Proposals**".

- \* converted at an assumed exchange rate of RM3.2938 to AUD1.00 and the assumed exchange rate is applicable throughout this announcement, unless otherwise indicated.

**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

A diagrammatical representation of the relevant entities' structure following completion of the Proposals is illustrated as follows:



Note:

(1) Based on the enlarged total issued share capital of 3D Oil immediately after the Proposed Subscription.

## 2. DETAILS OF THE PROPOSALS

### 2.1 Proposed Subscription

#### 2.1.1 Information on 3D Oil

3D Oil was incorporated in July 2003 in Australia and was listed on the Australian Securities Exchange (“ASX”) on 22 May 2007. 3D Oil’s registered office and principal place of business is in Melbourne, Australia. The principal continuing activities of 3D Oil consist of exploration and development of upstream oil and gas assets.

As at 31 December 2011, the contributed equity of 3D Oil is AUD50,620,867. As at 29 June 2012, 3D Oil disclosed 206,560,000 fully paid ordinary shares outstanding.

3D Oil holds a 100% interest in the Gippsland Basin permit VIC/P57, which contains the West Seahorse oil field as well as significant oil exploration opportunities. 3D Oil’s prime focus is on transitioning from an explorer into an oil and gas producer in the Gippsland Basin.

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**


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3D Oil acquired the interest in VIC/P57 through the gazettal process in April 2004. Located on the northern margin of the Gippsland Basin, VIC/P57 initially covered a 750 square kilometre ("km<sup>2</sup>") area. 3D Oil was granted renewal of the exploration permit for VIC/P57 for a five-year term, which commenced on 10 August 2011. The renewed acreage is approximately 483 km<sup>2</sup> in size. Further information on VIC/P57 is provided in Section 2.2.1 of this announcement.

**2.1.1.1 Substantial shareholders of 3D Oil**

As at 8 August 2012, the latest publicly disclosed substantial shareholders of 3D Oil and their respective shareholdings in 3D Oil are as follows:

	<b>No. of fully paid ordinary shares</b>	<b>%</b>
Noel Newell	37,805,150	18.30
SFG Australia	23,226,541	11.24
H Louey Pang & Co Pty Ltd	11,600,000	5.62

**2.1.1.2 Directors of 3D Oil**

As at 8 August 2012, the directors of 3D Oil and their respective shareholdings in 3D Oil are as follows:

	<b>No. of fully paid ordinary shares</b>	<b>%</b>
Campbell Horsfall	38,000	0.02
Noel Newell	37,805,150	18.30
Melanie J Leydin	150,000	0.07
Philippa Kelly	145,000	0.07

Following the payment of the Subscription Consideration, Dr Kenneth Pereira, the Managing Director of Hibiscus Petroleum, will join the board of directors of 3D Oil.

**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

**2.1.1.3 Financial information of 3D Oil**

A summary of the key financial data of 3D Oil based on its audited financial statements for the past three (3) financial years ended ("FYE") 30 June 2009, 30 June 2010 and 30 June 2011 is as follows:

	FYE	FYE	FYE
	30 June 2009	30 June 2010	30 June 2011
	AUD	AUD	AUD
Revenue	587,992	414,898	336,290
Loss before income tax expense	(940,340)	(857,435)	(1,003,568)
Total comprehensive loss for the financial year	(940,340)	(857,435)	(1,003,568)
Shareholders' fund/ Net assets ("NA")	30,844,861	30,051,177	29,094,716
Total borrowings	-	-	-
Ordinary shares – fully paid	50,620,867	50,620,867	50,620,867
No. of fully paid ordinary shares in 3D Oil ("3D Oil Shares")	206,560,000	206,560,000	206,560,000
NA per share (AUD)	0.15	0.15	0.14

**2.1.2 Justification and basis of arriving at the Subscription Consideration**

The Subscription Consideration was arrived at on a willing-buyer, willing-seller basis based on the volume weighted average price of 3D Oil Shares for the 30 calendar days prior to the date of the Subscription Agreement in the ordinary course of trade (excluding special crossings) being AUD0.066 ("**Subscription Price**").

**2.1.3 Salient terms of the Subscription Agreement**

**2.1.3.1 Conditions Precedent**

- (a) Completion of the Subscription Agreement is conditional upon:
- (i) the ASX granting a waiver of ASX Listing Rule 6.18 ("**Waiver**") in respect of the grant of the Anti-Dilution Right (as defined in Section 2.1.3.5(a) below) and, if required by ASX, the Completion Subscription Right (as defined in Section 2.1.3.5(d) below) to OHSB on terms acceptable to 3D Oil and OHSB, each acting reasonably;
  - (ii) Hibiscus Petroleum's shareholders approving the transactions contemplated by the Subscription Agreement and the Farm-In Agreement (which shall include obtaining the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") as part of the shareholder approval process); and

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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- (iii) the approval of the Foreign Investment Review Board (“FIRB”) in Australia, (each a “**Subscription Agreement Condition**”, collectively referred to as the “**Subscription Agreement Conditions**”).
- (b) 3D Oil shall use its reasonable endeavours to fulfil the Subscription Agreement Condition in Section 2.1.3.1(a)(i) above and OHSB shall use its reasonable endeavours to assist 3D Oil in this regard. OHSB and Hibiscus Petroleum shall each use reasonable endeavours to satisfy the Subscription Agreement Conditions in Section 2.1.3.1(a)(ii) and (iii) above within four (4) months from the date of the Subscription Agreement and 3D Oil shall use its reasonable endeavours to assist OHSB and Hibiscus Petroleum in this regard.
- (c) If any of the Subscription Agreement Conditions become incapable of being satisfied, or are not satisfied or waived on or prior to the date that is six (6) months from the date of the Subscription Agreement, then either OHSB or 3D Oil may terminate the Subscription Agreement by notice in writing to the other parties.
- (d) The Subscription Agreement Conditions in Sections 2.1.3.1(a)(i) and (iii) above may be waived by OHSB. The Subscription Agreement Condition in Section 2.1.3.1(a)(ii) above may not be waived by any party.

**2.1.3.2 Subscription Shares**

- (a) On the **Placement Date** (being the date which is the later of five (5) business days after the date of the Subscription Agreement and two (2) business days after the Subscription Agreement Condition in Section 2.1.3.1(a)(i) above has been satisfied or waived), OHSB must provide 3D Oil with the Subscription Consideration.
- (b) On the **Subscription Agreement Completion Date** (being five (5) business days after the date on which all of the Subscription Agreement Conditions have been satisfied or waived):
  - (i) OHSB must subscribe and 3D Oil must issue the Subscription Shares to OHSB; and
  - (ii) OHSB, Hibiscus Petroleum and Noel Newell (the founder and Managing Director of 3D Oil) will enter into a Share Transfer Restriction Deed to, among others, restrict Noel Newell from selling, transferring, leasing, licensing, assigning or otherwise disposing of 16,500,000 of his 3D Oil Shares for a period of 24 months after the completion of the Subscription Agreement (“**Subscription Agreement Completion**”).
- (c) If the Subscription Agreement is terminated for any reason other than as specified in Section 2.1.3.2(d) below, 3D Oil shall retain all of the Subscription Consideration in full and final settlement of any claims that 3D Oil may have against OHSB or Hibiscus Petroleum under the Subscription Agreement.
- (d) If OHSB validly terminates the Subscription Agreement pursuant to a breach of the specified warranties given by 3D Oil, 3D Oil must immediately refund the Subscription Consideration in full to OHSB within three (3) months of the date of termination.

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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**2.1.3.3 Capital structure, use of funds and share trading policy**

- (a) 3D Oil will not, except with prior written consent of OHSB, from the date of the Subscription Agreement to the Placement Date, issue or agree to issue any 3D Oil Shares or other securities (other than upon exercise of any options on issue before the date of the Subscription Agreement) or implement a share consolidation or subdivision, a capital reduction or a share buy-back or any other capital reconstruction.
- (b) 3D Oil shall use the Subscription Consideration predominantly for the continued development of its existing permits and for general working capital purposes.
- (c) With effect from the Subscription Agreement Completion, 3D Oil shall procure that its share trading policy is varied to require each director of 3D Oil who intends to sell any 3D Oil Shares in which they or their nominee shareholder have a direct or indirect interest is required to give no less than two (2) business days prior notice to the board of directors of 3D Oil.

**2.1.3.4 Director nomination right**

- (a) Subject to Section 2.1.3.4(b) below, OHSB has the right, but not the obligation, at any time on or after the Placement Date to nominate a person to be a director of 3D Oil, and 3D Oil agrees to procure the appointment of such person as a director of 3D Oil. If the Subscription Agreement is terminated by one of the parties due to a failure to satisfy one of the Subscription Agreement Conditions, OHSB shall procure that any director nominated by it resigns from the board of directors of 3D Oil.
- (b) During the period commencing on the date of the Subscription Agreement and expiring on the Subscription Agreement Completion (or the date the Subscription Agreement is terminated due to non-fulfilment of the Subscription Agreement Conditions, if earlier), and from the Subscription Agreement Completion until two (2) years after the Subscription Agreement Completion Date (provided that OHSB is the legal and beneficial holder of all the Subscription Shares), if the person nominated by OHSB to be a director of 3D Oil subsequently resigns, retires by rotation or is removed from the board of directors of 3D Oil, OHSB has the right, but not the obligation, to nominate a different person to be a director of 3D Oil, and 3D Oil agrees to procure the appointment of such person as a director of 3D Oil.
- (c) For a period of 12 months after the Subscription Agreement Completion Date, OHSB has the right, but not the obligation, to refer a second person for consideration by the board of directors of 3D Oil to be appointed as a director of 3D Oil.

**2.1.3.5 Anti-dilution right**

- (a) Subject to the grant of the Waiver and Section 2.1.3.5(b) below, for a period of two (2) years after the Subscription Agreement Completion Date, provided that OHSB has voting power of not less than 10% of 3D Oil at the relevant time, OHSB will have the right, but not the obligation, to participate in any issue or proposed issue of new equity securities in the capital of 3D Oil other than an issue of any options or performance rights under an employee incentive scheme, up to such additional number of equity securities as would be sufficient to ensure that OHSB maintains its ownership percentage of approximately 13.04% ("**Ownership Percentage**") ("**Anti-Dilution Right**").

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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- (b) The Anti-Dilution Right:
  - (i) has been granted to OHSB to reflect the strategic relationship arising as a result of CHPL acquiring an interest in VIC/P57 and OHSB acquiring a shareholding in 3D Oil;
  - (ii) shall not apply to the issue of any options or performance rights under an employee incentive scheme that complies with Australian Securities and Investments Commission (ASIC) Class Order 03/184;
  - (iii) may only be exercised in cash;
  - (iv) is non-transferable, other than to a wholly-owned subsidiary of Hibiscus Petroleum;
  - (v) lapses two (2) years after the Subscription Agreement Completion Date, or earlier, if OHSB or any of its related bodies corporate (as defined in the Australian Corporations Act) ceases to hold an interest in VIC/P57 at any time after completion of the Farm-In Agreement; and
  - (vi) is subject to the conditions of the Waiver.
- (c) If 3D Oil issues any shares or other securities (other than upon exercise of any options issued before the date of the Subscription Agreement), during the period commencing on the Placement Date and ending on the Subscription Agreement Completion Date, OHSB will have the right, but not the obligation, to subscribe for such number of additional shares so as to take OHSB's percentage ownership interest in 3D Oil to equal to the Ownership Percentage at a subscription price equal to the price at which the shares or other securities were issued or agreed to be issued to any third party.
- (d) The grant of the rights in Section 2.1.3.5(c) above ("**Completion Subscription Right**") shall be subject to any conditions of the Waiver, to the extent ASX considers a waiver is required in respect of the Completion Subscription Right.

