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 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") BY OCEANIA HIBISCUS SDN BHD ("OHSB"), A WHOLLY-OWNED SUBSIDIARY OF HIBISCUS PETROLEUM BERHAD FOR A SUBSCRIPTION AMOUNT OF AUD2,043,558**

(II) **PROPOSED ACQUISITION OF A 50.1% UNENCUMBERED LEGAL AND BENEFICIAL RIGHT, TITLE AND INTEREST IN THE EXPLORATION PERMIT VIC/P57 ("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 CARNARVON HIBISCUS PTY LTD, A WHOLLY-OWNED SUBSIDIARY OF OHSB FROM 3D OIL FOR A PURCHASE CONSIDERATION OF AUD13,473,000 AND A CONTRIBUTION OF AUD13,527,000 TOWARDS THE JOINT OPERATING ACTIVITIES OF THE PROJECT IN RESPECT OF THE FARM-IN INTEREST**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

Hong Leong Investment Bank Berhad (10209-W)
(Formerly known as MIMB Investment Bank Berhad)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of our Extraordinary General Meeting ("**EGM**"), which has been scheduled to be held at Saujana Ballroom, The Saujana Hotel, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan on Wednesday, 19 December 2012 at 2.00 p.m. or any adjournment thereof together with the Form of Proxy are enclosed herein.

You are entitled to attend and vote at our EGM or appoint a proxy to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our share registrar's office at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, no later than 48 hours before the time fixed for our EGM or any adjournment thereof. The last day and time for you to lodge the Form of Proxy is on Monday, 17 December 2012 at 2.00 p.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 December 2012

DEFINITIONS

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

"3D Oil"	:	3D Oil Limited
"3D Oil Shares"	:	Fully paid ordinary shares in the capital of 3D Oil
"ABS"	:	Australian Bureau of Statistics
"Act"	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
"APPEA"	:	Australian Petroleum Production & Exploration Association Ltd
"ASX"	:	Australian Securities Exchange
"ASX Waiver"	:	A waiver from ASX Listing Rule 6.18 to the extent necessary to permit the Company to maintain, by way of a right to participate in any issue of equity securities or to subscribe for equity securities, its percentage interest in the issued capital of 3D Oil under the Subscription Agreement on terms acceptable to both 3D Oil and the Company
"AUD"	:	Australian Dollar
"Bass Strait"	:	The water channel that separates Tasmania from the south of the Australian mainland, specifically, the state of Victoria
"Board"	:	Board of Directors of Hibiscus Petroleum
"BP"	:	British Petroleum plc
"BREE"	:	Bureau of Resources and Energy Economics, Australia
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Business Day"	:	A day that is not a Saturday, Sunday, bank holiday or public holiday in Melbourne, Australia or Kuala Lumpur, Malaysia
"Carnarvon Basin"	:	A geological basin, largely offshore, located in the north west of Australia
"CHPL"	:	Carnarvon Hibiscus Pty Ltd, a wholly-owned subsidiary of OHSB
"Circular"	:	This circular to shareholders of Hibiscus Petroleum dated 4 December 2012 in relation to the Proposals
"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 Private Placement of CRPS
"E&P"	:	Exploration and production of crude oil and natural gas
"EGM"	:	Extraordinary general meeting
"EIA"	:	The United States' Energy Information Administration
"EPS"	:	Earnings per share
"EU"	:	European Union
"Exxon"	:	ExxonMobil Corporation

"Farm-In Agreement"	:	The conditional farm-in agreement entered into on 14 August 2012 by Hibiscus Petroleum, CHPL and 3D Oil in relation to the Proposed Farm-In
"Farm-In Interest"	:	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 Investment"	:	Collectively, the purchase consideration of AUD13,473,000 (equivalent to RM42,798,332) and a contribution of AUD13,527,000 (equivalent to RM42,969,868), payable by CHPL, towards the joint operating activities of the project in respect of the Farm-In Interest pursuant to the Farm-In Agreement
"FIRB"	:	Foreign Investment Review Board, Australia
"FIRB Approval"	:	A letter from the FIRB stating that FIRB has no objection to the Proposals in terms of the Australian government's foreign investment policy, provided that the Proposals are undertaken within 12 months from the date of its letter and that there are no material changes that would alter the Proposals
"FPE"	:	Financial period ended/ending, as the case may be
"FYE"	:	Financial year ended/ending, as the case may be
"Gippsland Basin"	:	A geological basin, largely offshore, located on the southeast margin of Australia's continental shelf offshore Victoria
"HLIB" or "Adviser"	:	Hong Leong Investment Bank Berhad *(formerly known as MIMB Investment Bank Berhad)*
"Hibiscus Petroleum" or "Company"	:	Hibiscus Petroleum Berhad
"Hibiscus Petroleum Group" or "Group"	:	Hibiscus Petroleum, its subsidiaries and its jointly controlled entities, collectively
"Hibiscus Petroleum Share(s)"	:	Ordinary share(s) of RM0.01 each in Hibiscus Petroleum
"IEA"	:	International Energy Agency
"IRR"	:	Internal rate of return
"Joint Authority"	:	The Joint Authority for the State comprises the 'responsible Commonwealth Minister' (currently the Minister for Resources and Energy) and the relevant State or Northern Territory Minister
"km"	:	kilometre
"km^2"	:	Square kilometres area
"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 Norway"	:	Lime Petroleum Norway AS, a wholly-owned subsidiary of Lime, incorporated in Norway
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	21 November 2012, being the latest practicable date prior to the printing of this Circular
"Main Market"	:	Main Market of Bursa Securities
"NA"	:	Net assets
"NOK"	:	Norwegian Kroner
"NOPTA"	:	National Offshore Petroleum Titles Administrator, Australia
"NOPTA Approval"	:	A letter from NOPTA stating its approval for the dealing in relation to VIC/P57 (i.e. approval of the Farm-in Agreement) under Section 493 of the OPGGSA
"OECD"	:	Organisation for Economic Co-operation and Development
"OHSB"	:	Oceania Hibiscus Sdn Bhd, a wholly-owned subsidiary of Hibiscus Petroleum
"OPEC"	:	Organisation of the Petroleum Exporting Countries
"OPGGSA"	:	Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)
"Pareto Asia"	:	Pareto Securities Asia Pte Ltd, the independent financial valuer for VIC/P57 and the independent party who provided the fairness opinions of the Subscription Consideration for the Proposed Subscription and purchase consideration for the Proposed Farm-In
"Pareto Securities AS"	:	An independent full service investment bank, headquartered in Norway
"Permitted Utilisation"	:	The proceeds raised from the Private Placement of CRPS 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 3.3 of this Circular
"Private Placement of CRPS"	:	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
"Proposals"	:	Collectively, the Proposed Subscription and the Proposed Farm-In
"Proposed Farm-In"	:	Proposed acquisition of the Farm-In Interest by CHPL from 3D Oil pursuant to the Farm-In Agreement
"Proposed Subscription"	:	Proposed subscription of the Subscription Shares, representing approximately 13.04% of the enlarged total issued share capital of 3D Oil for the Subscription Consideration pursuant to the Subscription Agreement
"PRRT"	:	Petroleum Resource Rent Tax

"Record of Depositors"	:	Record of depositors as provided by Bursa Malaysia Depository Sdn Bhd to the Company
"RISC"	:	RISC Operations Pty Ltd, the independent technical assessor of the Recoverable Resources for VIC/P57
"RM" or "MYR" and "sen"	:	Ringgit Malaysia and sen, respectively
"Subscription Agreement"	:	The conditional subscription agreement entered into on 14 August 2012 by Hibiscus Petroleum, OHSB and 3D Oil in relation to the Proposed Subscription
"Subscription Consideration"	:	AUD2,043,558 (equivalent to RM6,608,866[1]) paid by OHSB to 3D Oil for the Subscription Shares pursuant to the Subscription Agreement
"Subscription Shares"	:	The subscription by OHSB of 30,963,000 new 3D Oil Shares
"Technical Evaluation"	:	The expert's report in relation to the technical evaluation of VIC/P57 by RISC dated 20 September 2012, as set out in Appendix VIII of this Circular
"USD"	:	United States of America Dollar
"Warrants-A"	:	312,830,722 outstanding warrants which were issued in registered form by the Company on 21 July 2011 and are constituted by the Warrants-A Deed Poll that have yet to be exercised as at LPD
"Warrants-B"	:	83,611,200 outstanding warrants which were issued in registered form by the Company on 21 July 2011 and are constituted by the Warrants-B Deed Poll that have yet to be exercised as at LPD
"Wood Mackenzie"	:	A research and consulting services provider for the global energy, mining, metal, oil, gas, coal, refining, power, and electricity industries
"VIC/P57"	:	An exploration permit providing the holder with the exclusive rights to carry out such operations, and execute such works related to petroleum exploration within a specified geographical area located in the Gippsland Basin (in the Bass Strait). Such exclusive rights include the rights to explore for petroleum and recover petroleum on an appraisal basis, conducting geological and geophysical work such as seismic surveys and exploration drilling. The geographical boundaries of the permit area may change from time to time in accordance with relinquishment rules imposed by the relevant governing authorities
"VWAMP"	:	Volume weighted average market price

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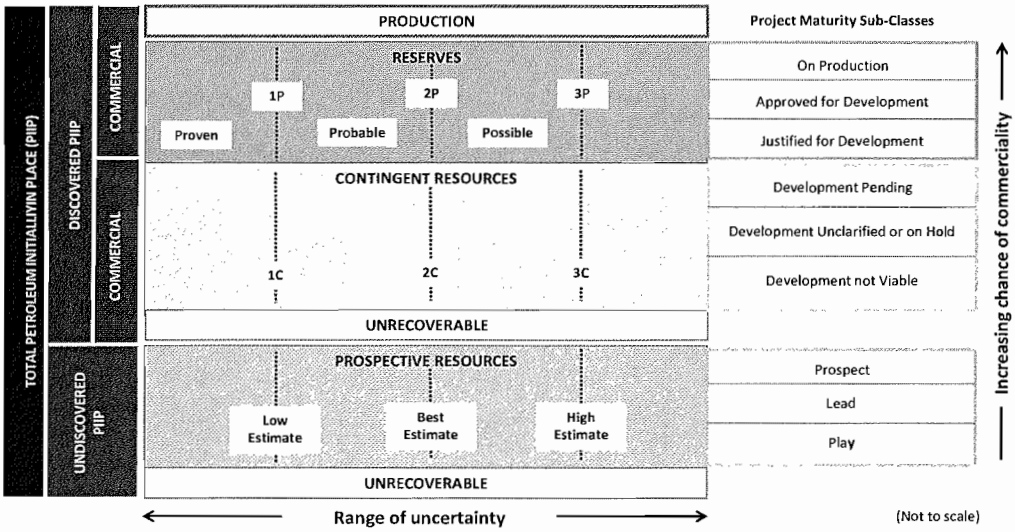
[1] *Total actual consideration paid in RM.*

Introduction: ***Hydrocarbon resource volumes classification***

The Society of Petroleum Engineers has established an industry accepted method that enables hydrocarbon resources volumes to be classified consistently. The method classifies hydrocarbon resource volumes according to the degree of uncertainty and the chance of commercialization associated with a particular resource volume. Hydrocarbon resource volumes are expressed with a notation (e.g. 1P, 2P, 3C, High Estimate etc.) which indicates the degree of uncertainty and the chance of commercialization associated with that particular resource volume.



The diagram shown above is the industry accepted presentation of the classification methodology. Exploration assets with undiscovered oil and gas resources are typically classified as Prospective Resources and are associated with lower chance of commerciality while oil and gas discoveries with an approved plan of development and funding have a higher chance of commerciality and are classified as Reserves.

Source: Gaffney, Cline & Associates, Pareto Asia

"1C" : Conservative estimate (low 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 (high 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

"2D seismic" : A seismic exploration method which provides a two-dimensional seismic image of the subsurface being investigated

"3D seismic" : A seismic exploration method which provides a three-dimensional seismic image of the subsurface being investigated

"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
"bbl(s)"	:	Barrel(s) of oil
"bbls/day"	:	Barrels of oil per day
"bcf"	:	Billion cubic feet
"Best Estimate"	:	Best estimate of resources, having at least a 50% probability level (P50) that the quantity of resources actually recovered will equal or exceed this best estimate
"boe"	:	Barrels of oil equivalent – is a unit of energy based on the energy released by burning one barrel of crude oil
"Brent oil price"	:	A major trading classification of sweet light crude oil and is the leading global price benchmark for Atlantic basin crude oils
"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
"Fault"	:	A crack in the earth's crust resulting from the displacement of one side with respect to the other
"GL"	:	Gigalitres
"Gm^3"	:	Giga cubic metres
"hydrocarbon"	:	An organic compound consisting only of carbon and hydrogen. The majority of hydrocarbons found naturally occur in crude oil, and natural gas where decomposed organic matter provides an abundance of carbon and hydrogen
"mbbls"	:	Thousand barrels of oil
"mmbbls"	:	Million barrels of oil
"mmbpd"	:	Million barrels per day
"mmcf"	:	Million cubic feet – unit used to measure gas

"MOPU"	:	Mobile offshore production unit
"OWC"	:	Oil Water Contact. It defines the elevation above which oil has accumulated and below which water is present
"Plan of Development"	:	A technical document outlining the proposed petroleum development and reservoir management that is submitted by a production licence applicant or a production licensee for acceptance by the Joint Authority
"PoS"	:	Probability of Success, the product of four probability factors/elements – (i) charge (ii) reservoir (iii) trap (iv) seal. The charge element of the PoS relates to the probability of the presence of an adequate mature source rock in the fetch area and that of the existence of adequate migration pathways into the trap. The reservoir element of the PoS relates to the reservoir properties including the existence of adequate porosity and permeability of the reservoir, to facilitate extraction of the resources. The trap element of the PoS relates to the confidence in the definition of the prospect geometry based on the available data, and considers uncertainties in seismic and mapping. The seal element of the PoS relates to the quality of an appropriate seal, considering factors such as thickness of top seal, cross-fault juxtaposition, fault leakage, base and lateral seals for stratigraphic traps, along with expected column heights and lateral containment
"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
"RAV"	:	Risked asset valuation or risked asset value
"Recovery Factor"	:	The proportion of the oil or gas initially in place that is estimated to be recoverable from the field by specific processes or projects, expressed as a fraction or percentage. This includes hydrocarbons used for fuel, flare and export
"Recoverable Resources/Unrisked Recoverable Resources"	:	The quantities of petroleum estimated, as of a given date, to be potentially producible from undiscovered accumulations by application of future development projects
"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
"Reservoir"	:	A porous and permeable underground formation containing an individual and separate natural accumulation of producible hydrocarbons (oil and/or gas) which is confined by impermeable rock or water barriers and is characterized by a single natural pressure system
"Seismic"	:	An exploration method in which strong low-frequency sound waves are utilised on land or in water to identify and investigate subsurface rock structures that may contain hydrocarbons

"Sub-volcanic rock"	:	A type of rock that originates at medium to shallow depths within the crust and is formed through the cooling and solidification of magma or lava
"tcf"	:	Trillion cubic feet
"TOL"	:	Top of Latrobe Group. The Latrobe Group is a formation group of sandstone, siltstone, shale rock and coal units that was deposited between 37 million to 100 million years ago in the Gippsland Basin, Australia. The Latrobe Group includes some of Australia's most prolific hydrocarbon sequences. The Gurnard, N1u, N1 and N2.6 are all named reservoir units within the Latrobe formation group. The reservoir units are further defined as follows: Gurnard The Gurnard is a named section of marine sandstone and siltstone reservoir unit that is present in the West Seahorse oil discovery and other prospects in the VIC/P57 acreage. The Gurnard is younger than the N1u and sits immediately above the N1u. N1u The N1u is an abbreviation for the N1 upper. It is a named unit of river mouth - deltaic reservoir characterised by inter-bedded sandstone, siltstone and coal that is present in the West Seahorse oil discovery and other prospects in the VIC/P57 acreage. The N1u is younger than the N1 and N2.6 units and sits immediately above the N1. N1 The N1 is a named unit of river mouth - deltaic reservoir characterised by inter-bedded sandstone and coal that is present in the West Seahorse oil discovery and other prospects in the VIC/P57 acreage. The N1 unit is younger than the N2.6 unit but is older than the N1u. N2.6 The N2.6 is a named unit of river mouth - deltaic reservoir characterised by inter-bedded sandstone and coal. It is older than the N1 and N1u. It is present in the West Seahorse oil discovery and other prospects in the VIC/P57 acreage.

Exchange Rate

In this Circular, translation of certain foreign currency amounts to RM amounts or other foreign currency amounts or vice versa have been made according to the middle rate as published/made available by Bank Negara Malaysia at 5.00 p.m. on LPD, unless otherwise indicated. Translation of such foreign currency amounts were made as follows:

AUD1.00	:	RM3.1766
USD1.00	:	RM3.0625
AUD1.00	:	USD1.0373
NOK1.00	:	RM0.5349*

Note:

* *Based on the rate as published/made available on LPD by Norges Bank, the central bank of Norway.*

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.

All references to "our Company" in this Circular are to Hibiscus Petroleum, references to "our Group" are to our Company and its subsidiaries and jointly controlled entities collectively, and references to "we", "us", "our" and "ourselves" are to our Company, and save where the context requires, shall include our subsidiaries.

All references to "you" in this Circular are to the shareholders of the Company.

For practical reasons, information disclosed in this Circular has been verified to be accurate as of LPD before the printing of this Circular, unless stated otherwise.

All statements other than statements of historical facts included in this Circular are or may be forward-looking. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". These statements reflect our current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known or unknown risks and uncertainties. Accordingly, actual results may differ from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statement, and we do not undertake any obligation to update publicly or revise any forward-looking statements.

Our Board's expectations of the benefits derived from the Proposals are forward looking in nature, and are thus subject to uncertainties and contingencies. Although our Board holds that its expectations are reasonable at this point in time given the prevailing circumstances, there can be no certainty that such expectations will materialise.

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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 December 2012

Board of Directors:

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

To: The Shareholders of Hibiscus Petroleum

Dear Sir/Madam,

(I) 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 BY OHSB FOR A SUBSCRIPTION AMOUNT OF AUD2,043,558

(II) PROPOSED ACQUISITION OF THE FARM-IN INTEREST BY CHPL FROM 3D OIL FOR A PURCHASE CONSIDERATION OF AUD13,473,000 AND A CONTRIBUTION OF AUD13,527,000 TOWARDS THE JOINT OPERATING ACTIVITIES OF THE PROJECT IN RESPECT OF THE FARM-IN INTEREST

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1. INTRODUCTION

On 14 August 2012, on behalf of our Board, HLIB had announced that:

(i) our Company, OHSB and 3D Oil had entered into the Subscription Agreement for the conditional subscription of 30,963,000 new fully paid up ordinary shares of 3D Oil for a subscription amount of AUD2,043,558 (equivalent to RM6,608,866[2]); and

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[2] *Total actual consideration paid in RM.*

(ii) our Company, CHPL and 3D Oil had entered into a Farm-In Agreement for the acquisition of the Farm-In Interest by CHPL, from 3D Oil for a purchase consideration of AUD13,473,000 (equivalent to RM42,798,332) and a contribution of AUD13,527,000 (equivalent to RM42,969,868) towards the joint operating activities of the project in respect of the Farm-In Interest.

On 3 September 2012, on behalf of our Company, HLIB had announced that the ASX had resolved, via its letter dated 31 August 2012, to grant 3D Oil the ASX Waiver.

On 4 October 2012, on behalf of our Company, HLIB had announced that the FIRB had, via its letter dated 4 October 2012, granted the FIRB Approval.

On 14 November 2012, on behalf of our Company, HLIB had announced that NOPTA had, via its letter dated 13 November 2012, granted the NOPTA Approval.

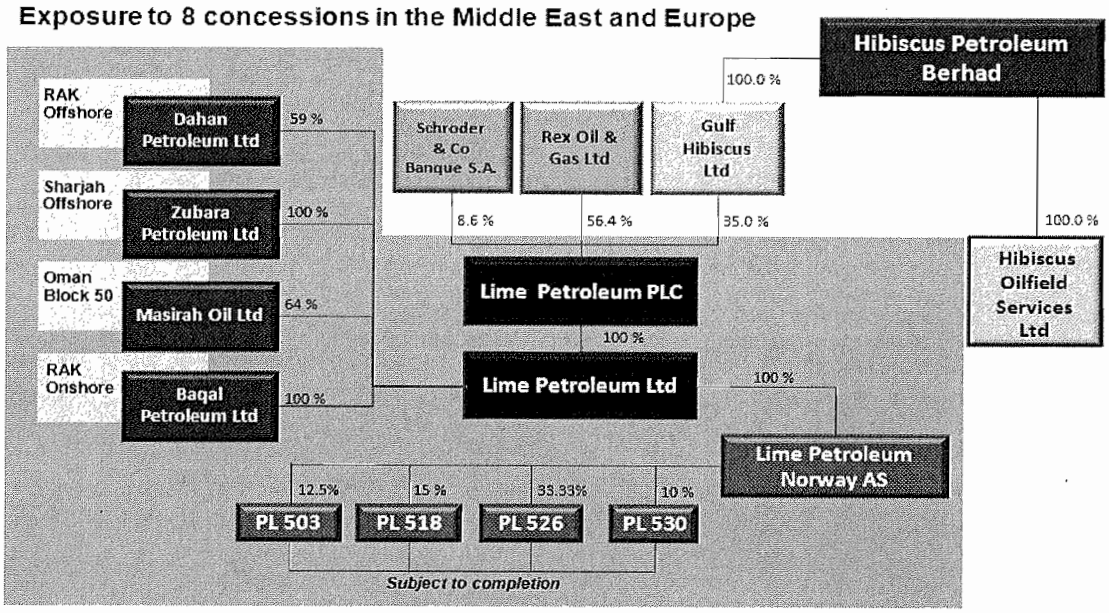
The Proposals are not related party transactions and do not fall under Part E, Chapter 10 of the Listing Requirements.

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 Proposals to be tabled at our forthcoming EGM. The notice of EGM together with the Form of Proxy is enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE ATTACHED APPENDICES CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

2. CURRENT BUSINESS OF OUR GROUP

2.1 Lime Group structure



Our Company has a 35% equity stake in Lime which has access to the following oil concessions in the Middle East and Norway:

(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 ("**RAK Offshore Concession**")
- RAK Onshore Concession in Ras Al Khaimah, United Arab Emirates ("**RAK Onshore Concession**")
- Sharjah Offshore Concession in Sharjah, United Arab Emirates ("**Sharjah East Coast Concession**")

(ii) Norway

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

The completion of the part-acquisition of interests in various North Energy ASA ("**North Energy**") held assets in Norway is premised on, among others, Lime Norway being pre-qualified as an oil and gas exploration company in Norway. Lime Norway expects to become accredited as an oil and gas exploration company during the first quarter of 2013 whereupon a request for transfers of license interests will be submitted to the Royal Ministry of Petroleum and Energy in Norway. The part-acquisition of interests in various North Energy-held assets in Norway is expected to be completed within the first half of 2013.

The criteria to be fulfilled by Lime Norway in order to be pre-qualified as an oil and gas exploration company include, *inter-alia*, minimum technical competence within all relevant areas in order to be able to evaluate, and monitor the operator's activities in the license(s) (in particular geology & geophysics, reservoir engineering and technology), sufficient in-house competence within HSE (health, safety and environment), sufficient personnel resources and meeting the financial requirements (sufficient equity capital base, equity/debt ratio).

The Middle East and Norwegian concessions are currently at early to advanced stages of exploration as depicted and elaborated in Section 4.2.1 of this Circular.

2.2 Progress of activities on the existing assets under Lime Group

Various levels of activity are currently being carried out on the various assets that are being held under the Lime Group. For the assets located in the Middle East, the thrust for 2012/2013 comprises seismic data acquisition, processing and interpretation, various geological studies and well engineering/drilling preparation activities. For the assets in Norway, the primary objective has been to review and assess all the seismic data available for each asset in order that final selection decisions may be taken on whether to add further to the assets that are part of Lime's current Norwegian portfolio.

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 four assigned interests specified under Section 2.1 (ii) of this Circular ("**Firm Assigned Interests**") by Lime:

Production License / Prospect	Current ownership interest of North Energy	Interest that may be transferred to Lime	Consideration (NOK)	Consideration (RM)
PL 536 / Elbrus	20.0%	10.0%	5,776,709	3,089,962
PL 562 / Lepus	10.0%	5.0%	4,416,275	2,362,265
PL 564 / Alta / Kvitunge	20.0%	10.0%	5,176,814	2,769,078

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.

2.2.1 Middle East seismic activities

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

(i) Block 50 Oman Concession

The 2D seismic data for Block 50 Oman Concession has been processed. The 3D seismic data is still being processed and should be available by the end of 2012.

Prospects covered by the new 2D seismic data are being subjected to Rex Virtual Drilling studies. Virtual Drilling, a proprietary technology of Rex Oil & Gas Limited ("**Rex**"), a shareholder of Lime, assesses the responses from the low frequency band of conventional seismic data to further define the hydrocarbon bearing potential of drilling targets identified through conventional seismic data interpretation.

(ii) RAK Offshore Concession

We have received access to 3D seismic data that was acquired in 1984 over the Saleh field (which lies within, but is excluded from Lime's concession). The data that has been made available to Lime also covers some acreage which lies inside its concession boundaries. Preliminary Virtual Drilling studies are being carried out and initial results confirm the previous positive conclusions on the prospectivity of the concession.

(iii) RAK Onshore Concession

Early geographical-based studies are being conducted and will be used to better define the appropriate locations for our seismic data acquisition programme which is planned for 2013.

(iv) Sharjah East Coast Concession

Some preliminary Virtual Drilling studies have been performed on the raw seismic data acquired during the 2012 acquisition programme. Whilst the preliminary results are promising, more work will have to be carried out to obtain a better overview of the prospectivity of the asset. Once the processed seismic data is received from a third party processing house, a full conventional geological study will be performed over this concession coupled with further Virtual Drilling studies.

2.2.2 Middle East drilling programme

Early in 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. We have also been overseeing the tender process related to the procurement of various other services that will be required as part of the drilling programme.

All drilling related contracts requiring tenders have had their respective tender strategies approved by the Ministry of Oil and Gas of the Sultanate of Oman. All tenders have been issued, submissions have been received and technical and commercial evaluations are on-going.

The drilling programme for Lime is initially focused on Block 50 Oman Concession, and is scheduled to start in the first quarter of 2013 pending the finalisation of drilling rig procurement, and the securing of various environmental and regulatory approvals.

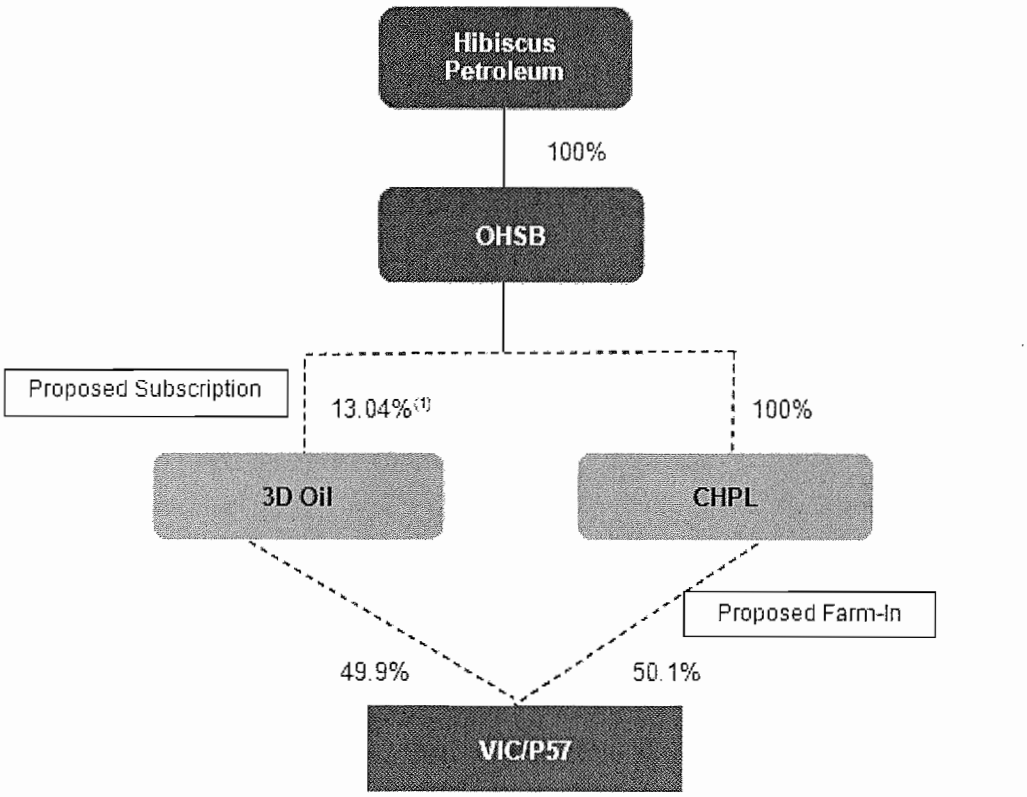
Preliminary technical work is also currently on-going with SPD in preparation for the drilling of a well in the RAK Offshore Concession to identify specific issues related to the well. Simultaneously, a market survey is under way to source rigs suitable for RAK Offshore Concession taking into account the anticipated technical challenges.

2.2.3 Norway activities

Activities to secure both pre-qualification of Lime Norway as an oil and gas exploration company in Norway together with the associated regulatory approvals for the part-acquisition of interests in the concessions are being actively pursued. Simultaneously, an assessment of all seismic data available for each of the Norwegian assets currently targeted by Lime is being done in order that final selection decisions may be taken to determine whether Lime should retain or exchange any of the assets that are part of the current Norwegian portfolio available to it.

3. DETAILS OF THE PROPOSALS

The overall legal structure following the 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.

3.1 Proposed Subscription

Pursuant to the Subscription Agreement, our Company, via OHSB, shall subscribe for 30,963,000 new fully paid ordinary shares in the capital of 3D Oil, representing approximately 13.04% of the enlarged total issued share capital of 3D Oil for the Subscription Consideration, to be fully satisfied by cash. The Subscription Shares shall rank equally in all respects with the existing issued shares in 3D Oil and shall be free from all competing rights, encumbrances and other third party rights. Pursuant to the Subscription Agreement, 3D Oil had, on 4 September 2012, appointed Dr Kenneth Gerard Pereira, the Managing Director of Hibiscus Petroleum, as a non-executive director of 3D Oil after the receipt of the Subscription Consideration by 3D Oil on the same date.

3.1.1 Information on 3D Oil

3D Oil was incorporated in July 2003 in Australia and was listed on the 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 LPD, the issued and paid-up share capital of 3D Oil is AUD50,620,867, comprising 206,560,000 fully paid ordinary shares.

3D Oil holds a 100% interest in the Gippsland Basin permit VIC/P57, which includes the discovered 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.

Further information on 3D Oil and VIC/P57 is provided in Appendix I and Section 3.2.1 respectively, of this Circular.

3.1.2 Basis and justification for the Subscription Consideration

The Subscription Consideration was arrived at on a willing-buyer, willing-seller basis based on the VWAMP of 3D Oil Shares of AUD0.066 for the 30 calendar days prior to 14 August 2012, being the date of the Subscription Agreement.

The subscription price of AUD0.066 represents the following:

(i) an equivalent to the 5-day VWAMP of 3D Oil Shares up to 14 August 2012 of AUD0.066;

(ii) an equivalent to the 1-month VWAMP of 3D Oil Shares up to 14 August 2012 of AUD0.066;

(iii) a discount of 1.5% to the 3-month VWAMP of 3D Oil Shares up to 14 August 2012 of AUD0.067;

(iv) a discount of 10.8% to the 6-month VWAMP of 3D Oil Shares up to 14 August 2012 of AUD0.074; and

(v) a discount of 40.0% to the NA per share of 3D Oil based on the audited financial statements for FYE 30 June 2012 of AUD0.11.

Our Board is of the view that the Subscription Consideration is fair and reasonable after taking into consideration the basis for which the Subscription Consideration was arrived at, the justification mentioned above as well as the fairness opinion for the Subscription Consideration issued by Pareto Asia as appended under Appendix V of this Circular.

3.1.3 Salient terms of the Subscription Agreement

3.1.3.1 Conditions precedent

(a) Completion of the Subscription Agreement is conditional upon:

(i) the ASX granting the ASX Waiver in respect of the grant of the Anti-Dilution Right (as defined in Section 3.1.3.5(a) below) and, if required by ASX, the Completion Subscription Right (as defined in Section 3.1.3.5(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 Securities[3] as part of the shareholder approval process); and

(iii) the approval of the 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 3.1.3.1(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 3.1.3.1(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 3.1.3.1(a)(i) and (iii) above may be waived by OHSB. The Subscription Agreement Condition in Section 3.1.3.1(a)(ii) above may not be waived by any party.

3.1.3.2 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 3.1.3.1(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

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[3] *The approval of Bursa Securities is not required for the Subscription Agreement and Farm-In Agreement.*

(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 3.1.3.2(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.

3.1.3.3 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.

3.1.3.4 Director nomination right

(a) Subject to Section 3.1.3.4(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.

3.1.3.5 Anti-dilution right

(a) Subject to the grant of the ASX Waiver and Section 3.1.3.5(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**").

(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 ASX 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 3.1.3.5(c) above ("**Completion Subscription Right**") shall be subject to any conditions of the ASX Waiver, to the extent ASX considers a waiver is required in respect of the Completion Subscription Right.

3.1.3.6 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.

3.1.3.7 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.

3.1.3.8 Termination

The Subscription Agreement may be terminated:

(a) by either 3D Oil or OHSB, if the other is in material[4] 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[5] 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.

3.1.3.9 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.

3.1.3.10 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.

3.1.4 Liabilities to be assumed

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

Hibiscus Petroleum, as the holding company of OHSB, 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.

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4 *Whether a breach is "material" would be determined at the relevant point in time by reference to the facts and circumstances subsisting then.*

5 *Whether a breach is "material" would be determined at the relevant point in time by reference to the facts and circumstances subsisting then.*

3.1.5 Additional financial commitment required

OHSB does not expect to incur any additional material financial commitment in relation to the Proposed Subscription in the next 12 months from LPD. However, pursuant to the Anti-Dilution Right, OHSB will have the right, but not the obligation, to maintain its 13.04% interest in 3D Oil in the event that 3D Oil issues new equity securities which would lead to a dilution of OHSB's shareholding in 3D Oil.

3.2 Proposed Farm-In

Pursuant to the Farm-In Agreement, CHPL shall acquire the Farm-In Interest from 3D Oil for a purchase consideration of AUD13,473,000 (equivalent to RM42,798,332) and a project contribution of AUD13,527,000 (equivalent to RM42,969,868). The Farm-In Interest shall be acquired free and clear of all liens and encumbrances, rights and interests, except for those arising under VIC/P57 and the OPGGSA[6].

For an expert's opinion on policies on foreign investments, taxation and repatriation of profits of Australia, please refer to Appendix III of this Circular.

3.2.1 Information on VIC/P57

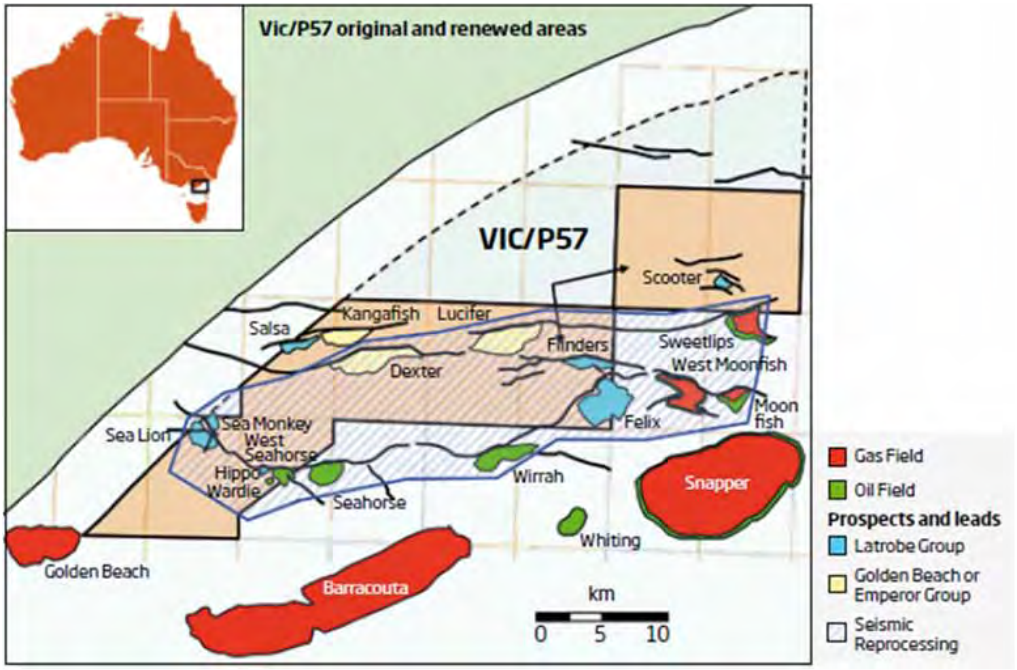

Figure 1: VIC/P57 Prospects and Leads and nearby producing fields (Source: 3D Oil)

VIC/P57 is located in the offshore northwest of the Gippsland Basin, Australia with its north-western boundary approximately 8 km offshore of the south-east Victorian coast and infrastructure.

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6 *Under the OPGGSA, all petroleum titles are subject to certain terms, conditions and obligations, including work commitments. These are general obligations applicable to all title holders.*

The identified discoveries and key prospects within VIC/P57 are:

(a) West Seahorse Oilfield

West Seahorse is a small offshore oilfield with Contingent Resources of 5.5 mmbbls[7] and Prospective Resources of 1.80 mmbbls[7] (based on the Technical Evaluation report). It lies approximately 14 km offshore from the coast and is located in an area where the water depth is approximately 40 metres. It was discovered in 1981 by Hudbay Oil with the drilling of the West Seahorse-1 exploration well and subsequently in 1982, the West Seahorse-2 appraisal well. 3D Oil later appraised the field through the drilling of the West Seahorse-3 and Wardie-1 wells in 2008.

(b) Two identified exploration prospects, Sea Lion and Felix

(i) Based on seismic data that has been acquired, the Sea Lion prospect has Prospective Resources of 10.6 mmbbls[7], (reported in detail in the Technical Evaluation report). It is located close to the West Seahorse field, and is approximately 4 km from shore at its nearest point. It is a robust exploration prospect on trend with other discoveries within similar reservoirs and depth horizons. If a commercially viable discovery is made on Sea Lion, it could be tied back to any West Seahorse offshore development scenario (which will be approximately 5 km away), or directly to shore.

(ii) The Felix prospect is a less robust exploration prospect, with the structure less well defined and the reservoirs located deeper, compared to the Sea Lion prospect. It is located too far from West Seahorse to be considered for a tie back.

3D Oil acquired 100% interest in the VIC/P57 exploration permit through the gazettal process in April 2004, and was granted a renewal of the permit for a five-year term which commenced on 10 August 2011. After the first exploration term for VIC/P57 ended, 3D Oil was required to partially relinquish a portion of the original 750 km^2 acreage pursuant to the OPGGSA. This is a standard requirement in Australia when renewing permits granted (and within the global oil and gas industry) and the practice enables the Australian Government (or respective governments) to allow another party to have the opportunity to carry out further exploration works in the surrendered area.

The requirement under the OPGGSA with regard to permit renewal is based on the relinquishment of half the number of blocks (or part-blocks) and not on the actual size of the acreage. In the case of VIC/P57, as the northern boundary was originally curve-shaped, there were a number of part blocks among the 18 blocks previously allotted to 3D Oil under the original exploration permit. 3D Oil selected 9 blocks to be relinquished based on those which were part-blocks and/or with poorer prospectivity. The remaining 9 blocks chosen for retention by 3D Oil comprised complete blocks and/or with previously identified prospects and leads within the permit. The area size of the blocks retained amounted to approximately 480 km^2.

