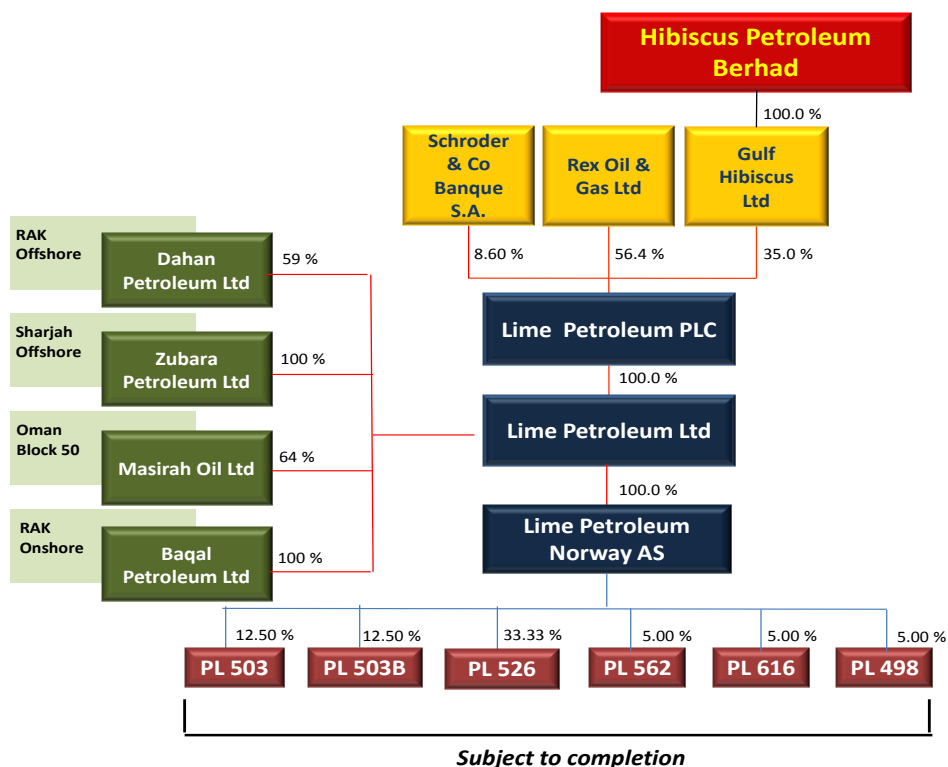


**PART C – STATUS OF DEVELOPMENT AND EXPLORATION ACTIVITIES**

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

**1.1 Lime Group Structure**



During the financial year ended 31 March 2013, the total expenditure incurred by the Lime Group is set out below:

	Quarter ended 31.03.2013 RM'000	Year ended 31.03.2013 RM'000
Intangible exploration and evaluation assets	8,046	54,774
Administrative expenses	4,788	12,002
	<u>12,834</u>	<u>66,776</u>
Loan to North Energy ASA ("North Energy")*		As at 31.03.2013 RM'000 <u>14,561</u>

\* The loan to North Energy of NOK27.5 million is essentially a prepayment for the Proposed Acquisition of Norwegian Interests by Lime Petroleum Norway AS ("**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)**

The 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 503B/Valberget
- PL 526/Vågar
- PL 562/Lepus
- PL 616/Skagastøl
- PL 498/Skagen

**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 and drilling 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 interpreted using both conventional analysis and Rex Virtual Drilling<sup>1</sup>.

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<sup>1</sup> *Rex Virtual Drilling, a proprietary technology of Rex Management, is a software-based tool which relies on the phenomenon of resonance in acquired seismic data to detect hydrocarbon deposits and predict oil in-place volumes.*

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

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

**(i) Seismic activities (Cont'd)**

**(a) Block 50 Oman Concession (Cont'd)**

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 reports by Aker Geo AS ("**Aker Geo**") and Pareto Securities Asia Pte Ltd ("**Pareto**") (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. In the course of the site surveys, further more detailed 2D seismic over the two new prospects has been carried out. This has re-affirmed early studies and locations, and now better defines the prospects.

The two new prospects are expected to be less costly to drill compared to prospects which were included in the Aker Geo or 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.