**2.1.3.6 Guarantee**

- (a) Hibiscus Petroleum unconditionally and irrevocably guarantees to 3D Oil the performance by OHSB of its obligation to pay the Subscription Consideration and each other obligation of OHSB under or in connection with the Subscription Agreement ("**Guaranteed Obligations under the Subscription Agreement**").
- (b) The above guarantees are continuing obligations and shall continue in full force and effect until all Guaranteed Obligations under the Subscription Agreement have been irrevocably performed in full.

**2.1.3.7 Warranties**

3D Oil has given certain warranties under the Subscription Agreement in relation to, amongst other things, the Subscription Shares (which, when issued, will rank equally in all respects with the then existing issued 3D Oil Shares) and its ownership and operation of VIC/P57.



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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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**2.1.3.8 Termination**

The Subscription Agreement may be terminated:

- (a) by either 3D Oil or OHSB, if the other is in material breach of any clause of the Subscription Agreement, provided that the relevant termination notice has been given and the relevant circumstances continue to exist for 10 business days after the time such notice is given;
- (b) by OHSB, if 3D Oil becomes subject to an insolvency event;
- (c) by OHSB, if any of the warranties given by 3D Oil under the Subscription Agreement is, or becomes prior to Subscription Agreement Completion, materially false, incorrect or misleading; or
- (d) if agreed to in writing by 3D Oil and OHSB.

Upon any termination of the Subscription Agreement, all further obligations of the parties (other than the specified confidentiality and other provisions which continue accordingly) will cease to be of further force and effect, subject to the parties' liability for any pre-termination breach.

**2.1.3.9 Settlement of Subscription Consideration**

The Subscription Consideration shall be fully satisfied in cash on the Placement Date. There is no arrangement for the Subscription Consideration to be paid on a deferred basis.

**2.1.3.10 Governing laws and jurisdiction**

The Subscription Agreement shall be governed by the laws of the State of Victoria, Australia. Hibiscus Petroleum, OHSB and 3D Oil irrevocably and unconditionally:

- (a) submit to the non-exclusive jurisdiction of the courts of the State of Victoria, Australia; and
- (b) waive, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

**2.1.5 Liabilities to be assumed**

There are no other liabilities, contingent liabilities or guarantees to be assumed by OHSB pursuant to the Proposed Subscription.

COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (*Cont'd*)

## 2.2 Proposed Farm-In

### 2.2.1 Information on VIC/P57

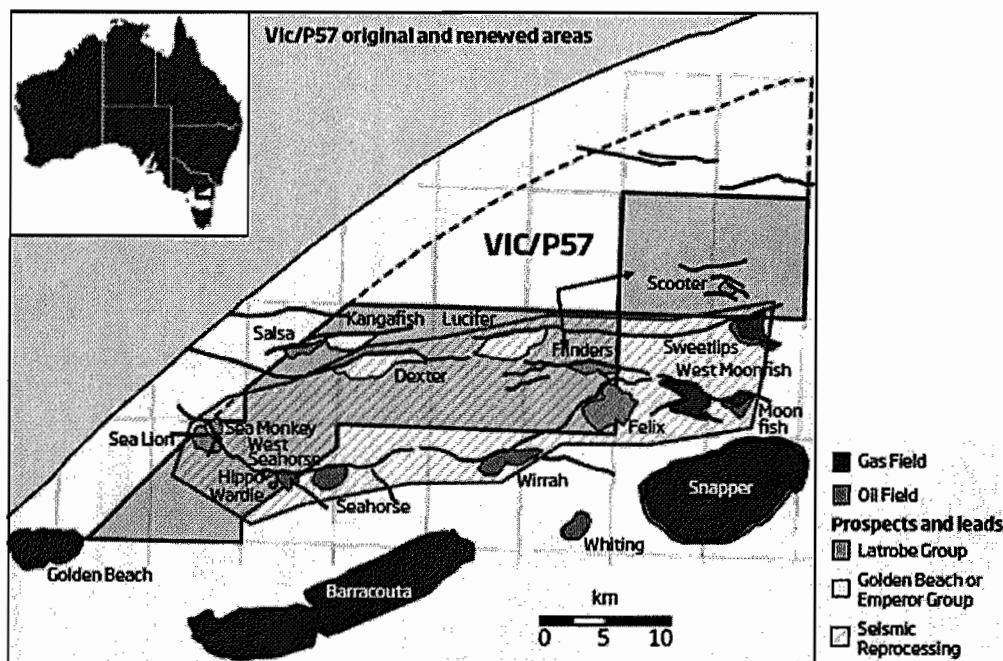


Figure 1: VIC/P57 Prospects and Leads and nearby producing fields (Source: 3D Oil)

VIC/P57 is located in the offshore northwest of the Gippsland Basin, Australia with the north-western boundary approximately 8 kilometres (“km”) offshore of the south-east Victorian coast and infrastructure. The key assets within the permit are:

- **West Seahorse**

The West Seahorse field is a small offshore oil field with 2C Contingent Resources<sup>1</sup> of 5.5 million barrels (“MMbbls”) and Best Estimate Prospective Resources<sup>2</sup> of 1.8 MMbbls of light oil, which are based on the Company’s current estimate. However, based on the 3D Oil’s annual report for the FYE 30 June 2011, the West Seahorse field has 2C Contingent Resources of 9.2 MMbbls. It lies approximately 14 km offshore from the coast and is in 35 metres of water. It was discovered in 1981 by Hubday Oil Australia with the drilling of West Seahorse-1 exploration well. Subsequently, West Seahorse-2 was drilled in 1982 and West Seahorse-3 in 2008.

<sup>1</sup> Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies.

<sup>2</sup> Best Estimate Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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- **Two exploration prospects, Sea Lion and Felix**
  - The Sea Lion prospect has Best Estimate Prospective Resources of 11 MMbbls. It is located 7 km to the north-west of the West Seahorse field, and is a robust exploration prospect on trend and close to West Seahorse, with similar reservoirs and depths.
  - The Felix prospect is a potentially large oil prospect, located on the prolific Rosedale Fault oil trend, between ESSO's Wirrah discovery and ESSO's Moonfish field, both of which contain numerous oil and gas zones.

The grant of renewal of exploration permit for VIC/P57 was from 10 August 2011 and will have effect for 5 years. The exploration permit could be further extended subject to the parties complying with the conditions attached to the current grant of permit renewal.

## **2.2.2 Justification and basis of arriving at the Farm-In Investment**

The Purchase Consideration of AUD13,473,000 was arrived at on a willing-buyer, willing-seller basis after taking into consideration, amongst others, the internal investment parameters of Hibiscus Petroleum (whereby the internal rate of return of the project should be at least 20%) and the future prospects of VIC/P57.

The Project Contribution of AUD13,527,000 was based on CHPL's proportionate contribution of the initial investment amount of developing the West Seahorse Prospect of AUD27.0 million.

## **2.2.3 Salient terms of the Farm-In Agreement**

### **2.2.3.1 Conditions**

- (a) Farm-In Agreement Completion (as defined in Section 2.2.3.2 below) is conditional on:
- (i) Hibiscus Petroleum's shareholders approving the transactions contemplated by the Farm-In Agreement and if applicable, the Subscription Agreement (which shall include obtaining the approval of Bursa Securities as part of the shareholder approval process);
  - (ii) the approval of FIRB in Australia for the Proposed Farm-in;
  - (iii) the transactions contemplated by the Farm-In Agreement having been approved and registered by the National Offshore Petroleum Titles Administrator ("NOPTA") in Australia; and
  - (iv) the Subscription Agreement Condition as set out in Section 2.1.3.1(a)(i) being satisfied,
- (each a "**Farm-In Agreement Condition**", collectively referred to as the "**Farm-In Agreement Conditions**").
- (b) CHPL must use its reasonable endeavours to fulfil the Farm-In Agreement Conditions in Sections 2.2.3.1(a)(i)(ii) and (iii) above within four (4) months from the date of the Farm-In Agreement, and 3D Oil must use its reasonable endeavours to assist CHPL and Hibiscus Petroleum in this regard. 3D Oil must use its reasonable endeavours to satisfy the Farm-In Agreement Condition in Section 2.2.3.1(a)(iv) above within four (4) months from the date of the Farm-In Agreement.

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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- (c) If the Farm-In Agreement Conditions are not satisfied or waived on or prior to the date that is six (6) months after the date of the Farm-In Agreement, either CHPL or 3D Oil may terminate the Farm-In Agreement by notice in writing to the other parties.
- (d) The Farm-In Agreement Conditions in Section 2.2.3.1 (a)(iv) above may only be waived by CHPL. The other Farm-In Agreement Conditions may not be waived by any party.

### **2.2.3.2 Farm-In**

Subject to satisfaction of the Farm-In Agreement Conditions, and in exchange for the Farm-In Investment, 3D Oil will assign and transfer to CHPL the Farm-In Interest at the completion of the acquisition by CHPL of the Farm-In Interest ("**Farm-In Agreement Completion**").

The Farm-In Investment is payable as follows:

- (a) AUD13,500,000 to be paid into an interest bearing bank account in the name of CHPL in its capacity as operator which shall be the "Joint Account" as defined in the joint operating agreement ("**JOA**") to be executed by the parties on or about 5 business days after satisfaction or waiver of the Farm-In Agreement Conditions or such other date as agreed by the parties ("**Farm-In Agreement Completion Date**") and be maintained in accordance with the JOA ("**Joint Account**") ("**Tranche 1 Investment**");
- (b) AUD6,750,000 to be paid into an interest bearing bank account in the joint names, and under the joint control, of 3D Oil and CHPL ("**Escrow Account**") on the Farm-In Agreement Completion Date and released into the Joint Account if a cash call is issued under the JOA cannot be satisfied in full from the balance of the Tranche 1 Investment in the Joint Account ("**Tranche 2 Investment**"); and
- (c) AUD6,750,000 to be paid into the Escrow Account on the date on which the Tranche 2 Investment is released into the Joint Account ("**Tranche 3 Investment**").

CHPL shall be solely responsible for payment of the Farm-In Investment which, subject to the specified exception in Section 2.2.3.6 (c), once paid into the Joint Account and Escrow Account shall be non-refundable and shall be applied by CHPL, as the Operator, accordingly.

All cash calls issued under the JOA shall be satisfied from the funds in the Joint Account.

### **2.2.3.3 Joint Operations**

- (a) The parties have agreed to form an unincorporated joint venture to conduct operations in the Permit Area from the Farm-In Agreement Completion Date. At the Farm-In Agreement Completion, 3D Oil and CHPL shall execute and will be bound by the JOA, whereby CHPL will be Operator under the JOA.
- (b) The parties shall use their reasonable endeavours to obtain the grant of a production licence over the West Seahorse Prospect as soon as practicable after the Farm-In Agreement Completion.
- (c) If CHPL does not expect to have commenced drilling of an exploration well in Sea Lion Prospect by August 2014, CHPL must give 3D Oil notice not less than nine (9) months before August 2014, and 3D Oil and CHPL shall use their reasonable endeavours to procure that the exploration well is drilled or funded by a third party on such terms as acceptable to both 3D Oil and CHPL.

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**2.2.3.4 Preferential entitlement**

- (a) Notwithstanding the terms of the JOA, CHPL will be entitled to receive 74.9% of the petroleum produced from VIC/P57 until the sales revenue of that petroleum actually realised by CHPL is equal to the amount of the Farm-In Investment actually paid into the Joint Account ("**Preferential Entitlement**").
- (b) After CHPL has recovered the Farm-In Investment actually paid by it into the Joint Account, each party's right to the petroleum produced from VIC/P57 shall be equal to their participating interest in the JOA (CHPL: 50.1% and 3D Oil: 49.9%).
- (c) Subject to the JOA, the parties' share of the costs of production shall be in accordance with their respective participating interests, even during the period that CHPL is entitled to the Preferential Entitlement.
- (d) Any cash calls paid by 3D Oil and CHPL in proportion to their participating interest after the cap (being the Farm-In Investment), is reached shall not be subject to the Preferential Entitlement.