As at LPD, there has been no production from VIC/P57. In 2008, 3D Oil drilled the West Seahorse-3 appraisal well and the nearby Wardie-1 exploration well and lacked sufficient funds to monetise the discovered West Seahorse field.

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7 *Based on Best Estimate gross Unrisked Recoverable Resources.*

A project team has been established in Melbourne with Hibiscus Petroleum, 3D Oil and other specialists to carry out Concept and Front-End Engineering Design[8] studies. These studies are required to progress the proposed development and will be required to obtain government approvals and bank financing. As a next step, a Final Investment Decision ("**FID**") will be made post finalization and confirmation of a field development plan.

In light of the Farm-In Agreement and as a first necessary step in the approvals process, 3D Oil had submitted an application for the declaration of a location covering the West Seahorse oilfield and received the relevant NOPTA approval on 5 November 2012, which specifies that the declaration of a location will have effect from 2 November 2012. A declaration of a location commences the regulatory process to convert the area with a proven hydrocarbon accumulation governed by the terms of an exploration license into an area covered and governed by the terms of an oil and / or gas production license. 3D Oil is currently preparing a production license application for the West Seahorse field.

Whilst the production license application is targeted to be made for the West Seahorse field early next year, the exploration permit for the other blocks within the VIC/P57 acreage including Sea Lion and Felix will continue until the end of the current exploration term. Any renewal of the exploration permit for the other blocks, if pursued, would be subject to the owners of VIC/P57 completing the minimum work requirements as set out in Appendix II of this Circular.

Based on NOPTA's Schedule of Fees issued in September 2012, a renewal of a petroleum exploration permit (all types) would incur a fee of AUD2,090 (equivalent to RM6,639), while an application for a petroleum production license (over an individual block) would cost AUD10,195 (equivalent to RM32,385) as it includes the necessary application of an infrastructure license, a pipeline license and a greenhouse gas holding lease (all types).

3.2.2 Indicative project work programme

The preliminary field development plan is expected to be submitted by end 2012 and the offshore production license is expected to be approved by May 2013. The final field development plan is expected by September 2013. Onshore regulatory approvals for the onshore pipeline license however, are more extensive and hence, the onshore pipeline license is expected to be obtained in January 2014. Therefore, based on this schedule being achieved, the FID is expected to be taken in January 2014. Award of all major contracts would follow in the first quarter of 2014 and installation of major components would occur during the fourth quarter of 2014 and first quarter of 2015. The two-month drilling programme is expected to be completed during the first quarter of 2015, allowing first oil from the field by end of the first quarter of 2015.

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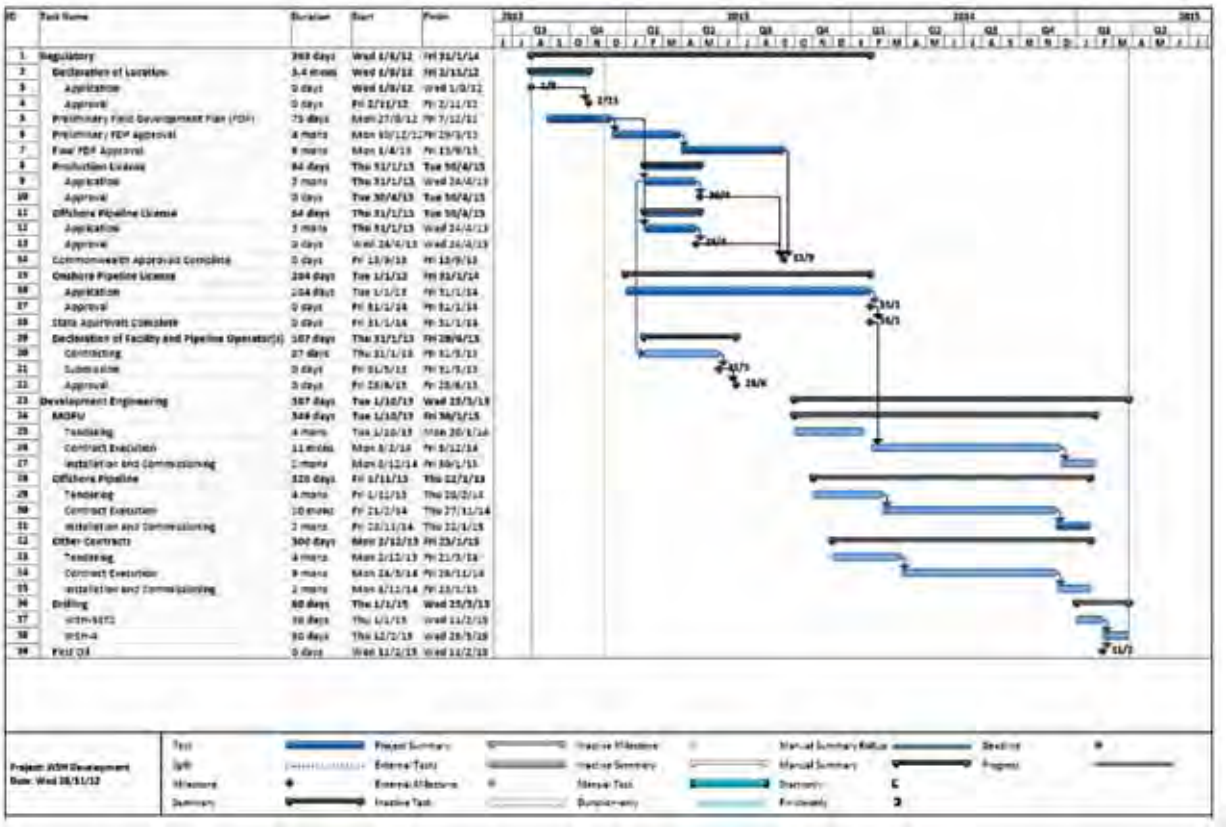
[8] *Concept Design is the process of identifying and selecting the most suitable solution to an engineering problem which is then subjected to further detailed engineering design. Front-End Engineering Design is basic engineering which is performed after the concept design, and focuses on the technical requirements as well as indicative investment costs for the project.*

The indicative project work programme for VIC/P57 is illustrated below. Alternatives are however being considered to accelerate the first oil date.



(Source: Hibiscus Petroleum)

3.2.3 Basis and justification 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 50.1% of the initial investment amount of developing the West Seahorse prospect of AUD27.0 million.

Our Board is of the view that the purchase consideration for the Proposed Farm-In is fair and reasonable for the following reasons:

(i) the valuation of the VIC/P57 permit undertaken by Pareto Asia as summarized in Section 3.2.4 below; and

(ii) the fairness opinion for the purchase consideration for the Proposed Farm-In issued by Pareto Asia as appended under Appendix VI of this Circular.

3.2.4 Valuation of VIC/P57

Our Company has procured certain geological interpretation services from RISC. The scope of work is to provide an independent technical evaluation of the fields, prospects and leads within the VIC/P57 exploration permit area. The work includes the following:

(i) short introduction/background on prospectivity and reservoir development;

(ii) assessment of volumes and risks of the presented prospects and leads; and

(iii) suggestions for upside potential, development options and costs as well as additional work.

The Technical Evaluation report is based on accepted standards in the E&P industry. However, it must be noted that subsurface evaluations of geology, geophysics and reservoir dynamics are uncertain by nature. With time, it is expected that conclusions and evaluations may vary significantly as new information becomes available and perceptions change.

West Seahorse Field Technical Demarcation by RISC

With reference to the diagrams shown on page 16 of this Circular and the various tabulations of the hydrocarbon volumes (shown on page 17 of this Circular) expected from the various identified structures within the West Seahorse field, RISC has demarcated the field into two distinct areas, i.e. West Seahorse Main and West Seahorse NE.

Two wells, West Seahorse-1 and West Seahorse-3 have been drilled into West Seahorse Main between points B and C on the cross-section through the mapped N1 and N2.6 horizons.

The discovery and sampling of hydrocarbons through the drilling of West Seahorse-1 and West Seahorse-3 in the West Seahorse Main structure has allowed for hydrocarbons of the N1u, N1 and N2.6 reservoirs in West Seahorse Main to be classified as Contingent Resources.

A further structure has been mapped east of point C (on the maps below) and is designated West Seahorse NE. As a fault has also been mapped at point C, there is some uncertainty as to whether West Seahorse Main is connected to West Seahorse NE. Given that West Seahorse NE has never been drilled, the potential accumulation of hydrocarbons in West Seahorse NE has been classified as Prospective Resources by RISC.

Referring to the Gurnard horizon within the West Seahorse Main field, this reservoir has never been tested for hydrocarbons and is therefore also classified as a Prospective Resource.

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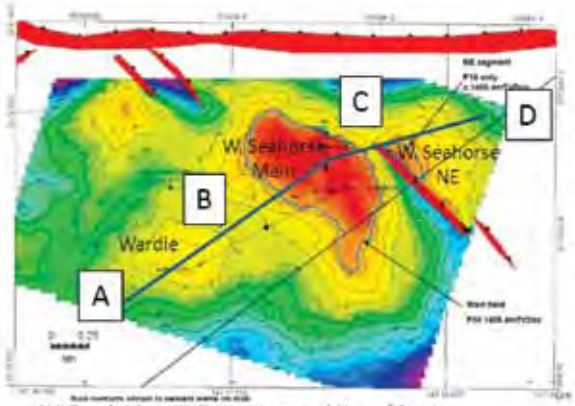
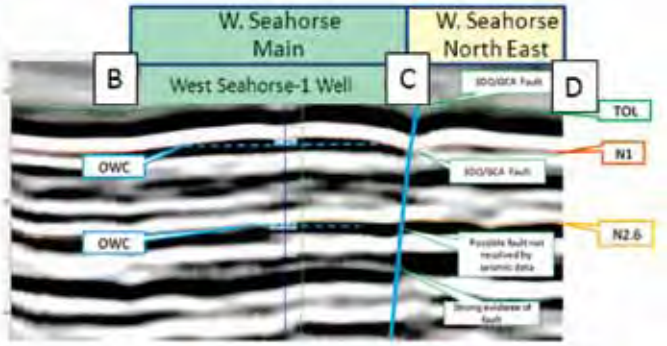
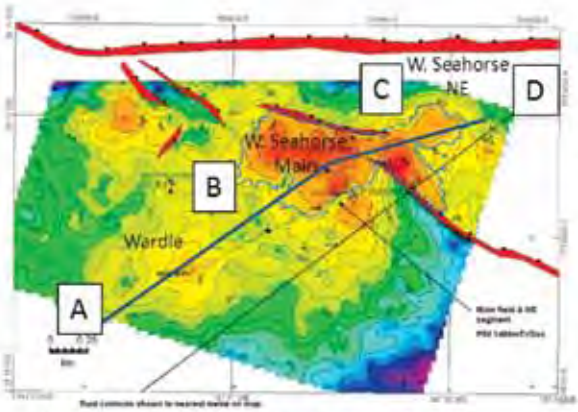
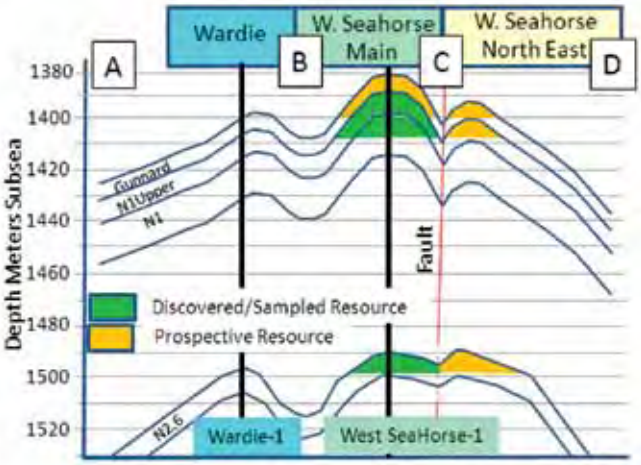


N1 Depth Map, Well Locations and Line of Section





N2.6 Depth Map, Well Locations and Line of Section



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Pareto Asia's summary of gross Unrisked Recoverable Resources and PoS provided by RISC is shown as follows:

Pool	Reservoir	Best Estimate OOIP *	Recovery Factor	Best estimate Gross Unrisked Recoverable Resources (mmbbls)	PoS ^
CONTINGENT RESOURCES					
West Seahorse Main	N1u, N1 and N2.6	8.2	67.5%	5.5	100%
Total		**8.2**		**5.5**	

Pool	Reservoir	Best Estimate OOIP *	Recovery Factor	Best estimate Gross Unrisked Recoverable Resources (mmbbls)	PoS ^
PROSPECTIVE RESOURCES					
West Seahorse NE	N1u, N1 and N2.6	1.6	66.0%	1.0	80%
West Seahorse Main	Gurnard	4.8	14.6%	0.7	85%
West Seahorse NE	Gurnard	0.6	16.7%	0.1	75%
Sea Lion (see note)	N1	7.0	64.3%	4.5	42%
Sea Lion (see note)	N2.6	8.1	64.2%	5.2	42%
Sea Lion (see note)	Gurnard	3.7	24.3%	0.9	37%
Felix	Sub volcanics	12.0	50.0%	6.0	26%
Total		**37.8**		**18.4**	

* OOIP: Original oil in place – the total estimated volume of oil available in a given reservoir

^ Probability of Success - from RISC

(Source: Pareto Asia)

Note:

For pools where multiple reservoirs are involved, RISC has presented the Best Estimate gross Unrisked Recoverable Resources of the pool based on a probabilistic summation of the volumes from the individual reservoirs of the respective pool in order to correctly account for the uncertainties in the various input parameters, and arrive at the probabilistic sum of 5.5 mmbbls for West Seahorse Main (N1u, N1 and N2.6), 1.0 mmbbls for West Seahorse NE (N1u, N1 and N2.6), and 11.0 mmbbls for Sea Lion (N1, N2.6 and Gumard). Pareto Asia has valued the West Seahorse Main (N1u, N1 and N2.6) and West Seahorse NE (N1u, N1 and N2.6) based on the production profiles provided by our Company on the basis of these respective probabilistic volumes.

*However, for the valuation of Sea Lion, which has been done on an Expected Monetary Value ("**EMV**") basis, Pareto Asia has used the individual volume estimates of the respective reservoirs within Sea Lion, i.e, N1, N2.6 and Gumard, to derive the individual EMV of each of these reservoirs and then summed these up to arrive at an EMV for Sea Lion as a whole. Therefore, the cumulative volume estimate used for the valuation of Sea Lion is 10.6 mmbbls (4.5+5.2+0.9) as compared to the probabilistic sum of 11.0 mmbbls as in the RISC's Technical Evaluation. Note that since the PoS for the different reservoirs of Sea Lion are not the same, an EMV for the entire Sea Lion must not be calculated on a cumulative basis.*

Pareto Asia was appointed by our Company to conduct an independent financial valuation on VIC/P57 and to issue a fairness opinion on the Subscription Consideration for the Proposed Subscription and the purchase consideration for the Proposed Farm-In. Based on an indicative work programme (as set out in Section 3.2.2 of this Circular) and budget premised on the data currently available, CHPL and 3D Oil intend to commence drilling of West Seahorse Main and West Seahorse NE in late 2014 – early 2015.

Pareto Asia has conducted a valuation of VIC/P57 as at 14 August 2012, being the valuation date, using 2 valuation methods: (i) RAV method and (ii) Comparable Transaction Valuation method.

The RAV method takes into account discounted cash flow ("**DCF**") values of fields in production or development and values exploration assets on per barrel multiples. When utilising the RAV method, analysts also consider market valuation multiples. For valuations of assets, the method takes into account the market prices and considerations paid for assets over the estimated RAV of the respective assets. The market prices of assets should be determined by pricing in recent similar transactions. However, this method requires a fairly active asset transaction base where the respective assets are located. Furthermore, it should be highlighted that all assets are different with distinct geological attributes, water depths, distance to existing infrastructure and markets, oil or gas quality, country risk where the oil and gas asset is located, sea current, weather conditions, etc.

Pareto Asia has also conducted a valuation of our Company's contemplated 50.1% interest in VIC/P57 using per barrel transaction consideration multiples from comparable asset transactions, i.e. the Comparable Transaction Valuation method, as a second method to support the RAV method. Although the per barrel asset transaction consideration supports the RAV method, it must be noted that this is only a secondary method and it involves certain limitations, including the presence of a good set of recent and fairly similar transactions, which would be essential to draw any strong conclusions.

The table below summarises the results from the 2 valuation methods stated above:

	Valuation range (50.1%)		Valuation range (50.1%)		Valuation range (50.1%)	
Approach	**USDm**	**USDm**	**MYRm**	**MYRm**	**AUDm**	**AUDm**
RAV	22.0 -	28.3	68.6[9] -	88.2[9]	21.0[10] -	27.0[10]
Comparable Transaction Valuation	19.8 -	23.8	61.7[9] -	74.1[9]	18.9[10] -	22.7[10]

(Source: Pareto Asia)

From the tabulation above, it can be seen that the fair market value of our Company's 50.1% interest in VIC/P57 upon Farm-In Agreement Completion, is USD22.0 million to USD28.3 million (RM68.6 million[9] to RM88.2 million[9] or AUD21.0 million[10] to AUD27.0 million[10]) based on the RAV method, and USD19.8 million to USD23.8 million (RM61.7 million[9] to RM74.1 million[9] or AUD18.9 million[10] to AUD22.7 million[10]) based on the Comparable Transaction Valuation method.

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9 *Converted at an assumed exchange rate of MYR 3.1163 to USD 1.00, the closing rate as of 14 August 2012, which is the exchange rate assumed throughout the valuation report prepared by Pareto Asia.*

10 *Converted at an assumed exchange rate of USD 1.0489 to AUD 1.00, the closing rate as of 14 August 2012, which is the exchange rate assumed throughout the valuation report prepared by Pareto Asia.*

While both methods reflect the market's appreciation and willingness to price in the potential value of oil and gas assets, the RAV method should be looked upon as the primary valuation method used in the valuation report, while the Comparable Transaction Valuation method should be viewed only as a secondary method used to verify the findings from the RAV method. The RAV method is the most frequently used valuation method for small to medium sized oil and gas assets. It is based on a DCF analysis which uses detailed projections for production, operational and capital expenditure profiles generated specifically for VIC/P57, as well as the relevant oil price assumptions, applicable fiscal terms and accounting practices. Furthermore, it considered the estimated EMV of the exploration prospects within the asset. The Comparable Transaction Valuation method, in comparison, is considered to be less precise than the RAV method, since each asset is distinct in terms of geological attributes, water depth, distance to existing infrastructure and markets, oil or gas quality, sea current, prevalent weather conditions, etc., which would affect its valuation. This method also requires a fairly active transaction base of similar assets where the respective assets to be valued are located. However, in this case, the absence of a good set of recent comparable asset transactions offshore Australia has also been one of the limitations of the Comparable Transactions Valuation method.

For further details on the valuation of VIC/P57, please refer to Appendix VII of this Circular.

3.2.5 Salient terms of the Farm-In Agreement

3.2.5.1 Conditions

(a) Farm-In Agreement Completion (as defined in Section 3.2.5.2 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[11] 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 NOPTA; and

(iv) the Subscription Agreement Condition as set out in Section 3.1.3.1(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 3.2.5.1(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 3.2.5.1(a)(iv) above within four (4) months from the date of the Farm-In Agreement.

(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.

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[11] *The approval of Bursa Securities is not required for the Subscription Agreement and Farm-In Agreement.*

(d) The Farm-In Agreement Conditions in Section 3.2.5.1(a)(iv) above may only be waived by Hibiscus Petroleum. The other Farm-In Agreement Conditions may not be waived by any party.

3.2.5.2 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 3.2.5.6(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.

3.2.5.3 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.

3.2.5.4 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.

3.2.5.5 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.

3.2.5.6 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 3.2.5.6(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).

3.2.5.7 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.

3.2.5.8 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.

3.2.5.9 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.

3.2.5.10 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.

3.2.5.11 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.

3.2.5.12 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.

3.2.6 Liabilities to be assumed

Apart from the liabilities and obligations that CHPL would be assuming as a 50.1% holder of VIC/P57 or 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.

3.2.7 Additional financial commitment

Our management currently estimates that a total of USD112 million (equivalent to RM343 million) would be required to monetise the West Seahorse field, assuming a Plan of Development that comprises the use of a MOPU with dry Christmas Trees[12] and a flowline that ties production from the MOPU back to shore. The USD112 million expenditure would be incurred on, amongst others, the drilling of production wells, MOPU mobilization and refurbishment, installation of subsea pipelines to a landing point onshore (through a shore crossing), onshore pipeline and truck loading facility costs as well as (end of project) abandonment costs.

The Plan of Development using a MOPU is subject to further internal technical evaluation (including a detailed assessment of other development options) and the approval of the relevant authorities.

As the West Seahorse oilfield has reported Contingent Resources that can support an economically viable development, it is expected that a substantial amount of the required expenditure would be financed through debt. Assuming a debt:equity ratio of 60%:40%, the indicative project commitments would be as follows:

	USD (million)	**RM (million)**
Assumed debt funding (60%)	67.2	205.8
Assumed equity funding (40%)	44.8	137.2
Total estimated development cost	112.0	343.0
Sources of equity funding:		
- Farm-In Investment	28.0	85.8
- Capital contribution from CHPL (50.1%)	8.4	25.7
- Capital contribution from 3D Oil (49.9%)	8.4	25.7
Total estimated equity funding	44.8	137.2

The estimated additional capital contribution by CHPL of USD8.4 million (equivalent to RM25.7 million) in support of this project, which is expected to be financed by our Group via the exercise of the Warrants-A and Warrants-B as well as internal and external funds. Please refer to Section 5.5 of this Circular for further details on the Plan of Development.

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

3.3 Source of funding for the Proposals

The Subscription Consideration and Farm-In Investment are expected to be funded from the proceeds raised from the Private Placement of CRPS. As at LPD, our Company has raised a total of RM69,480,000 pursuant to 5 conditional subscription agreements with certain identified investors for the placement of 69,480,000 CRPS. Any shortfall will be funded from available internal funds.

Assuming an effective date of 1 January 2013[13] for the Proposed Farm-In as well as the Proposed Subscription, Pareto Asia has estimated the following internal rate of return ("**IRR**") and payback period calculations:

(i) for the Farm-In Investment, the estimated IRR is approximately 32% and payback is in the third year, i.e., in 2015; and

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[12] *An assembly of valves, spools, and fittings used for an oil or gas well. It was named for its crude resemblance to a decorated tree. The term dry refers to the assembly being installed on a platform above water.*

[13] *Assuming the Proposed Subscription and Proposed Farm-In are completed by December 2012.*

(ii) including the Subscription Consideration, together with the Farm-In Investment, the estimated IRR is approximately 29% and payback is in the third year, i.e., 2015.

The above IRR and payback period calculations have been arrived at based on the following principal assumptions made by Pareto Asia:

(i) an oil price of USD100/bbl is applied (real 2012 terms);

(ii) the preferential entitlement to be received by CHPL as set out Section 3.2.5.4 of this Circular;

(iii) a 40% PRRT is charged on taxable income and a 30% corporate tax rate in Australia;

(iv) a double declining balance depreciation has been used and the capital expenditure has been depreciated only over the economic life of the project;

(v) the estimated annual cashflow for each year has been discounted at an annual 10% discount factor over the economic life of the asset; and

(vi) a 2.5% cost inflation per annum.

Accordingly, the Proposals exceed the qualifying parameters of the Permitted Utilisation of the Private Placement of CRPS 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
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 4.2.1 of this Circular and resource classifications (2P/2C) are depicted in the Glossary of this Circular.*

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4. RATIONALE FOR THE PROPOSALS

Our Board has considered the Proposals from technical, commercial and associated risk perspectives 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

Our subscription price of 3D Oil Shares of AUD0.066 is significantly lower than the NA value per share based on latest (at the time of signing of the Subscription Agreement) audited NA per share as at 30 June 2011 of AUD0.14. Such market pricing of 3D Oil Shares is believed to be partially due to the lack of the necessary funds for the working capital of 3D Oil as well as for further development activities in VIC/P57. The Proposals will infuse the funds required by 3D Oil 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.

4.2 Proposed Farm-In

4.2.1 In line with the growth strategy of our Group of investing in development and/or producing assets

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 are currently at early to advanced exploration stages.

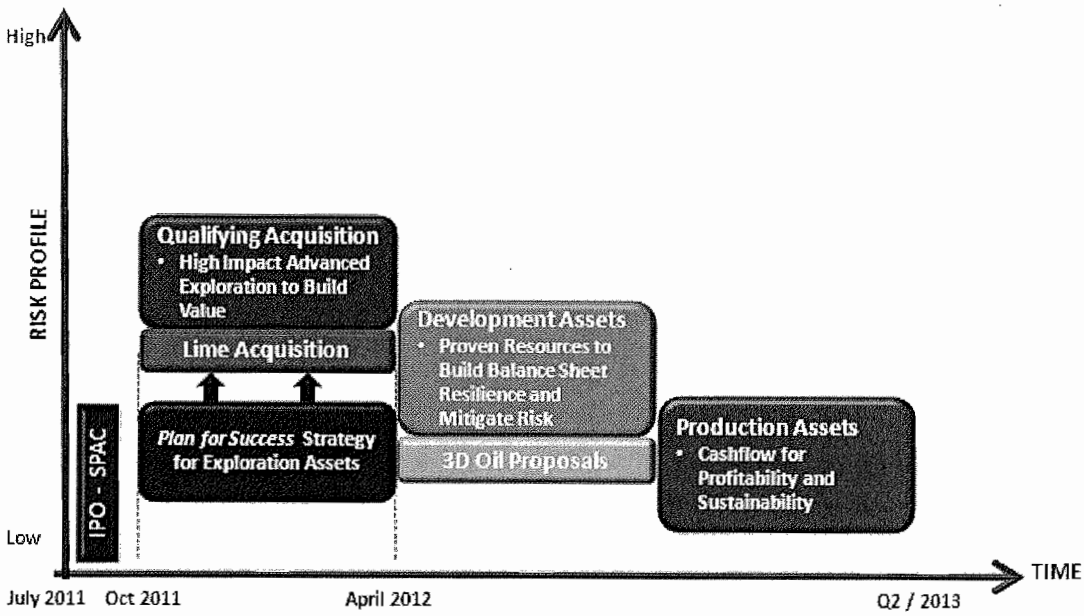
Under our initial strategy, our Company had focused on exploration assets to build early value and provide optimal upside to you, as shareholders of our Company. Our Group's next phase of growth strategy is two-pronged:

- **Continue progressing the work programme on the existing assets**

  We will continue with our ongoing activities in the Middle East as Project Manager on the work programme of Lime, our jointly controlled entity. This comprises seismic acquisition, processing and interpretation, geological studies and pre-drilling/drilling activities. For details of the status of the work programme, please refer to Section 2.2 of this Circular.

- **Balancing the portfolio of assets through the future acquisitions of development and/or producing assets**

  Our Board believes that current uncertainty in the global markets and a softening of oil prices provide an ideal opportunity to acquire development and/or producing assets as part of our efforts to balance our portfolio with more moderate and low risk assets.



To this end, our Board has reviewed, and continues to review, several opportunities comprising development and/or producing assets within our Group's regions of interest, namely the Middle East, North Africa, South Asia, East Asia and Oceania.

Our Board's selection criteria are based on a detailed consideration of factors under the 3 following criteria:

- technical criteria (for example, passive or active technical role of our 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 our Group's regions of interest).

The key stages of the E&P value chain, including the value accretion and risks components, of the E&P spectrum are illustrated in the chart below. From the point of license award (point 1 in the chart) to the point of production (point 4 in the chart), as more activities are carried out successfully, the risks associated with obtaining the expected return from an investment are lower. As also shown, as the risks reduce, the expected returns are lower. Hence, the portfolio balancing strategy of our Group currently underpinned by the Proposed Farm-In into VIC/P57 may not deliver very large returns (relative to exploration assets) but it will serve to mitigate the exploration related investment risks.

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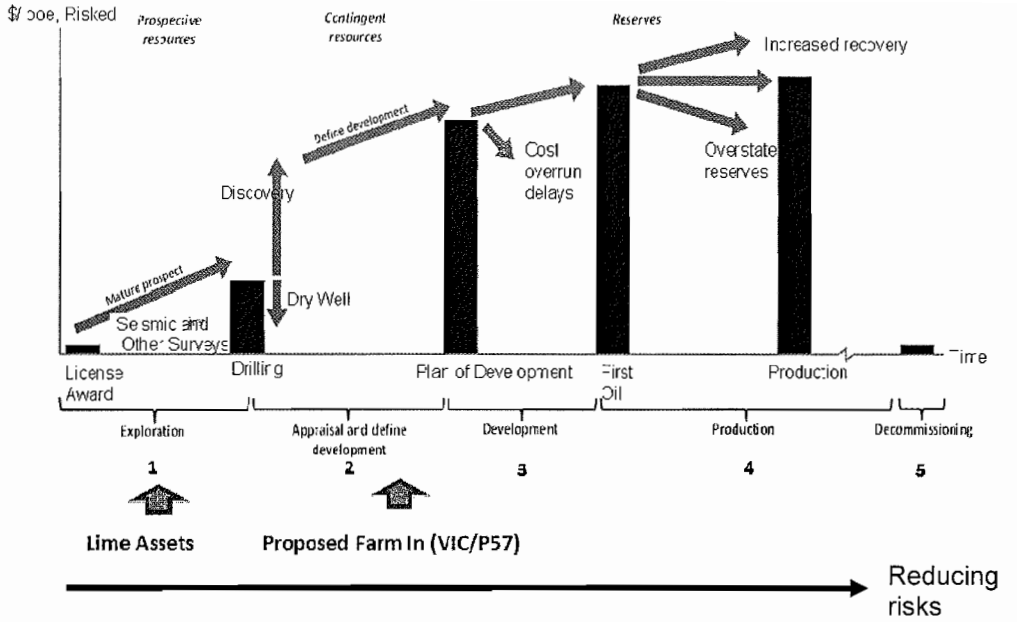

Notes:

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.

4.2.2 Estimated financial returns from Farm-In Investment exceed our minimum internal financial parameters

Based on the cashflow estimates generated from the 2C Contingent Resources of 5.5 mmbbls[14] from the proven West Seahorse Main (N-reservoirs) and NE (N-reservoirs) field, Pareto Asia has estimated the IRR and the payback period for the Proposed Farm-In to be approximately 32% and within 3 years, respectively. These financial returns exceed our minimum internal financial parameters as stated in Section 3.3 of this Circular.

4.2.3 Proven discovery with significant exploration upside

Apart from the estimated return to be derived from the proven West Seahorse field as disclosed in Section 4.2.2 above, VIC/P57 also has significant exploration upside with the Sea Lion field and to a lesser extent, the Felix field and West Seahorse Main and NE fields (Gurnard reservoirs), which add 10.6 mmbbls[14], 6.0 mmbbls[14], and 1.8 mmbbls[14] of Prospective Resources, respectively (based on the Technical Evaluation).

4.2.4 Acquisition of a controlling interest in VIC/P57 with role of operator

In addition to acquiring the Farm-In Interest, CHPL will also assume 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.

4.2.5 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.

4.2.6 Favourable terms for recovery of Farm-In Investment

Under the terms of the Farm-In Agreement, CHPL is to receive a preferential recovery of 74.9% of the petroleum produced until the Farm-In Investment is fully recovered. The preferential recovery of 74.9% was arrived at on a negotiated basis and it accelerates the repayment of our Farm-In Investment. Such investment is essentially an advance to the project as CHPL would be repaid in preference, and over and above CHPL's participating interest of 50.1% of petroleum produced.

It is only after such full recovery of the Farm-In Investment amount 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.

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[14] *Based on Best Estimate gross Unrisked Recoverable Resources.*

4.2.7 Political stability of country of location and geographical diversification

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

4.2.8 Favourable consideration

Pareto Asia is of the opinion that the purchase consideration of AUD13,473,000 is favourable to our Group from a financial point of view as described in Appendix VI of this Circular. Pareto Asia has valued CHPL's 50.1% interest in VIC/P57 using 2 valuation methods, as mentioned in Section 3.2.4 of this Circular.

5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

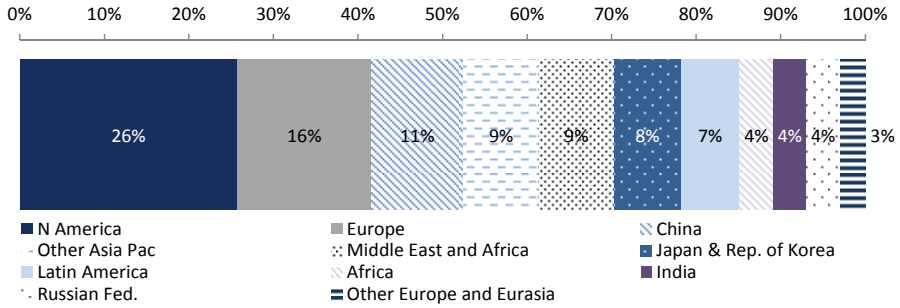
3D Oil is primarily involved in the exploration and development of upstream oil and gas assets. As such, 3D Oil's prospects are dependent on the prospects of the oil and gas industry. The outlook and prospects of the oil and gas industry are as follows:

5.1 Industry overview

5.1.1 Demand

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

Figure 2 shows world crude oil demand in 2010. It illustrates North America as the largest single consumer of oil, accounting for almost 26% of the total world oil demand whilst the Asia-Pacific countries collectively account for over 31% of demand. Australia accounts for approximately 1.1% of world demand (while only contributing approximately 0.7% of world oil supply).

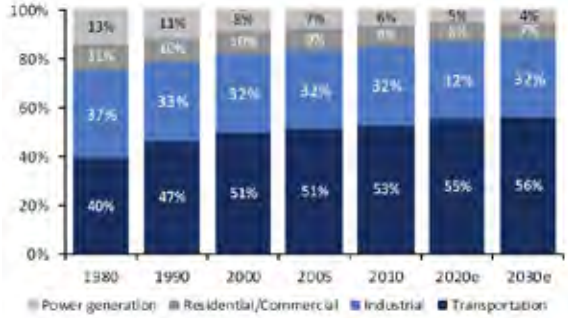


(Source: BP, Pareto Asia)

Figure 2: World crude oil demand 2010 (%)

5.1.2 Usage overview

Transportation constitutes the largest share (53% in 2010) of oil usage and its share has been growing over the years as there are few substitutes in this segment. It should also be noted that whilst the percentage market share of oil utilised by the transportation sector has been growing, the absolute volume of overall global demand has also been increasing. Thus the net increase of utilisation of oil by the transportation sector is even more pronounced. This is followed by industrial usage (32% in 2010) which has shown a relatively flatter trend over time. Following that are residential/commercial usage (9% in 2010) and power generation (6% in 2010), both of which are declining in terms of their total share of consumption.

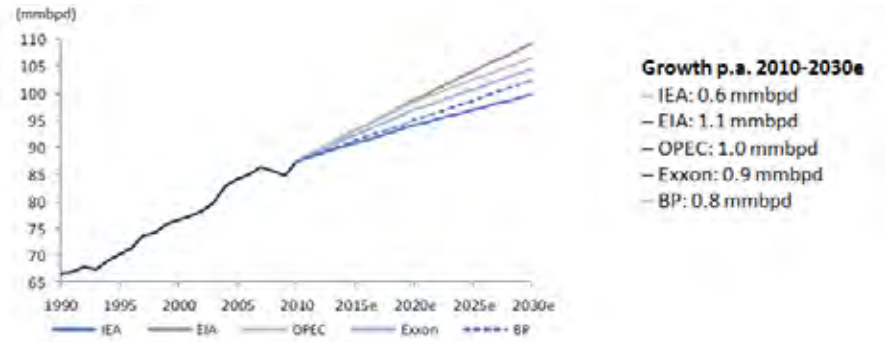


(Source: Exxon, Pareto Asia)

Figure 3: World oil demand distribution 1980 – 2030e

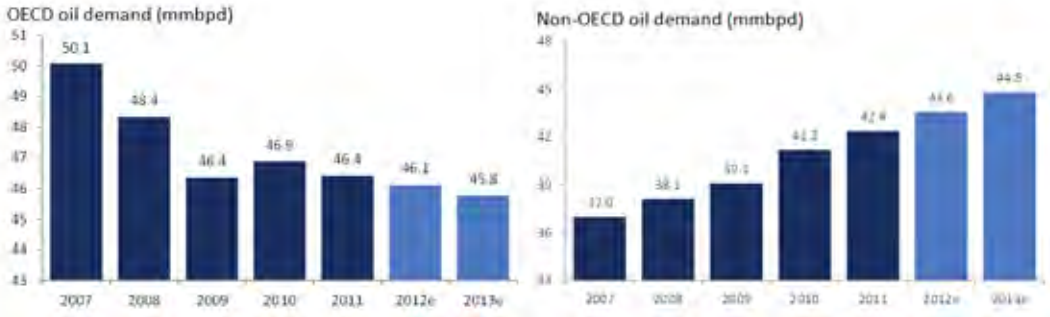
5.1.3 Demand outlook

Over 2010-2030, IEA projects production to increase at an average rate of approximately 0.6 mmbpd, while the EIA projects a growth rate of approximately 1.1 mmbpd over the same period.



(Source: IEA, EIA, OPEC, Exxon, BP, Pareto Securities AS)

Figure 4: World oil demand 1990 – 2030e (mmbpd)

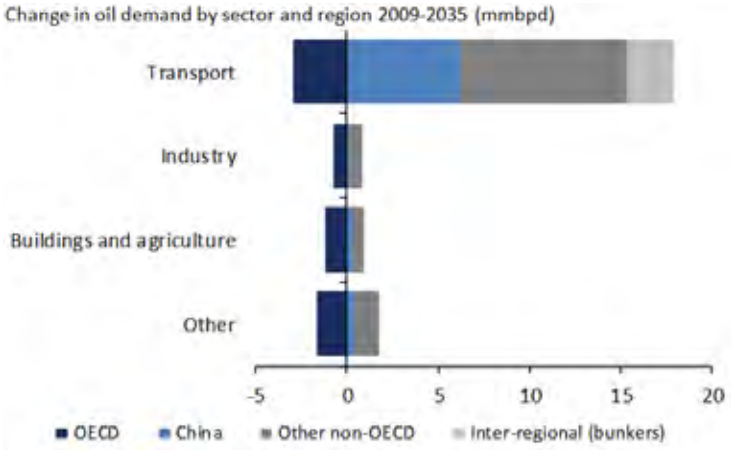


(Source: IEA, Pareto Securities AS)

Figure 5: Oil demand (mmbpd) from OECD and non-OECD countries

In the short-term, demand from OECD countries is expected to be quite stable as most of the easy substitutions from oil have already been made between 2008 and 2009, and therefore it is more difficult to further reduce demand from current levels. Demand from non-OECD countries is expected to show increasing demand, fuelled mainly by Asian economies (Figure 5). Overall, world oil demand should continue to climb as increased non-OECD transport and industrial demand more than offsets efficiency gains and substitution.

