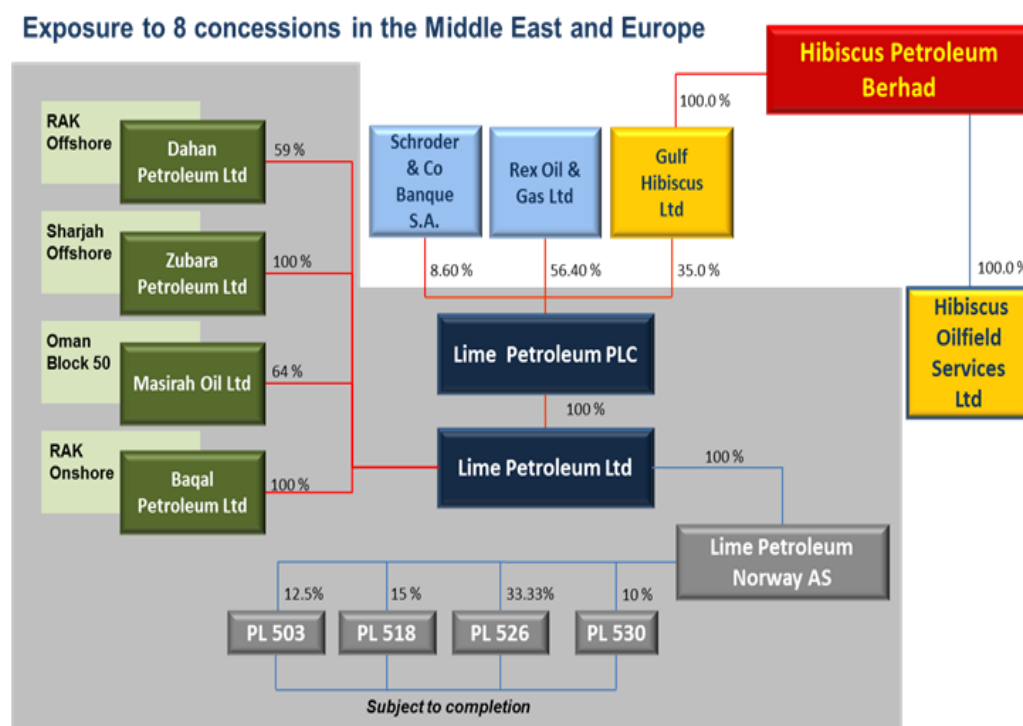


**PART C – STATUS OF DEVELOPMENT AND EXPLORATION ACTIVITIES**

**1. EXPLORATION ACTIVITIES UNDER THE LIME GROUP**

**1.1 Lime Group Structure**



During the period ended 31 December 2012, the total expenditure incurred by the Lime Group is set out below:

	Quarter ended 31.12.2012 RM'000	Period ended 31.12.2012 RM'000
Intangible exploration and evaluation assets	4,516	46,728
Administrative expenses	5,264	7,214
	<u>9,780</u>	<u>53,942</u>
Loan to North Energy ASA ("North Energy")*	<u>319</u>	<u>15,095</u>

\* The loan to North Energy of NOK27.5 million is essentially a prepayment for the Proposed Transfer of Norwegian Interests to Lime Norway, for which an interest at the rate of 4.00% per annum is earned.

**1. EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

**1.1 Lime Group Structure (Cont'd)**

Hibiscus Petroleum Group has a 35% equity stake in the Lime Group which has access to the following oil and gas concessions:

**(i) Middle East**

- Block 50 Oman Concession in the Sultanate of Oman ("**Block 50 Oman Concession**")
- RAK Offshore Concession in Ras Al Khaimah, United Arab Emirates ("**UAE**") ("**RAK North Offshore Concession**")
- RAK Onshore Concession in Ras Al Khaimah, UAE ("**RAK South Onshore Concession**")
- Sharjah Offshore Concession in Sharjah, UAE ("**Sharjah East Coast Concession**")

**(ii) Norway**

- PL 503/Valberget
- PL 518/Zapffe
- PL 526/Vågar
- PL 530/Heilo

collectively referred to as "**Firm Assigned Interests**".

Please refer to Part B, Section 17(i) of the Quarterly Report for an update on Lime Petroleum Norway AS' pre-qualification as an oil and gas exploration company in Norway.

Subject to agreement between North Energy and Lime, one or several of the following three optional interests ("**Optional Assigned Interests**") or any interest in any other production license held by North Energy may be added to the Firm Assigned Interests:

- PL 536/Elbrus
- PL 562/Lepus
- PL 564/Alta/Kvitunge

In addition, should one or several of the Firm Assigned Interests not be available for transfer to Lime due to specified reasons, Lime will have the right to replace such unavailable assigned interests with an equal number of the Optional Assigned Interests.

**1. EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

**1.2 Middle East Activities**

The thrust for the 2012/2013 work programme comprises seismic data acquisition, processing and interpretation, various geological studies and well engineering/drilling preparation activities.

**(i) Seismic activities**

A 2D and 3D seismic data acquisition programme was conducted from 18 February 2012 until 1 July 2012 for the Block 50 Oman Concession, RAK North Offshore Concession and Sharjah East Coast Concession.

**(a) Block 50 Oman Concession**

Both the 2D and 3D seismic data for Block 50 Oman Concession have now been processed and have been interpreted using both conventional analysis and Rex Virtual Drilling<sup>1</sup>.