**2.2.3.5 Assignment and assumption of the Farm-In Interest**

The assignment of the Farm-In Interest will take effect on and from the Farm-In Agreement Completion Date.

**2.2.3.6 Registrations and consents to assignment**

- (a) Until the approval and registration of the transfer of the Farm-In Interest by NOPTA (which shall occur after Farm-In Agreement Completion) is granted, 3D Oil shall hold the relevant Farm-In Interest on trust for the benefit of CHPL.
- (b) If the approval referred to in Section 2.2.3.6(a) above is not forthcoming, 3D Oil agrees to notify CHPL of that refusal as soon as practicable and the parties shall make all such representations and provide all other assistance as may be reasonably necessary to obtain a reversal of that refusal. If a reversal is unable to be obtained within 60 business days of the initial rejection of the relevant transaction document (or such longer period of time as the parties may agree), the parties must use its reasonable endeavours to agree in good faith to amend the Farm-In Agreement so as to:
  - (i) overcome the failure to obtain the registration of the transfer of the relevant transaction documents; and
  - (ii) give effect to its commercial intention in entering into the Farm-In Agreement.
- (c) If the parties are unable to reach an agreement as contemplated above within 120 business days from the initial rejection (or such longer period of time as the parties may agree), then the parties must restore each other to the positions they were in respectively before Farm-In Agreement Completion occurred (including the full refund of the Farm-In Investment which has been transferred into the Joint Account or Escrow Account to CHPL).

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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**2.2.3.7 Warranties and undertakings**

- (a) 3D Oil has given certain warranties and undertakings under the Farm-In Agreement in relation to, amongst other things, its ownership and operation of VIC/P57 as well as the period from the date of the Farm-In Agreement up to the Farm-In Agreement Completion.
- (b) Claims by the parties for any loss, claim or liability in relation to the Farm-In Agreement are subject to various restrictions and limitations.

**2.2.3.8 Guarantee**

- (a) Hibiscus Petroleum unconditionally and irrevocably guarantees to 3D Oil the performance by CHPL of its obligation to pay the Farm-In Investment ("**Guaranteed Obligations Under the Farm-In Agreement**").
- (b) The above guarantees are continuing obligations and continue in full force and effect until all Guaranteed Obligations Under the Farm-In Agreement have been irrevocably performed in full.

**2.2.3.9 Default and termination**

- (a) If a party fails to comply with any material obligation under the Farm-In Agreement, subject to the party alleging the non-compliance notifying the defaulting party of that failure and (if such non-compliance is capable of remedy) the defaulting party failing to remedy the non-compliance to the reasonable satisfaction of the non-defaulting party within 30 days of receipt of the notice, the non-defaulting party may terminate the Farm-In Agreement.
- (b) If an insolvency event occurs with respect to a party, the non-defaulting party may, by notice to the defaulting party, terminate the Farm-In Agreement with immediate effect.
- (c) If CHPL fails to pay the Farm-In Investment and has not rectified any such failure within 30 days of being notified by 3D Oil, 3D Oil may require CHPL to transfer to it such proportion of its Farm-In Interest as is equivalent to the proportion of the relevant unpaid cash call bears to the Farm-In Investment.

Upon any termination of the Farm-In Agreement, the Farm-In Agreement will be of no further force or effect, subject to prior rights and remedies.

**2.2.3.10 Settlement of Purchase Consideration and Project Contribution**

At Farm-In Agreement Completion, in consideration of the assignment of the Farm-In Interest and subject to 3D Oil's full compliance of the terms of the Farm-In Agreement, CHPL shall pay the Tranche 1 Investment into the Joint Account and Tranche 2 Investment into the Escrow Account. Upon the transfer of the Tranche 2 Investment into the Joint Account, in accordance with the Farm-In Agreement, CHPL shall pay the Tranche 3 Investment into the Escrow Account.

**2.2.3.11 Petroleum Resource Rent Tax ("PRRT")**

Following the Farm-In Agreement Completion, 3D Oil must provide a written notice to CHPL in the approved form and within the required time under the PRRT Assessment Act in relation to the transfer of the Farm-In Interest to CHPL.

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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**2.2.3.12 Governing laws and jurisdiction**

The Farm-In Agreement shall be governed by the laws of the State of Victoria, Australia.

Hibiscus Petroleum, CHPL and 3D Oil irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts of the State of Victoria, Australia.

**2.2.3 Liabilities to be assumed**

Apart from the liabilities and obligations that CHPL would be assuming as a 50.1% holder of VIC/P57 and the Operator, there are no other liabilities, contingent liabilities or guarantees to be assumed by CHPL pursuant to the Proposed Farm-In.

Hibiscus Petroleum, as the ultimate holding company of CHPL, unconditionally and irrevocably guarantees the obligation of CHPL to pay the Farm-in Investment under the Farm-In Agreement.

**2.2.4 Additional financial commitment**

Hibiscus Petroleum's management currently estimates that a total of USD145 million (equivalent to RM452.2 million<sup>^</sup>) would be required to monetise the West Seahorse field. As this field has Contingent Resources that makes it an economically viable development, it is expected that a substantial amount would be financed from bank borrowings. It is estimated that CHPL would further advance up to USD15.0 million (equivalent to RM46.8 million<sup>^</sup>), which is expected to be financed via the exercise of the Warrants-A and Warrants-B, internal and external funds.

Assuming the full exercise of the outstanding Warrants-A and Warrants-B, the total gross proceeds raised from such exercise would be approximately RM165 million.

<sup>^</sup> converted at an assumed exchange rate of RM3.1185 to USD1.00.

**3. INDUSTRY OUTLOOK AND PROSPECTS**

3D Oil is primarily involved in the exploration and development of upstream oil and gas assets. As such, 3D Oil's prospects are dependent on the prospects of the oil and gas industry. The outlook and prospects of the oil and gas industry are as follows:

**3.1 Global outlook****3.1.1 Demand**

According to the International Energy Agency ("IEA"), the global primary energy demand will continue to grow by 51% through to 2035. Demand growth is mainly driven by the populous countries of Asia, which are experiencing high economic growth. Over the last decade, China has accounted for about 40% of global oil demand growth.

In 2011, fossil fuels accounted for 87% of primary commercial energy supply, which will still make up 82% of the global total by 2035. For most of the projection period, oil will remain the energy type with the largest share.

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**3.1.2 Supply**

Although the current global production of oil and gas is sufficient to meet current global demand, spare production capacity is limited and the lead time to develop new supplies is long. The main global spare capacity is estimated to be within the member countries of the Organization of Petroleum Exporting Countries ("OPEC"). However, there are major uncertainties surrounding the expected future levels of supply from each world region. According to IEA reports, OPEC spare production capacity has declined fairly steadily over the past decade, interrupted only by a temporary spike during the global financial crisis 2008/09.

Replacing production with new discoveries is challenging and has a long lead-time. In addition, the rate at which new resources are discovered has increasingly fallen short of production since the 1980s.

In the longer term, vast global recoverable gas resource could potentially supply a part of future energy demand, but this will require significant infrastructure investments.

**3.1.3 Oil price predictions**

IEA's 2010 World Energy Outlook assumes upward sloping price curve reaching USD120 per barrel in 2025 and USD135 per barrel in 2035 (in real terms, 2009 prices) according to their current policies scenario. As of the date of this announcement, forward oil price contracts indicate a long-term crude oil price (Brent) of USD90.50 per barrel.

**3.2 Australian outlook****3.2.1 Australian oil and gas production**

Australia's gas production remains strong, meeting growth in domestic and export demand. However, Australia's production of oil, condensate and LPG peaked in 2000 and has steadily declined since then.

Australia's Bureau of Resources and Energy Economics forecasts a slight rise in liquids production in the near term which will be followed by a downward trend over the next decade and more imports will be needed to meet expected demand growth.

**3.2.3 Estimated resources and reserves in Australia**

Australia's estimated petroleum resources will decline over time without further exploration success.



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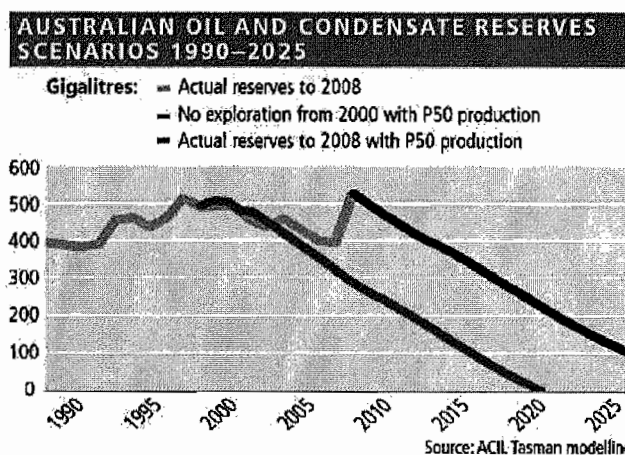
Figure 2 and Figure 3 show Australia's estimated petroleum resources and reserves and Australia's oil and condensate reserves and production forecast, respectively.

Crude oil (mmbbl)	1264
Condensate (mmbbl)	2733
LPG (mmbbl)	1342
Conventional gas (Tcf)	157
Coal seam gas (Tcf)	252

Source: AEMO 2011, OGRA 2010

*Note:*  
Tcf Trillion cubic feet.

Figure 2: Australia's petroleum resources and reserves



*Note:*  
P50 production is best estimate production, having at least a 50% probability level that the quantity of liquid actually produced will equal or exceed this best estimate.

Figure 3: Australian oil and condensate reserves scenarios 1990-2025

**3.3 Prospects of VIC/P57**

The Gippsland Basin is located largely offshore of Eastern Victoria. It has been the most prolific hydrocarbon province in Australia, with initial resource estimates of more than 4 billion barrels of oil and condensate reserves and 9.8 trillion cubic feet of gas reserves. The Gippsland Basin has contributed approximately two thirds of Australia's cumulative oil production and one third of its gas production to date. In 1985, oil production accounted for 90% of the total Australian crude oil output. However, production is declining and it is now a mature basin. By the end of June 1998 more than 86% and 49% of oil and gas respectively, had been produced in the developed fields.

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However, there are many fields with substantial oil and gas reserves yet to be developed. As with all world class hydrocarbon provinces, the Gippsland Basin should have further oil and gas discoveries in the future; and the assets within VIC/P57 form part of this future.

The prospects of the undeveloped oil field of West Seahorse and the exploration prospects of Sea Lion and Felix are set out below:

- (i) Together with CHPL, 3D Oil plans to develop West Seahorse with potentially a subsea completion and flowline tied back to shore. First production is expected by the second quarter of 2014, subject to relevant approvals and the availability of rig and production facilities. The field life is estimated to be around 13 years. A second development option under consideration is using a mobile offshore production unit or MOPU with dry trees and flowline tied back to shore. This allows for acceleration of production with lower capital costs offset with higher operating expenses. In this case, field life is estimated to be around 5 years. The final decision will be made in the next few months pending detailed economic evaluation and discussions with the relevant regulatory authorities.
- (ii) Sea Lion is volumetrically attractive as a stand-alone development or tied back to West Seahorse. As a tie-in to West Seahorse, Sea Lion has the potential to add significant value as the estimated recoverable prospective resource is 11 MMbbls of recoverable oil based on best estimate. The joint venture will aim to drill one exploration well in the Sea Lion prospect before August 2014.
- (iii) Felix is a complex but potentially large prospect. Due to the distance from West Seahorse, it cannot be easily tied back in case of a discovery and would have to be approached as a stand-alone development.