Additionally, an infill 2D seismic program and a pseudo 100 metre spacing 3D seismic swath were acquired in the quarter ended March 2013. It was acquired to better delineate the two new prospects that were identified on 2012 2D seismic and on older sparse spaced 2D seismic data. The survey was completed on the 18 April 2013. Processing of the 2013 seismic was completed in mid-May 2013. Interpretation is on-going and expected to be completed at end May 2013.

**(b) RAK North Offshore Concession**

Preliminary Rex Virtual Drilling studies have been completed 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. A prospect has been prioritised that is confirmed by conventional evaluation, sequence stratigraphy and virtual drilling and a well prognosis has been developed.

**(c) RAK South Onshore Concession**

The integration of seismic, grav-mag data has now been completed and has identified areas for the future seismic acquisition.

The tender for the seismic acquisition over the area has been completed and is under evaluation.

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

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

**(i) Seismic activities (Cont'd)**

**(d) Sharjah East Coast Concession**

Studies looking to integrate the petrophysics related to 3 previous wells and other recent studies are ongoing. Further work will be undertaken by a third party. Rex Virtual Drilling will continue to be used over prospective 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 were 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 now either complete or at the commercial stage. Placing of purchase orders for long lead time items has been completed with the delivery of material starting in May 2013. The remaining orders for other equipment and drilling related services are almost complete and will be finalised in the quarter ending June 2013.

Marine survey work in Block 50 Oman is completed and the Environmental Impact Assessment ("**EIA**") submission has taken place and approval is expected in late May 2013. The geotechnical and geophysical surveys at each of the 3 prospect locations has taken place and preliminary information shows that it is suitable for both mat and independent leg drilling rigs.

The work to set up the logistics/supply base in the Duqm port in Oman to receive material shall commence soon. Negotiations are ongoing with drilling rig vendors and drilling contractors to identify suitable available rigs for Block 50. Several options are available and negotiations are in progress. With an early production system in place, production from drilling is expected in the quarter ending March 2014.

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.

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

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

**Concluding Remarks**

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

**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 had finalised its selection of production licenses to be acquired from North Energy, and a revised agreement to replace the earlier agreement was signed between Lime Norway and North Energy on 17 April 2013.

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

During the financial year ended 31 March 2013, the total expenditure incurred by permit VIC/P57 amounted to :

	Quarter ended 31.03.2013 RM'000	Year ended 31.03.2013 RM'000
Conventional studies	<u>9,972</u>	<u>9,972</u>

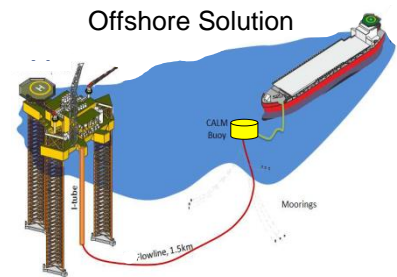
The Farm-In to VIC/P57 was completed on 8 January 2013. An integrated project team has been established in Melbourne, Australia led by Carnarvon Hibiscus Pty Ltd ("**Carnarvon Hibiscus**") (a subsidiary of Oceania Hibiscus Sdn Bhd). The development concept for the West Seahorse field has now been finalised and the current focus of the team is the Front End Engineering Design ("**FEED**") of the selected concept.

Following a comprehensive review of a variety of alternatives, the Carnarvon Hibiscus / 3D Oil joint venture has selected an offshore solution for the exploitation of the West Seahorse field. The development will consist of production via two wells to a leased Mobile Offshore Production Unit ("**MOPU**") to a tanker serving as a Floating Storage and Offloading ("**FSO**") Vessel.

**2. DEVELOPMENT ACTIVITIES IN RELATION TO THE WEST SEAHORSE FIELD, VIC/P57, GIPPSLAND BASIN, AUSTRALIA (CONT'D)**

Advantages of the offshore solution include:

- Reduces time to first oil by 6 months;
- Reduces the capital expenditures;
- Is a proven development concept in the Bass Strait; and
- Opens crude oil sales options to both domestic and international markets.



The Production License application was submitted to the National Offshore Petroleum Titles Authority ("**NOPTA**") in April 2013. The final Field Development Plan has been submitted to NOPTA in May 2013. Regulatory approval is expected to be received in the quarter ending December 2013.

Tender packages for all major contracts are being prepared leading to the formal tender process during the second half of 2013 and contract award immediately following regulatory approval. Oil production is targeted for by the quarter ending March 2015.

**By Order of the Board of Directors**  
**Hibiscus Petroleum Berhad**  
**23 May 2013**