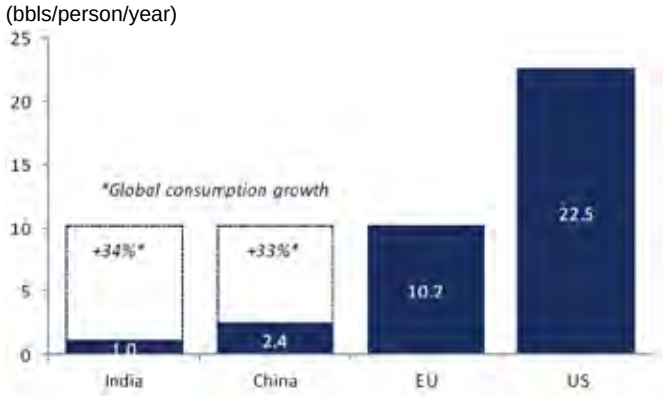
In terms of usage, the transport sector is expected to fuel the growth in global oil demand accounting for almost all of the increase between 2009 and 2035 according to the IEA. Demand for road transport fuels is set to continue to expand rapidly in China and other emerging non-OECD economies in line with rising incomes, which will boost car ownership and usage as well as freight, and expanded road networks. Currently, there are only 30 cars for every 1,000 people in China, compared with around 700 in the United States and almost 500 in Europe. IEA projects the passenger light-duty vehicles in non OECD countries to quadruple over the projection period to about 850m, overtaking that of OECD countries soon after 2030. Moreover, with the growth of road transportation per capita, oil consumption will be highest in the most populous countries of China and India. As such, there will be a greater expansionary effect on overall fuel consumption.



(Source: IEA World Energy Outlook 2010, Pareto Securities AS)

Figure 6: Demand growth 2009 – 2035 by industry and region

Overall oil consumption in China and India remains low, at 2.4 and 1.0 barrels per person per year, respectively, compared to EU and the United States of America, at 10.2 and 22.5 barrels per person per year, respectively (2010). If China and India were to reach EU levels, world oil demand would increase by approximately 67% from the 2010 level.



(Source: IEA World Energy Outlook 2010, Pareto Securities AS)

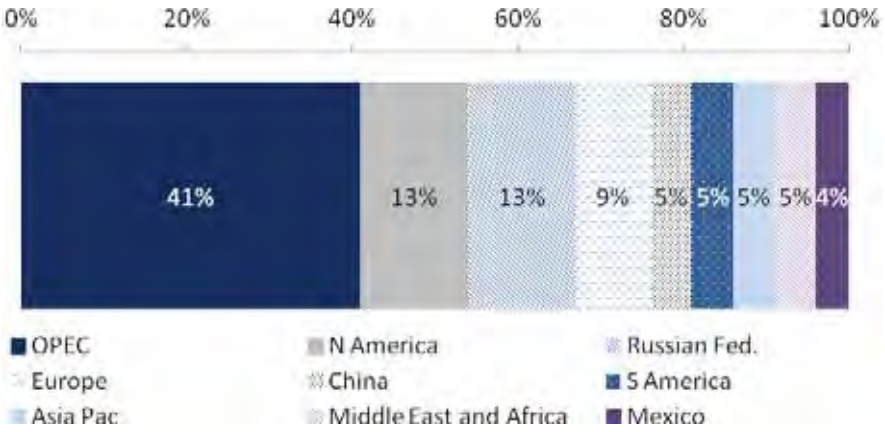
Figure 7: Oil consumption in 2010: India, China, EU and US (bbls per person per year)

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

According to the IEA, 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 alone has accounted for about 40% of global oil demand growth.

5.1.4 Supply

In 2010, world oil supply averaged 82.1 mmbbls a day, with over 41% produced by OPEC countries. Australia accounts for about 0.7% of world oil supply (and 1.1% of world-wide demand). Figure 8 below provides a breakdown of crude oil world supply by geographical region.

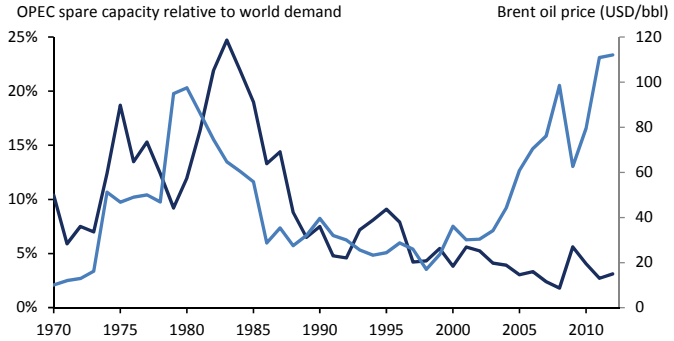


(Source: BP, Pareto Asia)

Figure 8: World crude oil supply 2010 (%)

5.1.5 Supply trends

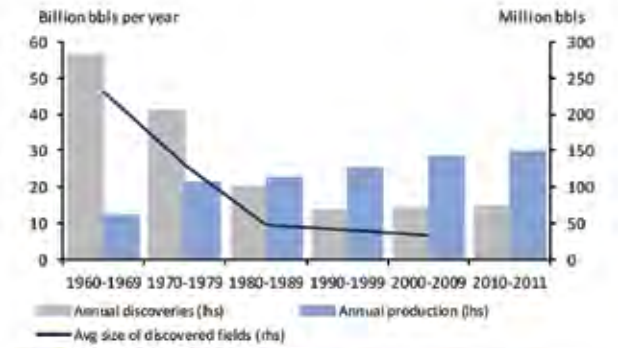
Although current levels of oil and gas production is sufficient to meet existing global demand, spare production capacity is limited and the lead time to develop new supplies is long. The main global spare capacity is estimated to be within the member countries of the OPEC. However, there are major uncertainties 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 in 2008/09. The lack of spare production capacity adds to uncertainties about future supply, thereby having an inflationary impact on oil prices.



(Source: IEA, BP, Pareto Securities AS)

Figure 9: OPEC spare capacity and oil prices 1970-year-to-date 2012 (%)

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. The implications of this are that adding newer production capacity become harder and more marginal and high cost resources have to be developed to meet demand.



(Source: IEA, Pareto Securities AS)

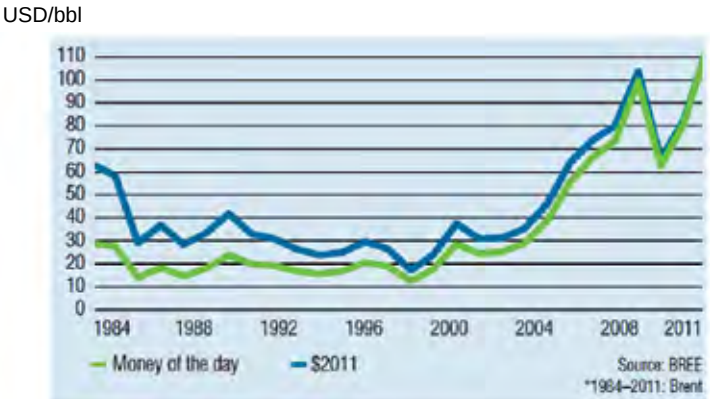
Figure 10: World oil(1) discoveries and production 1960 – 2011

Notes:
(1) Crude and natural-gas liquids (excludes tight oil and oil sands).
(2) Lhs: left hand side; rhs: right hand side.

Saudi Arabian production has been at record high levels in recent months, yet production has not been able to keep pace with demand. Over the last decade, the Former Soviet Union ("**FSU**") increased production by 5.5 mmbpd meeting about 60% of increased demand. However, FSU's contribution to increased production over the coming decade is expected to be marginal and new production will need to come from deeper water developments, Iraq, shale oil and oil sands. In the longer term, vast global recoverable gas resource could potentially supply parts of future energy demand in the longer term, but will require significant infrastructure investments.

5.1.6 Oil price predictions

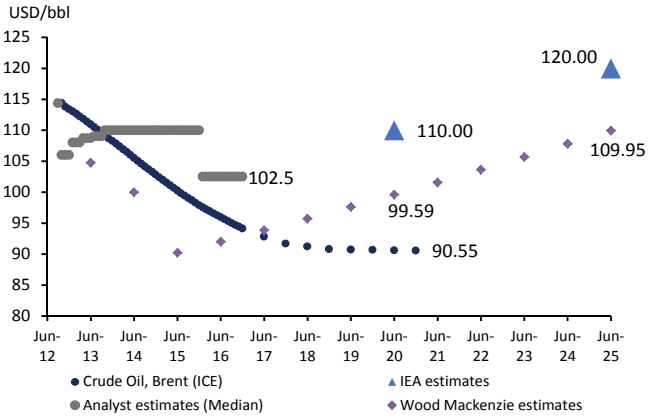
Historical oil prices are shown in Figure 11.



(Source: BREE)

Figure 11: Historical oil prices (USD/bbl)

As explained in the previous sections, demand for oil is expected to grow while supply is expected to remain tight. Therefore oil prices are expected to remain high in the short-to-medium term. 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[15]. As of 21 September 2012, being the date of the valuation report by Pareto Asia, the Brent Forward Curve indicates a long-term crude Brent of USD90.55 per barrel.



(Source: Bloomberg, IEA, Wood Mackenzie, Pareto Asia)

Figure 12: Oil price predictions (Brent) 2012-25E

Notes:

(1) Analyst estimates represent the median of the future Brent price published by 38 analysts and have been obtained from Bloomberg.

(2) Brent (ICE): ICE Brent Futures, a deliverable futures contract for Brent, traded on ICE (Intercontinental Exchange), and used as a benchmark of future oil price estimates.

Wood Mackenzie's Brent oil price assumption is USD110.00/bbl in 2012, USD104.75/bbl in 2013, USD100.00/bbl in 2014, USD90.20/bbl in 2015 and inflated at 2% per annum nominal thereafter. This is equivalent to a long term Brent oil price assumption of USD85.00 in 2012 real terms from 2015 onwards. Wood Mackenzie has assumed that crude from the Bass Strait will trade at the Brent oil price.

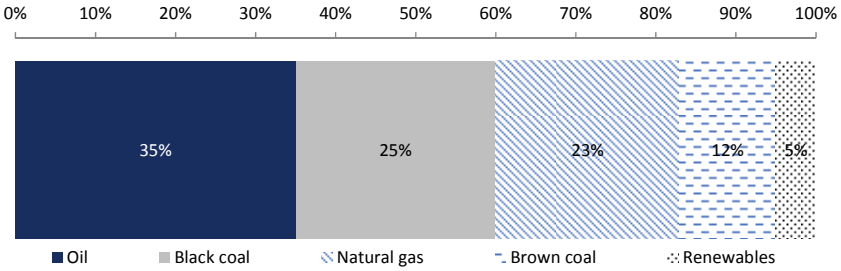
(Source: Pareto Asia)

5.2 Australian outlook

5.2.1 Energy use in Australia

Oil and natural gas account for 58% of primary energy consumed in Australia (Figure 13). Oil is used mainly for transport, while gas is used in power generation and by manufacturing industries.

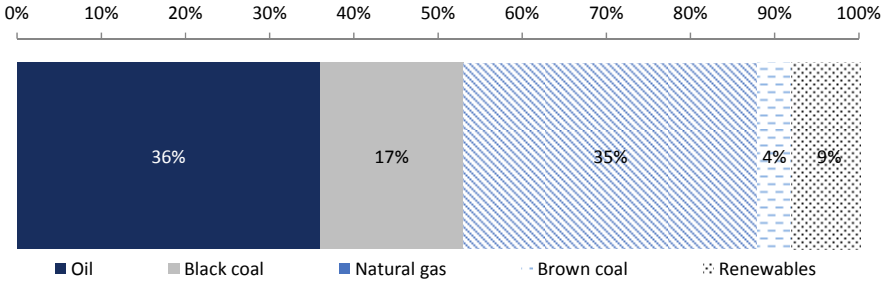
[15] *Current Policies Scenario: The scenario, used by IEA while providing various projections in their World Energy Outlook 2010, that takes into consideration only those policies that had been formally adopted by mid-2010 and assumes no new policies or changes to most existing policies over the forecast period.*



(Source: BREE, Pareto Asia)

Figure 13: Share of primary energy consumption 2009-10 (%)

By 2034–35, the share of natural gas in primary energy consumption is expected to grow from 22% to 35%, with the consumption of oil remaining relatively steady (Figure 14).

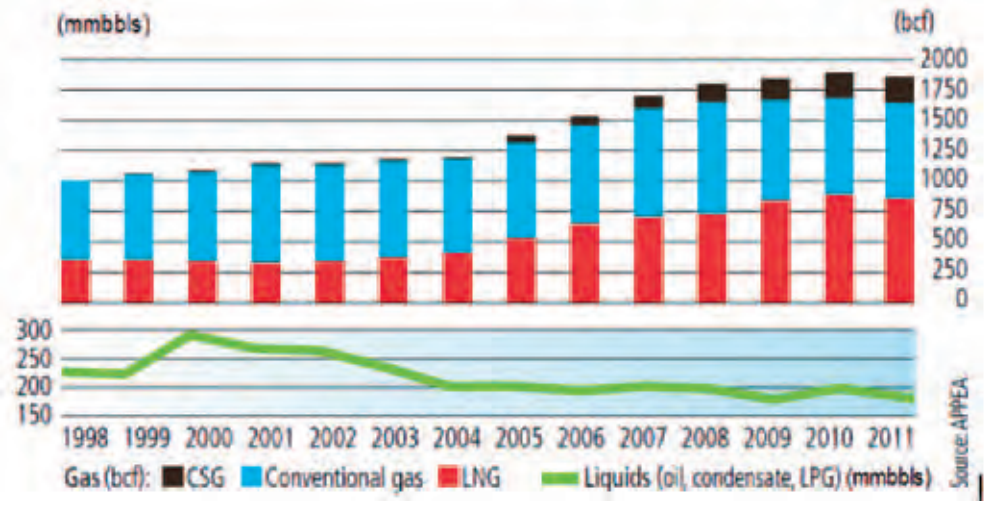


(Source: BREE, Pareto Asia)

Figure 14: Forecast share of primary energy consumption 2034-35 (%)

5.2.2 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 liquefied petroleum gas ("**LPG**") peaked in 2000 and has steadily declined since then (Figure 15).

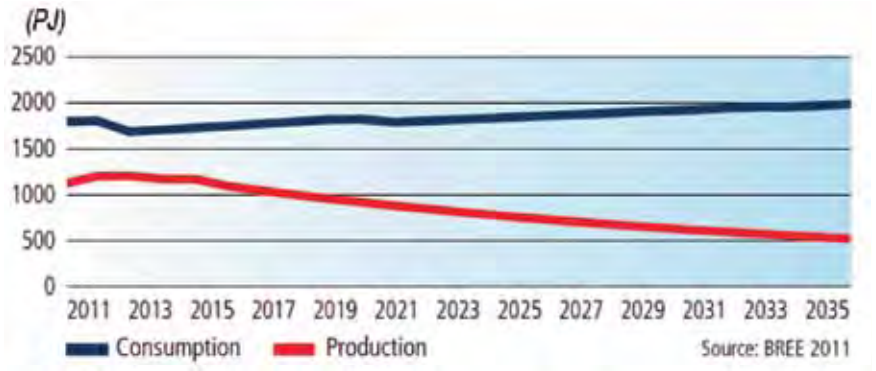


Note:
1. CSG: coal seam gas; LNG: liquefied natural gas

(Source: APPEA)

Figure 15: Historical Australian oil and gas production (mmbbls, bcf)

BREE forecasts a slight rise in liquids production in the near term and will be followed by a downward trend over the next decade (Figure 16) and more imports will be needed to meet expected demand growth.

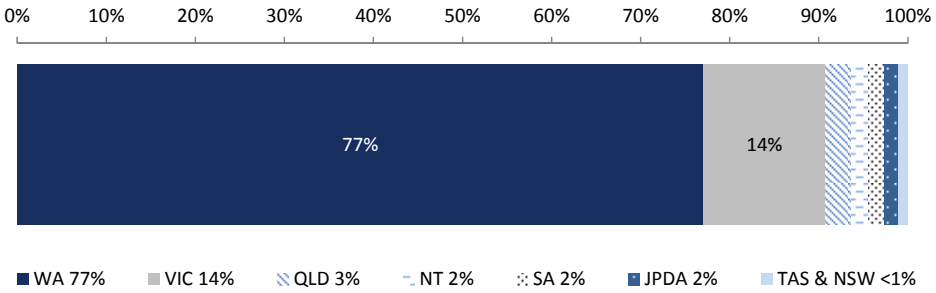


(Source: BREE)

Figure 16: Forecast liquids supply and demand (petajoule (PJ))

5.2.3 Sources of Australian production

The majority of Australian liquids production is sourced from Commonwealth waters adjacent to Western Australia (Figure 17). Production from waters adjacent to Victoria accounts for the next highest share. Western Australia and Victoria remain the largest gas-producing states in Australia, while Queensland production, predominantly from coal seam gas, continues to increase its share.



Note:
(1) JPDA: Joint Petroleum Development Area; NT: Northern Territory; QLD: Queensland; SA: South Australia; TAS & NSW: Tasmania and New South Wales; VIC: Victoria; WA: Western Australia

(Source: APPEA, Pareto Asia)

Figure 17: Source of oil and condensate production 2011 (%)

5.2.4 Estimated resources and reserves in Australia

Australia's estimated petroleum resources are given in the table below:

Crude oil (GL)	201
Condensate (GL)	435
LPG (GL)	214
Conventional gas (Gm3)	4,448
Coal seam gas (Gm3)	7,159

Note:
(1) 1 GL is equivalent to approximately 6.28 mmbbls; 1 Gm^3 is equivalent to approximately 35.3 bcf

(Source: Australian Energy Market Operator 2011, OGRA 2010)*

Note:
** OGRA: Oil and Gas Resources of Australia – a report published by Department of Industry, Tourism and Resources of Australia*

Figure 18: Australia's estimated petroleum resources and reserves for 2010

Considering specifically the forecasted crude oil and condensate utilisation, these are anticipated to decline over time as shown in Figure 19, assuming no further exploration success.

Note:
(1) 1 GL is equivalent to approximately 6.28 mmbbls.

(Source: ACIL Tasman modelling)

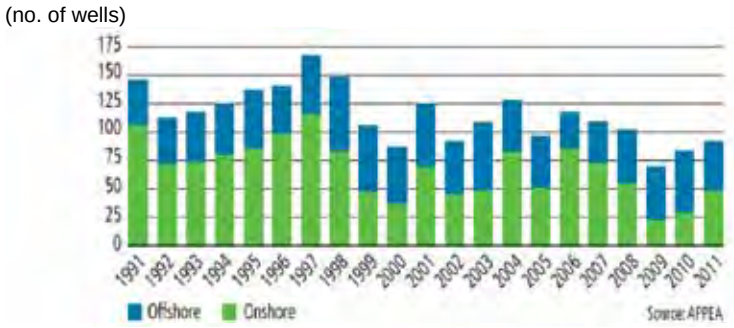
Figure 19: Australian oil and condensate reserves scenarios 1990-2025 (GL)

(Source: Pareto Asia)

5.3 Exploration and development of oil and gas in Australia

5.3.1 Australian exploration activity

The number of exploration wells drilled in offshore waters has remained relatively steady since the mid-1980s, while the number of wells onshore has trended downwards over this period (Figure 20).



(Source: APPEA)

Figure 20: Exploration wells spudded – Australia (no. of wells)

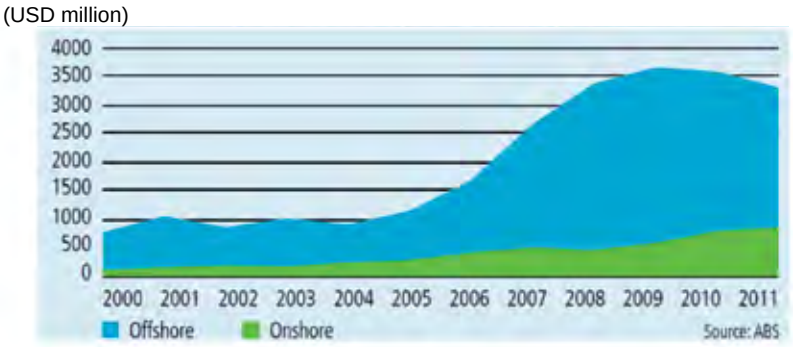
The level of exploration activity onshore (excluding coal seam gas) as measured by meters drilled is shown in Figure 21. Onshore activity has steadily declined, but rebounded in 2011 as access to flooded inland areas improved. Offshore exploration activity has remained relatively steady over the last decade.

(Source: APPEA)

Figure 21: Exploration drilling activity (000's metres)

5.3.2 Australian exploration expenditure

Historical offshore exploration expenditure is shown in Figure 22. It peaked in 2009 and has decreased. Onshore exploration expenditure continues to increase year on year (has increased more than fourfold since 2003). This growth is largely a result of an increase in exploration costs, and is not a reflection of increased in activity levels.



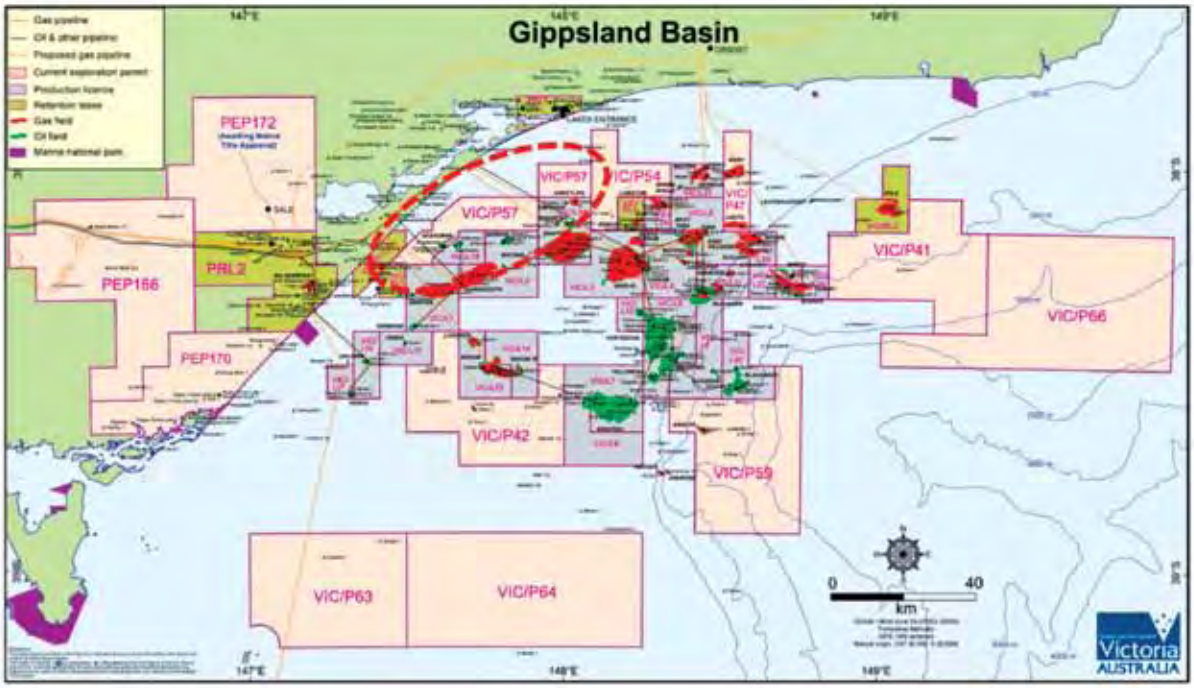
(Source: ABS)

Figure 22: Australian petroleum exploration expenditure (USD million)

(Source: Pareto Asia)

5.4 Prospects of the Gippsland Basin

The Gippsland Basin, roughly 46,000 km^2 in size, is located largely offshore southeast Victoria. It had been the mainstay of Australia's hydrocarbon production for nearly thirty years from the late 1960s with initial resource estimates for more than 4 billion bbls of oil and condensate reserves and 9.8 tcf of sales gas reserves. Today it accounts for the second highest oil production in Australia, only after the Carnarvon Basin offshore western Australia, which took the lead in the 1990s. The Gippsland Basin has produced approximately two thirds of Australia's cumulative oil production and one third of its gas production to date. At its peak in 1985, the oil production of 487,000 bbls/day accounted for approximately 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. Nonetheless, there are many fields with substantial oil and gas reserves yet to be developed. Being a historical mainstay of oil production in Australia, oil infrastructure and export facilities are well-developed in the region.

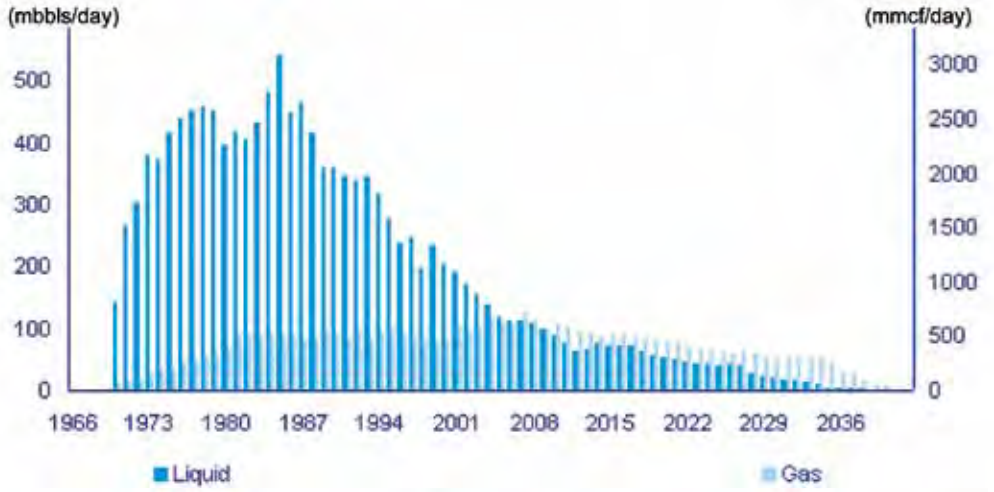


(Source: Government of Victoria, Australia)

Figure 23: Gippsland Basin Overview and Location of VIC/P57

5.4.1 Production and Reserves

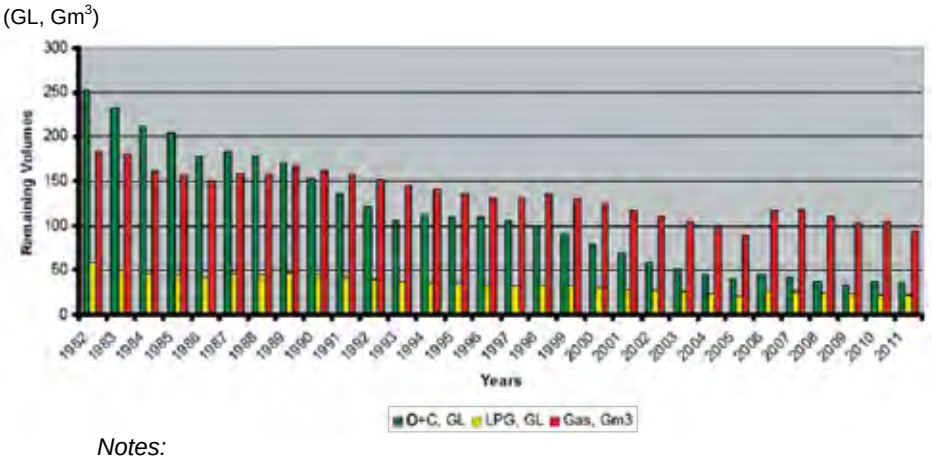
The production of crude oil and condensate from the Gippsland Basin has been in gradual decline since the mid-1980s, while gas and LPG have remained broadly constant (Figure 24).



(Source: Wood Mackenzie)

Figure 24: Gippsland annual hydrocarbon production (Liquids in mbbls/day, gas in mmcf/day)

In order to arrest the declining oil production rates from the older, more mature fields, an extensive series of infill drilling programmes were initiated in November 1991. The programmes utilised long reach, horizontal well technology combined with detailed 3D seismic surveys to accelerate production and capture additional reserves in up-dip, bypassed or unswept zones. Secondary development schemes and work-over operations in the major producing fields are being used to extract larger quantities of oil. This has also added reserves in line with production and held the reserves base constant (Figure 25).



Notes:

(1) O+C: oil and condensate.

(2) 1 GL is equivalent to approximately 6.28 mmbbls; 1 Gm^3 is equivalent to approximately 35.3 bcf

(Source: Government of Victoria, Australia)

Figure 25: Gippsland remaining reserves development (GL, Gm^3)

(Source: Pareto Asia)

5.5 Prospects of VIC/P57

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

(i) Based on presently available information, together with CHPL, 3D Oil plans to develop West Seahorse using MOPU with dry Christmas trees and a flowline tied back to shore. First production is expected to be in early 2015 subject to approvals from the relevant regulatory authorities and the availability of rig and production facilities. Economic field life is estimated to be 3 to 5 years. The Plan of Development using a MOPU is subject to further internal technical evaluation (which includes a detailed assessment of other development options) and the approval of the relevant authorities. The final investment decision, following confirmation of the Plan of Development is targeted for first quarter of 2014. The additional financial resources expected to be committed by our Company is estimated to be USD8.4 million (equivalent to RM25.7 million), assuming 60% debt financing.

(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 Prospective Resources are estimated to be 10.60 mmbbls[16] of recoverable oil. The joint venture intends to drill one exploration well in the Sea Lion prospect. Should the joint venture parties decide to drill the exploration well, the current estimated cost for an exploration well in the Bass Strait is USD20.0 million (equivalent to RM61.3 million), of which CHPL will bear 50.1% of the estimated cost.

(iii) Felix is a less robust exploration prospect. However, further studies are required to be performed before any exploration or development activities can be considered.

6. RISK FACTORS

Below are the risk factors that may impact our Group. It is not an exhaustive list of all the risks in relation to the Proposals and there is no assurance that any change in the factors as described below will not have a material adverse effect on the business and operations of 3D Oil, VIC/P57 and/or our Group:

6.1 3D Oil and CHPL have a limited operating history as a company

3D Oil and CHPL each have a limited operating history upon which to base their future expected performance with regards to the operations of VIC/P57. There can be no assurance their performance will be successful.

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[16] *Based on Best Estimate gross Unrisked Recoverable Resources.*

6.2 VIC/P57's valuation, 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, inter alia, amongst others:

- economic and political conditions in Australia and in other petroleum producing regions;
- ability and decisions taken by the members of OPEC and other petroleum producing nations to set and maintain production levels and prices;
- changes in domestic and foreign government regulations, policies and initiatives;
- changes in weather conditions;
- the price and availability of alternative fuels; and
- other unexpected events beyond 3D Oil's or Hibiscus Petroleum's control.

Any change in 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.

6.3 The owners of VIC/P57 are exposed to exploration, development and production risks

The results of exploration, development and production activities are uncertain and, therefore, oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not achieve sufficient revenues to return a positive cash flow. 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. Drilling hazards or environmental damage could greatly increase cost of operations and adverse field operating conditions may affect VIC/P57's production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Production delays and declines from normal field operating conditions may occur and can be expected to adversely affect revenue and cash flow levels to varying degrees. 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 involve risks including blowouts, oil spills and fires (each of which could result in damage to, or destruction of, wells, production facilities or other property, injury to persons or environmental pollution), geological uncertainties and unusual or unexpected rock formations and abnormal pressures, which may result in dry holes, failure to produce oil or gas in commercial quantities or an inability to fully produce discovered reserves. Estimates of oil and gas reserves in the subsurface are made by inferring subsurface conditions from limited surface data such as seismic data, and wells that penetrate only a small fraction of potential and actual reservoirs. Such inferences are, by their nature, uncertain and while such uncertainties can be reduced by additional seismic data or the drilling of further wells, they cannot be eliminated. Offshore operations are also subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, collision and damage from severe weather conditions. These hazards could result in substantial losses to the owners of VIC/P57 due to injury and loss of life, severe damage to, or destruction of, property and equipment, pollution and other environmental damage or suspension of operations. Further, the infrastructure in Gippsland Basin is dominated by Esso Australia and if the oil wells within VIC/P57 were developed through the use of this infrastructure, then there could be additional risks related to access and tariffing as there is no guarantee that Esso Australia would grant access to its facilities and in the event that they do allow access, a tariff established through negotiations would have to be paid for the use of the facilities.

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/or Hibiscus Petroleum and the financial investment in VIC/P57.

6.4 The resource data contained in the valuation report issued by Pareto Asia are based on reports by an independent third party consultant and may require substantial revisions as a result of future drilling, testing and production

The valuation report issued by Pareto Asia includes estimates of VIC/P57 resources made by an independent third-party petroleum consultant. There are numerous uncertainties inherent in estimating quantities of resources, including, inter alia, the following:

- the quality and quantity of technical data;
- the assumed effects of regulations by governmental agencies and future operating costs;
- the percentage of original oil in place to be recovered; and
- extensive engineering, geological and geophysical judgements. Understanding of the subsurface conditions is based on the interpretation of the best data available but due to the inherent uncertainty of such interpretation, the independent consultant may reach incorrect conclusions.

The resource estimates set out in the valuation report issued by Pareto Asia represent estimates only. Many of the factors, assumptions and variables involved in estimating resources are beyond CHPL's and 3D Oil's control and may prove incorrect over time. If the actual reserves or resources of VIC/P57 are materially less than the current estimates, 3D Oil and CHPL may be unable to recover and produce the estimated levels or quality of oil or gas and, as a result, the business, prospects, financial condition or results of operations of our Group could be materially and adversely affected.

6.5 The owners of VIC/P57 are exposed to foreign exchange risks

Currently, a portion of expenses for the operation of VIC/P57 is denominated in AUD. When VIC/P57 commences production, the revenue generated from the anticipated production from VIC/P57 would be mostly denominated in USD. As such, any significant changes in the foreign exchange rates between the operating currencies could have an adverse impact on the financial condition and results of operations for the owners of VIC/P57.

6.6 The owners of VIC/P57 are subject to environmental risks

The oil and gas industry is subject to laws and regulations relating to environmental and safety matters in the exploration for and the development and production of hydrocarbons. The discharge of oil, gas or other pollutants into the air, soil or water may give rise to liabilities and may require the owners of VIC/P57 to incur costs to remedy such discharge. There is no assurance that environmental laws and regulations will not in the future result in a curtailment of production or a material increase in the costs of production, development or exploration activities which will adversely affect the financial condition and results of operations of the owners of VIC/P57. Further, there is a risk that, in the event that owners of VIC/P57 do incur costs to remedy any such discharges, such costs would exceed the value of their assets or insurance cover.

6.7 Future insurance coverage may not cover all types of possible losses and may be insufficient to cover certain losses

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

6.8 The owners of VIC/P57 are reliant on third-party infrastructure

Depending on the final development concept selected, the owners of VIC/P57 may not own or maintain all the infrastructure that produces, processes and transports oil and gas to customers. Such infrastructure, which may include pipelines and storage tanks, may be leased from third-party providers and the owners of VIC/P57 have limited control over the quality and availability of this infrastructure. In addition, the new VIC/P57 pipelines are planned to reside in existing pipeline easements, which will be subject to regulatory and third party acceptances. The owners of VIC/P57 may from time to time face interruptions due to logistical complications which may paralyze sales or call for more expensive alternatives and thus have an adverse effect on VIC/P57 operations and profitability.

6.9 The owners of VIC/P57 may face risks and uncertainties associated with external financing

The owners of VIC/P57 may require external debt and equity financing, through public or private financing on short term or long term basis, to support their exploration, development and production activities in the future, or they may farm-out some contract areas to support growth. There is no assurance that such additional funding, if needed, will be available on acceptable terms and within the timeframe and requirements as envisaged by 3D Oil and CHPL, or at all. The inability of the owners of VIC/P57 to obtain sufficient funding for operations or development plans could adversely affect their business, revenues, net income and cash flow, and the value of their investment in VIC/P57.

6.10 The owners of VIC/P57 are subject to government approvals for the extension of the term for VIC/P57

If exploration success is achieved in VIC/P57, the owners of VIC/P57 may be required under the permit to apply for extensions to provide adequate time to further explore and develop the relevant permit area. Such approvals for the area are generally based on the fulfilment of work programmes. In the event that the owners of VIC/P57 are not able to fulfil their work programme obligations on VIC/P57 or are in breach of material permit conditions, the host government may not grant time extensions for VIC/P57. The host government is under no obligation to approve any such extension and such an act may have a material adverse effect on the financial condition and results of VIC/P57 operations and reduce the value of VIC/P57 for its investors and/or owners. Furthermore, if any time extension is granted, the aforesaid extension approval may include certain conditions to be complied with, which may not be on terms that are favourable or acceptable to the owners of VIC/P57. This may impede their ability to continue exploration and development activities on VIC/P57, which may in turn materially adversely affect the overall value of their financial investment in VIC/P57.

6.11 The owners of VIC/P57 are exposed to the risks of shortages of qualified personnel and are reliant on their ability to retain and recruit skilled personnel and professional staff

The operations in VIC/P57 require highly skilled personnel to provide technical and engineering services and for the exploration, development and production of hydrocarbon resources. With increasing demand for such experienced personnel, shortages of qualified personnel occur from time to time. These shortages could result in the loss of qualified personnel to competitors, impair the ability to attract and retain qualified personnel for new or existing projects, impair the timeliness and quality of technical work that is delivered and create upward pressure on personnel costs, any of which could adversely affect the project operations of VIC/P57. The loss of the services of any key personnel without timely suitable replacement, or the inability to attract and retain qualified personnel could also have an adverse effect on the operations of VIC/P57.

6.12 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 the owners of 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 financial condition of the owners of VIC/P57 and the value of their investment in VIC/P57.

6.13 Risk that the production licence may not be obtained

One of the Farm-In Agreement Conditions states that Hibiscus Petroleum, CHPL and 3D Oil should use their reasonable endeavours to obtain the grant of production licence over the West Seahorse oil field as soon as practicable after the completion of the Farm-In Agreement. 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.

6.14 The owners of VIC/P57 may be subject to changes in taxation and duties

The Australian fiscal, regulatory and legislative regime, though considered well regulated and stable, may face changes in laws relating to taxation and duties and may impose higher tax and customs rates, which may adversely affect the financial condition of the owners of VIC/P57.

6.15 Risk of adverse sovereign action by the Australian government

The oil and gas industry is central to the economy and future prospects for development in Australia given its significant reliance on the mining activities of its natural resources, and therefore the industry can be expected to be the focus of continuing attention and debate. It is not unusual for petroleum companies to face the risks of expropriation and renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty taxes and taxes that were intended to stable, application of exchange or capital controls, or other related risks.

Possible changes in the Australian government in the future, major policy shifts or increased security arrangements in Australia could have, to varying degrees, an adverse effect on our business, prospects, financial condition and results of operations with regards to our investment in VIC/P57.

6.16 The owners of VIC/P57 may encounter interruptions in the availability of exploration, production or supply infrastructure

Oil and gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. In areas such as the Bass Straits, the owners of VIC/P57 may be subject to the effects of high demand for such limited equipment. Furthermore, following the commercial production of oil from the West Seahorse field, the ability to market any such oil and/or gas produced may depend upon the owners of VIC/P57's ability to secure the appropriate capacity within pipelines which deliver oil and gas to commercial markets or refining capacity at local facilities (assuming the current MOPU development concept is deployed). The availability of such infrastructure may also be compromised if such property or facilities become targets of criminal or terrorist actions. Such interruptions or delays in procuring the infrastructure, including the drilling rigs in particular and pipelines and storage tanks, on which exploration and production activities are dependent, could result in disruptions to the joint operating activities of the owners of VIC/P57 thus adversely impacting CHPL's ability to optimize the anticipated benefits of VIC/P57 and, if this is the case, may prevent the delivery of oil and gas to commercial markets, which would have an adverse effect on CHPL's income stream and profitability.

6.17 Exploration activities are capital intensive and involve a high degree of risk

Oil and gas exploration activities are capital intensive and involve a high degree of risk. The owners of VIC/P57 plan to invest in drilling and exploration activities and infrastructure, and expenditures on such projects may be subject to unexpected problems, costs and delays, where the economic results and the actual costs of these projects may differ significantly from estimates. There is no assurance that expenditures made on future exploration of Sea Lion and Felix fields will result in new discoveries of oil or gas in commercial quantities. It is difficult to estimate the costs of implementing any exploratory drilling programme due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones, tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Accordingly, there can be no assurance that CHPL will recover its initial outlay of capital expenditures and/or associated operating costs from the development of VIC/P57 and in such an event CHPL's financial results could be materially, adversely affected.