#### **4. RATIONALE FOR THE PROPOSALS**

The Board has considered the Proposals from technical, commercial and associated risk aspects and has concluded that the Proposals provide an attractive business expansion opportunity for the following primary reasons:

##### **4.1 Proposed Subscription**

##### **4.1.1 Capitalise on the potential upside of 3D Oil Shares**

The Subscription Price of 3D Oil of AUD0.066 is believed to be currently undervalued, and is significantly lower than its latest audited NA per share as at 30 June 2011 of AUD0.14. Such market pricing of its shares is believed to be partially due to the lack of funds for the working capital of 3D Oil as well as for the development activities in VIC/P57. The Proposed Subscription and Proposed Farm-In will infuse the funds required by 3D Oil and to commence the development of the West Seahorse field. The successful development of the asset is expected to enhance the market value of OHSB's approximately 13.04% equity interest in 3D Oil based on its enlarged fully paid ordinary shares.

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**4.2 Proposed Farm-In****4.2.1 In line with the growth strategy of Hibiscus Petroleum, its subsidiaries and jointly-controlled entities ("Hibiscus Petroleum Group") of investing in development and/or producing assets**

Through its interest in Lime Petroleum Plc ("Lime"), the Hibiscus Petroleum Group currently has access to 4 oil and gas concessions in the Middle-East and potentially another 4 concessions in Norway (after completion of the relevant sale and purchase agreements). These concessions are currently at early to advanced exploration stages.

Under its initial strategy, Hibiscus Petroleum had focused on exploration assets to build early value and provide optimal upside to its shareholders. Hibiscus Petroleum Group's next phase of growth strategy is two-pronged:-

- **Continuing work programme of the existing assets**

Ongoing work as Project Manager on its jointly-controlled entity, Lime's work programme for 2012 comprising seismic acquisition, processing and interpretation, geological studies and pre-drilling/drilling activities.

- **Future acquisitions of development and/or producing assets**

The management of Hibiscus Petroleum believes that current uncertainty in the global markets and decline in oil prices provide an ideal opportunity to acquire development and/or producing assets to balance its asset portfolio with more moderate and low risk assets.

To this end, Hibiscus Petroleum has reviewed, and continues to review, several opportunities comprising development and/or producing assets within its regions of interest, namely the Middle-East, North Africa, South Asia, East Asia and Oceania.

The Board's selection criteria is based on a detailed consideration of factors under the 3 following criteria:-

- technical criteria (for example, passive or active technical role of the Hibiscus Petroleum Group, subsurface considerations and risks, operational risks, environmental considerations);
- commercial criteria (for example, fiscal terms of concessions, venture partners, financial returns); and
- geo-political criteria (for example, whether the prospects are located in politically stable and secure areas within the Hibiscus Petroleum Group's regions of interest).

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The key stages of the exploration and production value chain, including value accretion and risks components, of the exploration and production spectrum are illustrated below:-

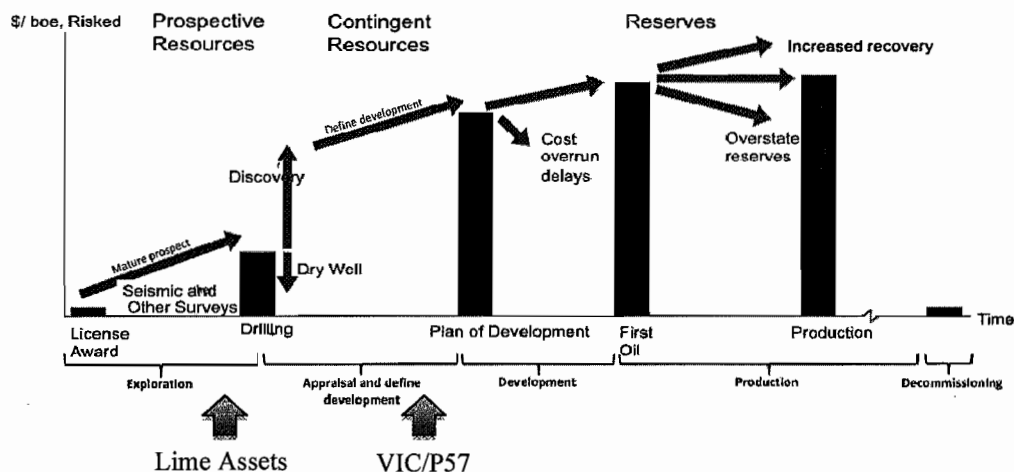


Figure 4: Key stages of the exploration and production value chain

**Notes:**

- 1 The first major value creation milestone takes place in the exploration phase, subject to discovery of Commercial Resources. In the event of a dry well, the value of an asset will be significantly reduced.
- 2 The second key value generating milestone is the approval of the Plan of Development. As the development progresses toward production, the inherent risk in development is reduced, resulting in increased valuations of the asset. However, valuations may be reduced by cost overruns or unforeseen delays.
- 3 After first oil, value could be increased by improved reserve estimates, lower than projected operating costs and/or higher than estimated recovery rates whilst value may be diminished in the event the opposite occurs.

#### 4.2.2 Contingent Resources with significant exploration upside

The West Seahorse field has 2C Contingent Resources of 5.5 MMbbls, which is based on the Company's current estimate. However, based on the 3D Oil's annual report for the FYE 30 June 2011, the West Seahorse field has 2C Contingent Resources of 9.2 MMbbls. Through the Proposed Farm-In, the joint venture parties will embark on the next phase of development and production. It also has significant exploration upside with the Sea Lion field and to a lesser extent, with the Felix field and West Seahorse NE field, which add 11 MMbbls, 6 MMbbls, and 1.8 MMbbls of Prospective Resources, respectively.

#### 4.2.3 Acquisition of a controlling interest in VIC/P57 with role of Operator

In addition to acquiring the Farm-In Interest, CHPL will also take on the role as Operator subject to the approval of the relevant authorities. The advantage of being Operator is that CHPL will be responsible for the day-to-day operations and management of the work activities within VIC/P57. This gives CHPL a high level of financial control and decision making in the operational management and timing of the conduct of the work activities within VIC/P57.

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**4.2.4 Utilisation of Farm-In Investment for initial work programme**

The total Farm-In Investment will be utilised for the initial work programme for VIC/P57. The initial work programme as stated in the Farm-In Agreement involves, amongst others, the drilling of up to 2 appraisal or appraisal cum development wells within the West Seahorse area.

In addition, as the West Seahorse prospect is a discovered asset with (proven) Contingent Resources, it is expected that the drilling activities under the initial work programme may be partially funded by bank borrowings.

**4.2.5 Favourable terms for recovery of Farm-In Investment**

Under the terms of the Farm-In Agreement, CHPL is to receive preferential recovery of the petroleum produced of 74.9% until the Farm-In Investment is fully settled. It is only after such full settlement that the petroleum produced will be distributed in proportion to the parties' participating interest of 50.1% to Hibiscus Petroleum (through CHPL) and 49.9% to 3D Oil.

Such preferential recovery terms not only accelerates the repayment of the Hibiscus Petroleum Group's Farm-In Investment, but this also means that such investment is essentially an advance to the project as it is to be repaid in preference, and over and above CHPL's participating share of 50.1%.

**4.2.6 Political stability of country of location and geographical diversification**

VIC/P57 is located in State of Victoria, Australia which is regarded as a politically stable region. Hibiscus Petroleum Group's existing assets via its investment in Lime Group are focused in the Middle East region and in Norway (subject to completion of the relevant sale and purchase agreement). From a risk perspective, with assets in Australia, the Hibiscus Petroleum Group will not be solely dependent on assets in a single or dual jurisdiction(s).

**5. RISK FACTORS**

Set out below is a non-exhaustive list of risk factors that could have an impact on the future prospects of 3D Oil and VIC/P57:

**5.1 3D Oil and VIC/P57's business, valuation and potential revenues and profits may fluctuate with changes in oil and gas prices**

The global market for oil and gas has experienced, and may continue to experience, volatility in the future. Oil and gas prices tend to fluctuate based on a variety of factors, which may include amongst others, decisions taken by the members of OPEC, actions and levels of production of non-OPEC producing countries, demand and supply of oil and gas and changes in the government initiatives and policies towards the oil and gas industry. Any such change to any of the factors above may result in fluctuation of oil and gas prices, which may in turn have a material adverse effect on any potential revenue to be derived from the production of oil from VIC/P57. This will subsequently have an adverse impact on 3D Oil and VIC/P57's business and their potential revenue and profits.

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**5.2 3D Oil and VIC/P57 are exposed to exploration, development and production risks**

The results of exploration are uncertain and may involve unprofitable efforts, which may arise from dry or unproductive wells. Exploration risks could also arise from other factors such as unexpected drilling conditions, adverse weather conditions or equipment failures, which may result in the increase in the overall cost of operations. There is also no assurance that additional oil can be discovered in VIC/P57 or if any, it will be discovered within the tenure of the exploration permit for VIC/P57.

The development operations in VIC/P57 may be affected by factors such as unexpected blowouts, oil spills and fires, which could result in damage to relevant equipment or facilities as well as injury to operating personnel. Further, VIC/P57 is reliant on discovery of oil and gas resources by inferring subsurface conditions from limited surface data, which are by their nature, uncertain. While such uncertainties can be reduced by additional seismic data or the drilling of wells, they cannot be eliminated. Further, the infrastructure in Gippsland Basin is dominated by Esso Australia and if the oil wells within VIC/P57 were developed through this, there could be additional risks with access and tariffing.

Production risks could arise from factors such as delays in obtaining relevant governmental approvals or consents for the renewal of concession permits or other matters, inadequate or insufficient storage or transportation capacity or equipment failure as a result of extreme weather conditions.

Any failure to address any of the potential risks mentioned above could leave the owners of VIC/P57 vulnerable to exploration, development and production risks, which may subsequently lead to an adverse impact to the financial condition and results of operations of 3D Oil and the financial investment in VIC/P57.

**5.3 3D Oil and the operations of VIC/P57 are exposed to foreign exchange risk**

Currently, a portion of 3D Oil's expenses and the operations of VIC/P57 are denominated in AUD. When VIC/P57 commences production, the revenue and expenses for the operations of VIC/P57 would be mostly denominated in USD. As such, any significant increase in the value of these currencies could have an adverse impact on the financial condition and results of operations of 3D Oil as well as the financial investment in VIC/P57.

**5.4 3D Oil and VIC/P57 may face risks associated with debt financing**

3D Oil and VIC/P57 would likely require external financing, either on short term or long term basis, to support their exploration, development and production activities in the future. There is no assurance that such additional funding, if needed, can be obtained within the timeframe and requirements as envisaged by 3D Oil and CHPL.

Even if they are able to secure new financing, 3D Oil and VIC/P57 may be subject to the risk that the terms of the financing facility may be unfavourable or not on terms satisfactory to them. 3D Oil and CHPL may also be subject to certain covenants that may limit or adversely affect their operations and that the triggering of any such covenants may have a material adverse impact on 3D Oil's financial condition and results of operations and on the investment in VIC/P57.

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**5.5 3D Oil and VIC/P57 are subject to government approvals for the extension of the term for VIC/P57**

If exploration success is achieved in VIC/P57, 3D Oil and CHPL may be required under the permit to apply for extensions to provide adequate time to explore and develop the relevant permit area. Such approvals of such area are based on the fulfilment of work programmes. In the event that 3D Oil and CHPL are not able to fulfil their work programme obligations on VIC/P57 or are in breach of the conditions for the permit, the host government may not grant extensions on the terms of VIC/P57. The host government is under no obligation to approve any such extension, which may have a material adverse effect on 3D Oil's financial condition and results of operations and the investment in VIC/P57.