Through the use of Rex Virtual Drilling, applied on new and vintage seismic data, two new prospects have been identified and high-graded. These prospects were not identified or included in the original Aker Geo AS (“**Aker Geo**”)/Pareto Securities Asia Pte Ltd (“**Pareto**”) reports (which were used in 2011 as a basis of valuing the Lime concessions). Currently, three viable prospects (which include the two new recently identified prospects mentioned above) are being surveyed for drill site suitability ahead of drilling. The two new prospects are expected to be less costly to drill compared to prospects which were included in the Aker Geo/Pareto valuation reports and if successful, will significantly reduce exploration risks associated with the acreage whilst also increasing the commercial potential.

All other previously identified prospects recorded in the 2011 Aker Geo report at time of preparation still remain as viable conventional prospects.

**(b) RAK North Offshore Concession**

Preliminary Rex Virtual Drilling studies are nearing conclusion with several very positive prospects identified. The additional 3D seismic data acquired by others in 1984 has now been interpreted and confirms the virtual drilling anomalies found in the 2D data. Some additional studies are ongoing with the objective of finalising possible drilling locations in Q1 2013.

---

<sup>1</sup> *Rex Virtual Drilling, a proprietary technology of Rex (a shareholder of Lime), seeks to reduce early risks associated with the discovery of oil and gas (and its commercial impact) and the time required to commercialise viable fields by conducting an evaluation to infer the content of accumulations (fluid identification) through a complex seismic evaluation scheme based on resonance.*

**1. EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

**1.2 Middle East Activities (Cont'd)**

**(i) Seismic activities**

**(c) RAK South Onshore Concession**

Work has continued in developing a seismic acquisition programme that can be tendered in Q2 2013 with work commencing later in the year. New data has become available in the form of a British Geological Survey of the UAE and two (2) other separate previously acquired seismic data sets. These are now being used to assist in studying the block and in defining acquisition methodology.

**(d) Sharjah East Coast Concession**

The preliminary Rex Virtual Drilling performed on the raw seismic data acquired during the 2012 acquisition programme has been followed up by detailed studies of 2D and 3D data, undertaken by a third party consultancy. This has been successful in identifying several prospective features. Further Rex Virtual Drilling will be carried out on these areas to align the conventional analysis with virtual drilling anomalies.

**(ii) Drilling programme**

In early 2012, Lime outsourced the engineering related activities for its drilling programme. Following a tendering exercise and technical and commercial evaluation of several proposals by international drilling project management service companies, SPD LLC ("**SPD**"), a division of Petrofac Production Solutions, was selected as the drilling project management service company to assist Lime with various detailed aspects of the drilling programme. Hibiscus Petroleum's representatives have been assigned to the SPD office in Dubai to oversee the work of developing the drilling strategy, in addition to other well engineering activities. The team has also been overseeing the tender process related to the procurement of various other services that will be required as part of the drilling programme.

Following the issue and submission of tenders, the majority of evaluations are at the commercial stage. Purchasing of long lead time items has commenced and the remaining orders for other equipment and drilling related services is targeted to take place in Q1 and Q2, 2013. Marine survey work in Block 50 Oman is planned to commence in March 2013 in order to finalise the Environmental Impact Assessment (EIA) and obtain the environmental permission for drilling.

Preliminary technical work is continuing with SPD in preparation for the drilling of a well in the RAK North Offshore Concession.

As reported previously, the team is continuously monitoring the market to identify available rigs suitable for the RAK North Offshore Concession taking into account the anticipated technical challenges.

**Concluding Remarks**

The work programme for the Middle East activities to-date has been performed without any safety related incidents occurring.

**1. EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

**1.3 Norway Activities**

Subsequent to the last quarter, Lime Norway has been pre-qualified as a licensee in the Norwegian Continental Shelf (“NCS”) by the Norwegian Ministry of Petroleum and Energy.

This approval endorses Lime Norway as a qualified oil and gas player in Norway, thus allowing the company to directly assume participating interests in partner-operated licenses in the NCS.

The pre-qualification process, which usually takes several months and requires new entrants to demonstrate sufficient technical expertise such as in geological and geophysical areas and sound financial ability, is part of the Norwegian Government's efforts to attract both established and new oil and gas players who can contribute to efficient and safe domestic exploration activities.

Pursuant to in-depth technical evaluations which included Rex Virtual Drilling, Lime Norway has finalised its selection of production licenses which shall be acquired from North Energy, and efforts are being undertaken to execute a supplemental agreement to the transaction agreements in due course.

**2. DEVELOPMENT ACTIVITIES IN RELATION TO THE WEST SEAHORSE FIELD, VIC/P57, GIPPSLAND BASIN, AUSTRALIA**

The Farm-In to VIC/P57 was completed on 8 January 2013. A project team has been established in Melbourne, Australia using an integrated approach, led by the Company's personnel, with team members from 3D Oil and Worley Parsons, the selected Front-End Engineering Design (“FEED”) Contractor. The current focus of the team is the selection of a final development concept. Two concepts remain including (a) the current Base Case, namely an onshore solution that exports the oil to a local refinery via trucks and (b) an offshore solution which exports the oil to international markets via crude oil tankers. Both concepts have their advantages. The offshore solution requires lower capital cost and has an earlier First Oil date but the onshore solution carries significantly lower operating cost. Final concept selection is expected in Q1 2013. Tender Packages for all major contracts will then be prepared during Q2 2013 leading to the formal Tender Process during the second half of 2013 and contract award in Q1 2014.

The preliminary Field Development Plan was submitted to National Offshore Petroleum Titles Administrator, Australia (“NOPTA”) in early January 2013 as planned. Feedback from NOPTA has been received in February 2013 and a Final Field Development Plan will be submitted in April 2013 following selection of the final development concept. The onshore and offshore pipeline License Applications will also be submitted at that time.

Other focus areas at this time include evaluation of Crude Oil Marketing and Sales alternatives, Australian Regulatory Compliance and update of Project Economics for use in final concept selection.