6.18 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, inter-alia, the approvals from relevant authorities and third parties. There can be no assurance that the Proposals will not be exposed to risks such as the inability to obtain the approvals from the relevant authorities and third parties.

If the conditions precedent under each of the Subscription Agreement and Farm-In Agreement are not duly satisfied or waived on or prior to 14 February 2013 (being six (6) months after the date of the Subscription Agreement and Farm-In Agreement), then either party may terminate the relevant agreement(s) by notice in writing and in the case of the Subscription Agreement, the Subscription Consideration shall be retained by 3D Oil (subject to the refund proviso referred to in Section 3.1.3.2(d) of this Circular. In such circumstances, our Group will not be able to meet its objective as stated in Section 4 of this Circular.

Notwithstanding what has been stated above, our Board shall take reasonable steps to ensure that the conditions precedent are met to complete the Proposals. It should be noted that the ASX Waiver, the FIRB Approval and the NOPTA Approval were obtained on 31 August 2012, 4 October 2012 and 13 November 2012 respectively.

6.19 Investment risk

Although our Board believes that our Group will derive benefits from implementation of the Proposals, there can be no assurance that the anticipated benefits to be derived from the Proposals will be realised or that our Group will be able to generate sufficient future revenue streams from the Proposals to offset the investment costs incurred.

However, our Board believes that there are significant merits inherent in the Proposals which are believed to mitigate the risks of our investment in 3D Oil and VIC/P57 as well as the risks inherent in the E&P industry. The merits and mitigating factors include the following:

(i) the Gippsland Basin is located in a politically stable region, whilst VIC/P57 is located in a geologically proven basin with the West Seahorse oilfield established as a proven discovery;

(ii) our Company, via CHPL, will be the operator of VIC/P57 under the JOA upon the Farm-In Agreement Completion. As an operator, CHPL will have a high level of financial control and decision making authority in the operational management and significant influence in the timing of the conduct of the work activities within VIC/P57;

(iii) as stated in Section 3.1 of this Circular, our managing director, Dr Kenneth Gerard Pereira, has been appointed as a director to the board of 3D Oil. This appointment gives our Company a second layer of influence with participation in the decision-making at board level whilst providing greater access to information on 3D Oil;

(iv) to ensure early recovery of our Farm-in Investment, our Company has also negotiated a preferential repayment of our investment as explained in Section 4.2.6 of this Circular;

(v) our Company is also in the process of establishing an experienced operations team led by our Chief Development Officer, Stephen Dechant, to oversee the development of the West Seahorse oilfield. Stephen has over 30 years of experience in the oil and gas industry in a career dedicated to managing large offshore projects globally including Brazil, Nigeria, Angola, Australia, Gulf of Mexico and Malaysia. For the past 16 years, he has been involved in the management of complex and capital intensive deepwater projects; and

(vi) the direct involvement of experienced operating and regulatory consultants to assist in a better understanding of the requirements to operate in Australia and in particular the Bass Strait will enable a successful project outcome.

Our Group has also been mindful to appoint a team of experienced and competent advisers and consultants to provide technical, legal, corporate and financial advisory services in relation to the Proposals.

In considering the Proposals, our Group has also considered the various financial, operational and personnel resources required for its existing Lime projects and future 3D Oil's project(s) and these are recorded as follows:

(a) Lime

(i) Of the USD55 million (equivalent to RM169.86 million[17]) paid for our Group's 35% interest in Lime, USD50 million (equivalent to RM154.42 million[17]) was infused into Lime through the issuance of new shares. At the end of April 2012, the cash balance in Lime Group amounted to almost USD76 million (equivalent to RM229.98 million[18]), including the USD50 million (equivalent to RM154.42 million[17]) injected by our Group into Lime. These funds are being utilised for the 2012/2013 Lime work programme and any additional funds required are planned to be raised within the Lime legal structure through either a placement of shares in Lime or other concession companies within the Lime group and/or an initial public offering of Lime on a recognised stock exchange.

(ii) As project manager for the Middle East concessions, our Company has a full time project and operations management team based in Dubai and Oman, with part time services provided by our Company for other functions such as geological, engineering and accounting support.

(iii) The management team within Lime Norway mainly comprises personnel skilled in oil and gas exploration with the key objective of monitoring projects in which Lime Norway will acquire an interest and for purposes of meeting the Norwegian government's criteria to qualify and operate as an oil and gas exploration company. Exploration expenditure incurred within Lime Norway (which includes exploration personnel costs and work programme execution), qualifies for an annual 78% rebate from the Norwegian government. Lime is not an operator for the Norwegian concessions to be acquired and will therefore not require a full-sized project and operations team.

(iv) The corporate activities of the Lime Group are performed by the Lime Chief Executive Officer, Chief Financial Officer and Executive Director.

(b) 3D Oil

(i) Please refer to Sections 3.2.7 and 3.3 of this Circular for the source of funds for the activities to be undertaken under VIC/P57.

(ii) Please refer to Sections 6.19 (v) and (vi) of this Circular for information on the operational and personnel resources for the activities to be undertaken under VIC/P57.

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17 *Converted at an assumed exchange rate of RM3.0884 to USD 1.00, the closing rate as the point of remittance of the funds in 2011 and 2012.*

18 *Converted at an assumed exchange rate of MYR 3.0260 to USD 1.00, the middle rate as published/made available by BNM at 5.00 p.m. on 30 April 2012.*

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 our Company as the Proposals will be satisfied via cash.

7.2 NA

Assuming the Proposals had been effected as at 31 March 2012, the proforma effects of adjustments for completed transactions and after the Proposals based on our latest audited consolidated statement of financial position as at 31 March 2012 are as follows:

		Proforma I	**Proforma II**
	Audited 31.03.12	**After adjustments for completed transactions[(1)]**	**After Proforma I and the Proposals**
	RM'000	**RM'000**	**RM'000**
Share capital	4,180	4,398	4,398
Share premium	137,216	154,297	154,297
Warrant reserve	98,151	91,753	91,753
Foreign exchange reserve	(1,314)	(1,314)	(1,314)
Other reserves	-	173	173
(Accumulated losses)/Retained earnings	(6,089)	(6,089)	1,935[(2)]
Shareholders' funds/NA	**232,144**	**243,218**	**251,242**
Number Hibiscus Petroleum Shares in issue ('000)	418,048	439,849	439,849
NA per share (RM)	0.56	0.55	0.57

Notes:

(1) The adjustments for completed transactions take into account the following:

(a) Acquisition of Lime

*Subscription for 76,923,077 new Lime shares, representing 27.2% of the enlarged share capital in Lime, for a cash consideration of USD50.0 million (RM154.2 million) and acquisition of 22,153,846 Lime shares from Rex, the controlling shareholder of Lime, representing 7.8% of the enlarged share capital of Lime, for a cash consideration of USD5.0 million (RM15.4 million). As at 31 March 2012, RM12.3 million has been paid and recorded as investment in jointly controlled entity. Upon receipt of independent confirmation of commercial discovery of a well no later than 2013, a discovery bonus amount of USD5.0 million (RM15.3 million) will also be payable to Rex ("**Contingent Consideration**"). The Contingent Consideration has been fair valued at RM12.7 million using a discount rate of 11% being the weighted average cost of capital of our Company and its subsidiaries.*

(b) Exercise of Warrants-A

Exercise of 21,800,800 Warrants-A up to LPD at an exercise price of RM0.50 per Warrants-A for 1 Hibiscus Petroleum Share. For the purpose of this proforma statement, any warrants exercised are deemed converted. As at LPD, all Warrants-B, for which the exercise price is RM0.10 each, remain unexercised.

(c) *Issuance of CRPS*

The proceeds from the 69,480,000 fully subscribed CRPS at an issue price of RM1.00 per CRPS have been fully received as at LPD.

The transaction costs for the issuance of 69,480,000 CRPS of approximately RM1.0 million, comprise professional fees, legal fees and miscellaneous expenses, and have been allocated to the liability and equity components in proportion to their initial carrying amounts.

Please refer to note (1) under Section 7.3 of this Circular for further details.

(2) *After taking into account the negative goodwill arising from the Proposals. Negative goodwill is derived from the excess of the fair value of the identifiable assets acquired and liabilities assumed over the aggregate of the consideration transferred and the difference is recognised in the profit or loss for the year. For purposes of illustration on proforma effects to NA on the Company's Statements of Financial Position, the fair value of the NA in 3D Oil is computed based on the audited financial statements of 3D Oil as at 30 June 2012, and adjusted for the fair valuation of VIC/P57 at 49.9% held by 3D Oil. The fair value of VIC/P57 is determined based on the lower range of the valuation of USD22 million derived from the RAV method by Pareto Asia, as set out in Section 3.2.4 of this Circular. The latest audited financial statements of 3D Oil available is for the FYE 30 June 2012. Based on publicly available information, there were no significant events between 1 April to 30 June 2012 which would materially affect the share of NA in 3D Oil as at 31 March 2012.*

The impact to retained earnings arising from negative goodwill is computed as follows:

	RM '000
Accumulated losses for the FYE 31 March 2012	*(6,089)*
Negative goodwill, net of deferred tax	*8,024*
Retained earnings after Proforma I and the Proposals	*1,935*

The Proposed Subscription is reflected as Investment in Associate whilst the purchase consideration of AUD13,473,000 under the Proposed Farm-In is capitalised as Exploration and Evaluation Asset. The estimated transaction costs of the Proposals of approximately RM8 million have been capitalised as part of Investment in Associate and Exploration and Evaluation Asset in proportion to the respective considerations.

7.3 Gearing

Based on the source of funding for the Proposals as set out in Section 3.3 of this Circular and assuming the additional financial commitment that CHPL would incur amounting to USD8.4 million (equivalent to RM25.7 million) is wholly financed via external borrowings to be procured by our Company and its subsidiaries, the proforma consolidated gearing ratio, based on our latest audited consolidated statement of financial position as at 31 March 2012 is as follows:

	Audited 31.03.12	Proforma I After adjustments for completed transactions[(1)]	Proforma II After Proforma I and after the Proposals	Proforma III After Proforma II and after assuming the additional financial commitment by CHPL is fully financed by borrowings
	RM'000	RM'000	RM'000	RM'000
Total equity	232,144	243,218	251,242	251,242
Interest bearing borrowings:				
Issuance of 69,480,000 CRPS	-	68,307	68,307	68,307
Additional financial commitment by CHPL	-	-	-	25,725
	-	68,307	68,307	94,032
Gearing (times)	-	0.28	0.27	0.37

Note:

(1) The adjustments for completed transactions take into account the items set out in note (1) under Section 7.2 of this Circular. Further details of the issuance of 69,480,000 CRPS are as follows:

(i) The CRPS is classified as a compound financial instrument, where the instrument contains both a liability and an equity component. Our Company has a financial liability arising from its obligation to repay interest and principal to the holders of the CRPS if they choose to redeem the CRPS in the event the balance proceeds are more than 20% of the total proceeds raised. Our Company does not have an unconditional right to avoid the redemption as it does not have 100% control on the final outcome of the utilisation of the proceeds. The equity component represents the option available to the holders for the following:

(a) to redeem or convert the CRPS into new ordinary shares in our Company should less than 80% of the proceeds raised be utilised as permitted; or

(b) to convert all or part of the CRPS into new ordinary shares in our Company at the earlier of 6 months from the issuance of the first tranche of CRPS or when the market price of the ordinary shares is transacted at RM3.00 per share or more at any point in time and day after the date of issuance of the CRPS.

(ii) The liability component is measured initially at the fair value of a similar liability that does not have an equity conversion option. For the purposes of determining the fair value of the liability component of the CRPS, a discount rate of 5% was used. This discount rate reflects the underlying risk of the CRPS which is backed by cash. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

7.4 Earnings

As VIC/P57 is at the development and exploration stages, no earnings are attributable to our Company and its subsidiaries until the production phase. The Proposals are expected to be completed by the 4th quarter of 2012. Therefore, the Proposals are not expected to have any material adverse effect on the consolidated earnings and EPS for the FYE 31 March 2013.

However, for illustration purposes, assuming that the Proposals have been effected on 1 April 2011, the effects of the Proposals on the consolidated losses per share for the FYE 31 March 2012 are as follows:

	Audited 31.03.12	**Proforma I After the Proposals[2][3]**
	RM'000	**RM'000**
Consolidated loss after tax	(4,884)	(4,884)
Share of results of 3D Oil:		
- negative goodwill[1]	-	8,478
- share of losses for the year	-	(2,910)
Consolidated (loss)/profit after tax	(4,884)	684
Weighted average number of Hibiscus Petroleum Shares ('000)[4]	304,987	304,987
(Loss)/Earnings per share (in sen)		
- Basic[5]	(1.60)	0.22
- Diluted	N/A[6]	0.10[7]

Notes:

(1) After taking into account the negative goodwill arising from the Proposals. Negative goodwill is derived from the excess of the fair value of the identifiable assets acquired and liabilities assumed over the aggregate of the consideration transferred and the difference is recognised in the profit or loss for the year. For purposes of illustration on proforma effects to EPS on the Company's Statement of Comprehensive Income, the fair value of the NA in 3D Oil is computed based on the audited financial statements of 3D Oil as at 30 June 2011, and adjusted for the fair valuation of VIC/P57 at 49.9% held by 3D Oil. The fair value of VIC/P57 is determined based on the lower range of the valuation of USD22 million derived from the RAV method by Pareto Asia, as set out in Section 3.2.4 of this Circular.

(2) The share of losses in associate of RM2,910,068 is computed based on latest audited financial statements of 3D Oil for the FYE 30 June 2012. No significant events between 1 April to 30 June 2012 were noted which would materially affect the share of results in 3D Oil.

The share of losses in associate of RM2,910,068 mainly consists of the exploration costs written off by 3D Oil amounting to RM2,480,003 in relation to Exploration Permit T/41P which was relinquished during the year.

(3) There is no share of income and expense of the jointly controlled operations for the FYE 31 March 2012, as it has not commenced operations.

(4) The weighted average number of ordinary shares in issue during the FYE 31 March 2012 for the computation of loss per share is recalculated at 304,986,705, and its related basic loss per share is restated at 1.60 sen per share.

(5) The basic (loss)/earnings per share for FYE 31 March 2012 is arrived at by dividing the consolidated (loss)/profit attributable to the owners of our Company by the weighted average number of ordinary shares in issue during the financial year of 304,986,705 shares.

(6) The fully diluted consolidated loss per share for FYE 31 March 2012 prior to adjustment for the Proposals was not presented as the assumed conversion from the exercise of warrants would be anti-dilutive.

(7) *The fully diluted consolidated earnings per share for FYE 31 March 2012 after adjustment for the Proposals is arrived at by dividing the consolidated profit attributable to the owners of our Company of RM684,079 by the adjusted weighted average number of ordinary shares in issue during the financial year of 723,034,427.*

The adjusted weighted average number of ordinary shares in issue includes Warrants-A and Warrants-B outstanding as at 31 March 2012 of 334,436,522 and 83,611,200 respectively which are assumed to be converted to Hibiscus Petroleum Shares on 1 April 2011.

8. APPROVALS REQUIRED

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

(i) our shareholders at an EGM to be convened;

(ii) the approval of the relevant authorities in Australia in respect of the Subscription Agreement and Farm-In Agreement; and

(iii) any other approvals from the relevant authorities, if required.

The ASX had resolved, via its letter dated 31 August 2012, to grant 3D Oil the ASX Waiver. Accordingly, 3D Oil and our Company had on 3 September 2012 accepted the conditions attached to the ASX Waiver. The ASX Waiver is subject to the following conditions:

	Conditions imposed	**Status of compliance**
(a)	The Anti-Dilution Right lapses on the earlier of: (i) the date which is two years from the date of completion of the Subscription Agreement; (ii) the holding of Hibiscus Petroleum (and its affiliates) in 3D Oil falling below 10%; (iii) the strategic relationship between 3D Oil and Hibiscus Petroleum ceasing or changing in such a way that it effectively ceases;	Noted
(b)	The Anti-Dilution Right may only be transferred to an entity that is a wholly-owned subsidiary of Hibiscus Petroleum;	Noted
(c)	Any securities issued under the Anti-Dilution Right are issued to Hibiscus Petroleum for consideration that is: (i) no more favourable than cash consideration offered by third parties (in the case of issues of securities to third parties for cash consideration); or (ii) equivalent in value to non-cash consideration offered by third parties (in the case of issues of securities to third parties for non-cash consideration);	Noted
(d)	The number of securities that may be issued to Hibiscus Petroleum under the Anti-Dilution Right in the case of any diluting event must not be greater than the number required in order for Hibiscus Petroleum to maintain its percentage holding in the issued capital of 3D Oil immediately before that diluting event; and	Noted

Conditions imposed	Status of compliance
(e) 3D Oil discloses a summary of the Anti-Dilution Right to persons who may subscribe for securities under a prospectus, and undertakes to include in each annual report a summary of the Anti-Dilution Right.	Noted

In addition, the FIRB had, via its letter dated 4 October 2012, granted the FIRB Approval provided that the Proposals are undertaken within 12 months from the date of its letter and that there are no material changes that would alter the Proposals. NOPTA had, via its letter dated 13 November 2012, granted the NOPTA Approval for the dealing in relation to VIC/P57 (i.e. approval of the Farm-in Agreement) under Section 493 of the OPGGSA. With the approvals from the ASX and the FIRB, two of the conditions precedent in the Subscription Agreement and the Farm-In Agreement had been satisfied.

9. TENTATIVE TIMETABLE FOR IMPLEMENTATION OF THE PROPOSALS

Barring any unforeseen circumstances and subject to the receipt of all relevant approvals, the Board expects the Proposals to be completed in the 4th quarter of 2012. The tentative timetable in relation to the implementation of the Proposals is as follows:

Event	Tentative Timeline
EGM	19 December 2012
Completion of the Proposals	End December 2012

10. OTHER CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

Save as disclosed below and for the Proposals, our Board confirms that there are no other corporate proposals that have been announced but not completed as at the date of this Circular:

(a) 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 Royal 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 our Company's last announcement with regards to the North Energy transaction on 18 September 2012; and

(b) The Private Placement of CRPS, which was announced on 2 August 2012 and approved by our shareholders in our Company's EGM on 26 September 2012. With the receipt of BNM's approval via its letter dated 17 October 2012 for the issuance of CRPS of our Company for the amount of up to RM178,000,000 to non-resident investors, all conditions precedent in respect of the CRPS subscription agreement have now been fulfilled. Our Company is currently in the process of seeking suitable investors to place out the remaining amount of CRPS.

The Proposed Subscription and the Proposed Farm-In are inter-conditional for purposes of our shareholders' approval. Both the Subscription Agreement and the Farm-In Agreement are subject to a common condition precedent (as set out in Sections 3.1.3.1(a)(ii) and 3.2.5.1.(a)(i) respectively) which is our shareholders approving the transactions under both the Subscription Agreement and the Farm-In Agreement. However, the completion of the Proposed Subscription is not conditional upon the completion of the Proposed Farm-In, and vice versa.

The Proposals are not conditional or inter-conditional upon any other corporate exercise or scheme.

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

None of our Company's major shareholders and/or Directors and/or person connected to them has 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.

13. EGM

An EGM, the notice of which is set out in this Circular, will be held at Saujana Ballroom, The Saujana Hotel, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan on Wednesday, 19 December 2012 at 2.00 p.m. or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals.

You are entitled to attend and vote at our forthcoming EGM or appoint a proxy to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our share registrar's office at Level 17, The Gardens, North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur no later than 48 hours before the time fixed for our EGM or any adjournment thereof. The last day and time for you to lodge the Form of Proxy is on Monday, 17 December 2012 at 2.00 p.m. 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.

14. FURTHER INFORMATION

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

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

Zainul Rahim bin Mohd Zain
Chairman

INFORMATION ON 3D OIL

1. DATE, PLACE OF INCORPORATION AND DESCRIPTION OF BUSINESS

3D Oil was incorporated in July 2003 in Australia and was listed on the 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 consists of exploration and development of upstream oil and gas assets.

As at LPD, the issued and paid-up share capital of 3D Oil is AUD50,620,867, comprising 206,560,000 fully paid ordinary shares.

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.

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 km^2 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 480 km^2 in size.

2. SHARE CAPITAL

The authorised and issued and paid-up share capital of 3D Oil as at LPD is as follows:

Ordinary shares	No. of 3D Oil Shares	Issued capital (AUD)
Fully paid shares	206,560,000	50,620,867

3. DIRECTORS

The directors and their respective shareholdings as at LPD in 3D Oil are as follows:

Name	Designation	Nationality	<----------Direct----------> No of 3D Oil Shares held	%
Campbell Horsfall	Non-Executive Director and Chairman	Australian	38,000	0.02
Noel Newell	Executive Director and Managing Director	Australian	38,105,150	18.45
Melanie J Leydin	Non-Executive Director and Company Secretary	Australian	150,000	0.07
Philippa Kelly	Non-Executive Director	Australian	145,000	0.07
Dr Kenneth Gerard Pereira	Non-Executive Director	Malaysian	-	-

4. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders, who hold more than 5% shareholding interest in 3D Oil and their respective shareholdings in 3D Oil as at LPD are as follows:

Name	Country of Incorporation/ Nationality	<----------Direct----------> No of 3D Oil Shares held	%
Noel Newell	Australian	38,105,150	18.45
Bond Street Custodians Limited	Australia	23,508,362	11.38
H Louey Pang & Co Pty Ltd	Australia	11,700,000	5.66

5. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at LPD, 3D Oil does not have any subsidiaries or associate companies.

6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at LPD, there are no material commitments or contingent liabilities incurred or known to be incurred by 3D Oil that is likely to have a material adverse effect on 3D Oil's financial position.

7. MATERIAL CONTRACTS

Save as disclosed below, 3D Oil has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD:

(i) Subscription Agreement; and

(ii) Farm-In Agreement.

8. MATERIAL LITIGATION

As at LPD, there is no material litigation, claim or arbitration involving 3D Oil and VIC/P57.

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9. FINANCIAL SUMMARY

The summary of the consolidated audited financial statements of 3D Oil for the past 3 FYEs 30 June 2010 to 30 June 2012 are as follows:

	<----------Audited---------->		
	FYE 30.06.10 AUD	**FYE 30.06.11 AUD**	**FYE 30.06.12 AUD**
Revenue	414,898	336,290	140,072
Loss before tax	(857,435)	(1,003,568)	(7,672,697)
Loss after tax	(857,435)	(1,003,568)	(6,976,803)
Shareholders' funds/ NA	30,051,177	29,094,716	22,166,500
Issued and paid-up share capital	206,560,000	206,560,000	206,560,000
Total borrowings	-	-	-
NA per share (AUD)	0.15	0.14	0.11
Gross loss per share	(0.004)	(0.005)	(0.037)
Net loss per share	(0.004)	(0.005)	(0.0338)
Current ratio (times)	42.46	13.92	6.11
Gearing ratio (times)	-	-	-

Financial commentary:

FYE 30 June 2010 vs FYE 30 June 2011

Revenue decreased by AUD78,608 or 19% to AUD336,290 for the FYE 30 June 2011 from AUD414,898 for the FYE 30 June 2010 due to reduction in interest income and rental income. The interest income was derived from cash at bank and deposit while the rental income was earned from the sublease of the office to a publishing company.

The increase in losses before tax by AUD146,133 to AUD1,003,568 for the FYE 30 June 2011 from AUD857,435 for the FYE 30 June 2010 was mainly due to reduction in income and increase in employment expenses.

FYE 30 June 2011 vs FYE 30 June 2012

Revenue decreased by AUD196,218 or 58% to AUD140,072 for the FYE 30 June 2012 from AUD336,290 for the FYE 30 June 2011 due to reduction in interest income. The interest income was derived from cash at bank and deposit.

The increase in losses before tax by AUD6,669,129 to AUD7,672,697 for the FYE 30 June 2012 from AUD1,003,568 for the FYE 30 June 2011 was mainly due to exploration costs written off of AUD5,943,816 in relation to permit T/41P which was relinquished at the end of 3D Oil's reporting period, i.e. FYE 30 June 2012. 3D Oil elected to relinquish the said permit so as not to enter into another licence period, which would require the drilling of another exploration well which 3D Oil believed was not technically or commercially justified due to the high risk and insufficient size of the mapped prospects within the said permit.

3D Oil has not adopted any accounting policies which are peculiar to its operations during the financial years under review. The audited financial statements of 3D Oil for the FYE 30 June 2010 to FYE 30 June 2012 were not subjected to any audit qualifications.

SALIENT TERMS OF THE GRANT OF RENEWAL OF EXPLORATION PERMIT VIC/P57

A summary of the title particulars for VIC/P57 is as follows:

Details	VIC/P57, Offshore Victoria, Australia
Exploration License	
Current term	5 years
Date of commencement of current term	10 August 2011
Blocks in the License	
Number of blocks	9 whole or part blocks
Block nos.	1776, 1777, 1844 (part), 1845 (part), 1846, 1847, 1914 (part), 1915 (part), 1916 (part)
Declaration of Commerciality[19]	Upon discovery and during the term of the Exploration License
Application	To apply for a Production License 2 years after declaration of a location with petroleum discovery
Term	
Permit holder	3D Oil currently holds 100% participating interest VIC/P57

The VIC/P57 permit is subject to certain conditions specified as follows:

1. Subject to clause 2 below, during the term of the permit set out in the first column of the following table, and in relation to the work requirements in the fourth column of the table, the permittee[20]:

   (a) shall carry out the work specified in the minimum work requirements set out for each year, in the year so specified;

   (b) may carry out all or part of the work specified in the minimum work requirements of a subsequent year or years;

   (c) may carry out work in addition to the work specified in the minimum work requirements

   to a standard acceptable to the Delegate of the Designated Authority.

2. The permittee shall not commence any works or petroleum exploration operations in the permit area except with and in accordance with the approval in writing of the Delegate of the Designated Authority.

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19 *Under Australian offshore petroleum legislation, if the exploration permit holders discover petroleum, they must notify the Designated Authority (for and on behalf of the Commonwealth of Australia – Victoria Offshore Petroleum Joint Authority) and give them details of the discovery. They can then apply to have a location declared over the discovery as a prelude to being granted a production license or retention lease. If the permittee considers the discovery to be commercial, it may apply for a production license which allows it to produce petroleum in the license area. The permittee has two years after the declaration of a location in which to apply for a production license and provide details of development proposals for the area. New production licenses are issued for an indefinite term, but may be terminated if there has been no production for a period of five years.*

20 *Permittee refers to the permit holder.*

SALIENT TERMS OF THE GRANT OF RENEWAL OF EXPLORATION PERMIT VIC/P57 *(Cont'd)*

3. For the purposes of this clause, any work to be carried out or carried out in accordance with clause 1(b) shall, if the Delegate of the Designated Authority, in his discretion by instrument in writing so approves, be credited for work against a subsequent year or years.

4. During the first three (3) year period of the term of the permit, the permittee must complete each component of the work programme specified in the minimum work requirements, in the designated year.

5. On commencement of the fourth permit year, the secondary work programme becomes guaranteed on a year by year basis. Once a year has commenced, the permittee must complete all the work specified for that year.

Year of Term of Permit	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Estimated Expenditure Constant AUD (indicative only)
1	10 Aug 2011	9 Aug 2012	Interpretation and depth conversion of approximately 500 km^2 of re-processed Northern fields seismic data[21]	300,000
2	10 Aug 2012	9 Aug 2013	Geological/geophysical studies, including sources and migration studies; Pre-drill preparatory works, including site investigation studies	600,000
3	10 Aug 2013	9 Aug 2014	One exploration well	18,000,000
4	10 Aug 2014	9 Aug 2015	Geological/geophysical studies	400,000
5	10 Aug 2015	9 Aug 2016	One exploration well	18,000,000

Table: Minimum work requirements

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[21] *3D Oil's Eighth Annual Report for VIC/P57 for the period 10 August 2011 to 9 August 2012 – submitted to NOPTA on 2 October 2012 states that the minimum work requirement of interpretation and depth conversion of approximately 500km^2 of reprocessed Northern fields seismic data was done with work primarily concentrated on the Sea Lion and Felix prospects. The total 3D Oil expenditure for the approximate term was AUD333,293.*

pwc

Private & Confidential

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

26 November 2012

Dear Sirs

LETTER ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS FROM AUSTRALIA

We have been requested to provide our professional statement, summary information and the current policies regarding the restrictions on foreign investment, taxation and repatriation of profits from Australia, ("the Professional Statement"), to be included in a Circular to Shareholders arising from the proposed investment by subsidiary companies of Hibiscus Petroleum Berhad ("Hibiscus Petroleum") in 3D Oil Limited, a company listed on the Australian Stock Exchange, and also permit VIC/P57 ("the Permit") currently held by 3D Oil Limited through a Farm-In arrangement ("the Farm-In Agreement").

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

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

1. RESTRICTION OF FOREIGN INVESTMENT

Foreign Investment Review Board ("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.

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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 the Permit (under the Farm-in Agreement entered into with 3D Oil Limited) 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.

National Offshore Petroleum Titles Administrator ("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.

For these reasons, approval and registration of the Farm-in Agreement by NOPTA is a condition precedent to completion of the proposed acquisition by Hibiscus Petroleum of a 50.1% interest in the VIC/P-57 permit. If and when the conditions precedent are satisfied and the transaction completes, NOPTA is also required to approve and register the instrument of transfer to effect the transfer of a 50.1% legal interest in the VIC/P-57 to Hibiscus Petroleum Berhad 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 the 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/P-57 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.

We have been advised that Hibiscus Petroleum has sought guidance on the above from their Australian legal counsel.

2. TAXATION IN AUSTRALIA

2.1 Overview of (corporate) income taxation

Australian tax resident companies (which include companies incorporated in Australia) are taxable on their worldwide assessable income at the general corporate income tax rate of 30%. Non-Australia resident companies are subject to corporate income tax at 30% on their Australian-sourced income only. Where a Double Tax Agreement ("DTA") exists with Australia, this may reduce the rate of tax suffered by a non-resident on their Australian-sourced income.

The taxable income of a company is the net of its total assessable income less allowable deductions. Allowable deductions may include operating costs, prior year tax losses and tax depreciation.

2.2 Utilising prior year tax losses

Revenue income tax losses generated by a company in an income tax year may be carried forward to be offset against future assessable income. Capital losses may only be offset against future capital gains.

The offset of prior year revenue losses (or capital tax losses) against current year assessable income is subject to loss integrity measures, as are capital losses. At first instance, the company must demonstrate that it satisfies the continuity of ownership test i.e. that more than 50% of the shares carrying the rights to more than 50% of voting rights to dividends and assets upon winding up have been owned by the same persons (as measured by reference to the shareholders at the beginning of the loss year to the end of the year in which the loss is to be utilised). With the exception noted below, this test does require the ownership of the loss company to be traced to the ultimate shareholders of the company.

The detailed application of the continuity of ownership test is modified for widely held or listed companies. These modifications are concessionary and reduce the level of tracing required for shareholders of widely held or listed companies to demonstrate to continuity of ownership test has been satisfied.

Where the continuity of ownership test is not satisfied, the company must then demonstrate it satisfies the same business test to be able to utilise the prior year losses. These tests are complex and narrowly interpreted by the Australian Taxation Office ("ATO") and depend upon the relevant circumstances of the loss company.

2.3 Transfer pricing

Australian transfer pricing rules adopt the arm's length concept for international related party dealings as promulgated by the Organisation for Economic Cooperation and Development ("OECD"). Transfer pricing is a focus for potential tax collection by the ATO and the ATO is actively pursuing multinationals in Australia.

Specific provisions in the legislation deal with transfer pricing issues coupled with significant numbers of public rulings, determinations and interpretative decisions prepared by the ATO. The ATO's view on the nature and structure of transfer pricing documentation is generally consistent with the OECD Guidelines.

Where a taxpayer has international related-party dealings (including loans) totalling more than AUD2 million, the nature and amount of these transactions are required to be disclosed in a schedule to the tax return, known as the International Dealings Schedule ("IDS"). The IDS has recently replaced the Schedule 25A, increasing the level of disclosure companies are required to provide. Whilst there is no legal requirement to prepare transfer pricing documentation, the IDS requires the taxpayer to disclose the percentage of transfer pricing documentation that has been prepared for each transaction type as well as the transfer pricing methodologies adopted to price related party transactions. In circumstances where the pricing of transactions are considered not to be at arm's length, the ATO has discretion to adjust the pricing. Any shortfall in tax may attract penalties and interest on the tax shortfall amount arising from the adjustment.

The transfer pricing rules in Australia are currently undergoing reform, with proposed changes to re-write the existing transfer pricing legislation to align Australia's transfer pricing rules more closely with OECD best practice. The reform also includes the introduction of a new section of legislation to clarify the taxing powers of Australia's DTAs. This new legislation should allow the Commissioner to issue transfer pricing assessments under Australia's DTAs with treaty countries (which includes Malaysia).

2.4 Financing: Debt and equity classification

Australia has specific legislative rules that determine what constitutes an equity interest and a debt interest for income tax purposes. The debt/equity tests determine whether a return on an instrument in an entity may be frankable and non-deductible (like a dividend) or may be deductible to the entity and not frankable (like interest).

As a result of these rules, certain legal form shares are characterised as debt interests (depending on the term), for example, mandatorily redeemable preference shares.

The debt/equity classification rules are also relevant for the application of thin capitalisation rules and for Australian withholding tax purposes.

2.5 Thin Capitalisation

Australia's thin capitalisation rules can limit the amount of debt deductions available to an Australian subsidiary controlled by foreign entities. A debt deduction is an expense an entity incurs in connection with a debt instrument.

The rules can apply when an Australian entity's debt-to-assets percentage exceeds certain thresholds. Broadly where the debt exceeds 75% of the average value of the Australian accounting assets (adjusted for certain amounts), a portion of the debt deductions may be disallowed for Australian income tax purposes.

2.6 Petroleum Resource Rent Tax ("PRRT")

The PRRT is a profit-based tax which is applied to the recovery of petroleum (including crude oil, natural gas, LPG, condensate, ethane) in Australian Government Waters. The PRRT determines assessable receipts based on actual sales price of the relevant unprocessed petroleum and allows for deductions for exploration, development and direct operating costs. If expenditures are not immediately deducted (i.e. there is insufficient assessable receipts to offset all deductions in a particular year), they are carried forward and are augmented (essentially uplifted at the long term bond rate plus a margin) at various rates depending on the kind of expenditure. The PRRT is applied at the rate of 40% to the PRRT assessable income. PRRT paid represents a deduction against corporate income tax.

2.7 Withholding tax

Dividends paid out of 'taxed profits' by an Australian subsidiary to a foreign parent are not subject to withholding tax.

Where dividends are paid to non-Australian residents out of untaxed foreign profits; (such as dividends from overseas companies in which an Australian company holds 10% or more of the shares, from foreign branch profits or from untaxed capital gains arising from the sale of overseas companies in which an Australian company holds 10% or more of the shares), then no withholding tax should be payable on the dividend under Australia's conduit foreign income regime.

Dividends paid out of untaxed profits generated in Australia to a foreign parent are subject to withholding tax at a rate of 30%. However, this rate may be reduced by a relevant DTA (e.g. 15% under the Australia / Malaysia DTA).

Interest withholding tax at a rate of 10% is imposed on interest paid by an Australian resident to a non-resident lender, including returns on instruments characterised as non-equity shares as a consequence of Australia's debt/equity rules.

Royalties paid to an entity resident outside of Australia are generally subject to royalty withholding tax at the rate of 30% (unless reduced under the relevant tax treaty). Where the Malaysia/Australia DTA is applicable the rate is reduced to 15%. The amount of royalties paid may be subject to transfer pricing provisions.

Payment of a guarantee fee by an Australian resident to a non-resident should not be subject to withholding tax, provided the payment is not characterised as a dividend, interest or royalty for Australian tax purposes.

2.8 Double tax treaties

Australia has entered into treaties for the avoidance of double taxation with a large number of countries, including Malaysia.

2.9 Capital gains tax

Capital gains arising from capital assets held by an Australian resident company should generally be included in assessable income.

A non-resident should only be subject to Australian Capital Gains Tax ("CGT") on the sale of equity interests if it disposes of specified assets, which include companies in which a seller holds at least 10% of the voting shares and the entity's underlying value is principally (i.e. greater than 50%) represented by Australian real property (e.g. land and mining rights).

2.10 Other Taxes

(a) Goods and services tax (GST)

The GST is a value added tax (VAT) model adopted in many countries around the world. In Australia, its effect is a tax of 10% on the consumption of most goods, services and property in Australia (including imports). Generally GST does not apply to export of goods or services consumed outside of Australia.

Registered entities are generally entitled to claim a credit for GST paid on things acquired in carrying on their enterprise.

Some supplies may be considered "input taxed" (usually referred to as "exempt" in other GST or VAT regimes). This means the supplier does not charge GST on the supply, but is not generally entitled to claim input tax credits on things acquired to make the supply (except in certain circumstances where a partial credit may be available). Some examples of input-taxed supplies include certain types of financial services, residential rents and the supply of residential premises other than the sale of new residential premises (which is taxable).

Food with some significant exceptions, exports, most health, medical and educational supplies, and some other supplies are 'GST-free' (the equivalent of 'zero-rated' in other VAT jurisdictions) and so are not subjected to GST. A registered supplier of a GST-free supply can recover relevant input tax credits, although the supply is not taxable.

(b) Stamp duty

Australian stamp duty may be imposed by States and Territories at various rates on transactions such as mortgages, insurance policies, non-marketable share transfers, lease documents, acquisitions of significant interests in landholders and contracts regarding the transfer of assets, business or real estate (generally where these assets constitute dutiable property). In certain States and Territories, some of the above transactions are duty exempt.

Duty exemptions may be available; however there are differing requirements in each State or Territory. Advice from a Duty specialist should be obtained where substantial transfer duty may be imposed because the amount of duty payable may depend on the form of the transaction.

The relevant property must have a sufficient nexus with a State or Territory for there to be a stamp duty cost. In the context of the Permit, on the basis that this is not within Victorian waters (but Commonwealth waters) no Victorian stamp duty should arise.

In the context of the acquisition of an interest in 3D Oil, on the basis that the acquisition will not be a significant interest, no landholder duty implications should arise.

(c) Registration fees

Investments in petroleum permits attract a petroleum registration fee of 1.5% under Commonwealth legislation when transferred or dealt with. The registration fee is broadly imposed on the higher of the consideration and the market value of the interest acquired.

3. 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 etc to ensure Australian tax revenue is not jeopardized.

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.

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Notes to this Professional statement

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

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

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

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

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

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

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

Yours faithfully

Khoo Chuan Keat
Senior Executive Director
KCK/LS/OSK/fh

LEGAL OPINION ON THE OWNERSHIP/TITLE AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS ISSUED BY CORRS CHAMBERS WESTGARTH

Our reference
RP/HRHIBI17709-9086094

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26 November 2012

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Dear Sir/Madam

3D Oil Limited

1 Introduction

We have acted as Australian legal counsel for Hibiscus Petroleum Berhad (**Hibiscus Petroleum**) in connection with:

- a proposed acquisition to be made by its wholly owned subsidiary, Carnarvon Hibiscus Pty Ltd (**Carnarvon Hibiscus**), of a 50.1% interest in Exploration Permit VIC/P57 (**Permit**) from 3D Oil Limited (**TDO**) (**Farm-in**); and
- a proposed share subscription to be made by its wholly owned subsidiary, Oceania Hibiscus Sdn Bhd (**Oceania Hibiscus**), for 30,963,000 shares in the capital of TDO (**Subscription**).

We have been asked to provide this opinion regarding the Farm-in Agreement and the Subscription Agreement (which are both governed by the laws of Victoria, Australia), as well as the shares in TDO which are being acquired by Oceania Hibiscus and TDO's ownership of the Permit and certain documents described below under the laws in force at the date of this opinion in Victoria, Australia. We express no opinion as to any laws other than the laws of Victoria, Australia.