Further, the aforesaid extension approval may include certain conditions to be complied with, which may not be acceptable or on terms favourable to 3D Oil and CHPL. This may impede their ability to continue exploration and development activities on VIC/P57, which may in turn materially adversely affect the financial investment in VIC/P57.

**5.6 Risk of delay or non-completion of the Proposals**

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

Approval and registration of the Farm-in Agreement by NOPTA is a Farm-In Agreement Condition. If and when the Farm-In Agreement Conditions are satisfied and the transaction completes, NOPTA is also required to approve and register the instrument of transfer to effect the transfer of the Farm-In Interest to Hibiscus Petroleum as a condition subsequent to the transaction. If for any reason such approval and registration is not forthcoming, the parties have agreed to negotiate in good faith to seek to amend the transaction so as to overcome NOPTA's concerns and to give effect to the commercial objective of the transaction. Ultimately, if NOPTA approval to the transfer of an interest in the VIC/P57 permit is not obtained within 120 business days of the parties being notified of NOPTA's initial rejection of the relevant transfer documentation, the parties must restore each other to the position they were in before completion of the transaction occurred. There can be no assurance that NOPTA's approval pursuant to the above will be forthcoming, or if obtained, will not include any conditions which may be detrimental to CHPL. Any unfavourable conditions to the approval may result in adverse material impact to the business and operations of CHPL.

**5.7 The regulatory environment in Australia is extensive and the approval process may take longer than anticipated**

The development of VIC/P57 will require several permits and approvals from relevant authorities. There is no assurance that such permits and approvals can be obtained or if obtained, will not be subject to any conditions that will result in a material adverse impact on the financial condition of 3D Oil or the financial investment in VIC/P57.

The Australian regulatory authorities expect comprehensive review of all environmental and safety issues relating to any field activity in the oil and gas sector. Such extensive review prior to the issuance of approvals may cause project related delays which may have an adverse impact on 3D Oil and the financial investment in VIC/P57.

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**5.8 Risk that the production licence may not be obtained**

One of the Farm-In Agreement Conditions constitutes that Hibiscus Petroleum, CHPL and 3D Oil and CHPL should use their reasonable endeavours to obtain the grant of production licence over the West Seahorse oil field as soon as practicable after the Farm-In Agreement Completion. Failure to obtain such licence will lead to 3D Oil and CHPL being unable to reap the anticipated benefits from the production of oil from the West Seahorse oil field. There is no assurance that the production licence can be obtained, or if obtained, that any conditions imposed on the approval of such licence will not result in any adverse impact to the financial condition and the financial investment in VIC/P57.

**6. SOURCE OF FUNDS FOR THE PROPOSALS**

The Subscription Consideration and Farm-In Investment will be funded via the proceeds raised from Hibiscus Petroleum's proposed private placement of convertible redeemable preference shares ("CRPS") announced on 2 August 2012 amounting up to RM210,000,000 ("**Proposed Private Placement of CRPS**"). Up to 3 August 2012, Hibiscus Petroleum had entered into 6 conditional subscription agreements with certain identified investors for the placement of 74,480,000 CRPS which will raise RM74,480,000. The Board is of the view that the Proposals meet the parameters for the utilisation of the CRPS proceeds. Any shortfall will be funded from internal funds.

Please refer to Hibiscus Petroleum's announcements in relation to the Proposed Private Placement of CRPS dated 2 August 2012 and 3 August 2012 for further details.

**7. EFFECTS OF THE PROPOSALS****7.1 Share capital and substantial shareholders' shareholdings**

The Proposals will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings in Hibiscus Petroleum as the Proposals will be satisfied via cash.

**7.2 NA and gearing**

The Proposals will not have any material impact on the NA and gearing of the Hibiscus Petroleum Group, assuming the Proposals were completed on 31 March 2012.

**7.3 Earnings and earnings per share ("EPS")**

As VIC/P57 is at the development and exploration stages, no earnings are attributable to the Hibiscus Petroleum Group until the production phase. The Proposals are expected to be completed by December 2012. Therefore, the Proposals are not expected to have any material adverse effect on the earnings and EPS of the Hibiscus Petroleum Group for the financial year ending 31 March 2013.



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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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**8. POLICIES ON FOREIGN ACQUISITION AND REPATRIATION OF PROFITS FROM AUSTRALIA****8.1 Foreign investment****8.1.1 FIRB**

Broadly, Australia does not impose restrictions on foreign equity participation. However, approval from FIRB is required in some cases. The FIRB is a Government regulator that examines proposals by foreign persons to undertake direct investment in Australia and makes recommendations to the Government on whether those proposals are suitable for approval under the Government's Foreign Investment Policy and whether they are in compliance with necessary laws.

Australia's Foreign Investment Policy requires foreign persons, such as Hibiscus Petroleum, to apply for approval under Australia's Foreign Acquisitions and Takeovers Act 1975 (Cth) to buy an interest in an exploration or production permit which provides the right to occupy Australian urban land in circumstances where the term of the permit is likely to exceed 5 years, or otherwise involves the sharing of profits or income from the use of, or dealings in, Australian urban land. Under the relevant policy, Australian urban land includes all seabed within Australia's Exclusive Economic Zone.

For these reasons, the right to acquire an interest in VIC/P57 is subject to approval being obtained under Australia's Foreign Acquisitions and Takeovers Act 1975 (Cth).

Investment proposals, which are subject to the Foreign Investment Policy (as at the date of publication) and require FIRB approval, also include acquisitions of shares or rights to shares representing a substantial interest in an Australian corporation valued at more than AUD244 million.

Australian Corporations Law should be considered for specific guidance on structures and regulations when looking to conduct a business in Australia (through a company). We have been advised that Hibiscus Petroleum has appointed an Australian legal counsel to look into matters related to Australian corporations law and regulations. There are no specific income tax restrictions on foreign investment in Australia.

**8.1.2 NOPTA**

Under the Offshore Petroleum and Greenhouse Gas Storage Act 2006, a dealing in, or transfer of, an offshore petroleum title is of no force until it is approved by NOPTA, and registered in a title register maintained by NOPTA. Accordingly, NOPTA is required to register and approve the Farm-in Agreement (being a proposed dealing in an offshore petroleum title), as well as any instrument of transfer to effect the transfer of legal title in an offshore petroleum title.

**8.2 Repatriation of profits**

The Reserve Bank of Australia has relaxed exchange control rules and as such profits can be repatriated without restrictions.

Profits from Australia could be repatriated in the form of dividend, interest, royalty, transfer payments etc. However limitations are imposed in the form of withholding tax and other anti-avoidance rules such as transfer pricing, thin capitalisation to ensure Australian tax revenue is not jeopardized.

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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Certain types of foreign income (including exempt dividends and other foreign taxed income, and capital gains from sale of shares) paid to and then on paid by Australian companies to their non-resident shareholders should not attract any withholding tax implications in Australia for the non-resident shareholders.

**9. APPROVALS REQUIRED**

The Proposals are subject to and conditional upon approvals being obtained from the following:

- (i) the shareholders of Hibiscus Petroleum at an extraordinary general meeting to be convened;
- (ii) the approval of the relevant authorities in Australia in respect of the Subscription Agreement and the Farm-In Agreement; and
- (iii) any other approvals from the relevant authorities, if required.

The Proposed Subscription and Proposed Farm-In are not conditional upon each other. However, the Subscription Agreement and the Farm-In Agreement are conditional upon the shareholders of Hibiscus Petroleum approving both the resolutions pertaining to the Proposed Subscription and the Proposed Farm-In.

**10. APPLICATIONS TO THE RELEVANT AUTHORITIES**

Applications to the relevant authorities in respect of the Proposals are expected to be submitted within 3 months from the date of this announcement.

**11. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND CONNECTED PERSONS**

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

**12. STATEMENT BY DIRECTORS**

The Board, after having considered all aspects of the Proposals (including but not limited to the risks, rationale of the Proposals and the industry outlook and prospects), is of the opinion that the Proposals are in the best interest of Hibiscus Petroleum.

**13. ADVISER**

HLIB has been appointed as the principal adviser to the Company for the Proposals.

**14. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to the receipt of all relevant approvals, the Board expects the Proposals to be completed by December 2012.

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**COPY OF ANNOUNCEMENT DATED 14 AUGUST 2012 IN RELATION TO THE PROPOSED SUBSCRIPTION AND PROPOSED FARM-IN (Cont'd)**

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**15. PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposals pursuant to paragraph 10.02(g), Chapter 10 of the Listing Requirements is approximately 41.21%.

**16. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the Company's registered office at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur during normal office hours from Mondays to Fridays (except for public holidays) for a period of 3 months from the date of this announcement:-

- (i) Subscription Agreement; and
- (ii) Farm-In Agreement.

This announcement is dated 14 August 2012.

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**PROPOSED AMENDMENTS**


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**ALTERATION TO MEMORANDUM AND ARTICLES OF ASSOCIATION**

THAT the existing Clause 6 of the Memorandum of Association of the Company be deleted in its entirety and replaced with the following new Clause 6:

**Existing Clause 6**

The capital of the Company is RM25,000,000.00 divided into 2,400,000,000 ordinary shares of RM0.01 each and 100,000,000 redeemable convertible preference shares of RM0.01. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.

**New Clause 6**

*The capital of the Company is RM50,000,000.00 divided into 4,690,000,000 ordinary shares of RM0.01 each, 100,000,000 redeemable convertible preference shares of RM0.01 each and 210,000,000 convertible redeemable preference shares of RM0.01 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.*

That the Articles of Association of the Company be amended, modified, added to and/or deleted in the following manner:

- (i) the following definitions shall be inserted under Article 2 after the definition of "Year":

In relation to Articles 2C, 2D and 2E, the following meanings shall apply to the respective defined terms unless the subject or context requires otherwise:

<b>Words</b>	<b>Meaning</b>
Adjustment	Any applicable adjustment of the Conversion Price, pursuant to Article 2D.
Approved Principal Adviser	A licensed corporate finance adviser appointed by the Directors for purposes of the CRPS Subscription Agreement.
Auditors	Any firm of approved company auditors, as defined under the Act, and may include the auditors for the time being of the Company.
Balance Proceeds	The balance (if any) as at the Cut-Off Date of the total proceeds raised by the Company from the issuance of all Tranches of CRPS pursuant to the Proposed CRPS Private Placement (excluding accrued interest) after deducting: <ul style="list-style-type: none"> <li>(i) all amounts utilised or applied by the Company within the parameters of the Permitted Utilisation (the fulfilment of such parameters being verified by Independent Expert(s)); and</li> <li>(ii) the total proceeds attributable to the CRPS which have been converted into Conversion Shares during the Conversion Period,</li> </ul>

such balance (in RM as well as expressed as a percentage of the total proceeds raised by the Company from the issuance of all Tranches of CRPS pursuant to the Proposed CRPS Private Placement) being verified by the CRPS Custodian and announced by the Company within five (5) Business Days after the Cut-Off Date.

**PROPOSED AMENDMENTS (Cont'd)**

Business Day	A day except Saturdays, Sundays and public holidays, on which banks in Kuala Lumpur are open for business.
Conversion Notice	A notice in writing by the subscriber(s), in the form set out in the CRPS Subscription Agreement, to convert the number of CRPS specified in the notice into Conversion Shares.
Conversion Period	The period commencing from the earlier of: <ul style="list-style-type: none"> <li>(i) the date falling six (6) months after the First Tranche Issue Date, and</li> <li>(ii) the date the transacted market price of the Ordinary Share on the Exchange first reaches RM3.00 or more (regardless of the duration the transacted price remains at such level),</li> </ul> up to the Cut-Off Date (excluding both dates).
Conversion Price	In relation to each CRPS, shall be the price ascribed in the respective CRPS Subscription Agreement for that CRPS, subject to such Adjustment(s) (if any) as may be applicable.
Conversion Shares	The new Ordinary Shares to be issued credited as fully paid upon the conversion of the CRPS in accordance with the terms of the CRPS Subscription Agreement, such Ordinary Shares to rank pari passu in all respects with all other then existing Ordinary Shares (except for any dividends, rights, allotment and/or distributions the entitlement date of which is on or prior to the date of issue of the Conversion Shares).
CRPS	The convertible redeemable preference shares of par value RM0.01 each in the capital of the Company.
CRPS Custodian	The financial institution or trust company appointed by the Company to administer the subscription monies pursuant to the CRPS Subscription Agreement.
CRPS Holder	A person duly registered as a holder of issued and outstanding CRPS in the statutory records of the Company.
CRPS Subscription Agreement	The subscription agreement(s) entered or to be entered into by the Company and each of the subscribers in relation to their subscription of the CRPS.
Cut-Off Date	The Business Day falling one (1) month prior to the Maturity Date.
First Tranche Issue Date	Such date on which the first Tranche of the CRPS is issued by the Company
Independent Expert	Such independent third party(ies) appointed by the Company, as defined and for the purposes specified, in the CRPS Subscription Agreement.
Maturity Date	The date falling eighteen (18) months after the First Tranche Issue Date, on which all CRPS (unless earlier redeemed or converted) shall be converted into Ordinary Shares at the Conversion Price.
Permitted Utilisation	The application or utilisation of the proceeds raised by the Company from the Proposed CRPS Private Placement in relation to

## PROPOSED AMENDMENTS (Cont'd)

acquisitions and/or investments in development and/or production assets (whether directly or indirectly, through entities holding such assets or otherwise), such assets of which may include potential exploration upside, including payment of associated transaction and other costs. The qualifying parameters of such assets are as follows:

Parameters**	In the case of development asset(s) (based on 2P/2C)*	In the case of producing asset(s) (based on 2P)*
Estimated payback period	≤5 years	≤4 years
Internal Rate of Return (IRR)	>20%	>12%

\* Based on definitions issued by the Society of Petroleum Engineers (SPE).

\*\* In any case where the asset(s) include both development and producing assets, the applicable qualifying parameters for such asset(s) are satisfied as long as they fall within the above specified ranges.

**Proposed CRPS Private Placement** A proposed private placement exercise which involves the issue of up to 210,000,000 CRPS in multiple tranches within six (6) months from the date the necessary approval from the Exchange, for the listing of the Conversion Shares on the Exchange, is obtained.

**Redemption Notice** A notice in writing by the subscriber, in the form set out in the CRPS Subscription Agreement, to redeem the number of CRPS specified in the notice.

**Redemption Price** In relation to each CRPS, a price to be determined based on the following formula:

$$R = \left[ 1 + \left( 5\% \times \frac{U}{365} \right) \right]$$

Where,

R = Redemption price per CRPS.  
U = Number of days from the issue date of that CRPS up to the Maturity Date.

**Tranche** The tranches of the allotment and issue of CRPS by the Company to the relevant subscriber(s) pursuant to the Proposed CRPS Private Placement, with the first Tranche commencing on the First Tranche Issue Date.

If any period of time is specified from a given day, or the day of a given act or event, it is to be calculated exclusive of that day and if any period of time falls on a day which is not a Business Day, then that period is to be deemed to only occur or expire (as may be applicable) on the next Business Day.

A reference to a "month" is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month or, where there is no date in the next calendar month numerically corresponding as aforesaid, the last day of such calendar month, and "months" and "monthly" shall be construed accordingly.

**PROPOSED AMENDMENTS (Cont'd)**

- (ii) the existing Article 2A shall be deleted in its entirety and replaced with the following new Article 2A:

**Existing Article 2A**

The share capital of the Company shall be divided into:

- (a) Ordinary Shares; and  
(b) RCPS,

each to constitute separate classes of shares.

**New Article 2A**

The share capital of the Company shall be divided into:

- (a) Ordinary Shares;  
(b) RCPS; and  
(c) CRPS,

each to constitute separate classes of shares.

- (iii) the following new Article 2C shall be adopted and be inserted after Article 2B:

**Article 2C** The CRPS shall be issued on the following terms and confer on their holders the rights specified below.

(a) Subscription Price

The subscription price for each CRPS shall be RM1.00. Each CRPS shall have a par value of RM0.01 each.

(b) Liquidation Preference

Upon any winding-up, liquidation or any return of capital of the Company, the CRPS Holders shall have priority in the repayment of the CRPS (if such repayment is applicable to the CRPS), over any payment to the holders of Ordinary Shares, RCPS and all other shares in the capital of the Company (unless otherwise agreed by the CRPS Holders). The CRPS shall not be entitled to participate in the surplus assets and profits of the Company.

(c) Dividend

The CRPS shall not be entitled to any dividend.

(d) Conversion Right

(i) A CRPS Holder shall be entitled at any time (and from time to time) during the Conversion Period to convert the CRPS it holds into the relevant number of Conversion Shares (rounded down to the nearest whole number of Conversion Share) on the basis of each CRPS being equivalent to the value of RM1.00 towards satisfying the Conversion Price.

(ii) To exercise its above conversion right, a duly completed and signed Conversion Notice (accompanied by the original certificate(s) for the number of CRPS to be converted) must be sent by the CRPS Holder to the Company (at the sole risk of the CRPS Holder).

Subject to full compliance by the CRPS Holder with the above and all other conditions of conversion, the Company shall, within eight (8) Business Days after its receipt of the relevant Conversion Notice, allot and issue the relevant Conversion Shares by procuring the crediting of such new

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**PROPOSED AMENDMENTS (Cont'd)**


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Ordinary Shares into the Central Depository System account of the CRPS Holder and thereafter, the despatch of the notice of allotment of such new Ordinary Shares to the CRPS Holder.

(e) Mandatory Conversion

On Maturity Date, all outstanding CRPS will automatically be converted into new Conversion Shares (rounded down to the nearest whole number of Conversion Share) at the Conversion Price through the surrender of the CRPS, on the basis of each CRPS being equivalent to the value of RM1.00 towards satisfying the Conversion Price.

Upon the automatic conversion of the CRPS on the Maturity Date, the Company shall, within eight (8) Business Days allot and issue the relevant Conversion Shares by procuring the crediting of such new Ordinary Shares into the Central Depository System account of the CRPS Holder and thereafter, the despatch of the notice of allotment of such new Ordinary Shares to the CRPS Holder.

(f) Redemption

In the event the Balance Proceeds is more than 20%, the CRPS Holder shall have a one-time option to redeem part of the total number of the CRPS they hold, on a pro-rata basis, based on the following formula:

$$N = \frac{O}{P} \times Q$$

where,

- $N$  = Number of CRPS the CRPS Holder is entitled to redeem at the Redemption Price
- $O$  = Total number of CRPS held by the CRPS Holder (excluding, for the avoidance of doubt, all CRPS previously converted by the CRPS Holder)
- $P$  = Total number of CRPS issued by the Company (excluding all CRPS previously converted by all CRPS Holders)
- $Q$  = Balance Proceeds

In the event the Balance Proceeds is less than or equal to 20%, the above conditional redemption entitlement option shall not be applicable. All outstanding CRPS shall be automatically converted into new Ordinary Shares at the Conversion Price on the Maturity Date.

For the avoidance of doubt, any redemption of the CRPS shall be subject to, and be in accordance with, Section 61 of the Act.

The Company shall use its reasonable endeavors to ensure that it has sufficient funds (whether through profits or a new issue of shares or otherwise), which can be lawfully applied towards redemption of the CRPS at the relevant time.



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**PROPOSED AMENDMENTS (Cont'd)**

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To exercise its redemption option, a duly completed and signed Redemption Notice (accompanied by the original certificate(s) for the number of CRPS to be redeemed) must be sent by the CRPS Holder to the Company (at the sole risk of the CRPS Holder), such Redemption Notice and original certificate(s) being received by the Company no later than 5 p.m. on the 5<sup>th</sup> (fifth) Business Day after announcement by the Company of the results of the verification by the CRPS Custodian as to the Balance Proceeds. In the event any CRPS Holder fails to exercise this conditional redemption entitlement option within the stipulated timeline, all CRPS held by the CRPS Holder shall be automatically converted into new Ordinary Shares at the Conversion Price on the Maturity Date.

Subject to full compliance by the CRPS Holder with the above and all other conditions of redemption, redemption of the relevant CRPS shall be effected and completed on the 10<sup>th</sup> (tenth) Business Day after the announcement by the Company of the results of the verification by the CRPS Custodian as to the Balance Proceeds, unless agreed otherwise by the CRPS Holder and the Company ("**Redemption Completion Date**"). On the Redemption Completion Date, the Company shall procure the Redemption Price payable for the CRPS to be redeemed to be paid by way of telegraphic transfer or direct deposit into the bank account specified in the relevant Redemption Notice (or in such other manner as may be agreed between the Company and the CRPS Holder). For the avoidance of doubt, the payment of the Redemption Price in the above manner shall constitute a full discharge of the Company's obligations in relation to payment of the Redemption Price and redemption of the relevant CRPS.

(g) Voting Rights

The CRPS shall entitle the CRPS Holder to the voting rights as referred to in Section 148(2) of the Act and all other mandatory statutory voting rights.

(h) Maturity Date

The date falling 18 months after the First Tranche Issue Date.

(i) Status

The CRPS shall not be listed or quoted on any stock exchange.

(j) Transferability

The CRPS shall not be transferable.

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**PROPOSED AMENDMENTS (Cont'd)**

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- (iv) the following new Article 2D shall be adopted and be inserted after the new Article 2C:

**Article 2D**            Adjustment to Conversion Price

- (a) The Conversion Price shall from time to time be adjusted, calculated or determined by the Directors in consultation with, and certified by, the Auditors or Approved Principal Adviser. The Conversion Price shall from time to time be adjusted as provided in this Article 2D and the CRPS Subscription Agreement, in all or any of the following cases (subject always to the other provisions of this Article 2D):
- (i) an alteration of the par value of the Ordinary Shares by reason of any consolidation or subdivision;
  - (ii) an issue by the Company of Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund) to its Members;
  - (iii) a capital distribution made by the Company to its Members whether on a reduction of capital (but excluding any cancellation of capital which is lost or unrepresented by available assets) or otherwise (excluding upon, or in relation to, any winding-up of the Company);
  - (iv) an offer or invitation made by the Company to its Members where they may acquire or subscribe for Ordinary Shares by way of rights; or
  - (v) an offer or invitation made by the Company to its Members by way of rights where they may acquire or subscribe for securities convertible into Ordinary Shares or rights to acquire or subscribe for Ordinary Shares.
- (b) For the avoidance of doubt, no adjustment to the Conversion Price will be required in respect of any other event whatsoever (other than as expressly set out in paragraph (a) above), and such non-adjustment situations include, but are not limited to, the following:
- (i) an issue of Ordinary Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any other rights; or
  - (ii) an issue of Ordinary Shares or other securities of the Company or rights to acquire or subscribe for Ordinary Shares to officers, including directors, or employees of the Company or any of its subsidiaries pursuant to any purchase or option schemes approved by the Members in general meeting; or
  - (iii) an issue by the Company of Ordinary Shares or of securities convertible into or rights to acquire or subscribe for Ordinary Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business; or
  - (iv) a special issue of Ordinary Shares or other securities by the Company required by any relevant authority which is effected to comply with the policy of the Government of