This opinion relates solely to matters governed by, and should be interpreted in accordance with, the laws of Victoria, Australia as in force and as interpreted at 9.00 am (Perth time) on the date of this opinion. We have no obligation to inform you of any change in any relevant law occurring after that time.

2 Definitions

In this opinion, except as otherwise defined above:

ASIC means the Australian Securities & Investments Commission.

ASIC Searches means the inspection of the records (which are not necessarily up to date) in extract form which are available to the public from the online database of ASIC at 9:34 am (Perth time) on 26 November 2012 in relation to TDO.

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Australian Transaction Parties means TDO and Carnarvon Hibiscus.

Documents means the documents listed in paragraph 3 of this opinion.

Farm-in Agreement means the farm-in agreement dated 14 August 2012 and made between Hibiscus Petroleum, Carnarvon Hibiscus and TDO in respect of the Farm-in.

NEATS means the National Electronic Approvals Tracking System, administrated by the National Offshore Petroleum Titles Administrator under the *Offshore Petroleum and Greenhouse Gas Storage Act* 2006 (Cth).

NEATS Search means the search of the NEATS title register conducted at or about 9:30 am (Perth time) on 26 November 2012, in relation to the Permit.

Subscription Agreement means the subscription agreement dated 14 August 2012 and made between Hibiscus Petroleum, Oceania Hibiscus and TDO in respect of the Subscription.

Relevant Jurisdiction means Victoria, Australia.

Transaction Documents means the Farm-in Agreement and Subscription Agreement.

Transaction Parties means:

- in relation to the Farm-in Agreement, Hibiscus Petroleum, Carnarvon Hibiscus and TDO; and
- in relation to the Subscription Agreement, Hibiscus Petroleum, Oceania Hibiscus and TDO.

3 Documents

In connection with this opinion we have examined and rely on the following documents (which, in the case of copies, have been certified or otherwise identified to our satisfaction):

(a) a counterpart of the Farm-in Agreement executed by or on behalf of each Transaction Party;

(b) a counterpart of the Subscription Agreement executed by or on behalf of each Transaction Party;

(c) copies of the certificate of registration (or certificate of registration on change of name) and the constitution of TDO;

(d) a copy of the minutes of a meeting of the board of directors of TDO dated 14 August 2012 in relation to the execution and delivery of the Farm-in Agreement and the Subscription Agreement and the performance of its obligations under each of those documents;

(e) the ASIC Searches; and

(f) the NEATS Search.

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4 Opinion

Based on the assumptions and subject to the qualifications set out below, we are of the opinion that:

(a) TDO has been duly incorporated and is validly registered and existing under the laws of its place of incorporation, which is the Relevant Jurisdiction and is capable of suing and being sued in its corporate name;

(b) TDO has power to enter into and to perform its obligations under the Farm-in Agreement and the Subscription Agreement and, subject to satisfying the conditions in these agreements, has taken all necessary corporate and other action to authorise the execution, delivery and performance of these documents, in accordance with their respective terms;

(c) the Farm-in Agreement and the Subscription Agreement have been legally and validly executed by TDO and the obligations of TDO under these documents are legal, valid, binding and (subject to the terms of these documents) enforceable against TDO;

(d) subject to the limitations in the Farm-in Agreement and the Subscription Agreement, the representations, warranties and undertakings given by TDO under each of the Farm-in Agreement and the Subscription Agreement are enforceable against TDO in accordance with the terms of those agreements;

(e) the execution, delivery and, subject to the satisfaction of the conditions of these agreements, the performance by TDO of Farm-in Agreement and the Subscription Agreement does not contravene or cause a breach or default under, and will not result in any contravention of, or breach or default under:

  (i) its constitution; and

  (ii) the laws of the Relevant Jurisdiction;

(f) the courts of the Relevant Jurisdiction and the federal courts of Australia will give effect to the choice of the law of the Relevant Jurisdiction to govern each Transaction Document and the submission by each Transaction Party to the non-exclusive jurisdiction of those courts;

(g) TDO is the registered owner of 100% of the Permit (including the 50.1% interest which is to be acquired by Carnavon Hibiscus in accordance with the terms of the Farm-in Agreement); and

(h) assuming that TDO fully complies with its obligations under the Subscription Agreement in relation to the allotment and issue of the Placement Shares (as defined in the Subscription Agreement), the issue of the Placement Shares by TDO to Oceania Hibiscus pursuant to the Subscription Agreement will be duly and validly issued, and the Placement Shares will be free from all competing rights (including pre-emption rights or rights of first refusal), encumbrances and other third party rights on their allotment and issue to Oceania Hibiscus, other than those rights and encumbrances to which all ordinary shares of TDO are subject under the constitution of TDO.

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5 Assumptions

For the purposes of this opinion we have assumed (without making any investigation) that:

(a) all dates, seals and signatures and any duty stamp or marking are authentic;

(b) all copies of Documents submitted to us are complete, conform to the originals of those Documents and (other than the Transaction Documents, which are the subject of this opinion) were in full force and effect as at the date of this opinion;

(c) each Transaction Document was negotiated and concluded in good faith and on arm's lengths terms by the Transaction Parties;

(d) all facts stated in the Documents are and continue to be correct and no relevant matter has been withheld from us, whether deliberately or inadvertently;

(e) there has not been any change to the results of the NEATS Search and ASIC Searches since the date of their execution;

(f) we are entitled to make and rely on all of the assumptions specified in section 129 of the Corporations Act 2001 (Cth), on the basis that no partner or solicitor of this firm nor any other person is disqualified from making those assumptions;

(g) in relation to the minutes referred to in **paragraph 3(d)**:

  (i) the meeting of the board of directors was properly convened and a quorum was present at all times;

  (ii) all directors who attended and voted at that meeting were entitled to do so;

  (iii) the resolutions referred to in these minutes were properly passed and have not been varied, revoked or superseded either in whole or in part; and

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

(h) all acts, conditions and things required to be done by each Transaction Party in respect of the Transaction Documents have been, or will be done, fulfilled or undertaken (other than in respect of such acts, conditions and things required to be done by TDO in order to make the Transaction Documents binding and enforceable on it);

(i) the execution and delivery of each Transaction Document by each Transaction Party, and the performance of its obligations under each of those Transaction Documents, is or will be for its commercial benefit;

(j) each of the Transaction Parties have obtained, or will obtain at the appropriate time, and will maintain in force, all necessary approvals, consents or authorisations required in connection with the Transaction Documents;

(k) none of the Transaction Parties is conducting or will conduct any relevant transaction or any associated activity in a manner or for a purpose not evident on the face of the Transaction Documents which might render the Transaction

Documents or any relevant transaction or associated activity illegal, void, voidable or unenforceable;

(l) in so far as any obligation under any of the Transaction Documents is to be performed outside the Relevant Jurisdiction, its performance will not be illegal or ineffective by virtue of the law of the place of performance;

(m) no matters arising under any foreign law will affect the views expressed in this opinion;

(n) no liquidator, administrator, receiver or like person has been appointed to a Transaction Party and there is no current application for the winding up of a Transaction Party (and we note, in the case of the Australian Transaction Parties, the ASIC Searches do not reveal, to the extent it would reveal, any such appointment or application);

(o) no Transaction Document has subsequently been amended, novated, released, surrendered or terminated and no rights under a Transaction Document have been waived, so as to impact our opinion in any way;

(p) there has been no breach or repudiation (actual or anticipatory) by any Transaction Party of any of its obligations under any Transaction Document, so as to impact our opinion in any way;

(q) none of the Transaction Parties will be in breach of any other agreement, deed, trust deed or licence to which it is a party or by which it is bound, by entering into the Transaction Documents; and

(r) no Australian Transaction Party has contravened Chapter 2E of the Corporations Act 2001 (Cth) by entering into a Transaction Document or giving effect to a transaction in connection with a Transaction Document.

The making of each of the above assumptions indicates that we have assumed that each matter which is the subject of each assumption is true, correct and complete in every particular. That we have made an assumption in this opinion does not imply that we have made any enquiry to verify any assumption or are not aware of any circumstance which might affect the correctness of any assumption. No assumption specified above is limited by reference to any other assumption. Russell Philip, as the partner within this firm with primary responsibility for this opinion, does not know or suspect that any of these assumptions is incorrect.

6 Qualifications

Our opinion is subject to the following qualifications:

(a) the expressions "legal", "valid", "binding" and "enforceable" in **paragraph 4** of this opinion mean that the relevant obligations are of a type that the courts in the Relevant Jurisdiction enforce. They do not mean that the obligations will necessarily be enforced in all circumstances in accordance with their terms. In particular, but without limitation:

(i) enforcement of each Transaction Document is subject to:

(A) applicable laws relating to insolvency, bankruptcy, liquidation, administration, receivership, composition, compromise, arrangement, reorganisation, moratorium and court schemes and other laws of general application affecting the enforcement of creditors' rights and remedies;

(B) statutes imposing limitation periods outside which suits, actions or proceedings may not be able to be brought;

(C) doctrines of estoppel (and similar principles) and frustration;

(D) the discretion of a court to decline to exercise its jurisdiction over a defendant if it considers that it is not the most appropriate court for the trial of the action and that some other court is more appropriate, or where the Transaction Parties have agreed to submit disputes arising out of their agreement to the courts of, or arbitration in, another place; and

(E) general law doctrines or statutory relief in relation to representations, acts, omissions, inconsistent dealings or relations of, by or affecting a Transaction Party which may preclude, limit or affect the validity, enforceability or binding effect of a document;

(ii) equitable remedies (including, without limitation, injunctions and orders for specific performance) are discretionary and may not be awarded by the courts;

(iii) an obligation to pay an amount may be unenforceable if the amount is held to constitute a penalty and any obligation of a Transaction Party under a Transaction Document to pay interest on an overdue amount at a rate higher than the rate applying before the amount fell due may be held to constitute a penalty if it is not a genuine pre-estimate of the damage;

(iv) where any Transaction Party is required to make any payment on demand, courts may require that that they be given a reasonable time after demand is made, to comply with that demand before a creditor will be permitted to realise or enforce any security for a failure to satisfy the demand; and

(v) a court may set aside a Transaction Document on the application of a Transaction Party if that party entered into that contract as a result of fraud, duress or unconscionable conduct on the part of another party;

(b) claims may be or become subject to defences of set-off or counterclaim;

(c) except if and as expressly stated in **paragraph 4**, we express no opinion as to:

(i) whether the representations and warranties made or given or to be made or given by any Transaction Party in any Transaction Document are correct except in so far (and to the extent) as any such representation or warranty relates to a matter which is the subject of this opinion;

(ii) any provision in any of the Transaction Documents requiring written amendments and waivers in so far as it suggests that oral or other modifications, amendments or waivers could not be effectively agreed on or granted by or between the Transaction Parties or by a properly authorised agent;

(iii) any obligation to negotiate in good faith or any provision that requires a person to do or not do something that is not clearly identified in the provision, or as to any undertaking in a Transaction Document to comply with another document or agreement, unless that other document or agreement is itself a Transaction Document;

(iv) any formulae, numerical amounts or numerical schedules (including their suitability or correctness); and

(v) any agreement, document or other instrument referred to in, contemplated by or in any way connected with any Transaction Document, unless such agreement, document or other instrument is itself a Transaction Document,

nor have we taken into account the implications of any pending or foreshadowed legislative or regulatory proposal or amendment or any litigation, hearing or judgment pending in any Relevant Jurisdiction, including but not limited to, any matter not yet decided on appeal;

(d) we have relied on the NEATS Search and ASIC Searches but we note that the records of NEATS and ASIC available for public search may not be complete or up to date;

(e) a provision that a calculation, determination or certificate will be conclusive and binding or conclusive evidence will not apply to a calculation, determination or certificate which is fraudulent, manifestly inaccurate on its face or determined on an arbitrary basis and will not necessarily prevent a court from enquiring into the merits of any claim in relation to such calculation, determination or certificate;

(f) where any Transaction Party is vested with a discretion or may determine a matter in its opinion, courts in the Relevant Jurisdiction may require that such a discretion be exercised reasonably or that such opinion be based on reasonable grounds;

(g) the question whether a provision of a Transaction Document which is invalid or unenforceable may be severed from other provisions is determined at the discretion of a court in the Relevant Jurisdiction;

(h) court proceedings may be stayed if the subject of the proceedings is concurrently before another court;

(i) an indemnity for legal costs or against liability for breach of any law may be unenforceable; and

(j) a court will not give effect to a choice of laws to govern the Transaction Documents or to a submission to the jurisdiction of certain courts if to do so would be contrary to public policy in the Relevant Jurisdiction.

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7 Reliance

This opinion is given for the benefit of Hibiscus Petroleum and for no other person and, without limitation, it may not, except with our express prior written consent, be relied on or disclosed to any person or entity (including a governmental agency or stock or other exchange), or filed with any person or entity or referred to in any document, except:

(a) that a copy of this opinion may be disclosed to the legal advisers and other transaction advisers of Hibiscus Petroleum;

(b) that a copy of this opinion will be attached to a circular to be distributed to the shareholders of Hibiscus Petroleum, which it is noted will be a publicly available document (including on the website of Bursa Malaysia);

(c) that a copy of this opinion may be submitted to Bursa Malaysia as part of the relevant regulatory approval process in relation to the Farm-in and Subscription transactions; and

(a) as required by law.

Yours faithfully
Corrs Chambers Westgarth

Russell Philip
Partner

Pareto Securities Asia

Date: 30 NOV 2012

The Board of Directors
Hibiscus Petroleum Berhad
Level 18, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Malaysia

Dear Sirs,

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

Fairness opinion in relation to Hibiscus Petroleum's 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 ("3DO") for a Subscription Consideration (as defined herein) of AUD 2,043,558

As part of Pareto Securities Asia Pte Ltd ("**Pareto Asia**")'s engagement with Hibiscus Petroleum, we have been requested to prepare this report on fairness of the Subscription Consideration (as defined herein) in connection with the Proposed Subscription (as defined herein) ("**Fairness Opinion**") for inclusion in the circular to the shareholders of Hibiscus Petroleum.

This Fairness Opinion is addressed strictly to the Board of Directors of Hibiscus Petroleum and may not be used or relied upon in any other connection or by any other person, and is not intended to confer any benefit on any other person in any other connection, without Pareto Asia's prior written consent.

Brief particulars of the Proposed Subscription (as defined herein)

On 14 August 2012, Hong Leong Investment Bank Berhad ("**HLIB**"), on behalf of Hibiscus Petroleum, announced that Hibiscus Petroleum, Oceania Hibiscus Sdn Bhd ("**OHSB**"), a wholly-owned subsidiary company of Hibiscus Petroleum, and 3DO had, on 14 August 2012, entered into a conditional subscription agreement ("**Subscription Agreement**") for the subscription of 30,963,000 new fully paid ordinary shares in the capital of 3DO ("**Subscription Shares**"), representing approximately 13.04% of the enlarged total issued share capital of 3DO immediately following the issue of the Subscription Shares for a subscription amount of AUD 2,043,558 (equivalent to MYR 6,702,053[1] or USD 2,143,488[2]) ("**Subscription Consideration**") ("**Proposed Subscription**").

On the same day, HLIB also announced that Carnarvon Hibiscus Pty Ltd, a wholly-owned subsidiary company of OHSB, had on 14 August 2012, entered into a conditional farm-in agreement ("**Farm-In Agreement**") with 3DO for the acquisition of a 50.1% unencumbered legal and beneficial right, title and interest in offshore exploration permit VIC/P57 ("**VIC/P57**") and any petroleum recovered from the permit area, together with all relevant property, data and information (whether held by 3DO or otherwise) relating to VIC/P57 ("**Farm-In Interest**") by CHPL, from 3DO for a purchase consideration of AUD 13,473,000 (equivalent to MYR 44,186,051 or USD 14,131,830) ("**Purchase Consideration**") and a contribution of AUD 13,527,000 (equivalent to MYR 44,363,149 or USD 14,118,470) ("**Project Contribution**") towards the joint operating activities of the project in respect of the Farm-In Interest ("**Proposed Farm-In**").

The Subscription Consideration has been arrived at on a "willing-buyer, willing-seller" basis based on the volume-weighted average price ("**VWAP**") of 3DO shares for 30 calendar-days up to the date of Subscription Agreement in the ordinary course of trade, being AUD 0.0660. The date of evaluation of this Fairness Opinion is 14 August 2012, which is the date of Subscription Agreement ("**Evaluation Date**").

[1] converted at an assumed exchange rate of MYR 3.2796 to AUD 1.00, the closing rate as of 14 August 2012, and the assumed exchange rate is applicable throughout this Fairness Opinion, unless otherwise indicated

[2] converted at an assumed exchange rate of USD 1.0489 to AUD 1.00, the closing rate as of 14 August 2012, and the assumed exchange rate is applicable throughout this Fairness Opinion, unless otherwise indicated

Information

In connection with the performance of Pareto Asia's evaluation, Pareto Asia has relied on information made available by the Company, including a technical evaluation of VIC/P57 from RISC Operations Pty Ltd ("**RISC**") ("**Technical Evaluation**"), information sourced from Wood Mackenzie, IHS Herold, Bloomberg as well as certain publicly available information. The scope of Pareto Asia's engagement does not include assessing the information, nor assessing the assets and liabilities of the companies involved in the Proposed Subscription, nor submitting the information, assets and liabilities for an independent appraisal or evaluation (including in any of the following areas: legal, regulatory, environmental, tax, social, etc.). Neither has Pareto Asia checked the tax position of any or all entities involved in the Proposed Subscription nor the tax implications of the transaction on Hibiscus Petroleum.

In arriving at the Fairness Opinion, Pareto Asia has also assumed that all the information provided is true, accurate, not misleading and complete in all material respects and that all material information which is relevant to Pareto Asia's engagement has been provided and Pareto Asia has acted upon assurances from the management of Hibiscus Petroleum that no relevant material information has been omitted or remains undisclosed to Pareto Asia.

In particular, Pareto Asia has sighted and reviewed copies of relevant documentation on VIC/P57 furnished by Hibiscus Petroleum, including copies of the Subscription Agreement and the Technical Evaluation from RISC. Pareto Asia has also conducted a check on the title instrument of VIC/P57 from the National Offshore Petroleum Titles Administrator website (http://www.neats.nopta.gov.au/), however, as Pareto Asia is not qualified to give a legal interpretation on the title particulars, we have also relied upon a Petroleum Title Report by Corrs Chambers Westgarth. Pareto has also referred to the announcement issued by HLIB on behalf of Hibiscus Petroleum on 14 August 2012, which we assume to be true, correct and complete.

This Fairness Opinion is not in any way a recommendation (expressed or implied) to the Board of Directors of the Company (or any of its subsidiaries) or its shareholders, to approve or to reject all or part of the Proposed Subscription, the assessment of which also requires that other criteria and information be taken into account than that referred to herein. This Fairness Opinion is not intended to form the basis of any investment decision by the Company and does not purport to contain all the information that may be necessary or desirable to fully and accurately evaluate the Proposed Subscription. The Company should conduct and will be solely responsible for its own investigation including due diligence, evaluation and analysis of the Proposed Subscription. The decision whether to complete the Proposed Subscription or not will in any event be the exclusive responsibility of the Board of Directors of the Company and shareholders of the Company, as well as of the companies and parties involved in the Proposed Subscription, which should carry out their own independent analysis of whether it would be appropriate to complete the Proposed Subscription.

This evaluation conducted for the purposes of the Fairness Opinion reflects the judgment of Pareto Asia as of the Evaluation Date and is based exclusively on the information, the features of the Proposed Subscription, the economic and market conditions as of the issue date of this Fairness Opinion. Any significant change, either in the operational information or in the transaction features as described in the Information (including publicly available information), as well as any event which could lead to a revision of our working assumptions, methods etc., set out above, would require a further analysis and could require this evaluation to be updated.

Strategic investment by Hibiscus Petroleum

Hibiscus Petroleum entered into the Subscription Agreement on the same date as the Farm-In Agreement. Although the Subscription Agreement and the Farm-In Agreement are not inter-conditional, Pareto Asia views these two agreements to be linked as both agreements are conditional upon the shareholders of Hibiscus Petroleum approving the resolutions for both, the Proposed Farm-In and Proposed Subscription. In the announcement issued by HLIB on behalf of Hibiscus Petroleum on 14 August 2012 the stated rationale of Hibiscus Petroleum for the Proposed Subscription is the belief that 3DO is currently undervalued. The Proposed Subscription and Proposed Farm-In will infuse required working capital into 3DO and enable the commencement of the planned development of the West Seahorse field in VIC/P57. It is furthermore stated that the successful development of the asset is expected to enhance the market value of OHSB's approximately 13.04% equity interest in 3DO.

It should be noted that as part of the Subscription Agreement:

(i) OHSB will enter into a share transfer restriction deed with Noel Newell, the founder and managing director of 3DO, restricting him from selling, transferring, leasing, licensing, assigning or otherwise disposing of his 16,500,000 fully paid ordinary shares in the capital of 3DO;

(ii) 3DO shall use the Subscription Consideration predominantly for the continued development of its existing permits and for general working capital purposes;

(iii) Hibiscus Petroleum, through OHSB, will potentially have influence on 3DO through its right to nominate one person to the board of directors of 3DO and to refer a second person for consideration by the board of directors of 3DO; and

(iv) There are restrictions on 3DO's ability to issue further shares or other securities until the 3DO shares are placed with OHSB, after which OHSB will have anti-dilution rights to participate in further issues of equity securities in the capital of 3DO to the extent required to enable it to maintain its ownership percentage of approximately 13.04% in 3DO.

Therefore, Pareto Asia views the Subscription Agreement not as a financial investment for Hibiscus Petroleum, but as a strategic investment to enable Hibiscus Petroleum's participation in the development of the West Seahorse fields in VIC/P57 through the Farm-In Agreement.

Evaluation

(i) Comparison of Proposed Subscription to other recent equity issues:

In order to evaluate the fairness of the Subscription Consideration, Pareto Asia has reviewed a list of secondary equity issues, of less than 15.0% of the enlarged equity capital, done by oil & gas exploration and production ("**E&P**") companies listed on the Australian Securities Exchange ("**ASX**") from the beginning of 2012 to the Evaluation Date, or 'year-to-date' 2012 ("**YTD 2012**"). The 15.0% cut-off was used as Chapter 7.1A of the Listing Requirements of the ASX provide stipulated rules for the valuation of issues exceeding 15.0%, which may affect the valuation of those issues. However, those guidelines do not apply to issues of up to 15.0%. From a set of 15 transactions, Pareto Asia found that, on average, secondary equity issues were done at a **10.4% discount** to the last traded share price and at a **4.2% discount** to the 30 calendar-days VWAP. It must be noted that these transactions were mainly financial in nature.

Secondary Equity Issues by E&P Companies in Australia YTD 2012

#	Date	Issuer	Volume (AUDm)	Issue size as % of enlarged capital	Issue price (AUD)	Prev day price (AUD)	Discount/ (Premium)	30-day VWAP (AUD)	Discount/ (Premium)
1	27-Jul-12	Quest Petroleum NL	1.20	8.9%	0.0060	0.0050	(20.0 %)	0.0062	3.3 %
2	26-Jul-12	Drillsearch Energy Ltd	50.00	12.7%	1.0200	1.1500	11.3 %	1.0611	3.9 %
3	6-Jul-12	Pura Vida Energy NL	1.48	12.9%	0.2500	0.3000	16.7 %	0.2837	11.9 %
4	25-Jun-12	Incremental Oil & Gas Ltd	4.60	12.8%	0.2300	0.2600	11.5 %	0.2800	17.9 %
5	15-Jun-12	Challenger Energy Ltd	0.55	7.1%	0.0250	0.0260	3.8 %	0.0344	27.4 %
6	14-Jun-12	Buru Energy Ltd	50.00	6.6%	3.0000	3.1800	5.7 %	3.0519	1.7 %
7	15-May-12	K2 Energy Ltd	0.94	13.1%	0.0300	0.0310	3.2 %	0.0294	(2.2 %)
8	4-Apr-12	Central Petroleum Ltd	11.05	9.4%	0.0850	0.1050	19.0 %	0.0810	(4.9 %)
9	28-Mar-12	Strike Energy Ltd	7.78	8.4%	0.1700	0.1950	12.8 %	0.1845	7.9 %
10	7-Mar-12	Raisama Energy Ltd	3.43	12.8%	0.0900	0.1100	18.2 %	0.1123	19.9 %
11	27-Feb-12	Oil Basins Ltd	1.60	11.2%	0.0320	0.0380	15.8 %	0.0343	6.7 %
12	24-Feb-12	Jacka Resources Ltd	2.34	10.9%	0.1350	0.1550	12.9 %	0.1540	12.3 %
13	20-Feb-12	AusTex Oil Ltd	1.80	8.6%	0.0850	0.1050	19.0 %	0.1011	16.0 %
14	30-Jan-12	Oil Basins Ltd	1.25	12.6%	0.0250	0.0250	-	0.0235	(6.4 %)
15	27-Jan-12	Rialto Energy Ltd	16.58	12.8%	0.3000	0.3500	14.3 %	0.3220	6.8 %
AVERAGE DISCOUNT (WEIGHTED BY ISSUE VOLUME)							10.4 %		4.2 %

Compared to these findings, the Subscription Consideration, calculated using a 30 calendar-days (prior to 14 August 2012) VWAP of 3DO of AUD 0.066 a share, represents a discount of 5.7% to the last-traded price on 13

August 2012 of AUD 0.070, i.e., this is 4.7% lower than the average discount (to last-traded price on the previous day) of 10.4% for the secondary issues listed above.

Comparing the observed issue prices to the 30 calendar-days (prior to 14 August 2012) VWAP of the secondary issues, we find that they have been concluded at a 4.2% discount. The Proposed Subscription is priced at the 30 calendar-days (prior to 14 August 2012) VWAP of 3DO shares and is therefore done at a premium compared to the observed issues.

It can therefore be observed that the implied discount of the Subscription Consideration was approximately 4.5% lower than the average discount yielded by the analysis above, or, that the Subscription Consideration represents a premium of approximately 4.5% relative to the average consideration paid for the 15 transactions analyzed.

(ii) Premium for strategic investments:

It can be observed that share prices of listed companies tend to appreciate when investors are seeking to build a strategic level of interest in these companies that could enable the investor to have board representation and other influencing features. Investors seeking to build a strategic position in companies provide upward pressure on the company's share price, which may be reflected the rising share price of listed companies, if the shares are being bought in the market, or be reflected in the negotiated consideration.

However, Hibiscus Petroleum has obtained a strategic position in 3DO at the VWAP of 3DO shares for 30 calendar-days up to the date of Subscription Agreement, which is highly likely to be at a discount to the price they would have had to pay by building the same interest level through buying shares in the market. Low liquidity would increase upward pressure on the share price. Only 6,097,751 shares, equivalent to 19.7% of the 30,963,000 shares OHSB are purchasing as part of the Proposed Subscription, were traded on a cumulative basis in the 30 calendar-days to 14 August 2012[3] – therefore acquiring 30,963,000 shares from the market would create an unusual demand, which would put upward pressure on share price. In addition, as per Australian regulations on mergers and takeovers[4], Hibiscus Petroleum would be required to disclose their ownership upon reaching 5% interest, and subsequently for every 1% change in interest, which would draw attention to Hibiscus Petroleum's attempt to acquire shares in 3DO, potentially placing further upward pressure on the share price.

Pareto Asia has not identified any unusual movements in share price or daily traded volumes during this 30 calendar-day (prior to 14 August 2012) period and is therefore of the opinion that the Subscription Consideration represents the appropriate market pricing of 3DO. Though concluded at market price, the Subscription Consideration can be viewed to have been at a premium of approximately 4.5% if compared to the average discount to the 30 calendar-days (prior to 14 August 2012) VWAP as seen in the analysis above. Pareto Asia attributes this difference to the strategic nature of this transaction that gives Hibiscus Petroleum a strategic ownership position in 3DO and the right to exercise influences towards 3DO, in addition to enabling the Farm-in Agreement.

Pareto Asia believes and notes that 3DO would have had to source alternative funding to remain solvent in the absence of reaching the agreements with Hibiscus Petroleum. Furthermore, we believe, unless 3DO had the ability to conclude on alternative farm-in agreements, 3DO would not have had the financial capability of developing the West Seahorse fields in VIC/P57 without sourcing new equity capital, which would have resulted in significant dilution of the current equity-owners of 3DO. In the absence of these factors, the Subscription Consideration negotiated might have needed to be higher.

(iii) Comparison of Proposed Subscription to estimated value:

Pareto Asia has performed a valuation of 3DO's 49.9% interest in VIC/P57 on a 'post-money' basis, i.e., subsequent to the successful execution and completion of the Farm-In Agreement and the Subscription Agreement, and assuming that the required financing to develop the asset is available. Based on the resulting net asset valuation of 3DO, the Proposed Subscription implies a price to net asset value ("**NAV**") ratio (or "**Price/NAV**") of **0.44x.**

[3] Obtained from Bloomberg

[4] Part 6C.1, Section 671B of the Corporation Act 2001 (Australia)

Risked asset value of 3DO's 49.90% of VIC/P57 (AUDm) *	32.0
Add: Cash (30 June 2012) (AUDm)	1.7
Add: Cash from Subscription Consideration (AUDm)	2.0
Less: Debt (30 June 2012) (AUDm)	-
NAV of 3DO (AUDm)	**35.7**
Subscription Consideration (AUDm)	2.0
Equity stake acquired (%)	13.04%
Implied 100% price of 3DO (AUDm)	**15.7**
Implied Price/NAV (x)	**0.44x**

** 3DO's 49.9% interest in VIC/P57 was valued on a 'post-money' basis, assuming the Purchase Consideration funds 3DO's initial share of capital expenditure of VIC/P57, and including the Subscription Consideration towards 3DO's cash balance. With regard to the computation of the risked asset value, all relevant assumptions, i.e., production profile, cost profile, oil price, fiscal terms, depreciation method, discount rate and cost inflation, are the same as those used for the valuation of Hibiscus Petroleum's 50.1% interest in VIC/P57 subsequent to the successful execution of the agreements in effect of the Proposed Farm-In (refer to Pareto's Valuation Certificate dated 21 September 2012).*

This valuation has been performed to ensure that the Subscription Consideration to be paid does not reflect a value which is higher than the estimated NAV.

Pareto Asia notes that it is not uncommon for E&P companies in general, especially for companies of less material size such as 3DO, to be priced at a significant discount to NAV. Pareto Asia has, however, not conducted a detailed comparative analysis of the Price/NAV of 3DO's peers as the Proposed Subscription is a strategic and not a financial investment and the intention of this Fairness Opinion is to assess the fairness of the Proposed Subscription and not the valuation of 3DO relative to peers.

Pareto Asia wishes to highlight that the purpose of this section (iii) is to provide further information and an indication of 3DO's estimated NAV post the Proposed Subscription and Proposed Farm-In. Other than to ensure that the Subscription Consideration does not reflect a valuation higher than the NAV, the findings from this section do not form a basis for Pareto Asia's opinion on the fairness of the Subscription Consideration.

Opinion

Based upon and subject to the foregoing, Pareto Asia is of the opinion that, as at the Evaluation Date, the Subscription Consideration of AUD 2,043,558 (equivalent to MYR 6,702,053 or USD 2,143,488) for the Proposed Subscription is fair, considering that this is a strategic investment connected to the Farm-In Agreement.

Yours faithfully,
For and on behalf of
Pareto Asia

Arild Fosse Valland
Director

Pareto Securities Asia

Date: 30 NOV 2012

The Board of Directors
Hibiscus Petroleum Berhad
Level 18, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Malaysia

Dear Sirs,

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

Fairness opinion in relation to Hibiscus Petroleum's proposed acquisition of a 50.1% interest in offshore exploration permit VIC/P57 ("VIC/P57"), for a purchase consideration of AUD 13,473,000 and a contribution of AUD 13,527,000 towards the joint operating activities of the project in respect of the Farm-In Interest (as defined herein)

As part of Pareto Securities Asia Pte Ltd ("**Pareto Asia**")'s engagement with Hibiscus Petroleum, we have been requested to prepare this report on fairness of the purchase consideration for the Proposed Farm-In (as defined herein) ("**Fairness Opinion**") for inclusion in the circular to the shareholders of Hibiscus Petroleum.

This Fairness Opinion is addressed strictly to the Board of Directors of Hibiscus Petroleum and may not be used or relied upon in any other connection or by any other person, and is not intended to confer any benefit on any other person in any other connection, without Pareto Asia's prior written consent.

Brief particulars of the Proposed Farm-In (as defined herein)

On 14 August 2012, Hong Leong Investment Bank Berhad ("**HLIB**"), on behalf of Hibiscus Petroleum, announced that Carnarvon Hibiscus Pty Ltd, a wholly-owned subsidiary company of Oceania Hibiscus Sdn Bhd ("**OHSB**"), a wholly-owned subsidiary of Hibiscus Petroleum, had on 14 August 2012, entered into a conditional farm-in agreement ("**Farm-In Agreement**") with 3D Oil Limited ("**3DO**") 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 3DO or otherwise) relating to VIC/P57 ("**Farm-In Interest**") by CHPL, from 3DO for a purchase consideration of AUD 13,473,000 (equivalent to MYR 44,186,051[1] or USD 14,131,830[2]) ("**Purchase Consideration**") and a contribution of AUD 13,527,000 (equivalent to MYR 44,363,149 or USD 14,118,470) ("**Project Contribution**") towards the joint operating activities of the project in respect of the Farm-In Interest ("**Proposed Farm-In**").

On the same day Hibiscus Petroleum, OHSB and 3DO entered into a conditional subscription agreement for the subscription of 30,963,000 new fully paid shares in the capital of 3DO representing approximately 13.04% of the enlarged total issued share capital of 3DO immediately following the issue of the shares for a subscription amount of AUD 2,043,558 (equivalent to MYR 6,702,053 or USD 2,143,488)

Information

In connection with the performance of Pareto Asia's valuation, Pareto Asia has relied on information made available by the Company, including a technical evaluation of VIC/P57 from RISC Operations Pty Ltd ("**RISC**") ("**Technical Evaluation**"), information sourced from Wood Mackenzie, IHS Herold, Bloomberg as well as certain publicly available information. The scope of Pareto Asia's engagement does not include assessing the information, nor assessing the assets and liabilities of the companies involved in the Proposed Farm-In, nor submitting the information, assets and liabilities for an independent appraisal or evaluation (including in any of the following areas: legal, regulatory, environmental, tax, social, etc.). Neither has Pareto Asia checked the tax

[1] converted at an assumed exchange rate of MYR 3.2796 to AUD 1.00, the closing rate as of 14 August 2012, and the assumed exchange rate is applicable throughout this Fairness Opinion, unless otherwise indicated

[2] converted at an assumed exchange rate of USD 1.0489 to AUD 1.00, the closing rate as of 14 August 2012, and the assumed exchange rate is applicable throughout this Fairness Opinion, unless otherwise indicated

position of any or all entities involved in the Proposed Farm-In nor the tax implications of the transaction on Hibiscus Petroleum.

In arriving at the Fairness Opinion, Pareto Asia has also assumed that all the information provided is true, accurate, not misleading and complete in all material respects and that all material information which is relevant to Pareto Asia's engagement has been provided and Pareto Asia has acted upon assurances from the management of Hibiscus Petroleum that no relevant material information has been omitted or remains undisclosed to Pareto Asia.

In particular, Pareto Asia has sighted and reviewed copies of relevant documentation on VIC/P57 furnished by Hibiscus Petroleum, including copies of the Farm-In Agreement and the Technical Evaluation from RISC. Pareto Asia has also conducted a check on the title instrument of VIC/P57 from the National Offshore Petroleum Titles Administrator website (http://www.neats.nopta.gov.au/), however, as Pareto Asia is not qualified to give a legal interpretation on the title particulars, we have also relied upon a Petroleum Title Report by Corrs Chambers Westgarth. Pareto has also referred to the announcement issued by HLIB on behalf of Hibiscus Petroleum on 14 August 2012, which we assume to be true, correct and complete.

This Fairness Opinion is not in any way a recommendation (expressed or implied) to the Board of Directors of the Company (or any of its subsidiaries) or its shareholders, to approve or to reject all or part of the Proposed Farm-In, the assessment of which also requires that other criteria and information be taken into account than that referred to herein. This Fairness Opinion is not intended to form the basis of any investment decision by the Company and does not purport to contain all the information that may be necessary or desirable to fully and accurately evaluate the Proposed Farm-In. The Company should conduct and will be solely responsible for its own investigation including due diligence, evaluation and analysis of the Proposed Farm-In. The decision whether to complete the Proposed Farm-In or not will in any event be the exclusive responsibility of the Board of Directors of the Company and shareholders of the Company as well as of the companies and parties involved in the Proposed Farm-In, which should carry out their own independent analysis of whether it would be appropriate to complete the Proposed Farm-In.

This valuation conducted for the purposes of the Fairness Opinion reflects the judgment of Pareto Asia as of the valuation date being 14 August 2012 ("**Valuation Date**") and is based exclusively on the information, the features of the Proposed Farm-In, the economic and market conditions as of the issue date of this Fairness Opinion. Any significant change, either in the operational information or in the transaction features as described in the Information (including publicly available information), as well as any event which could lead to a revision of our working assumptions, methods, etc., set out above, would require a further analysis and could require this valuation to be updated.

Valuation Methodology

Based on currently available information, Pareto Asia has conducted a valuation of Hibiscus Petroleum's 50.1% interest in VIC/P57, upon execution of agreements in effect of the Proposed Farm-In ("**Farm-In Agreement Completion**") using 2 valuation methods: (i) risked asset valuation ("**RAV**") method; and (ii) comparable transaction valuation ("**Comparable Transaction Valuation**").

It must be noted that, by their very nature, valuations cannot be regarded as an exact science and the conclusions are necessarily subjective and dependent on individual judgement. There is no indisputable single value and we normally express our valuation opinion as falling within expected ranges that are reasonable and defensible.

i) **RAV**:

This valuation method estimates a total RAV of the assets and adjusts this RAV by the estimated market value of RAV in order to derive the Fair Market Value ("**FMV**").

For each of the two intended development scenarios, the method uses production and cost profiles provided by the Company and based on RISC's Technical Evaluation, to perform a discounted cash flow analysis, while taking into account applicable fiscal and contractual terms, and arrives at an unrisked asset value ("**UAV**") for each of the development scenarios. The UAV is weighted with the

respective probabilities of success for each of the scenarios, to arrive at an Expected Monetary Value ("**EMV**") of the development scenarios, which are then adjusted for commercial risking to derive the RAV.

For the prospective resources, the method estimates the EMV for each prospective resource asset using the value for the potential outcomes weighted by their respective probability of success. In case of success, the value of a discovery is the estimated amount of recoverable resources multiplied by the per barrel value, less the cost of the initial exploration capex. In the case of a failure to develop the estimated prospective resources, the loss incurred is the exploration capex. The respective EMVs are then adjusted for commercial risking and probability of drilling, as per industry norms, to derive the RAV.

The total RAV is then adjusted for an estimated market value of RAV, based on an analysis of considerations paid for comparable assets in recent transactions, in order to derive the FMV.

ii) **Comparable Transaction Valuation**:
This valuation method uses per barrel transaction multiples based on considerations that were paid for assets, from a list of identified comparable transactions, and applied this metric to the risked resources of VIC/P57 to derive a valuation of the asset.

Both (i) and (ii) yield the FMV as a range of values as opposed to a single value. It must be noted that Pareto Asia has used (i) as the primary method while (ii) is only a secondary method to support the findings from (i).