**PROPOSED AMENDMENTS (Cont'd)**

- Malaysia in relation to capital participation in industry; or
- (v) any purchase by the Company of its own Ordinary Shares in accordance with the Act and all other applicable laws and regulations; or
  - (vi) the issue by the Company of Ordinary Shares or securities convertible into or with rights to acquire or subscribe for Ordinary Shares to Bumiputera investors pursuant to a special issue approved by the relevant authorities and the members of the Company at a general meeting of such members; or
  - (vii) any issue of shares by the Company (other than bonus or rights issues) where the aggregate issues of which in any twelve (12) month period do not exceed ten per cent (10%) of the then current issued share capital; or
  - (viii) any issue by the Company of new Ordinary Shares or of securities convertible into or rights to acquire or subscribe for Ordinary Shares pursuant to a private placement exercise (for the avoidance of doubt, whether or not exceeding 10% of the then issued and paid-up share capital); or
  - (ix) an issue by the Company of securities convertible into rights to acquire or subscribe for Ordinary Shares as replacement for existing securities convertible into or rights to acquire or subscribe for Ordinary Shares; or
  - (x) any issue of additional CRPS or Conversion Shares, pursuant to the Proposed CRPS Private Placement or the Articles.
- (c) Any adjustment to the Conversion Price will be rounded up to the nearest one (1) sen and in no event shall any adjustment (otherwise than upon the consolidation of Ordinary Shares into Ordinary Shares of a larger par value) involve an increase in the Conversion Price or a reduction in the Conversion Price below the par value of the Ordinary Shares for the time being. No adjustment to the Conversion Price shall be made unless it has been certified by the Auditors or Approved Principal Adviser. No adjustment will be made to the Conversion Price in any case in which the amount by which the same would be reduced would be less than one (1) sen and any adjustment which would otherwise then be required will not be carried forward.
- (d) Notwithstanding any provision in the CRPS Subscription Agreement (including the schedules thereof), in the event that any adjustments to the Conversion Price pursuant to the CRPS Subscription Agreement shall result in the Conversion Price to be reduced below the par value for the time being of a Ordinary Share in the capital of the Company, the Conversion Price shall be deemed to be adjusted such that the Conversion Price shall be equal to the par value for the time being of the Ordinary Share in the capital of the Company.
- (e) Notwithstanding the provisions referred to in paragraph (a) and paragraph (c) above, in any circumstances where the Directors consider that adjustments to the Conversion Price as provided under Article 2D hereof should not be made or should be calculated

**PROPOSED AMENDMENTS (Cont'd)**

on a different basis or different date or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under Article 2D hereof, the Company may appoint the Auditors or Approved Principal Adviser to consider whether for any reason whatever the adjustment, calculation or determination to be made (or the absence of an adjustment, calculation or determination) is appropriate or inappropriate, as the case may be. If such Auditors or Approved Principal Adviser shall consider the adjustments, calculations or determination to be inappropriate, the adjustments shall be modified or nullified (or an adjustment, calculation or determination made even though not required to be made), in such manner as may be considered by such Auditors or Approved Principal Adviser to be in its opinion appropriate.

- (f) Whenever there is an adjustment to the Conversion Price as herein provided, the Company shall give notice to CRPS Holders within twenty one (21) days of such adjustment in accordance with the notice provisions under Article 2E that the Conversion Price to be issued have been adjusted and setting forth the event giving rise to the adjustment to the Conversion Price prior to such adjustment, the adjusted Conversion Price to be issued and the effective date of such adjustment and shall at all times thereafter so long as any of the CRPS remains exercisable, make available for inspection at its registered office a signed copy of the certificate of the Auditors or Approved Principal Adviser certifying the adjustment to the Conversion Price and a certificate signed by a Director setting forth brief particulars of the event giving rise to the adjustment and the conversion price prior to such adjustment, the adjusted conversion price and the effective date of such adjustment.
- (g) If the Directors, Auditors and/or Approved Principal Adviser are unable to agree upon any adjustment required under these provisions, the Directors shall refer the adjustment to the decision of another Approved Principal Adviser or Auditors acting as experts and not arbitrators and whose decision as to such adjustment shall be final and conclusive (in the absence of manifest error) and no certification by the Auditors or Approved Principal Adviser shall in such circumstances be necessary.
- (h) In giving any certificate or making any adjustment hereunder, the Auditors and/or any Approved Principal Adviser shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decision shall be conclusive and binding on all persons having an interest in the CRPS, to the relevant extent.
- (v) the following new Article 2E shall be adopted and be inserted after the new Article 2D:

**Article 2E**      Provisions relating to Meetings of the CRPS Holder

1. The Company may and shall upon receipt of a request in writing of registered holders of not less than ten per centum (10%) of the CRPS for the time being subsisting convene a meeting of the CRPS Holders. Such meeting shall be held at such place in Malaysia and at such time as the Company shall determine or approve.
2. At least fourteen (14) days' notice or when the meeting is being convened for the purpose of passing a Special Resolution at least twenty one (21) days' notice (exclusive in each case of the day on

**PROPOSED AMENDMENTS (Cont'd)**

- which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the CRPS Holders in the manner provided in the CRPS Subscription Agreement. The notice shall specify the place, day and hour of the meeting and the general nature of the business to be transacted but it shall not be necessary except in the case of a Special Resolution to specify in the notice the terms of any resolution to be proposed. The accidental omission to give notice to or the non-receipt of notice by any of the CRPS Holders shall not invalidate the proceedings at any meeting.
3. No business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. At any meeting at least two (2) persons being CRPS Holders present in person or by proxy and holding in the aggregate of not less than twenty five per centum (25%) of the CRPS for the time being subsisting shall form a quorum (unless there is only one (1) CRPS Holder in relation to all then subsisting CRPS, whereupon such CRPS Holder shall constitute the required quorum) for the transaction of business except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution shall be at least two (2) persons being CRPS Holders present in person or proxy and holding in aggregate not less than fifty per centum (50%) of the CRPS for the time being subsisting, or at any adjourned meeting thereof, the quorum shall be two (2) persons being CRPS Holders whatever number of the subsisting CRPS so held (unless there is only one (1) CRPS Holder in relation to all then subsisting CRPS, whereupon such CRPS Holder shall constitute the required quorum). A Special Resolution duly passed at any meeting of CRPS Holders shall be binding on all CRPS Holders, whether or not they are present at the meeting. Any CRPS which have not been redeemed or converted but have been lodged for redemption or conversion shall not, unless and until they are withdrawn or rejected or declared by the Company to be void in accordance with the provisions of the CRPS Subscription Agreement, confer the right to such CRPS Holder to attend or vote at, or join in convening or be counted in the quorum for any meeting of the CRPS Holders.
  4. If within thirty (30) minutes after the time appointed for the meeting, a quorum is not present, the meeting, if convened upon the requisition of CRPS Holders, shall be dissolved. In any other case it shall stand adjourned to such day and time being not less than fourteen (14) days nor more than twenty one (21) days thereafter and to such place as may be appointed by the Chairman. At such adjourned meeting two (2) persons being CRPS Holders, whatever number of subsisting CRPS so held, present in person or by proxy shall be a quorum for the transaction of business including the passing of Special Resolutions. At least fourteen (14) days' notice (exclusive as aforesaid) of any adjourned meeting of CRPS Holders shall be given in the same manner as for an original meeting and such notice shall state that two (2) persons being CRPS Holders present in person or by proxy at the adjourned meeting whatever the number of CRPS held or represented by them will form a quorum.
  5. A person nominated in writing by the Company shall preside as the Chairman at every meeting and if no such person is nominated or at any meeting no person nominated shall be present within fifteen (15) minutes after the time appointed for holding the meeting, the

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**PROPOSED AMENDMENTS (Cont'd)**

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- CRPS Holders present shall choose one (1) of their number to be Chairman and failing such choice the Company may appoint a Chairman. The Company, any of the Company's directors, the secretaries and solicitors and any other person authorised in that behalf by the Company may attend and be heard at any meeting.
6. The Chairman may with the consent of any meeting at which a quorum is present and shall if so directed by the meeting adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.
  7. At any meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded by the Chairman or by any five (5) or more CRPS Holders present in person or by proxy whatever their holdings of CRPS or by one (1) or more CRPS Holders present in person or by proxy and holding or representing at least five per centum (5%) of the CRPS subsisting. Unless a poll is so demanded a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
  8. If a poll is duly demanded it shall be taken in such manner as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
  9. In the case of any equality of votes whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to the vote or votes (if any) to which he is entitled as a CRPS Holder or as a proxy.
  10. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such time (not being more than fourteen (14) Business Days after the date of the meeting) and place as the Chairman directs.
  11. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.
  12. On a show of hands every CRPS Holder who (being an individual) is present in person or (being a corporation) is present by its duly authorised representatives) or by one (1) of its officers as its proxy shall have one vote. On a poll every CRPS Holder who is present in person or by proxy shall have one (1) vote for each CRPS he holds.
  13. On a poll, votes may be given either personally or by proxy and a CRPS Holder entitled to more than one vote need not (if he votes) use all his votes or cast all the votes he uses in the same way.
  14. The instrument appointing a proxy shall be in the usual common form or such other form as the Company may approve and shall be

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**PROPOSED AMENDMENTS (Cont'd)**

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- in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney, duly authorised and such instrument shall be deemed to confer authority to demand or join in demanding a poll.
15. A person appointed to act as a proxy need not be a CRPS Holder and shall have the applicable meanings as ascribed to it in the Act.
16. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the registered office of the Company or such other place as the Company shall approve not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting or for the taking of the poll at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months after the date named in it as the date of its execution.
17. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at least twenty four (24) hours before the commencement of the meeting or adjourned meeting or the taking of the poll at which the proxy is used.
18. A meeting of the CRPS Holders shall, subject to the provisions of the CRPS Subscription Agreement in addition to all other powers, have the following powers exercisable by Special Resolution only, that is to say:
- (a) Power to sanction any scheme for the reconstruction of the Company which materially affects the rights of CRPS Holders or for the amalgamation of the Company with any other company.
  - (b) Power to sanction any scheme or proposal for the exchange or substitution for the CRPS of, or the conversion of the CRPS into shares, debentures, debenture stock or any other obligations or securities of the Company or any other company formed or to be formed.
  - (c) Power to sanction any modification, abrogation or compromise of or arrangement in respect of the right of the CRPS Holders against the Company whether such rights shall arise under the CRPS Subscription Agreement or the certificate(s) for the CRPS or otherwise.
  - (d) Power to assent to any modification or abrogation of the covenants or provisions contained in the CRPS Subscription Agreement proposed or agreed to by the Company and to authorise the Company to concur in and execute any supplemental deed embodying any such modifications.

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**PROPOSED AMENDMENTS (Cont'd)**


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- (e) Power to agree to the release or exoneration of the Company for any liability in respect of anything done or omitted to be done by the Company in respect of the CRPS Subscription Agreement before the giving of such release.
- (f) Power to appoint any persons (whether CRPS Holders or not) as a committee to represent the interest of the CRPS Holders and to confer upon such committee any powers or discretion which the CRPS Holders, could themselves exercise.
19. A resolution passed at a meeting of the CRPS Holders duly convened and held in accordance with the CRPS Subscription Agreement shall be binding upon all the CRPS Holders whether present or not present at the meeting. The passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof, the intention being that it shall rest with the meeting to determine without appeal whether or not the circumstances justify passing such resolution.
20. In this Article 2E, the expression "**Special Resolution**" means a resolution passed at a meeting of the CRPS Holders duly convened and held in accordance with the provisions contained herein and carried by a majority consisting of not less than three-fourths (3/4) of the persons voting thereat upon a show of hands or if a poll is duly demanded, by a majority consisting of not less than three-fourths (3/4) of the votes given on such poll. The expression "**Ordinary Resolution**" means any resolution which is not a Special Resolution.
21. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Company and any such minutes as aforesaid if purporting to be signed by the Chairman of the meeting shall be conclusive evidence of the matters therein stated and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been made and signed shall be deemed to have been duly held and convened and all resolutions passed or proceedings thereafter to have been duly passed and occurred.
- (vi) the existing Article 47 of the Articles of Association of the Company shall be deleted in its entirety and replaced with the following new Article 47:

**Existing Article 47**

The authorised capital of the Company is Ringgit Malaysia Twenty Five Million (RM25,000,000) divided into 2,400,000,000 Ordinary Shares of RM0.01 each and 100,000,000 RCPS of RM0.01 each.

**New Article 47**

*The authorised capital of the Company is Ringgit Malaysia Fifty Million (RM50,000,000) divided into 4,690,000,000 Ordinary Shares of RM0.01 each, 100,000,000 RCPS of RM0.01 each and 210,000,000 CRPS of RM0.01 each.*



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**FURTHER INFORMATION**


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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

**2. CONSENTS**

HLIB, being the Adviser for the Proposals and Co-Placement Agent for the Proposed Private Placement of CRPS has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

OSKIB, being the Co-Placement Agent for the Proposed Private Placement of CRPS has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

**3. CONFLICTS OF INTERESTS**

HLIB confirms that there is no situation of conflict of interest or potential conflict of interest in its capacity as the Adviser for the Proposals and Co-Placement Agent for the Proposed Private Placement of CRPS to Hibiscus Petroleum.

OSKIB confirms that there is no situation of conflict of interest or potential conflict of interest in its capacity as the Co-Placement Agent for the Proposed Private Placement of CRPS to Hibiscus Petroleum.

**4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at LPD, save as disclosed below, there are no material commitments incurred and contingent liabilities incurred or known to be incurred by our Group that is likely to have a material adverse effect on our financial position:

<b>Material commitments approved and contracted for</b>	<b>RM'000</b>
Farm-In Investment for the Proposed Farm-In <sup>(1)</sup>	88,933
Subscription Consideration of the Proposed Subscription <sup>(2)</sup>	6,731
Capital commitment for purchase of application software	2,459
	98,123

Notes:

(1) Details of the Proposed Farm-In are provided in Appendix I of this Circular.

(2) Details of the Proposed Subscription are provided in Appendix I of this Circular.

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**FURTHER INFORMATION (Cont'd)**

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**5. MATERIAL LITIGATION**

As at LPD, the Company and its subsidiaries are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened against the Company and/or its subsidiaries, or of any facts likely to give rise to any proceedings, which may materially and adversely affect the financial position or business of the Company and/or its subsidiaries.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of our Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur during normal office hours (except for public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) The M&A of Hibiscus Petroleum;
- (ii) The latest audited consolidated financial statements of Hibiscus Petroleum for the past 2 FYE 31 March 2011 and 2012;
- (iii) The unaudited consolidated quarterly results of Hibiscus Petroleum for the 3-month FPE 30 June 2012;
- (iv) First Tranche Subscription Agreements and Second Tranche Subscription Agreements; and
- (v) The letters of consent referred to in Section 2 above.



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

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of Hibiscus Petroleum Berhad (“**Hibiscus Petroleum**” or “**Company**”) will be held at PJ Hilton Hotel, Kristal Ballroom, 1<sup>st</sup> Floor, West Wing, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 26 September 2012 at 11.00 a.m., or immediately following the conclusion or adjournment (as the case may be) of the 2<sup>nd</sup> Annual General Meeting of the Company which will be held at the same venue and on the same day at 10.00 a.m., whichever is later, for the purpose of considering and if thought fit, to pass the following resolutions with or without modifications:

### **ORDINARY RESOLUTION 1**

**PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF HIBISCUS PETROLEUM FROM RM25,000,000 COMPRISING 2,400,000,000 ORDINARY SHARES OF RM0.01 EACH (“HIBISCUS PETROLEUM SHARES”) AND 100,000,000 REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM0.01 EACH (“RCPS”) TO RM50,000,000 COMPRISING 4,690,000,000 HIBISCUS PETROLEUM SHARES, 100,000,000 RCPS AND 210,000,000 CONVERTIBLE REDEEMABLE PREFERENCE SHARES OF RM0.01 EACH (“CRPS”) (“PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL”)**

**“THAT**, subject to the passing of Ordinary Resolution 2 and the Special Resolution, the authorised share capital of the Company be increased from RM25,000,000 comprising 2,400,000,000 Hibiscus Petroleum Shares and 100,000,000 RCPS to RM50,000,000 comprising 4,690,000,000 Hibiscus Petroleum Shares, 100,000,000 RCPS and 210,000,000 CRPS, by the creation of an additional 2,290,000,000 new Hibiscus Petroleum Shares and 210,000,000 CRPS and in consequence thereof, the Company’s Memorandum of Association be amended accordingly;

**AND THAT** the Directors of the Company be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or agreements (including, without limitation, the affixing of the Company’s common seal, where necessary) as the Directors may consider necessary, expedient or relevant to give effect to and complete the Proposed Increase in Authorised Share Capital and with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary or expedient in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Increase in Authorised Share Capital.”

## **ORDINARY RESOLUTION 2**

### **PROPOSED ISSUANCE OF UP TO 210,000,000 NEW CRPS AT AN ISSUE PRICE OF RM1.00 PER CRPS IN HIBISCUS PETROLEUM THROUGH A PRIVATE PLACEMENT EXERCISE WITHOUT PROSPECTUS (“PROPOSED PRIVATE PLACEMENT OF CRPS”)**

“**THAT**, subject to the passing of Ordinary Resolution 1 and the Special Resolution and approvals being obtained from all relevant authorities including the approval-in-principle of Bursa Malaysia Securities Berhad for the listing of and quotation for all the new ordinary shares to be issued pursuant to the conversion of the CRPS (“**Conversion Shares**”), approval be and is hereby given to the Directors of the Company to allot and issue:

- (a) up to 210,000,000 CRPS pursuant to the Proposed Private Placement of CRPS; and
- (b) such number of new Conversion Shares, credited as fully paid up, pursuant to any conversion of the CRPS;

AND THAT the approval hereby granted to the Directors of the Company to allot and issue the Conversion Shares pursuant to the conversion of the CRPS shall remain in full force and effect as long as any CRPS remain convertible in accordance with its terms of issue;

AND THAT the new Conversion Shares shall, upon allotment and issue, rank *pari passu* in all respects with all other then existing Hibiscus Petroleum Shares, except that the Conversion Shares shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions the entitlement date of which is on or prior to the date of issuance of the Conversion Shares;

AND THAT the Directors of the Company, be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or agreements (including, without limitation, the affixing of the Company’s common seal, where necessary) as the Directors may consider necessary, expedient or relevant to give effect to and complete the Proposed Private Placement of CRPS and with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary or expedient in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Private Placement of CRPS.”

## **ORDINARY RESOLUTION 3**

### **PROPOSED ISSUANCE AND ALLOTMENT OF 5,000,000 CRPS TO SRI INDERAJAYA UNDER THE PROPOSED PRIVATE PLACEMENT OF CRPS (“PROPOSED ALLOCATION”)**

“**THAT**, subject to the passing of Ordinary Resolutions 1 and 2 and the Special Resolution and approvals from all relevant authorities being obtained (if applicable), authority be and is hereby given to the Directors of the Company to allot and issue 5,000,000 CRPS (including all Conversion Shares arising therefrom) to Sri Inderajaya Holdings Sdn Bhd (being a person connected to a Director of the Company, as elaborated in the Company’s circular to shareholders dated 4 September 2012), pursuant to the Proposed Private Placement of CRPS;

AND THAT the Directors of the Company be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or agreements (including, without limitation, the affixing of the Company’s common seal, where necessary) as the Directors may consider necessary, expedient or relevant to give effect to and complete the Proposed Allocation and with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary or expedient in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Allocation.”

## SPECIAL RESOLUTION

### PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF HIBISCUS PETROLEUM ("M&A") PURSUANT TO THE PROPOSED PRIVATE PLACEMENT OF CRPS AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL ("PROPOSED AMENDMENTS")

"THAT, subject to the passing of Ordinary Resolutions 1 and 2, the proposed amendments to the M&A as set out in Appendix II of the Company's circular to shareholders dated 4 September 2012 be and are hereby approved;

AND THAT the Directors of the Company be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or agreements (including, without limitation, the affixing of the Company's common seal, where necessary) as the Directors may consider necessary, expedient or relevant to give effect to and complete the Proposed Amendments and with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary or expedient in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Amendments."

By Order of the Board,

**Lim Hooi Mooi (MAICSA 0799764)**  
**Tan Bee Hwee (MAICSA 7021024)**  
Joint Company Secretaries

Kuala Lumpur  
4 September 2012

#### Notes:

1. *For purposes of determining who shall be entitled to attend this meeting in accordance with Articles 65(b) and 65(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 19 September 2012 and only Depositors whose name appears on such Record of Depositors shall be entitled to attend the said meeting.*
2. *A proxy may but need not be a member and/or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.*
3. *To be valid, the Form of Proxy duly completed must be deposited at Level 17, The Gardens North Tower, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting Provided That in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).*
4. *A member shall be entitled to appoint at least one (1) proxy to attend and vote at the meeting. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
5. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of our Company standing to the credit of the said securities account.*

6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
7. *If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hands of an officer or attorney duly authorised.*
8. *If the Form of Proxy is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy.*



CDS Account No.

**HIBISCUS PETROLEUM BERHAD**  
(798322-P)

**FORM OF PROXY**

I/We \_\_\_\_\_

I.C. No./ Passport/ Company No. \_\_\_\_\_

being a member of HIBISCUS PETROLEUM BERHAD ("HIBISCUS PETROLEUM" or "Company"), hereby

appoint \_\_\_\_\_

\_\_\_\_\_ I.C. No./ Passport No. \_\_\_\_\_

Of \_\_\_\_\_

or failing him, \_\_\_\_\_ I.C. No./ Passport No. \_\_\_\_\_

of \_\_\_\_\_

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the EXTRAORDINARY GENERAL MEETING of our Company to be held at PJ Hilton Hotel, Kristal Ballroom, 1<sup>st</sup> Floor, West Wing, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 26 September 2012 at 11.00 a.m., or immediately following the conclusion or adjournment (as the case may be) of the 2<sup>nd</sup> Annual General Meeting of the Company which will be held at the same venue and on the same day at 10.00 a.m., whichever is later, on the following resolutions referred to in the Notice of Extraordinary General Meeting by indicating an "X" in the space provided below :-

	FOR	AGAINST
<b>ORDINARY RESOLUTION 1 OF PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL</b>		
<b>ORDINARY RESOLUTION 2 OF PROPOSED PRIVATE PLACEMENT OF CRPS</b>		
<b>ORDINARY RESOLUTION 3 OF PROPOSED ALLOCATION</b>		
<b>SPECIAL RESOLUTION OF PROPOSED AMENDMENTS</b>		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012

Signature/Common Seal	
Number of shares held	
Date	

For appointment of two proxies, percentage of shareholdings to be represented by the proxies			
	No. of shares	Percentage	
Proxy 1			%
Proxy 2			%
		100	%

**Notes:**

1. A proxy may but need not be a member and/or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
2. To be valid, the Form of Proxy duly completed must be deposited at Level 17, The Gardens North Tower, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting Provided That in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
3. A member shall be entitled to appoint at least one (1) proxy to attend and vote at the meeting. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of our Company standing to the credit of the said securities account.



5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
6. *If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hands of an officer or attorney duly authorised.*
7. *If the Form of Proxy is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy.*



Fold this flap for sealing

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Then fold here

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AFFIX  
STAMP

**TRICOR INVESTOR SERVICES SDN BHD**  
Level 17  
The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

1st fold here

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