	Valuation range (50.1%)			Valuation range (50.1%)		
Approach	**USDm**		**USDm**	**MYRm**		**MYRm**
Risked Asset Valuation (RAV)	22.0	-	28.3	68.6	-	88.2
Comparable Transactions Valuation	19.8	-	23.8	61.7	-	74.1

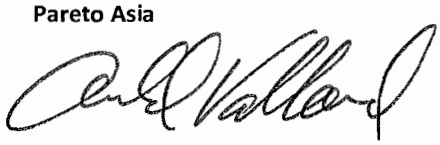
The estimated FMV of Hibiscus Petroleum's 50.1% interest in VIC/P57 upon Farm-In Agreement Completion, is USD 22.0 million to USD 28.3 million (MYR 68.6 million[3] to MYR 88.2 million) based on the RAV method, and USD 19.8 million to USD 23.8 million (MYR 61.7 million to MYR 74.1 million) based on the Comparable Transactions Valuation method.

Please refer to the Valuation Certificate as attached in the in the circular to the shareholders of Hibiscus Petroleum.

Opinion

Based upon and subject to the foregoing, Pareto Asia is of the opinion that, as at the Valuation Date, the Purchase Consideration of AUD 13,473,000 (equivalent to MYR 44,186,051 or USD 14,131,830) is favorable from a financial point of view.

Yours faithfully,
For and on behalf of
Pareto Asia



Arild Fosse Valland
Director

[3] converted at an assumed exchange rate of MYR 3.1163 to USD 1.00, the closing rate as of 14 August 2012, and the assumed exchange rate is applicable throughout this Fairness Opinion, unless otherwise indicated

Valuation Certificate

VIC/P57

September 2012

Pareto Securities Asia

Pareto Securities

The Board of Directors
Hibiscus Petroleum Berhad
Level 18, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Malaysia

Singapore, 21.09.2012

Dear Sirs

VALUATION OF HIBISCUS' 50.1% INTEREST IN VIC/P57

1. Introduction

The Board of Hibiscus Petroleum Berhad ("**Hibiscus**") has requested Pareto Securities Asia Pte Ltd ("**Pareto Asia**") to undertake an independent valuation on its 50.1% interest in Gippsland Basin exploration permit VIC/P57 ("**VIC/P57**") subsequent to the execution of agreements in effect of the "**Proposed Farm-In**" as described herewith ("**Farm-In Agreement Completion**").

On 14 August 2012, HLIB, on behalf of Hibiscus, announced that Carnarvon Hibiscus Pty Ltd ("**CHPL**"), a wholly owned subsidiary of Oceania Hibiscus Sdn Bhd ("**OHSB**"), a wholly-owned subsidiary of Hibiscus, had on 14 August 2012, entered into a conditional farm-in agreement ("**Farm-In Agreement**") with 3D Oil Limited ("**3DO**") 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 3DO or otherwise) relating to VIC/P57 ("**Farm-In Interest**") by CHPL, from 3DO for a purchase consideration of AUD 13,473,000 (equivalent to MYR 44,186,051[1] or USD 14,131,830[2]) ("**Purchase Consideration**") and a contribution of AUD 13,527,000 (equivalent to MYR 44,363,149 or USD 14,118,470) ("**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 AUD 27,000,000 (equivalent to MYR 88,549,200 or USD 28,320,300) are referred to as the "**Farm-In Investment**".

On the same date Hibiscus Petroleum, OHSB, a wholly-owned subsidiary of Hibiscus and 3DO entered into a conditional subscription agreement for the subscription of 30,963,000 new fully paid shares in the capital of 3DO representing approximately 13.04% of the enlarged total issued share capital of 3DO immediately following the issue of the shares for a subscription amount of AUD 2,043,558 (equivalent to MYR 6,702,053 or USD 2,143,488) ("**Subscription Consideration**") ("**Proposed Subscription**").

Pareto Asia provides an estimate of the Fair Market Value ("**FMV**") of Hibiscus' 50.1% interest in VIC/P57, upon Farm-In Agreement Completion, using two methods – primarily the Risked Asset Valuation ("**RAV**") method and supported by the "**Comparable Transactions Valuation**" method, both of which are shown in detail in Section 10 of this Valuation Certificate. The methods yielded valuation ranges of USD 22.0 million to USD 28.3 million (MYR 68.6 million[3] to MYR 88.2 million or AUD 21.0 million to AUD 27.0 million) and USD 19.8 million to USD 23.8 million (MYR 61.7 million to MYR 74.1 million or AUD 18.9 million to AUD 22.7 million), respectively. This compares to the Purchase Consideration of AUD 13.5 million (equivalent to USD 14.1 million or MYR 44.2 million).

[1] converted at an assumed exchange rate of MYR 3.2796 to AUD 1.00, the closing rate as of 14 August 2012, and the assumed exchange rate is applicable throughout this Valuation Certificate, unless otherwise indicated
[2] converted at an assumed exchange rate of USD 1.0489 to AUD 1.00, the closing rate as of 14 August 2012, and the assumed exchange rate is applicable throughout this Valuation Certificate, unless otherwise indicated
[3] converted at an assumed exchange rate of MYR 3.1163 to USD 1.00, the closing rate as of 14 August 2012, and the assumed exchange rate is applicable throughout this Valuation Certificate, unless otherwise indicated

Pareto Securities

Pareto Securities AS is an experienced advisor to independent Exploration & Production ("**E&P**") companies. The following highlights some of Pareto group's credentials:

i) lead advisor on several E&P transactions in recent years for clients with assets located in all major oil and gas producing regions of the world;
ii) advisor in mergers & acquisitions transactions within the E&P sector in which Pareto was also required to conduct valuations;
iii) conducted detailed valuations for companies when advising on and structuring bond and equity placements within the E&P sector;
iv) advisor in initial public offerings, equity placements and bond issues within the E&P sector; and
v) performed numerous independent valuations for E&P companies as an advisory service.

Pareto Securities AS, Pareto Asia's parent company, is regulated by the Financial Supervisory Authority of Norway ("**FSAN**"), whereas, Pareto Asia, incorporated in Singapore, is regulated by the Monetary Authority of Singapore ("**MAS**").

2. Disclaimers and Disclosures

This Valuation Certificate ("**Valuation Certificate**") is prepared by Pareto Asia. Pareto Asia is a limited liability company established under the laws of Singapore, being licensed and supervised by the MAS to advise on corporate finance and deal in securities. Pareto Asia also operates as an exempt financial advisor in Singapore.

This Valuation Certificate is prepared and developed solely for the purposes of assisting Hibiscus in its evaluation of the relevant assets in relation to the Proposed Farm-In and is a summary of the detailed Valuation Report dated 21 September 2012 ("**Valuation Report**"). This Valuation Certificate makes no recommendation or suggestion regarding the suitability of the relevant assets for any investment purpose.

This Valuation Certificate does not provide individually tailored investment advice of any type and does not offer financial, tax, regulatory, accounting or legal advice. The content stated and discussed in this Valuation Certificate may not be suitable for all recipients of the Valuation Certificate. Hibiscus and all recipients of this Valuation Certificate should seek independent advice prior to making any investment decision based on any information contained in this Valuation Certificate. Prior to entering into any proposed transaction, Hibiscus and the recipients of this Valuation Certificate should determine, in consultation with their own investment / financial, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, financial, tax, regulatory and accounting characteristics and consequences, of the transaction.

Pareto Asia shall not be responsible for any or all claims, losses, damages, costs, charges, expenses, actions, demands, proceedings, liabilities or judgments which might be raised, made, or expressed to be made, suffered or incurred, directly or indirectly, in connection with investment decisions based on or motivated by this Valuation Certificate and the compilation of the information contained herein. All recipients of this Valuation Certificate are deemed to have accepted this disclaimer.

This Valuation Certificate is prepared from information made available to Pareto Asia by Hibiscus and certain publicly available information that Pareto Asia deemed relevant. Pareto Asia has not checked or independently verified the authenticity, thoroughness and/or accuracy of such information and has relied on such information. In arriving at the valuation, Pareto Asia has also assumed that all the information provided is true, accurate, not misleading and complete in all respects and that all the information which is relevant to Pareto Asia's engagement has been provided and Pareto Asia has acted

upon assurances from the management of Hibiscus that no relevant material information has been omitted or remains undisclosed to Pareto Asia.

This Valuation Certificate reflects the judgment of Pareto Asia as of the date of this document and is based exclusively on the information, the features of the Proposed Farm-In, the economic and market conditions as of the issue date of this Valuation Certificate. Any significant change, either in the operational information or in the transaction features as described in the information (including publicly available information), as well as any event which could lead to a revision of our working assumptions, approaches, etc., set out above, would require a further analysis and could result in this Valuation Certificate being updated.

No part of this Valuation Certificate may be quoted, referred to or otherwise disclosed in any public document nor may any public reference to Pareto Asia be made, without Pareto Asia's prior written consent unless expressly required by laws, rules or regulations. In addition, no public announcement or communication concerning this Valuation Certificate may be made without Pareto Asia's prior written consent.

3. Purpose of Valuation

This Valuation Certificate has been prepared for inclusion in the circular to the shareholders of Hibiscus dated 21 November 2012 in conjunction with the Proposed Farm-In.

This Valuation Certificate is a summary of our detailed Valuation Report, and sets out a summary analysis of the estimated FMV of Hibiscus' 50.1% interest in VIC/P57, upon Farm-In Agreement Completion, as at 14 August 2012 ("**Valuation Date**"). Detailed information on our valuation is contained in the Valuation Report.

4. Valuation Guidelines

This valuation has been prepared in accordance with Pareto Asia's understanding of the Asset Valuation Guidelines ("**AVA Guidelines**") issued by the Securities Commission, Malaysia ("**SC**").

5. Basis of Valuation

The purpose of the Valuation Report is to provide an estimate of the FMV of Hibiscus' contemplated 50.1% interest in VIC/P57 upon Farm-In Agreement Completion. FMV is defined as the approximate value at which an asset, company or the shares of a company would be expected to change hands, based on the prevailing market conditions at the time of the valuation exercise.

Paragraph 4.06 of the AVA Guidelines requires the application of at least two approaches of valuation. Accordingly, in arriving at the FMV of Hibiscus' contemplated interest in VIC/P57, we have used a **RAV** approach, which uses a Discounted Cash Flow ("**DCF**") and Comparable Transaction Valuation ("**Comparable Transaction Valuation**") approach.

6. Interest to be Valued

The interest to be valued is Hibiscus' interest in VIC/P57 upon Farm-In Agreement Completion, where Hibiscus, through OHSB and ultimately through CHPL will hold a 50.1% unencumbered legal and beneficial right, title and interest in VIC/P57.

7. Sources of Information

In arriving at our value estimates, we have relied on, amongst others, the following sources of information:

(i) Title particulars of VIC/P57 obtained from the website of Australia's National Offshore Petroleum Titles Administrator[4]
(ii) A Petroleum Title Report from Corrs Chambers Westgarth ("**Corrs**") dated 13 August 2012;
(iii) The Farm-In Agreement;
(iv) The Subscription Agreement;
(v) A technical evaluation report from RISC Operations Pty Ltd ("**RISC**") providing asset descriptions, resource volumes, probability of success, estimated production, opex and capex, as well as various assumptions on fiscal terms ("**Technical Evaluation**")
(vi) Information obtained from information providers including Wood Mackenzie, IHS Herold and Bloomberg;
(vii) Various other agreements, documents and information made available to us during the course of our discussion with the management of Hibiscus; and
(viii) Certain publicly available data and information.

8. Overview of VIC/P57

8.1. Brief Background of the Asset

Upon Farm-In Agreement Completion, Hibiscus will hold a 50.1% interest in VIC/P57. VIC/P57 is located in the offshore northwest of the Gippsland Basin in the Commonwealth of Australia ("**Australia**") with the north-western boundary approximately 8 km offshore of the south-east Victorian coast and infrastructure. An overview of the asset is as follows:

Item	Description
Acreage	Approximately 480 km^2
Location	Located offshore northwest of the Gippsland Basin in Australia with the north-western boundary approximately 8 km offshore of the south-east Victorian coast and infrastructure.
Key Assets	The key assets in the VIC/P57 block are the one discovery – West Seahorse (or "**WSH**") Field, discovered in 1981 – and two exploration prospects – Sea Lion and Felix. WSH is a small offshore oilfield located approximately 14km from the coast in a shallow relief structure (water depth of the area is approximately 40 meters). Discovered in 1981 by Hudbay Oil Australia Limited ("**Hudbay Oil**"), the field is divided into two pools, the Main and North-East ("**NE**"), separated by a structural spill point at the tip-out of two faults. Sea Lion is a robust exploration prospect on trend with with other discoveries within similar reservoirs and depth horizons, is located close to West Seahorse and is approximately 4km from shore at its nearest point. 3DO views the Sea Lion prospect to have stacked potential. The Felix is a less robust exploration prospect, with the structure less well defined and the reservoirs located deeper, compared to the Sea Lion prospect. The prospect is also located too far away from WSH to be considered for a development plan in conjunction with WSH.

[4] Website: http://www.neats.nopta.gov.au/

Item	Description
Contingent resources[5]	(a) West Seahorse Main (N-reservoirs)
Prospective resources[6]	(b) West Seahorse NE (N-reservoirs) (c) West Seahorse Main (Gurnard-reservoir) (d) West Seahorse NE (Gurnard-reservoir) (e) Sea Lion (f) Felix
Surrounding Area	The Gippsland Basin, roughly 46,000 km^2 in size, is located largely offshore southeast Victoria and was the mainstay of Australia's hydrocarbon production for nearly thirty years from the late 1960s and today accounts for the second highest oil production in Australia, only after the Carnarvon Basin offshore western Australia, which took the lead in the 1990s. The Gippsland Basin has produced approximately two thirds of Australia's cumulative oil production and one third of its gas production to date. At its peak in 1985, the oil production of 487,000 bbls/day accounted for approximately 90% of the total Australian crude oil output. However, production is declining and it is now a mature basin. Nonetheless, there are many fields with substantial oil and gas reserves yet to be developed. Being a historical mainstay of oil production in Australia, oil infrastructure and export facilities are well-developed in the region.
Review of Drilled Wells	All drilled wells are on West Seahorse. Hudbay Oil successfully drilled the West Seahorse-1 discovery well (September-November 1981), which intersected three separate oil accumulations (N1, N2.6 and N1u) with a potential fourth (P1) sand interval which was untested. During the testing, the well flowed high quality oil from the N1 reservoir and sampled oil from the N2.6 reservoir. Subsequently, Hudbay Oil drilled the West Seahorse-2 appraisal well (January-February 1982) to appraise the West Seahorse-1 discovery. However, the N2.6 reservoirs were found to be water bearing and the N1 reservoirs were found to be of poor quality. The well was plugged and abandoned. After acquiring the VIC/P57 acreage in 2004, 3DO drilled two wells. The West Seahorse-3 well (April-May 2008), recovered three oil samples in the N1 reservoir confirming the presence of oil as seen in West Seahorse-1. The Wardie-1 well (May 2008) was drilled to appraise and test a structure off the South East flank of the West Seahorse-1 discovery, but encountered water in the Main N1 and N2.6 reservoirs as the target reservoirs ended up deeper than expected. The development well into West Seahorse Main would now be through a re-entry of West Seahorse-3. Please refer to the second figure in Section 8.4 showing the location of the wells.

[5] Contingent resources: Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies

[6] Prospective resources: Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations

8.2. Technical Evaluation by RISC

Hibiscus has procured certain geological interpretation services from RISC, with regards to prospect assessment on the VIC/P57. The work includes:

i) short introduction/background on prospectivity and reservoir development;
ii) assessment of volumes and risks of the presented prospects and leads; and
iii) suggestions for upside potential and additional work.

The following table presents a gross unrisked recoverable resources and Probability of Success ("PoS") provided by RISC:

Pool	Reservoir	Best Estimate OOIP *	Recovery Factor	Best estimate Gross Unrisked Recoverable Resources (mmbbls)	PoS ^
CONTINGENT RESOURCES					
West Seahorse Main	N1u, N1 and N2.6	8.2	67.5%	5.5	100%
Total		**8.2**		**5.5**	

Pool	Reservoir	Best Estimate OOIP *	Recovery Factor	Best estimate Gross Unrisked Recoverable Resources (mmbbls)	PoS ^
PROSPECTIVE RESOURCES					
West Seahorse NE	N1u, N1 and N2.6	1.6	66.0%	1.0	80%
West Seahorse Main	Gurnard	4.8	14.6%	0.7	85%
West Seahorse NE	Gurnard	0.6	16.7%	0.1	75%
Sea Lion (see note)	N1	7.0	64.3%	4.5	42%
Sea Lion (see note)	N2.6	8.1	64.2%	5.2	42%
Sea Lion (see note)	Gurnard	3.7	24.3%	0.9	37%
Felix	Sub volcanics	12.0	50.0%	6.0	26%
Total		**37.8**		**18.4**	

* OOIP: Original oil in place – the total estimated volume of oil available in a given reservoir
^ Probability of Success - from RISC

Note: *For pools where multiple reservoirs are involved, RISC has presented the best estimate gross unrisked recoverable resources of the pool based on a probabilistic summation of the volumes from the individual reservoirs of the respective pool in order to correctly account for the uncertainties in the various input parameters, and arrive at the probabilistic sum of 5.5 mmbbls for West Seahorse Main (N1u, N1 and N2.6), 1.0 mmbbls for West Seahorse NE (N1u, N1 and N2.6), and 11.0 mmbbls for Sea Lion (N1, N2.6 and Gurnard). Pareto Asia has valued the West Seahorse Main (N1u, N1 and N2.6) and West Seahorse NE (N1u, N1 and N2.6) based on the production profiles provided by Hibiscus on the basis of these respective probabilistic volumes. However, for the valuation of Sea Lion, which has been done on an Expected Monetary Value ("**EMV**") basis (explained in Section 10.1.2), Pareto Asia has used the individual volume estimates of the respective reservoirs within Sea Lion, i.e, N1, N2.6 and Gurnard, to derive the individual EMV of each of these reservoirs and then summed these up to arrive at an EMV for Sea Lion as a whole. Therefore, the cumulative volume estimate used for the valuation of Sea Lion is 10.6 mmbbls (4.5+5.2+0.9) (Table 10-2 of RISC's Technical Evaluation) as compared to the probabilistic sum of 11.0 as in the executive summary of the RISC's Technical Evaluation. Note that since the PoS for the different reservoirs of Sea Lion are not the same, an EMV for the entire Sea Lion must not be calculated on a cumulative basis.*

The table above summarizes the Technical Evaluation (prepared by RISC) for VIC/P57. The estimates have been performed by the RISC specialists after a technical review of available interpreted data, without carrying out an independent interpretation of raw data. The clauses and conditions of the report apply to the present tables.

The estimated volumes found in the table are best estimate recoverable resources available in the respective areas of the block. Recoverable resources are a subset of the total estimated resources thought to be technically recoverable. For the resources to be classified as reserves they will need to be confirmed through drilling of the prospect and a plan of development will need to be approved by the host government. **Best estimate** implies that there is at least a 50% probability (P50) that the quantity of resources actually recovered will equal or exceed this best estimate. The WSH Main recoverable resources are classified as contingent resources, because these resources have been discovered thorough drilling of the structure, but their development is contingent on the development plan being approved by Australian authorities and a final investment decision ("**FID**")[7] needs to be taken by the permittees.

Probability of Success ("**PoS**") is the product of four probability factors/elements – (i) charge (ii) reservoir (iii) trap (iv) seal. The **charge** element of the PoS relates to the probability of the presence of an adequate mature source rock in the fetch area and that of the existence of adequate migration pathways into the trap. The **reservoir** element of the PoS relates to the reservoir properties including the existence of adequate porosity and permeability of the reservoir, to facilitate extraction of the resources. The **trap** element of the PoS relates to the confidence in the definition of the prospect geometry based on the available data, and considers uncertainties in seismic and mapping. The **seal** element of the PoS relates to the quality of an appropriate seal, considering factors such as consider thickness of top seal, cross-fault juxtaposition, fault leakage, base and lateral seals for stratigraphic traps, along with expected column heights and lateral containment.

In addition, the probability of **play** is considered i.e. the aforementioned elements need to coincide in a dynamic system, in which the four elements can interact, to enable the formation of accumulation of oil & gas in economic quantities. A source rock is needed to generate the hydrocarbons which must then efficiently migrate from the mature source rock into the reservoir rock. A suitable reservoir interval is needed to bear the hydrocarbons and the quality of this reservoir is judged by its porosity such that the hydrocarbons can be extracted efficiently. A seal is needed on the top of the reservoir to contain the hydrocarbons in the reservoir and the geometry of the trap should be favorable to allow extraction of these hydrocarbons. The hydrocarbon quality must be assessed to ensure the oil is not biodegraded or that the gas does not contain non-desirable content such as carbon dioxide, nitrogen or hydrogen sulfide. All these factors/elements must coincide and occur in a dynamic system in order to accumulate oil & gas in economic quantities. The probability of Play for VIC/P57 is 100% since the play has been proven in nearby producing fields.

8.3. Legal Rights and Obligations

3DO is the current owner of 100% VIC/P57. 3DO acquired the interest in VIC/P57 through the gazettal process in April 2004 and was granted renewal of the exploration permit for VIC/P57 for a five-year term, which commenced on 10 August 2011. The renewal of Exploration Permit VIC/P57 is subject to the permittee completing minimum work requirements, as set out in the following table:

[7] Final investment decision, by the interest holders of the license, to develop the resource towards production based upon a development plan that has been approved by the relevant authorities

Year of Term of Permit	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Estimated Expenditure Constant AUD
1	10 Aug 2011	9 Aug 2012	Interpretation and depth conversion of approximately 500 km^2 of re-processed Northern fields seismic data	300,000
2	10 Aug 2012	9 Aug 2013	Geological/geophysical studies, including sources and migration studies; Pre-drill preparatory works, including site investigation studies	600,000
3	10 Aug 2013	9 Aug 2014	One exploration well	18,000,000
4	10 Aug 2014	9 Aug 2015	Geological/geophysical studies	400,000
5	10 Aug 2015	9 Aug 2016	One exploration well	18,000,000

Source: Grant of Renewal of Exploration Permit for Petroleum VIC/P57 by Commonwealth of Australia

Under Australian offshore petroleum legislation if the explorations permit holders discover petroleum they must notify the Designated Authority (for and on behalf of the Commonwealth of Australia – Victoria Offshore Petroleum Joint Authority) and furnish them with details of the discovery. They can then apply to have a location declared over the discovery as a prelude to being granted a production license or retention lease. If the permittee considers the discovery to be commercial, it may apply for a production license which allows it to produce petroleum in the license area. The permittee has two years after the declaration of a location in which to apply for a production license and provide details of development proposals for the area. New production licenses are issued for an indefinite term, but may be terminated if there has been no production for a period of five years. If the discovery is not currently commercially viable they may apply for a retention lease.

Details	VIC/P57, Offshore Victoria, Australia
Exploration License Term Date of Commencement	 5 years 10 August 2011
Blocks in the License Number of blocks Block nos.	 9 whole or part blocks 1776, 1777, 1844 (part), 1845 (part), 1846, 1847, 1914 (part), 1915 (part), 1916 (part)
Declaration of Commerciality Application Term	 Upon discovery and during the term of the Exploration License 2 years to apply for a Production License
Production License Term	 Indefinite (but may be terminated if no production for five years)
Parties of Exploration Permit VIC/P57	The Commonwealth – Victoria Offshore Petroleum Joint Authority and 3DO
Permit holder	3DO currently holds 100% participating interest in VIC/P57

Based on the Petroleum Title Report prepared by Corrs, we understand that:

(i) 3DO does indeed own 100% interest in VIC/P57;
(ii) the interest in VIC/P57 is granted to 3DO by duly authorised entities/authorities; and
(iii) there are no other third parties who have any registered interests in VIC/P57 (other than the government).

Further it is important to note the following material information related to the Proposed Farm-In and relevant to the interest holders of VIC/P57

Effective Date: The effective date of the Proposed Farm-In is upon Farm-In Agreement Completion ("**Farm-In Agreement Completion Date**"), which, for the purpose of the valuation, is assumed to be 1-January 2013.

Farm-In Investment: The Farm-In Investment is to be paid in three tranches – 1st AUD 13.5 million into a joint account within 5 business days after satisfaction or waiver of the Farm-In Agreement Conditions, 2nd AUD 6.75 million into an escrow account upon the Farm-In Agreement Completion Date, and the 3rd AUD 6.75 million when the 2nd tranche is released from the escrow account to the joint account.

Applications for Retention Lease and Production License: If the operating committee, as is to be established by 3DO and Hibiscus, decides that a discovery is non-commercial at the time but likely to be commercial in the future, it may instruct the operator to apply for a retention license. If the operating committee approves a development plan, both parties must take the necessary steps for the operator to apply for a production license.

Additional Financial Commitment: Hibiscus' management assumes that a significant portion of the amount of the further investment required to monetise West Seahorse would be funded from bank borrowings, while CHPL would further advance up to USD 15m, which is expected to be financed via the exercise of the warrants of the company, internal or external funds. Pareto Asia has also assumed that similarly, 3DO will also successfully fund its share of the additional financial investment needed.

Preferential Entitlement: CHPL will be entitled to 74.9% of the petroleum produced from VIC/P57, while still only being required to contribute its proportionate interest (50.1%) towards all costs and cash calls, until the sales revenue of that petroleum actually realised by CHPL is equal to the amount of the Farm-In Investment paid. Subsequently all entitlement and costs would be split in accordance with each party's respective interest in VIC/P57.

Buy-out Remedy on Default: If either party fails to pay cash calls or securities required under the Farm-In Agreement, the party will be in default, and if the defaulter has not remedied the default within 60 days of the default, the non-defaulting party may acquire an interest in the field from the defaulter, based on pricing and other terms determined by a joint operating agreement to be entered into between CHPL and 3DO on or about the Farm-in Agreement Completion Date.

8.4. Development Plan

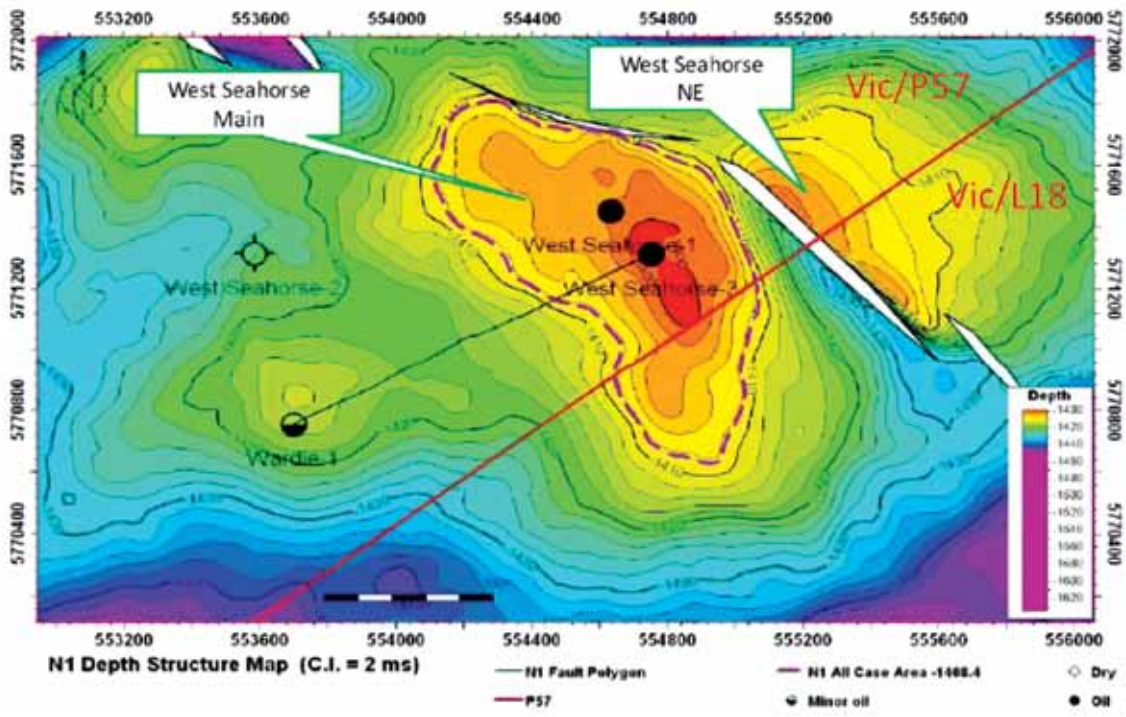
Two development options are currently being considered by Hibiscus and 3DO – a subsea completion tied back to shore; or development using a mobile offshore production unit ("**MOPU**"). As explained in the Valuation Report, for the purpose of Pareto Asia's valuation, Pareto Asia has assumed development with the MOPU, based on Pareto Asia's understanding from discussions with Hibiscus that this is the preferred option and note from RISC's Technical Evaluation that the MOPU development plan allows higher production with a lower down time. This scenario assumes that two concurrent wells will be drilled from a MOPU. The intention of Hibiscus and 3DO, as understood by Pareto Asia, is to drill the first well at the West Seahorse Main targeting mainly the more prospective N-reservoirs. This development

well would be through a re-entry of West Seahorse-3. This would be followed by a second well at West Seahorse NE, again targeting the more prospective N-reservoirs. However, if the second well at West Seahorse NE is unsuccessful, the well will be side-tracked to the West Seahorse Main in order to produce resources in addition to the first well there.

The processed oil from the MOPU will be piped to a truck loading facility onshore. The facility is assumed to be a converted jack-up drilling rig which will have the processing equipment necessary to separate oil, water and gas and can be leased with low upfront capital costs. The water would be discharged into the ocean while the gas would be used as fuel and for gas lift, and the remainder will be flared. The oil would be piped to shore through an approximately 14km long 4-inch flexible carbon steel pipe. This smaller pipe size is appropriate because the well fluids are processed offshore. Onshore, a pipeline will be required to transport the oil to a newbuild storage and truck loading facility at Dutson Downs, (schematically shown in the following figure). This newbuild storage and truck loading facility will be owned by the joint venture holding VIC/P57 and the associated costs have been accounted for in the capex used for the valuation conducted by Pareto Asia.

Source: RISC

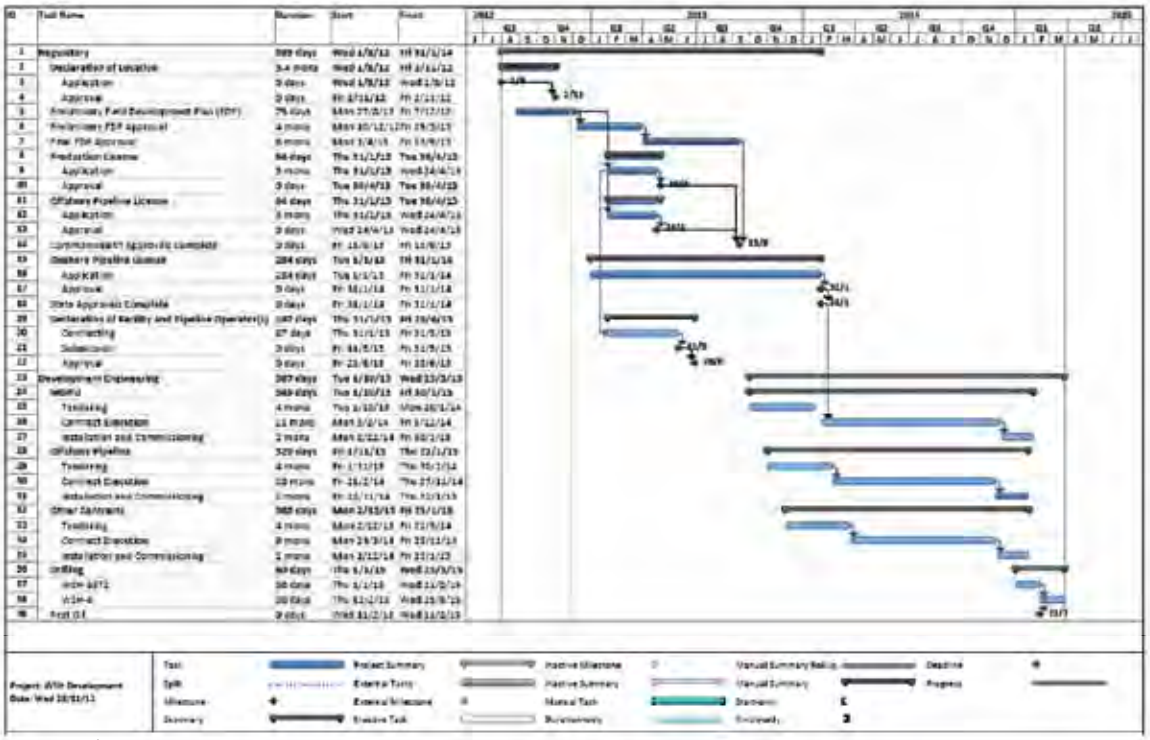
It must be noted that while the majority of the field lies within VIC/P57, a small percentage lies within the neighbouring license VIC/L18, which is held by Esso Australia ("**Esso**") (50% and operator) and BHP (50%) (shown in the figure below). According to RISC's Technical Evaluation, a potential development solution, given that a joint operation and pooling arrangement can be established between the licensees of VIC/P57 and VIC/L18, could be to develop West Seahorse as a subsea tieback to the nearby Seahorse field, thereby significantly reducing the development capex and thus decreasing project risk. However, to date, discussions with Esso (operator of VIC/L18) are still on-going regarding this potential joint development of the West Seahorse field. While there is a risk that the development may suffer delays or other negative impacts due to potential negotiations between the two licenses, RISC has assumed no joint development by operators of VIC/P57 and VIC/L18, and therefore 100% recovery for the entire West Seahorse field to the VIC/P57 license. Therefore, Pareto Asia has, for the purpose of its valuation, also assumed no joint development by the operators of VIC/P57 and VIC/L18, and assumed a 100% recovery for the entire West Seahorse field to the VIC/P57 license through a MOPU based development solution, described in detail above.



Source: Hibiscus

It must also be noted that the current target of the development from both West Seahorse Main and West Seahorse NE are the N-reservoirs, which have been tested and are estimated to allow higher recoverability of hydrocarbons than the Gurnard-reservoir due to certain geological factors being better-suited to allow extraction of hydrocarbons. The Gurnard-reservoirs in both the West Seahorse Main and West Seahorse NE are the shallowest reservoirs, but productivity from the Gurnard-reservoir is uncertain as it has not been tested and it is estimated to have lower recoverability of hydrocarbons due to certain geological factors being less suitable as compared to the N-reservoirs. It may be possible to complete the wells with a dual string so as to produce from the Gurnard-reservoir as well but the decision on this has not yet been made.

As also shown in the Valuation Report, the following is a representation of a work programme received from Hibiscus. The preliminary field development plan, as summarised above, is expected to be submitted by end 2012 and the offshore Production License is expected to be approved by May 2013. The final field development plan is expected by September 2013. Onshore Regulatory Approvals however, are more extensive and hence, the onshore pipeline license is expected to be obtained in January 2014. Based on this schedule being achieved, FID is expected to be taken by end of January 2014. Award of all major contracts would follow in first quarter of 2014 and installation of the major components would occur during the fourth quarter of 2014 and first quarter of 2015. The two-month drilling program is expected to be completed by the first quarter of 2015, allowing first oil from the field by end of the first quarter of 2015. The following is a work programme obtained from Hibiscus:



Source: Hibiscus

9. Key considerations and risks

In assessing the level of risking applicable to VIC/P57 and to determine its FMV, we have considered various factors such as the nature of the E&P industry and the inherent risks, as well as how the market currently values Oil & Gas ("**O&G**") assets.

Below is a non-exhaustive list of risk factors that could impact the future prospects of VIC/P57:

3DO and CHPL have a limited operating history as a company

3DO and CHPL each has a limited operating history upon which to base their future expected performance with regards to the operations of VIC/P57. There can be no assurance that their performance will be successful.

VIC/P57's valuation, 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, inter alia, amongst others:

- economic and political conditions in Australia and in other petroleum producing regions;
- ability and decisions taken by the members of OPEC and other petroleum producing nations to set and maintain production levels and prices;
- changes in domestic and foreign government regulations, policies and initiatives;
- changes in weather conditions;
- the price and availability of alternative fuels;

- other unexpected events beyond 3DO's or Hibiscus's control

Any change in 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 3DO and VIC/P57's business and their potential revenue and profits.

The owners of VIC/P57 are exposed to exploration, development and production risks

The results of exploration, development and production activities are uncertain and, therefore, oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not achieve sufficient revenues to return a positive cash flow. 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. Drilling hazards or environmental damage could greatly increase cost of operations and adverse field operating conditions may affect VIC/P57's production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Production delays and declines from normal field operating conditions may occur and can be expected to adversely affect revenue and cash flow levels to varying degrees. 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 involve risks including blowouts, oil spills and fires (each of which could result in damage to, or destruction of, wells, production facilities or other property, injury to persons or environmental pollution), geological uncertainties and unusual or unexpected rock formations and abnormal pressures, which may result in dry holes, failure to produce oil or gas in commercial quantities or an inability to fully produce discovered reserves. Estimates of oil and gas reserves in the subsurface are made by inferring subsurface conditions from limited surface data such as seismic data, and wells that penetrate only a small fraction of potential and actual reservoirs. Such inferences are, by their nature, uncertain and while such uncertainties can be reduced by additional seismic data or the drilling of further wells, they cannot be eliminated. Offshore operations are also subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, collision and damage from severe weather conditions. These hazards could result in substantial losses to the owners of VIC/P57 due to injury and loss of life, severe damage to, or destruction of, property and equipment, pollution and other environmental damage or suspension of operations. Further, the infrastructure in Gippsland Basin is dominated by Esso and if the oil wells within VIC/P57 were developed through the use of this infrastructure, then there could be additional risks related to 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 3DO and/or Hibiscus and the financial investment in VIC/P57.

The resource data contained in this report are based on reports by independent third party consultants and may require substantial revisions as a result of future drilling, testing and production

This Valuation Report includes estimates of VIC/P57 resources made by independent third-party petroleum consultants. There are numerous uncertainties inherent in estimating quantities of resources, including, inter alia, the following:

- the quality and quantity of technical data;
- the assumed effects of regulations by governmental agencies and future operating costs;
- the percentage of OOIP to be recovered; and
- extensive engineering, geological and geophysical judgements. Understanding of the subsurface conditions is based on the interpretation of the best data available but due to the inherent uncertainty of such interpretation the independent consultant may reach incorrect conclusions

The resource estimates set out in this Report represent estimates only. Many of the factors, assumptions and variables involved in estimating resources are beyond Hibiscus' control and may prove incorrect over time.

The owners of VIC/P57 are exposed to foreign exchange risks

Currently, a portion of expenses for the operation of VIC/P57 is denominated in AUD. When VIC/P57 commences production, the revenue generated from the anticipated production from VIC/P57 would be mostly denominated in USD. As such, any significant changes in the foreign exchange rates between the operating currencies could have an adverse impact on the financial condition and results of operations for the owners of VIC/P57.

The owners of VIC/P57 are subject to environmental risks

The oil and gas industry is subject to laws and regulations relating to environmental and safety matters in the exploration for and the development and production of hydrocarbons. The discharge of oil, gas or other pollutants into the air, soil or water may give rise to liabilities and may require the owners of VIC/P57 to incur costs to remedy such discharge. There is no assurance that environmental laws and regulations will not in the future result in a curtailment of production or a material increase in the costs of production, development or exploration activities which will adversely affect the financial condition and results of operations of the owners of VIC/P57. Further, there is a risk that, in the event that owners of VIC/P57 do incur costs to remedy any such discharges, such costs would exceed the value of their assets or insurance cover.

Future insurance coverage may not cover all types of possible losses and may be insufficient to cover certain losses

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

The owners of VIC/P57 are exposed to the escalation of the costs of materials and services for its operations

VIC/P57's operating costs are based on estimates and assumptions with respect to the method and timing of expenditure. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual expenditure and costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the estimates and the underlying assumptions will be realised in practice, which may adversely affect the financial performance of the owners of VIC/P57.

The owners of VIC/P57 are reliant on third-party infrastructure

The owners of VIC/P57 do not own or maintain all the infrastructure that produces, processes and transports oil and gas to customers. Such infrastructure, which includes pipelines and storage tanks, is leased from third-party providers and the owners of VIC/P57 have limited control over the quality and availability of this infrastructure. The owners of VIC/P57 may from time to time face interruptions due to logistical complications which may paralyze sales or call for more expensive alternatives and thus having an adverse effect on VIC/P57 operations and profitability.

The owners of VIC/P57 may face risks and uncertainties associated with external financing

The owners of VIC/P57 may require external debt and equity financing, through public or private financing on short term or long term basis, to support their exploration, development and production activities in the future, or they may farm-out of some contract areas to support growth. There is no assurance that such additional funding, if needed, will be available on acceptable terms and within the timeframe and requirements as envisaged by 3DO and CHPL, or at all. The inability of the owners of VIC/P57 to obtain sufficient funding for operations or development plans could adversely affect their business, revenues, net income and cash flow, and the value of their investment in VIC/P57.

The owners of VIC/P57 are subject to government approvals for the extension of the term for VIC/P57

If exploration success is achieved in VIC/P57, the owners of VIC/P57 may be required under the permit to apply for extensions to provide adequate time to further explore and develop the relevant permit area. Such approvals for the area are generally based on the fulfilment of work programmes. In the event that the owners of VIC/P57 are not able to fulfil their work programme obligations on VIC/P57 or are in breach of material permit conditions, the host government may not grant time extensions for VIC/P57. The host government is under no obligation to approve any such extension, and such an act may have a material adverse effect on the financial condition and results of VIC/P57 operations and reduce the value of VIC/P57 for its investors and/or owners. Furthermore, if any time extension is granted, the aforesaid extension approval may include certain conditions to be complied with, which may not be on terms that are favorable or acceptable to the owners of VIC/P57. This may impede their ability to continue exploration and development activities on VIC/P57, which may in turn materially adversely affect the overall value of their financial investment in VIC/P57.

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 the owners of

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 the financial condition of the owners of VIC/P57 and the value of their investment in VIC/P57.

Risk that the production license may not be obtained

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

The owners of VIC/P57 may be subject to changes in taxation and duties

The Australian fiscal, regulatory and legislative regime, though considered well regulated and stable, may face changes in laws relating to taxation and duties and may impose higher tax and customs rates, which may adversely affect the financial condition of the owners of VIC/P57.

10. Valuation

In estimating the FMV of Hibiscus' contemplated 50.1% interest in VIC/P57, we have applied two valuation approaches – the RAV approach and the Comparable Transaction Valuation approach.

Having considered the limitations of these valuation approaches and the specific nature of the industry for oil and gas exploration, we have chosen to estimate the FMV using primarily the RAV approach as it is the most used valuation approach for small to medium sized O&G assets. It is based on a DCF analysis which uses detailed projections for production, opex and capex profiles generated specifically for VIC/P57, as well as the relevant oil price assumptions, applicable fiscal terms and accounting regulations. Furthermore, it considered the estimated EMV of the exploration prospects within the asset. To verify the outcome of this valuation approach, Pareto Asia has used the Comparable Transaction Valuation approach, as a secondary method, based on how an identified set of comparable asset transactions are priced in the financial market.

10.1. RAV Approach

The method involves the following three steps:

(i) Computing the RAV of the two-well development programme;
(ii) Computing the RAV of other prospective resources; and
(iii) Adjusting the total RAV hence derived by an estimated market value of RAV to derive FMV.

10.1.1. Computing the RAV of the two-well development programme

This method uses the DCF approach, based on projected production profiles, opex profiles and capex profiles, as well as the applicable fiscal terms, to value the assets that will be targeted as part of 3DO's and Hibiscus' intended two-well development programme. It must be noted that RISC has classified WSH Main (N-reservoirs) as having contingent resources and WSH NE (N-reservoirs) as having prospective resources, and assigned PoS of 100% and 80%, respectively (Section 8.2). Pareto Asia has taken this into account while performing the DCF analysis.

As described in Section 8.4, the intended two-well development programme has two scenarios:

Scenario 1: WSH Main (N-reservoirs) + WSH NE (N-reservoirs); and
Scenario 2: WSH Main (N-reservoirs) + sidetrack to WSH Main (N-reservoirs)

Scenario 1 assumes a PoS of 100% for the first well in WSH Main (N-reservoirs) and a PoS of 80% for the second well in WSH NE (N-reservoirs). Scenario 2 also assumes a PoS of 100% for the first well in WSH Main (N-reservoirs) but a failure of the second well in WSH NE (N-reservoirs), in which case, the second well will be sidetracked to WSH Main (N-reservoirs) for additional recovery. Thus, the probabilities of Scenario 1 and Scenario 2 are 80% and 20%, respectively.

Pareto Asia has therefore performed individual DCF analyses for both development scenarios, in order to arrive at deriving the Unrisked Asset Value ("**UAV**") for each scenario. The cash flow model estimates the revenue based on sale of oil produced. Capital expenditure, operating costs and taxes were subtracted in order to derive the free cash flow on a yearly basis which were then discounted with a discount factor. Production, cost and capex profiles used were provided to us by Hibiscus on the basis of the Technical Evaluation from RISC (based on a development plan with two concurrent wells from a mobile offshore production unit). The preferential entitlement to Hibiscus as per terms of the Farm-In Agreement was implemented into the cash

flows. The relevant depreciation method and applicable fiscal regime[8] were also implemented into the cash flows.

In estimating the UAV, we have adopted the following assumptions:

a. The estimated revenue from these fields is based on an **assumed oil price of USD 100 per barrel of oil ("bbl")** going forward; This is the mid-point between the Brent forward curve (USD 90.55 in 2020) and long-term estimate (USD 110 in 2020) by International Energy Agency ("**IEA**") and is also in line with Wood Mackenzie's oil price assumption of USD 99.59 for 2020. No premium or discount has been applied to the Brent price, as Wood Mackenzie assumes that crude from the Bass Strait will trade at the Brent oil price[9].

b. **Cost inflation** has been assumed to be **2.5% per annum**, based on the Australian long-term average, and the Reserve Bank of Australia's target range of 2-3%.

c. The estimated annual cash flow for each year was discounted with a **discount factor of 10% over the economic life of the asset** as this is the industry norm for calculating NPV for oil and gas assets in fairly politically stable countries.

Based on the likelihood of success of the two scenarios described above, a probability of 80:20 was taken, respectively, to arrive at an Expected Monetary Value ("**EMV**") of USD 34.3 million and an EMV/bbl of USD 15.60. This was then risked with commercial risking and probability of drilling in order to arrive at the RAV and RAV/bbl of **USD 20.6 million** and **USD 9.36**, respectively.

					Unrisked Asset Value Net to Hibiscus								Risked Asset Value Net to Hibiscus	
#	Pool	Reservoir	WI (%)	Drilling (Year)	Volume (mmbbls)	UAV (USDm)	UAV / (USD)	PoS (%)	Volume (mmbbls)	EMV (USDm)	Comm risk (%)	P(drill) (%)	Volume (mmbbls)	RAV (USDm)
I.	WSH (N-RESERVOIRS) - TWO-WELL DEVELOPMENT PROGRAMME WSH MAIN (CONTINGENT RESOURCES) + WSH NE (PROSPECTIVE RESOURCES)								EMV / bbl	15.60			RAV / bbl	9.36
	Two Wells - WSH Main + WSH NE	N1u, N1 and N2.6	50.10%	2014	2.23	36.3	16.29	80.00%	1.78	29.0	60%	100%	1.07	17.4
	Two Wells - WSH Main + Sidetrack	N1u, N1 and N2.6	50.10%	2014	2.10	26.6	12.69	20.00%	0.42	5.3	60%	100%	0.25	3.2
	TOTAL							100%	2.20	34.3			1.32	20.6

10.1.2. Computing the RAV of other prospective resources

This method derives the EMV for each of the prospective resources and risks the EMV for commercial risking and probability of drilling to arrive at an RAV for the prospective resources.

For the WSH Main (Gurnard-Reservoir) and WSH NE (Gurnard-Reservoir), the EMV/bbl of USD 15.60 derived above has then been used as an input to calculate the EMV of WSH Main (Gurnard-Reservoir) and WSH NE (Gurnard-Reservoir). EMV is calculated by taking the value of the potential outcomes, weighted by their respective PoS. The value of a discovery is the amount of recoverable resources multiplied by the EMV/bbl of 15.60, less the cost of exploration capex. In the case of a failure to develop the estimated prospective resources, the loss incurred is the exploration capex.

For the various PoS, volume and costs estimates, Pareto Asia has relied on RISC's Technical Evaluation. The cost of investigating the Gurnard formation (exploration capex) is related to potential additional logging and possibility of running a drill string test or a well test. These costs have been estimated by RISC at USD 0.7 million (after tax) for both WSH Main (Gurnard-Reservoir) and WSH NE (Gurnard-Reservoir), PoS has been assigned at 85% and 75%,

[8] Fiscal regime: The government's take of production (e.g. royalty, tax, production sharing) as well as cost recovery – in the case of Australian offshore oil & gas assets, the Petroleum Resource Rent Tax ("**PRRT**") plus a Corporate Tax is applicable

[9] Wood Mackenzie Australia Upstream Service report on Bass Strait (April 2012)

respectively. Based on this, an EMV has been arrived at for each, and a further commercial risking of the assets has been implemented to arrive at RAV. Pareto Asia has set the probability of drilling of the West Seahorse Gurnard formations to 100% since the EMV is positive and the planned drilling of the West Seahorse wells under the intended two-well development programme will pass through these formations.

Similarly, Sea Lion and Felix, have also been valued on an EMV basis. However, the input per barrel value used in this case is the RAV/bbl of USD 9.36 arrived at in Section 9.3.1.2 above. Further, the input per barrel value has been discounted for a year since the Sea Lion and Felix, if drilled, are assumed to come onstream only one year after the West Seahorse wells. For Sea Lion, RISC has estimated the drilling costs to be USD 10.5 million (after tax), a PoS of 42% and 37%, and a recoverable volume of 9.7 mmbbls and 0.9 mmbbls for the N-reservoirs and Gurnard-reservoir, respectively. For Felix, RISC has estimated recoverable volume of 6 mmbbls and a PoS or 26%. Drilling cost is assumed to be USD 20 million based on Hibiscus's estimates. Pareto Asia has set the probability of drilling of Sea Lion to 100% based on information received from Hibiscus that the prospect will be drilled in connection with the West Seahorse drilling programme. The probability of drilling of Felix is set at 0% since the EMV is estimated to be below zero.

					Unrisked Asset Value Net to Hibiscus								Risked Asset Value Net to Hibiscus	
#	Pool	Reservoir	WI (%)	Drilling (Year)	Volume (mmbbls)	UAV (USDm)	UAV / (USD)	PoS (%)	Volume (mmbbls)	EMV (USDm)	Comm risk (%)	P(drill) (%)	Volume (mmbbls)	RAV (USDm)
II.	PROSPECTIVE RESOURCES													
	West Seahorse Main	Gurnard	50.10%	2014	0.35	5.5	15.60	85.00%	0.30	4.3	60%	100%	0.18	2.6
	West Seahorse NE	Gurnard	50.10%	2014	0.05	0.8	15.60	75.00%	0.26	0.2	60%	100%	0.16	0.1
	Sea Lion	N1, N2.6 and Gurnard	50.10%	2015	5.31	45.2	8.51	42%, 37%	2.21	13.5	60%	100%	1.32	8.1
	Felix *	Sub volcanics	50.10%	2015	3.01	25.6	8.51	26.00%	0.78	(3.4)	60%	0%	0.00	0.0
	Total Exploration								3.55	18.1			1.66	10.8

* The EMV for Felix is below zero; it is therefore assumed that Felix will not be drilled and it has not been added to the total EMV

A summary of the EMV and RAV for the prospective resources has been shown in the figure above. The RAV of the prospective resources is estimated to be **USD 10.8 million**.

A note on risking:

a. Commercial risking takes into account risks related to the development process of oil and gas fields, including risk of commercialization, technical challenges, cost overruns, delays, changes in volume estimates etc. It is an industry norm to risk developments, contingent resources and exploration. However, there is no industry standard for the level of risking. Pareto Asia consistently applies the following commercial risking assumptions for valuations, based on our experience in valuing O&G assets; for discoveries with uncertain commerciality 30-60% commercial risking (implying a 70-40% discount) is applied. For discoveries which are clearly commercial, 60-90% commercial risking (implying a 40-10% discount) is applied. The probability of success will improve and risk factors will be reduced as a field enters development phase and approaches first production. For exploration prospects, a standard 60% risk factor is applied. **This valuation uses a 60% commercial risking for the development assets, since even though clearly commercial, the plan of development is yet to be approved, FID is yet to be taken and production is estimated to commence in late 2014-early 2015. This valuation uses has used a standard 60% on exploration assets, since these will only be drilled if they have a positive EMV and are considered to be clearly commercial developments if discovered.**

b. The probability of drilling takes into account uncertainties related to whether or not prospects will be drilled within the next two years. Prospects with firm rig contracts will be

risked 100% - typically to be drilled within next 1-2 years. Prospects with drill decision but no contracted rig will be risked 50-100% - also within next 1-2 years. Prospects with drill or drop decision and/or where drilling is more than 1-2 years away will be risked close to zero. **The development programme for 2012-14 is assumed to be fully funded by both, Hibiscus and 3DO, through funds raised externally via equity and/or debt, and other internal funds. Therefore, this valuation uses a probability of drilling of 100% for all West Seahorse reservoirs, as they are expected to be drilled by 2014, as well as for the Sea Lion exploration asset, for which there is a commitment to drill one exploration well, and which, we have been informed, will be drilled in conjunction with the West Seahorse wells.**

10.1.3. Adjusting total RAV for market value to arrive at FMV

The RAV of the two-well development programme and the prospective resources were then summed up to provide a total RAV, which was adjusted for the market value of RAV in order to derive the FMV. To estimate the market value of RAV, Pareto Asia reviewed a set of recent comparable asset transactions concluded offshore Australia since 2008, and identified two relevant transactions – (1) Roc Oil's Company Limited's ("**Roc Oil**") acquisition of 5.00% in WA-31-L (Cliff Head) from CIECO Energy Australia Pty Ltd, a subsidiary of ITOCHU Oil Exploration Co. ("**Itochu**"), and (2) Santos Ltd's ("**Santos**") acquisition of 8.20% in WA-191-P (Fletcher Finucane) from Tap Oil Limited ("**Tap Oil**") – which yielded an average market value of RAV of **70%**.

#	Announced Date	Buyer	Seller	Interest	Asset	Type	Location	2P Reserves (mmbbls)	Consideration (USDm)	Note	Actual RAV (USDm)	Note	% Paid / RAV
1	15ep 11	Roc Oil	Itochu	5.00%	WA-31-L (Cliff Head)	Producing	Offshore, Perth Basin	0.375	4.52	(1)	10.0	(2)	45%
2	13 Jan 12	Santos	Tap Oil	8.20%	WA-191-P (Fletcher Finucane)	Early Development	Offshore, Carnarvon Basin	1.148	22.42	(3)	23.7	(4)	95%
													70%

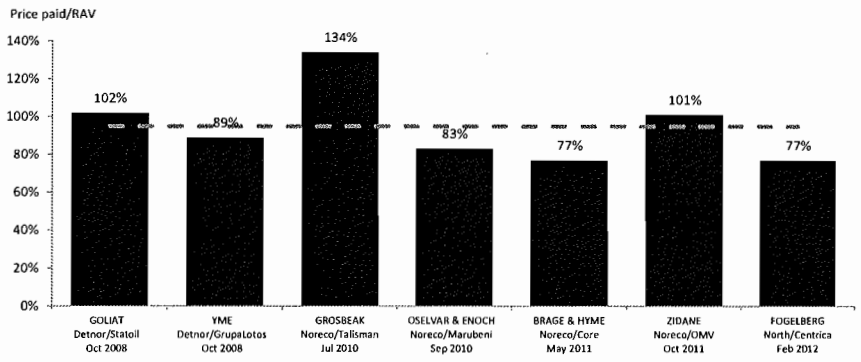
(1) From announcement by Roc Oil dated 22-Sep-2011; purchase consideration AUD 4.5 million (USD 4.52 million using exchange rate at announcement of AUD:USD =1.0043)

(2) Sourced from Macquarie Securities (Australia) Limited ("**Macquarie**") Equity Research Report on Roc Oil dated 1-Feb-2011 (USD 75 million for 37.5% pro-rated to 5.0%)

(3) From announcement by Tap Oil dated 13-Jan-2012; purchase consideration AUD 21.7 million (USD 22.42 million using exchange rate at announcement of AUD:USD =1.0333)

(4) Sourced from Macquarie Equity Research Report on Santos dated 13-Jan-2012 (AUD 134 million for 48.0% pro-rated for 8.2% and converted using AUD:USD =1.0333)

This set was small and was not considered sufficient to determine an exact level of market valuation of RAV in asset transactions. However, Pareto Asia notes that as an industry norm, asset transactions are concluded close to RAV. As an example, Pareto Asia has reviewed a set of relevant asset transactions concluded in the Norwegian Continental Shelf ("**NCS**"). The NCS was chosen as it is somewhat comparable due to a similar low country risk as Australia, relatively shallow water assets and high rig costs. In addition, the NCS has a fairly active asset market. The average market value of the RAV for these transactions was found to be **95%.**



From the analysis of the market value of RAV, Pareto Asia established a range of **70-90%** of RAV to determine the FMV. Based on this, the estimated FMV, using the RAV approach, was derived to be in the range of **USD 22.0 million** to **USD 28.3 million.**

10.1.4. Valuation Summary

					Unrisked Asset Value Net to Hibiscus								Risked Asset Value Net to Hibiscus	
#	Pool	Reservoir	WI (%)	Drilling (Year)	Volume (mmbbls)	UAV (USDm)	UAV / (USD)	PoS (%)	Volume (mmbbls)	EMV (USDm)	Comm risk (%)	P(drill) (%)	Volume (mmbbls)	RAV (USDm)
I.	WSH (N-RESERVOIRS) - TWO-WELL DEVELOPMENT PROGRAMME WSH MAIN (CONTINGENT RESOURCES) + WSH NE (PROSPECTIVE RESOURCES)								EMV / bbl	15.60			RAV / bbl	9.36
	Two Wells - WSH Main + WSH NE	N1u, N1 and N2.6	50.10%	2014	2.23	36.3	16.29	80.00%	1.78	29.0	60%	100%	1.07	17.4
	Two Wells - WSH Main + Sidetrack	N1u, N1 and N2.6	50.10%	2014	2.10	26.6	12.69	20.00%	0.42	5.3	60%	100%	0.25	3.2
	TOTAL							100%	2.20	34.3			1.32	20.6
II.	PROSPECTIVE RESOURCES													
	West Seahorse Main	Gurnard	50.10%	2014	0.35	5.5	15.60	85.00%	0.30	4.3	60%	100%	0.18	2.6
	West Seahorse NE	Gurnard	50.10%	2014	0.05	0.8	15.60	75.00%	0.26	0.2	60%	100%	0.16	0.1
	Sea Lion	N1, N2.6 and Gurnard	50.10%	2015	5.31	45.2	8.51	42%, 37%	2.21	13.5	60%	100%	1.32	8.1
	Felix	Sub volcanics	50.10%	2015	3.01	25.6	8.51	26.00%	0.78	(3.4)	60%	0%	0.00	0.0
	Total Exploration								3.55	18.1			1.66	10.8
	Total RAV													31.4
	Range % of RAV Paid for Recent Comparable Transactions										70%	-	90%	
	Estimated Fair Market Value										22.0	-	28.3	

10.2. Comparable Transactions Valuation

As a secondary method, Pareto Asia used a Comparable Transaction Valuation approach, wherein a per barrel transaction consideration multiple was arrived at on the basis of consideration paid for assets, from a list of identified comparable transactions. This metric was applied to the risked resources of VIC/P57 to arrive at an FMV.

10.2.1. Parameters used and transactions considered

From an extensive list of asset transactions, Pareto Asia has conducted a further review of 37 shortlisted asset transactions, involving Australian oil assets, that were announced between 1 January 2005 and the Valuation Date. From these, transactions involving onshore assets were excluded since the economics of developing an onshore asset is different from that of an offshore asset. Transactions involving an asset, or a group of assets, with a mix of oil and gas resources, with estimated gas resources forming the majority, were also excluded as the value of gas per boe is considerably lower than oil. Transactions involving assets with very large estimated volumes reserves/resources, relative to VIC/P57 were also excluded. Only nine transactions involving offshore oil assets with 2P reserves[10] were selected in a first round of shortlisting.

#	Announced Date	Buyer	Seller	Interest	Asset	Type	Location	2P Reserves (mmbbls)	Consideration (USDm)	USD/bbl
1	1 Feb 05	Vermilion Energy	Exxon Mobil	60.00%	Wandoo Oil Field	Production	Offshore, Northwest Shelf	16.00	76.60	4.79
2	11 Mar 05	Paladin Oil & Gas	BHP Billiton Petroleum	8.33%	Laminaria/Corallina	Production	Offshore, Timor Sea	13.00	150.00	11.54
3	28 Jun 05	Beach Energy	Anzon Energy	12.50%	Basker Manta Gummy	Development	Offshore, Gippsland Basin	2.90	29.80	10.28
4	15 Dec 05	Beach Energy	Anzon Energy	12.50%	Basker Manta Gummy	Early Production	Offshore, Gippsland Basin	3.80	37.75	9.93
5	9 May 07	Vermilion Energy	Mitsui, Wandoo Petoleum	40.00%	Wandoo Oil Field	Production	Offshore, Northwest Shelf	9.70	104.90	10.81
6	10 Aug 07	Itochu	Anzon Energy, Beach Energy	20.00%	Basker Manta Gummy	Production	Offshore, Gippsland Basin	7.52	209.03	27.80
7	29 Feb 08	Sojitz Corp	Beach Energy	10.00%	Basker Manta Gummy	Production	Offshore, Gippsland Basin	3.92	116.73	29.78
8	22 Sep 11	Roc Oil	Itochu	5.00%	WA-31-L (Cliff Head)	Production	Offshore, Perth Basin	0.38	4.52	12.05
9	13 Jan 12	Santos	Tap Oil	8.20%	WA-191-P (Fletcher Finucane)	Development	Offshore, Carnarvon Basin	1.15	22.42	19.53

The nine transactions listed were analysed more closely and finally only transactions #3, #4 and #9 were selected as comparable transactions. Assets located in the north or north-west of

[10] 2P reserves: Proved and probable reserves

Australia in deeper waters and further away from shore were excluded since the associated development cost structure for these assets is quite different from VIC/P57, which is located south-east of Australia, close to shore and in shallow waters. This reason is applicable to the exclusion of transactions #1, #2 and #5. Assets that were in their mature production stage were also excluded as these, in theory, have a significantly higher value per barrel than assets in their development stage, since majority of the associated capex has already been incurred. This is the reason transactions #6, #7 and #8 were excluded.

Transaction #4 was not excluded on this basis, since the production had just begun via an extended production test a month earlier, the aim of which was to acquire additional information on reservoir performance, showing that despite having production, the asset was still undergoing development[11]. The majority of the capex was also yet to be incurred.

#	Announced Date	Buyer	Seller	Interest	Asset	Type	Location	2P Reserves (mmbbls)	Consideration (USDm)	USD/BBL Actual	USD/BBL 2012 Terms*
1	28 Jun 05	Beach Energy	Anzon Energy	12.50%	Basker Manta Gummy	Development	Offshore, Gippsland Basin	2.90	29.80	10.28	12.04
2	15 Dec 05	Beach Energy	Anzon Energy	12.50%	Basker Manta Gummy	Early Production	Offshore, Gippsland Basin	3.80	37.75	9.93	11.45
3	13 Jan 12	Santos	Tap Oil	8.20%	WA-191-P (Fletcher Finucane)	Development	Offshore, Carnarvon Basin	1.15	22.42	19.53	19.84

*Adjusted for cost inflation based on USD inflation data obtained from Bloomberg

Finally, only the three transactions listed above were selected. The implied per barrel transaction considerations were then adjusted for inflation for them to be equivalent to 2012 terms. These three transactions provide per barrel consideration range of **USD 11.45** to **USD 19.84**. However, Pareto Asia believes that the valuation of VIC/P57 should be towards the higher end of this range, close to the valuation of transaction #3, as this was the most recent. The future oil-price expectations at the time of the transaction were similar to what they are now, i.e., approximately 100/bbl, as compared to a much lower estimated expectations of approximately 60/bbl in 2005[12], when transactions #1 and #2 were concluded. It must also be noted that though WA-191-P (Fletcher Finucane) is located offshore north-west Australia, it is still considered comparable to VIC/P57 in terms of water-depth, distance from shore, and related development cost structure.

Pareto Asia therefore established an estimated range of **USD 15.0/bbl** to **USD 18.0/bbl**, taking into account also the subjective factors which are difficult to quantify. This range was then applied to the net (to Hibiscus) risked contingent resources of VIC/P57.

#	Pool	Reservoir	Net Volume (mmbbls)	PoS (%)	Volume (mmbbls)	Comm risk (%)	P(drill) (%)	Volume (mmbbls)	15.00 - Value (USDm)	18.00 - Value (USDm)
I.	**WEST SEAHORSE CONTIGENT RESOURCES**									
1	2 Wells - WSH Main + NE	N1u, N1 and N2.6	2.23	80.00%	1.78	60%	100%	1.07	16.0	19.2
2	2 Wells - WSH Main + Sidetrack	N1u, N1 and N2.6	2.10	20.00%	0.42	60%	100%	0.25	3.8	4.5
	TOTAL OF DEVELOPMENT ASSETS			100%	2.20			1.32	19.8	23.8

It must be noted that no separate value was assigned to the prospective resources of VIC/P57, i.e., WSH Main (Gurnard), WSH NE (Gurnard) as well as the exploration assets Sea Lion and Felix. This is due to a limitation associated with this valuation method, which only takes into consideration the asset's 2P reserves and overlooks potential upside from further developments and exploration prospects and leads. Hence, the consideration per barrel of 2P reserves, arrived at by dividing the total purchase consideration by the volume of 2P reserves, considers the asset as a package including the potential upside. This is the case with VIC/P57, as well as the transactions we reviewed.

[11] Wood Mackenzie Australia Upstream Service report on Basker Manta Gummy (April 2012)
[12] Based on two-year forward Brent contract data in 2005 and 2012, obtained from Bloomberg

Applying the range of **USD 15.0/bbl** to **USD 18.0/bbl** established above to the net (to Hibiscus) risked contingent resources of VIC/P57 yielded valuation range of **USD 19.8 million** to **USD 23.8 million.**

10.3. Comparison between RAV approach and Comparable Transaction Valuation approach

Having considered the risk factors in Section 9, and detailed assumptions set out in the section above, the estimated FMV of VIC/P57 based on the RAV method yields a valuation range of USD 22.0 million to USD 28.3m, while the Comparable Transactions Valuation method yields a valuation range of USD 19.8 million to USD 23.8 million. While both methods reflect the market's appreciation and willingness to price in the potential value of O&G assets, the RAV method should be looked upon as the primary valuation method used, while the Comparable Transaction Valuation method should be viewed only as a secondary method used to verify the findings from the RAV method.

The RAV method is the most used valuation approach for small to medium sized O&G assets. It is based on a Discounted Cash Flow analysis which uses detailed projections for production, opex and capex profiles generated specifically for VIC/P57, as well as the relevant oil price assumptions, applicable fiscal terms and accounting practices. Furthermore, it considers the estimated EMV of the exploration prospects within the asset. The Comparable Transactions Valuation, in comparison, is considered to be less precise than the RAV approach, since each asset is distinct in terms of geological attributes, water depth, distance to existing infrastructure and markets, oil or gas quality, sea current, prevalent weather conditions, etc., which affect its valuation. This approach also requires a fairly active transaction base of similar assets where the respective assets to be valued are located. However, in this case, the absence of a good set of recent comparable asset transactions offshore Australia has also been one of the limitations of the Comparable Transactions Valuation.

In theory, the two valuation approaches should more or less yield the same results. However, based on the quality of data used as input in this valuation exercise, the RAV approach should be viewed as the primary approach, while the Comparable Transaction Valuation approach should only be viewed as a secondary approach.

10.4. Key Limitations

O&G assets are associated with potential for significant value creation in the event of additional discoveries of commercial quantities of hydrocarbons, but also severe risk and uncertainty. This nature makes it particularly challenging to estimate the value for such assets, especially those portions of the estimated hydrocarbons that are still undiscovered or undeveloped. We wish to highlight that valuing O&G assets cannot be regarded as an exact science and the conclusions arrived at in many cases will necessarily be subjective and dependent on the exercise of individual judgement.

There cannot be, therefore, an indisputable single value and as such, we normally express our estimate as falling within a likely range. As the range of indicative values is only an estimate, it may not necessarily be the same as the transaction price. The value arrived at is indicative in nature and represents only our best estimation.

We have not performed an audit nor verification of any of the historical and prospective financial and technical information pertaining to the Proposed Farm-In provided to us for the valuation and accordingly do not express an opinion with regard to such information. No responsibility, whether legal or otherwise, is assumed on our part for their accuracy, and any projections or future estimates cannot be guaranteed as being certain or achievable.

11. Conclusion

The estimated FMV of Hibiscus's 50.1% interest in VIC/P57 upon Farm-In Agreement Completion, is USD 22.0 million to USD 28.3 million (MYR 68.6 million to MYR 88.2 million or AUD 21.0 million to AUD 27.0 million) based on the RAV method, and USD 19.8 million to USD 23.8 million (MYR 61.7 million to MYR 74.1 million or AUD 18.9 million to AUD 22.7 million) based on the Comparable Transactions Valuation method. This compares to the Purchase Consideration of AUD 13.5 million (equivalent to USD 14.1 million or MYR 44.2 million). Pareto Asia wishes to re-iterate that the RAV method must be considered the primary method, while the Comparable Transaction Valuation method should only be viewed as a secondary method.

Valuation Method	Valuation range (50.1%)		Valuation range (50.1%)		Valuation range (50.1%)	
	(USD million)	(USD million)	(MYR million)	(MYR million)	(AUD million)	(AUD million)
Risked Asset Valuation (RAV)	22.0	28.3	68.6	88.2	21.0	27.0
Comparable Transaction Valuation	19.8	23.8	61.7	74.1	18.9	22.7

Valuation of E&P assets cannot be regarded as exact science and the conclusions are necessarily subjective and dependent on individual judgement. There is no indisputable single value and we normally express our valuation as falling within expected ranges that are reasonable and defensible.

Yours faithfully,

Arild F. Valland
Director
Pareto Securities Asia Pte Ltd

TECHNICAL EVALUATION OF VIC/P57 FOR HIBISCUS PETROLEUM

Strictly Confidential

September 2012

DECISIONS WITH CONFIDENCE

DECLARATION

Hibiscus Petroleum Berhad (Hibiscus) has commissioned RISC Operations Pty Ltd (RISC) to provide an independent evaluation of the farmin opportunity to Block VIC/P57 (the Asset), being offered by 3D Oil Limited (3DO).

This evaluation is prepared and developed solely for the purposes of assisting Hibiscus in its evaluation of the Asset. It makes no recommendation or suggestion regarding the suitability of the Asset for any investment purpose.

RISC shall not be responsible for any or all claims, losses, damages, costs, charges, expenses, actions, demands, proceedings, liabilities or judgments which might be raised, made, or expressed to be made, suffered or incurred, directly or indirectly, in connection with investment decisions based on or motivated by this evaluation and the compilation of the information contained herein. All recipients of this evaluation are deemed to have accepted this disclaimer.

This evaluation is prepared from information made available to RISC by Hibiscus and certain publicly available information as RISC deemed relevant. RISC has not checked or independently verified the authenticity, thoroughness and/or accuracy of such information and has relied on such information. In arriving at the evaluation, RISC has also assumed that all the information provided is true, accurate, not misleading and complete in all respects and that all the 'information which is relevant to RISC's engagement has been provided and RISC has acted upon assurances from the management of Hibiscus that no relevant information has been omitted or remains undisclosed to RISC.

The Asset was not inspected on site, as this is not appropriate for a hydrocarbon resource located some 1.5 kms below the surface. The evaluation was based on data collected while drilling exploration and appraisal wells and from seismic data.

No part of this evaluation may be quoted, referred to or otherwise disclosed in any public document nor may any public reference to RISC be made, without RISC's prior written consent unless expressly required by laws, rules or regulations. In addition, no public announcement or communication concerning this evaluation may be made without RISC's prior written consent.

The evaluation of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading.

RISC carried out this evaluation in their Head Office in Perth, Australia, and has oversight of all its offices, being located in Brisbane, Australia and London, UK.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, neither RISC nor its servants accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances, regulations that apply to these assets. RISC has also not audited the opening balances at the valuation date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

RISC confirms that there is no actual or potential conflict of interest in accepting this assignment and have maintained the strictest impartiality and objectivity in providing this independent advice. RISC has no pecuniary interest, other than to the extent of the professional fees receivable for the preparation of this

report, or other interest in the assets evaluated, that could reasonably be regarded as affecting our ability to give an unbiased view of these assets.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

DOCUMENT CONTROL

Technical Evaluation of Block VIC/P57

Client Name	**Hibiscus**	**Client Representative**		**Joyce Vasudeven**	
RISC Coordinator	S Newman	**RISC Job #**	11.0255	**Client Order#**	

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1. EXECUTIVE SUMMARY

The VIC/P57 Exploration License is located in the northwest of the Gippsland Basin with the northern boundary some 10 kms offshore of the south-east Victorian coast and infrastructure. The key assets within the permit are the West Seahorse Field, discovered in 1981, and two exploration prospects Sea Lion and Felix. 3DO are the sole equity holders and operators of the permit.

West Seahorse is a small offshore oil field of some 7.3 MMbbl EUR of light oil. It was discovered in 1981 and lies approximately 14 km from the coast and in 40m of water. While the majority of the field lies within VIC/P57, a small percentage lies in VIC/LI8, which is held by Esso Australia (50% and operator) and BHP (50%). The nearest oil processing facility is the Esso operated Longford Crude Stabilisation Plant which is approximately 38km away from the field. West Seahorse encountered hydrocarbons at three levels within the Eocene Upper Latrobe Group and at depths of some 1,500mss.

3DO plan to develop the West Seahorse Field either with a subsea completion and flowline tied back to shore or through a Mobile Offshore Production Unit ("MOPU") based development solution. A potential development solution, given an unitisation, could be to develop West Seahorse as a subsea tieback to the nearby Seahorse field (operated by Esso), thereby significantly reducing the development capex and improving the field's economics and discussions between 3DO and Esso are ongoing. While there is a risk that the development may suffer delays or other negative impacts due to potential negotiations between the two licenses, RISC has assumed no unitisation between the operators of Vic/P57 and VIC/L18, and therefore 100% recovery for the entire West Seahorse field to the VIC/P57 license . A summary of the MOPU development is given in Table 1-1.

Case - assuming MOPU development	Mid case scenario Production (mmbbls)	CAPEX $MM	Annual fixed OPEX $MM	Variable OPEX $MM	Technical recovery
2 wells – WSH + NE	6.4	118.3	33.9	$5/bbl	End 2034
2 wells – WSH Main + sidetrack	5.4	132.7	33.9	$5/bbl	End 2034

Table 1-1 Development Summary

Sea Lion is a robust exploration prospect on trend with similar reservoir and depths, close to West Seahorse and some 4 km from shore. If successful, it could be tied back to any West Seahorse development or directly to the shore.

Felix is a less robust exploration prospect. The reservoirs are deeper (at some 2500mss), the structure is not so well defined and some of it may lie in VIC/L18. The prospect is also located too far from West Seahorse to be considered for a tie back. It is close to producing fields held by Esso Australia and BHP, but tying back to these is not seen as a practical development option.

The hydrocarbon resources for VIC/P57 are given in Table 1-2. Where multiple reservoir levels are involved (West Seahorse Main, West Seahorse NE and Sea Lion),the numbers presented are based on a probabilistic calculation and addition to correctly account for the uncertainties in the various input parameters. This correctly assigns resource values to probabilities - the probability of achieving P90 outcomes at all reservoir levels is less than P90. The uncertainty range reflects the nature of the structure and recovery mechanisms.

Classification	Pool	Reservoir	OIP			Ultimate Recovery		
			P90	P50	P10	P90	P50	P10
Contingent	West Seahorse main	N1u, N1 and N2.6	6.5	8.15	10.5	4.1	5.5	7.1
Prospective	West Seahorse main	Gurnard	2.0	4.8	11.3	0.3	0.7	1.7
	West Seahorse NE	N1u, N1 and N2.6	1.1	1.6	2.1	0.7	1.0	1.4
		Gurnard	0.1	0.6	3.0	0	0.1	0.5
	Sea Lion	Gurnard, N1u, N1 and N2.6	14.3	19.5	26.0	7.8	11.0	15.3
	Felix	Sub-volcanics	2	12	37	1	6	19

Table 1-2 Unrisked Resource Estimates (MMstb, RISC)

West Seahorse-1 has demonstrated contingent resources in West Seahorse Main in the N1u, N1, and N2.6 reservoir. West Seahorse NE is a separate culmination, which has not been tested and while there is a high likelihood of hydrocarbons being present, this resource is classified as prospective. Hydrocarbons have been encountered in the Gurnard reservoir but this has not been tested and productivity is uncertain; so again, these resources are classified as prospective.

2. INTRODUCTION AND BASIS OF EVALUATION

2.1. SCOPE OF WORK AND AVAILABLE DATA

RISC made an independent evaluation of assets within VIC/P57 on the basis of data provided by Hibiscus and 3DO during May and July 2012. This includes an evaluation of the resource volumes, development options and costs.

We believe that we have been provided with all relevant documentation. In particular, 3DO retained Gaffney, Cline and Associates (GCA) in 2010 to conduct a technical review and prepare a statement of Reserves and Contingent Resources for the West Sea Horse Field, which provided useful reference material. Our approach has been to review and adjust the work provided; but we undertook our own volumetric evaluation to derive the resource ranges.

2.2. LICENCE STATUS

The Designated Authority for the offshore area of Victoria granted VIC/P57 to 3DO on 10 August 2011, for a 5 year period on the basis of an agreed minimum work requirement. During the first three years, 3DO must complete each component of the minimum work requirement (the primary work program). On commencement of the fourth year, the secondary work program becomes guaranteed on a year by year basis.

2.3. RESOURCE CLASSIFICATION

RISC uses the internationally recognised Petroleum Resources Management System (PRMS) of the Society of Petroleum Engineers (SPE) to define resource classification and volumes. The classification of resources is shown in Figure 2-1.

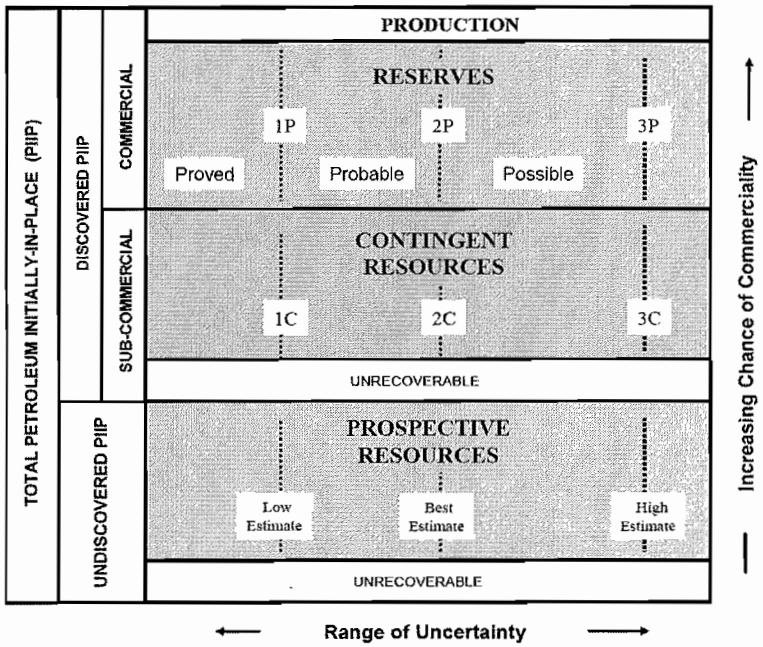

Figure 2-1 Resource Classification Framework

Under these guidelines, the range of uncertainty in potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution derived from the probabilistic simulation of input variables. RISC has calculated resource volumes probabilistically.

3. GEOLOGICAL SETTING AND KEY ASSETS

The Gippsland Basin is a Cretaceous and Cenozoic depocentre which covers an area of 41,000 km^2 (Figure 3-1). It has been one of Australia's most prolific petroleum provinces with initial reserves for the developed fields estimated at more than 4 billion barrels of oil and condensate and 9.8 trillion cubic feet of sales gas. The basin is now in a mature stage, with oil production peaking in 1985 at about 500kbpd, which was 90% of the total Australian crude oil output that year.

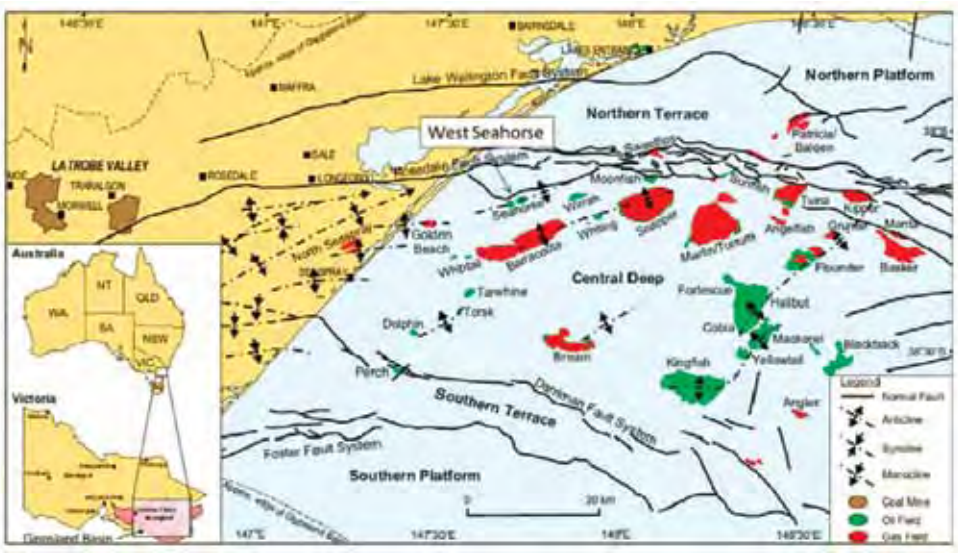

Figure 3-1 Gippsland Basin

The basin comprises a Central Deep basin, which opens out to the east, and flanking North and South Strzelecki Terraces. These are in turn bordered by North and South Platforms. Block VIC/P57 lies towards the northern boundary of the Central Deep. Initial rifting in the Early Cretaceous was accompanied by up to 3000m of volcanogenic and marine sediments of the Strzelecki Group as shown in Figure 3-2 (summary drawn from Geoscience Australia, 2012).

Renewed extension in the Turonian-Campanian established the Central Deep basin as the main depocentre, with coarse-grained alluvial and fluvio-lacustrine sediments of the lower Latrobe Group. The lowest units are the Emperor and Golden Beach Sub-groups. Minor marine incursions occurred from the Santonian, with significant diachronous formations as marine influence moved progressively onshore (Figure 3-2). Post-rift subsidence was reflected in general by alternating marine and non-marine fluvio-deltiac/alluvial deposition in the Late Cretaceous-Palaeogene of the Upper Latrobe Group. Lithologies include sands, shales and coals. The uppermost Latrobe Group sediments are the glauconitic Gurnard Formation, which reflects a more material marine setting. The Top Latrobe surface represents a major erosional period, which was followed by the Oligocene to Miocene Seaspray Group. The Lakes Entrance Formation, the lowest of the Seaspray units, provides regional seal to Latrobe Group hydrocarbon accumulations.

Subsequent events comprise canyon-cut and fill in the Eocene, and marine carbonate deposition commencing in the Early Oligocene; Middle Miocene compression formed a series of NE- to ENE-trending anticlines which host many of the basin's oil and gas accumulations.

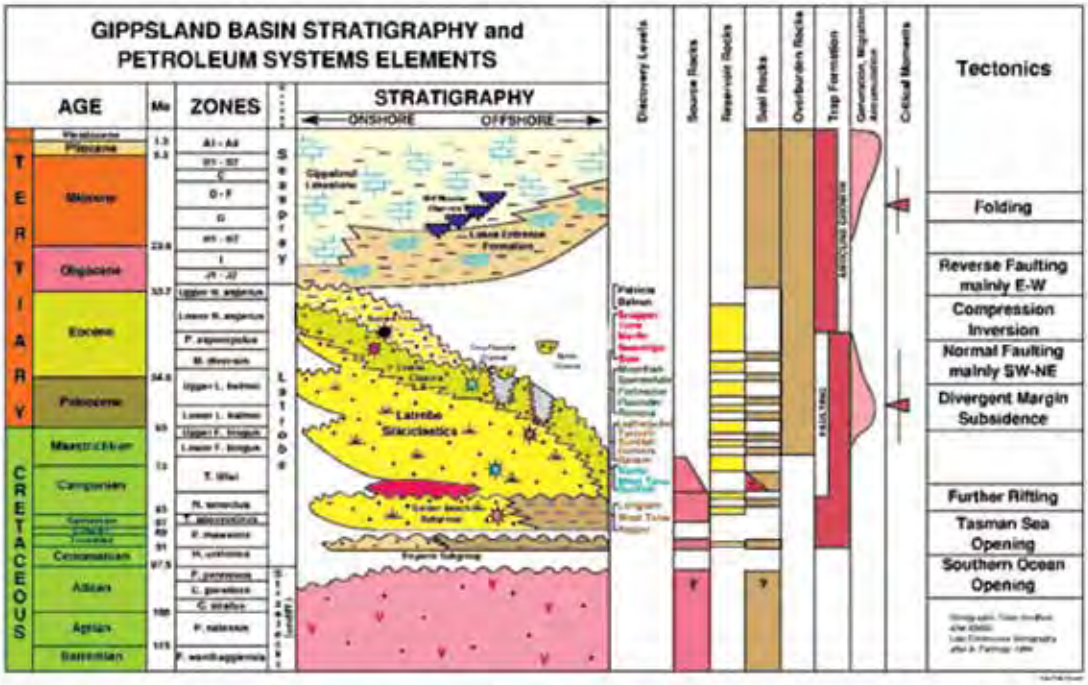

Figure 3-2 Gippsland Basin stratigraphy and petroleum system elements (Geoscience Australia, 2012)

The main reservoirs in the Gippsland Basin are a range of sand facies - the 'Coarse Clastics' - within the Upper Latrobe Group: braided and meandering fluvial, deltaic, nearshore and slope fan sandstones. While the Gurnard generally acts as a seal, it can also be of reservoir quality. Traps are structural and structural – stratigraphic, and occur notably at Top Latrobe and within intra-formational seals as Intra-Latrobe accumulations.

The hydrocarbons are largely sourced from non-marine facies of the upper Latrobe Group, but marine sources are also present. Crude oils are generally very light and paraffinic, ranging from 40 to 60 API (Dept Nat Resources & Environment 1998[1]). Some heavier oils discovered at shallow depths range from 14.6 to 25.6 degrees API and are thought to have been biologically degraded. The condensates range from 48 to 63 degrees API. The natural gases vary in condensate and carbon dioxide content.

Block VIC P/57 lies in the northwest of the Gippsland Basin, as shown in Figure 3-3. The key assets are the West Seahorse Field, discovered in 1981 and two exploration prospects Sea Lion and Felix, and these are the subject of this evaluation.

[1] *Dept of Natural Resources & Environment (Malek, R. & Mehin, K.) 1998 Oil and Gas Resources of Victoria*

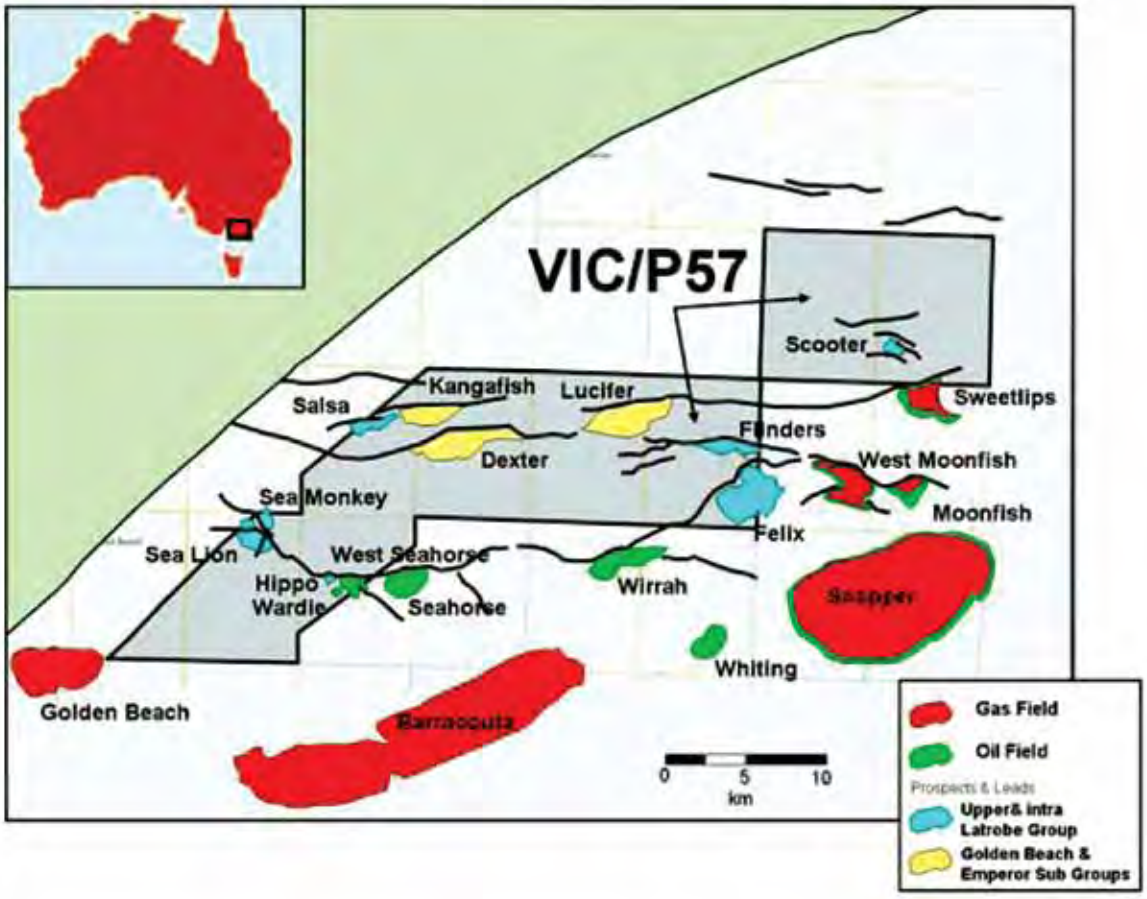

Figure 3-3 VIC/P57 Assets

4. WEST SEAHORSE: FIELD DESCRIPTION

4.1. INTRODUCTION

West Seahorse is a small and shallow relief structure which was discovered in 1981 by West Seahorse-1, and subsequently appraised by West Seahorse-2, West Seahorse-3 and Wardie-1 (Figure 4-1). The field is covered by the 3D seismic 'Northern Fields Survey', reprocessed as a Pre-Stack Depth Migration (PSDM) by Esso. The field is divided into main and NE pools, separated by a structural spill point at the tip-out of two faults. While the majority of the field lies within VIC/P57, a small percentage lies within VIC/LI8, which is held by Esso Australia (50% and operator) and BHP (50%).

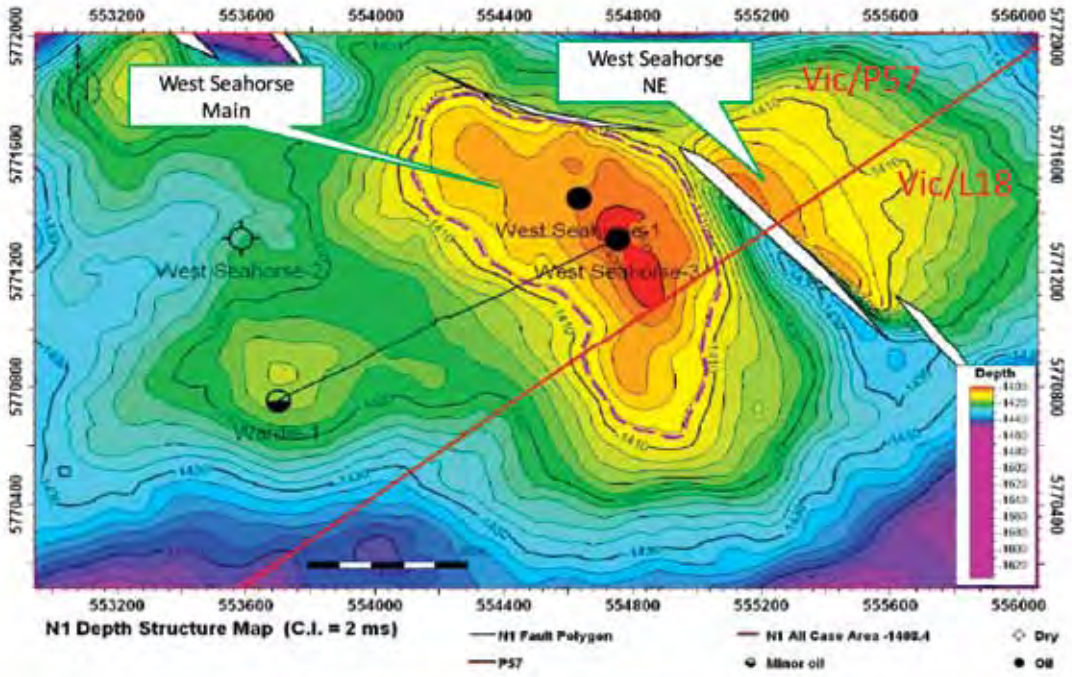

Figure 4-1 3DO West Seahorse depth map at top N1 reservoir

The main reservoirs in the West Seahorse field are Intra-Latrobe Group sands and a correlation of these is shown in Figure 4-2. Three units contain moveable oil: N1 Upper (N1u), N1 and N2.6. The N1u and N1 sands form a contiguous unit with a common hydrocarbon column. The deeper N2.6 sand lies some 50-60m below the base of the N1 sand. Oil is also present in the shallower Gurnard Formation, the uppermost unit of the Latrobe Group, but this unit was not tested.

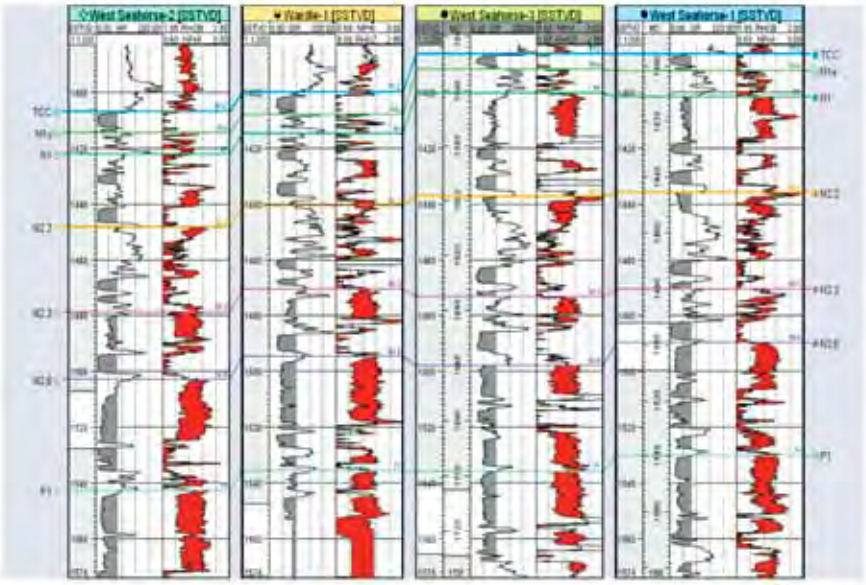

Figure 4-2 Well correlation in West Seahorse area (GCA)

4.2. SEISMIC INTERPRETATION

RISC has access to a Kingdom project, which contained the 3D seismic data, well logs and formation tops for all relevant wells and 3DO's interpretation.

3DO have interpreted three events at reservoir level - Top of Latrobe (TOL), N1 and N2.6 to map the top Gurnard, top N1 and top N2.6 respectively. The top N1 upper (N1u), was not mapped as it cannot be resolved on the seismic data. The seismic data is of high quality and the synthetic seismograms confirm the correlations made by 3DO as shown in Figure 4-3.

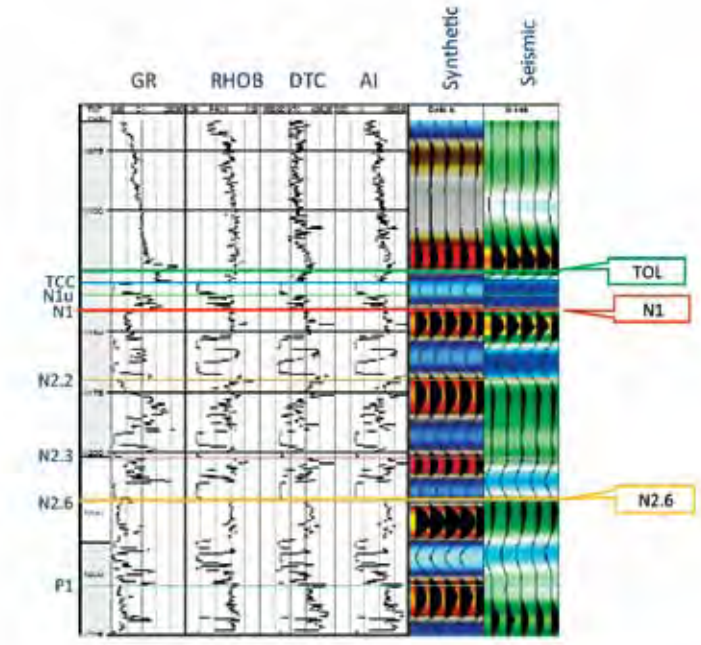

Figure 4-3 Synthetic Seismogram at West Seahorse-1 (after GCA)

A seismic line through West Seahorse-1 is shown in Figure 4-4. The interpreted events are from 3DO, and demonstrate the quality of the interpretation. However, RISC has re-interpreted the fault marking the NE limit of the field. The OWCs for the N1 and N2.6 reservoirs are also shown, which helps demonstrate the subtle nature of the structure.

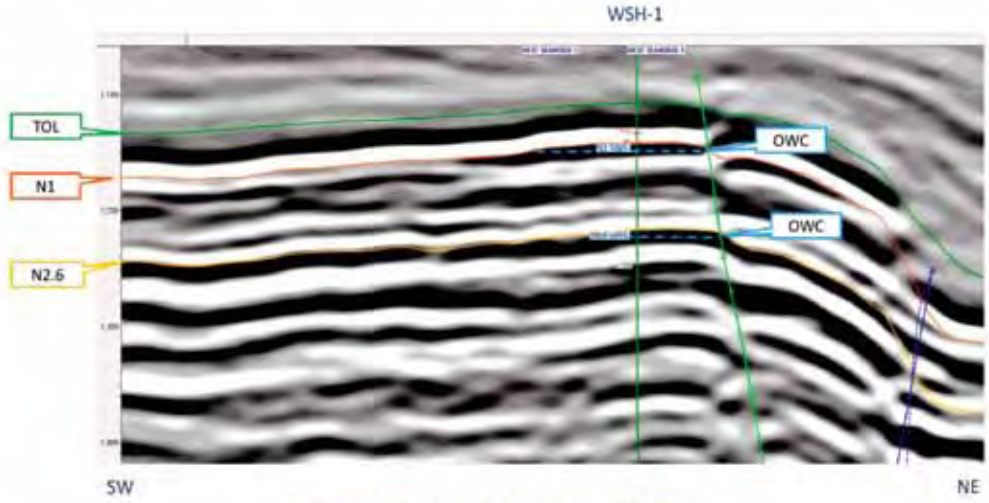

Figure 4-4 Seismic line 1522 through WSH-1

Both 3DO and GCA map a fault dependent structural saddle between West Seahorse Main and NE structures at TOL and N1 events as shown in Figure 4-5. RISC support this interpretation, and also note evidence of faulting at deeper levels - below the N2.6 event. RISC then also consider it possible that the N2.6 event is also faulted (giving a separation between the main and NE structures) as it would be more structurally reasonable, but just not resolved by the seismic data.

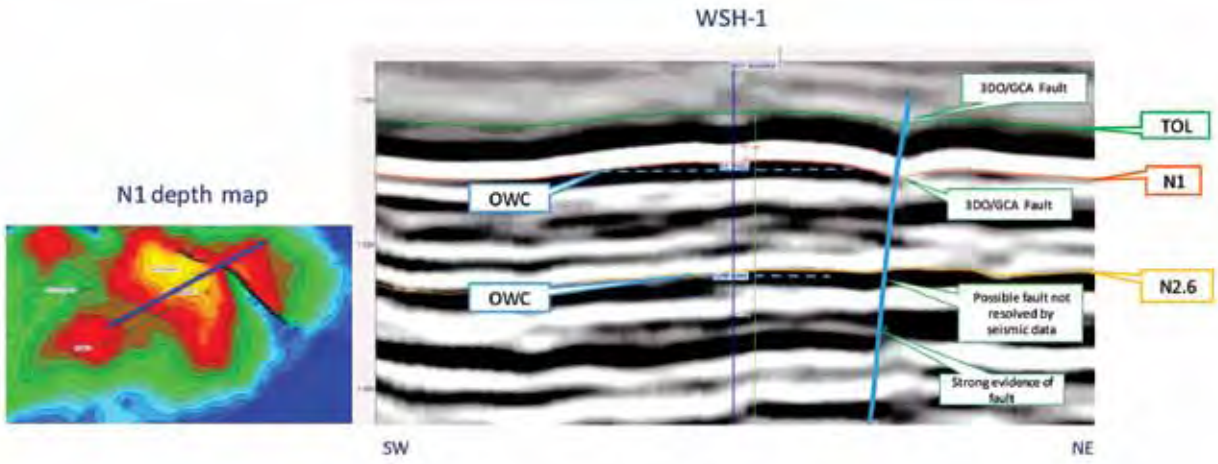

Figure 4-5 Arbitrary seismic line through West Seahorse saddle

Given the subtle nature of the structure, seismic pick and depth conversion uncertainty play an important role in determining the gross rock volume (GRV). 3DO used a simple regression based on well velocities for their depth conversion, which they have tied to wells. RISC supports this approach and has used the 3DO maps for the base case volumetrics. To understand the uncertainty in the depth maps, RISC have cross plotted the TWT pick with the pseudo average velocity derived from well formation tops (Figure 4-6). These plots show that there is a good relationship between the TWT pick and a pseudo average velocity that could be used for depth conversion. RISC has derived a simple V0, K equation as a best fit the well data and have used this to provide an independent depth conversion. From inspection of the plots, the

uncertainty in the pseudo average velocity is in the order of +/- 50m/s or 2%. The exception is the N2.6 in West Seahorse-2, where there is a discrepancy of almost 100 m/s or 4%. Given the general consistency of the pseudo average velocities, RISC considers that a change in phase of the seismic wavelet is the likely cause; there is no apparent miss pick of the seismic horizon at this location. With this is mind, RISC considers a point uncertainty of +/- 4% which translates to +/- 6m.

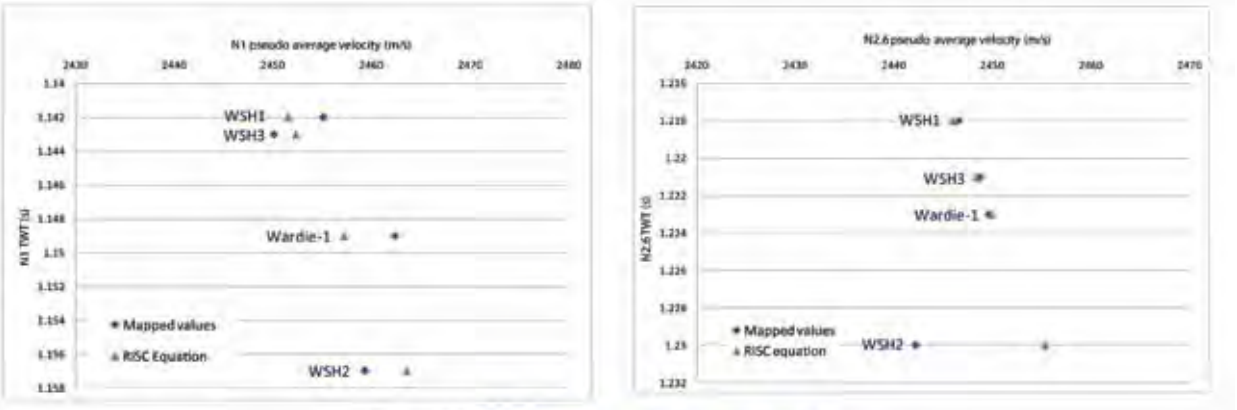

Figure 4-6 TWT picks vs pseudo average velocity

4.3. WELL RESULTS

The discovery well West Seahorse-1 was drilled in 1981 on an asymmetric anticline mapped on 2D seismic data, with closures interpreted at Top Latrobe, Intra Latrobe and Top Strzelecki levels. It reached TD within the Golden Beach Sub-Group, and encountered oil in the Eocene Latrobe Group. The N1 layer was tested (DST 1) and produced at a mean rate of 1,775 bopd of 48 degree API light crude on a half inch choke from the interval 1411-1416m MD. Oil was also sampled with RFT from the deeper N2.6 layer. Core data gave a maximum porosity of about 29%; DST results suggested formation permeability in the range 118 to 175mD. In the following year, West Seahorse-2 was drilled as an appraisal well; 1100m down flank to the east, but the key reservoirs were water-bearing and poorer quality.

West Seahorse-3 was drilled in 2008 by 3D Oil as a deviated well, 160m to the southeast of West Seahorse-1. The location was defined on 3D seismic data. Rotary sidewall cores were collected. The well terminated in the Upper Latrobe Group. Oil is present in the N1 layer, and sampled, but no drill stem tests were carried out. Analysis suggests a slight biodegradation. The deeper reservoirs were encountered low to prognosis, reportedly due to the intersection of a subtle fault, and were water-bearing. The well was suspended.

Wardie-1 was also drilled in 2008, from the same top hole location as West Seahorse-3, on a small separate culmination west of West Seahorse. Oil was not forecast to be present in the N1 sand; deeper levels were targets but were encountered low to prognosis and were water-bearing. Oil is present in the glauconitic Gurnard Formation, and in a sand above the main oil-bearing N1 sand in West Seahorse-1. With the structure being smaller than pre-drill estimates, the well was plugged and abandoned.

The Seahorse Field lies about 4 km to the east. This was discovered with Seahorse-1, drilled in 1978 on a fault-bounded anticline. Oil was encountered in five zones in the Latrobe Group, three being significant. Seahorse-1 is reported to have tested 2040 bopd of 53 degree API, with a gas-oil ratio of 200 scf/bbl (considered to be mildly biodegraded). Porosity in the discovery well averages 24%, and water saturation reported as 33%. Seahorse has been on production since 1990/1991.

4.4. PETROPHYSICS AND RESERVOIR PROPERTIES

RISC reviewed the petrophysical analysis conducted by GCA and undertook a quicklook independent interpretation of West Seahorse-1 and West Seahorse-3. The analysis aimed at the uppermost part of the reservoir i.e. reservoir expected within the structure. This was just down to the FWL in WSH-1, and taking

an equivalent column to give a guide for WSH-3 (necessary as the FWL is at the top of the N2.6 reservoir in this well). Our results are given in Table 4-1.

Well	Reservoir	Net-to-gross %	Average porosity %	Average hydrocarbon Saturation %
West Seahorse-1	N1u	29	32	n/a
	N1	89	28	n/a
	N2.6	92	27	n/a
West Seahorse-3	N1u	12	31	86
	N1	75	25	87
	N2.6	97	27	in water

Table 4-1 West Seahorse-1 and -3 petrophysical properties (RISC)

RISC considers the hydrocarbon saturation estimates from West Seahorse-1 logs unreliable due to the poor quality of the data and has not used saturation data from West Seahorse-1 in our analysis.

4.4.1. Data

Data available were LAS files from West Seahorse-1 and West Seahorse-2, DLIS files from West Seahorse-3 and Wardie-1, plus core analysis data from conventional and rotary sidewall cores. RISC note that the LAS files were poorly prepared and the DLIS files represented only a subset of the original data. We consider that the data acquisition programs for the more recent wells failed to address the key uncertainties of reservoir thickness and quality, and hydrocarbon content. The preferable logging suite should have included NMR logs to investigate porosity (total and effective) as well as hydrocarbon content, plus borehole image logs to determine accurately sand thickness and thus net-to-gross.

4.4.2. Porosity, permeability and net-to-gross

A good relationship between porosity and permeability is shown by core data from the N1u, N1 and N2.6 sands and is discussed in Section 8.2. Given this, we consider that it may be appropriate to combine the N1u and N1 units as they also have a common free water level. However, we have treated them separately for the purposes of this evaluation to facilitate comparison with existing estimates.

We consider that GCA's porosity estimates are reasonable. However, net-to-gross estimation is difficult with the available low resolution log data. We consider that a greater uncertainty exists in net-to-gross than determined by GCA, and it is not clear that they have accounted for all the coal intervals. West Seahorse-2 shows that the coals in both N1u and N1 units reduce the potential net reservoir considerably.

The glauconitic sands of the Gurnard Formation have a high gamma ray response and are known to contain significant volumes of bound water. Total porosity is likely to be at least 25%, but the effective porosity may be half that value. In the total porosity domain, the net pay may be up to 95% of gross; but with high water saturation.

4.4.3. Water saturation

The existence of a fresh water wedge of formation water is a well known phenomenon in the northern Gippsland Basin. This relates to freshwater flushing of previously saline aquifers. Where hydrocarbon pools are present, the saline water leg is flushed, but the formation water within the hydrocarbon column remains unchanged. The difficulty then presented to petrophysical analysis is that conventional means to establish water resistivity from samples in water legs, and/or analysis of wireline responses within the water leg, are not meaningful. GCA have undertaken a complex manipulation of log data, including sonic,

to determine a water saturation. However, from the information available, RISC has not been able to understand fully GCA's approach, nor therefore to confirm their analysis.

We consider that a significant transition zone is unlikely to be present, given the good reservoir quality, as shown by the steep tail-off of saturations in West Seahorse-3 in the clean sand of the N1 unit (Figure 4-7), which also shows clearly the coal intervals within this section. It is possible that a zone of mixed fresh and saline formation water is present towards the base of the hydrocarbon column, but there are no direct ways to quantify this. We have used a typical brine water salinity of 0.15 ohm-m at 68C°, or about 20,500 ppm NaCl equivalent. We consider that data quality and type are insufficient to determine water saturation in the West Seahorse-1 well.

No material hydrocarbons are present in West Seahorse-3 within the N2.6, and the well appears to be at the edge of the accumulation at this level. We note however from the digital data available, the SP log response at this level appears different to that illustrated by GCA, and seems to indicate different water salinities within the same sand, possibly indicating movement of water and hydrocarbon.

For the Gurnard, the water saturation may be 65% or higher (in the total porosity domain), although remains very uncertain. Total porosity includes clay bound water so the calculated porosity and water saturations are higher than usual and higher than the effective porosity and effective water saturations which exclude clay bound water. We calculate a hydrocarbon column to base reservoir, in West Seahorse-3, but note that no tests were undertaken.

West Seahorse-2 lies outside the field limits. No hydrocarbon saturations are determined. No hydrocarbons are determined for the P1 reservoir, which is therefore excluded from any resource.

The petrophysical summary plots of our evaluation are shown in Figure 4-7 to Figure 4-11.

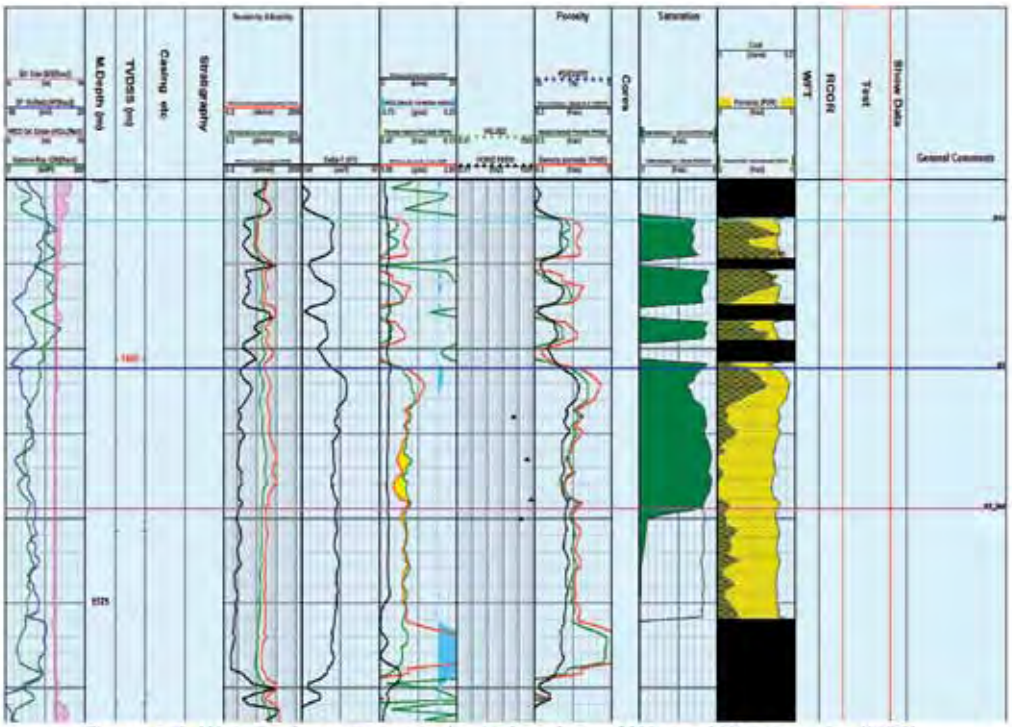

Figure 4-7 West Seahorse-3 petrophysical analysis of N1u and N1 reservoirs (RISC)

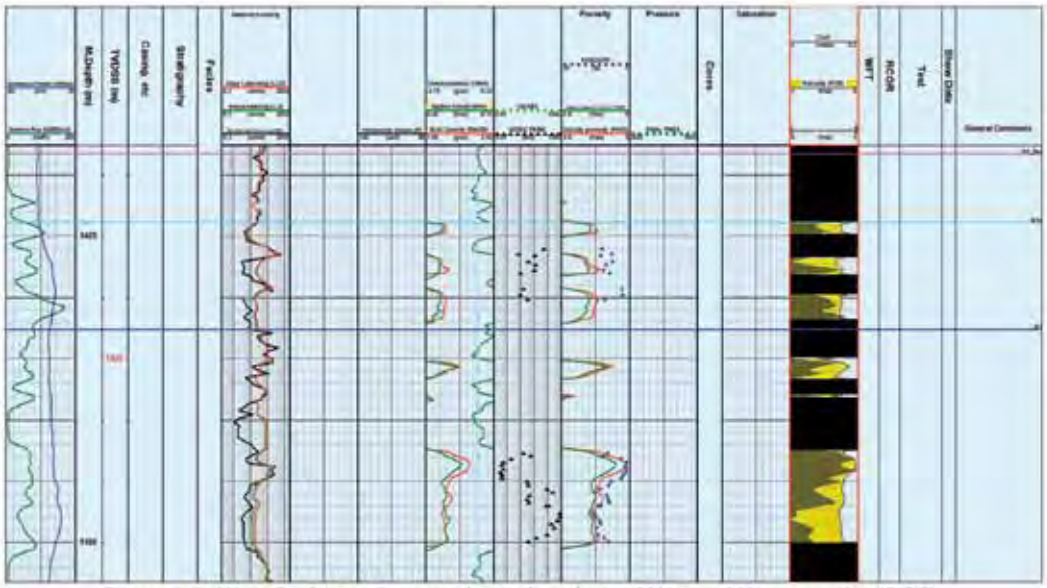

Figure 4-8 West Seahorse-2 petrophysical analysis of N1u and N1 reservoirs (RISC)

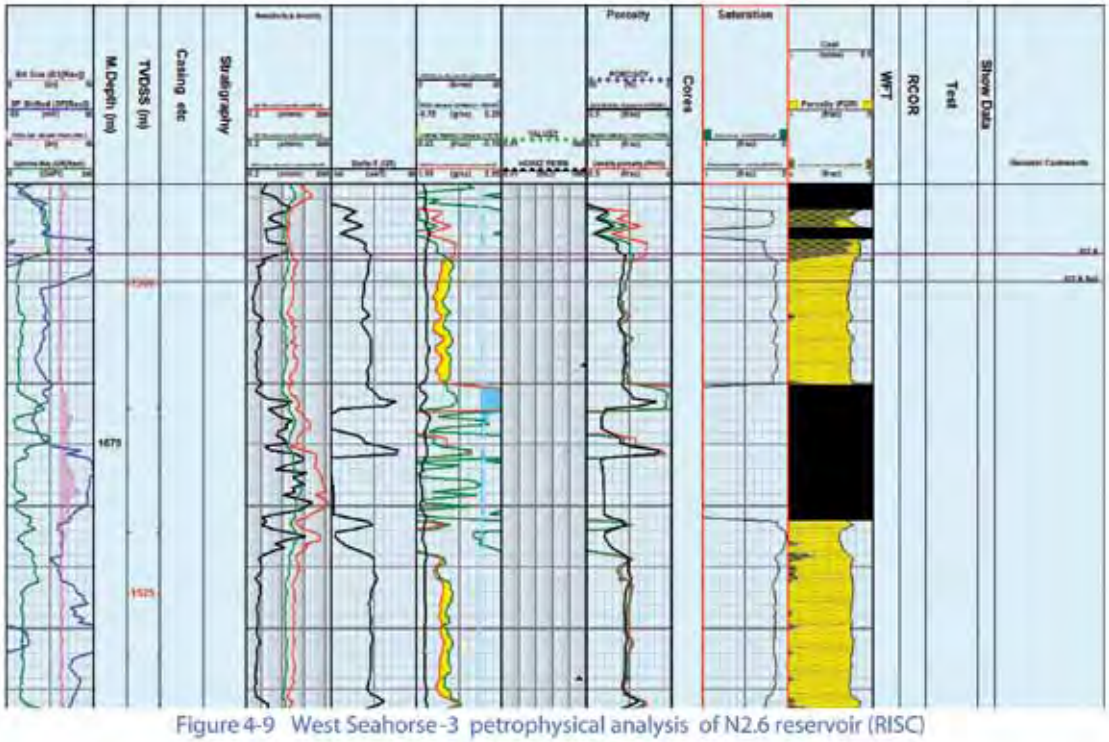

Figure 4-9 West Seahorse-3 petrophysical analysis of N2.6 reservoir (RISC)

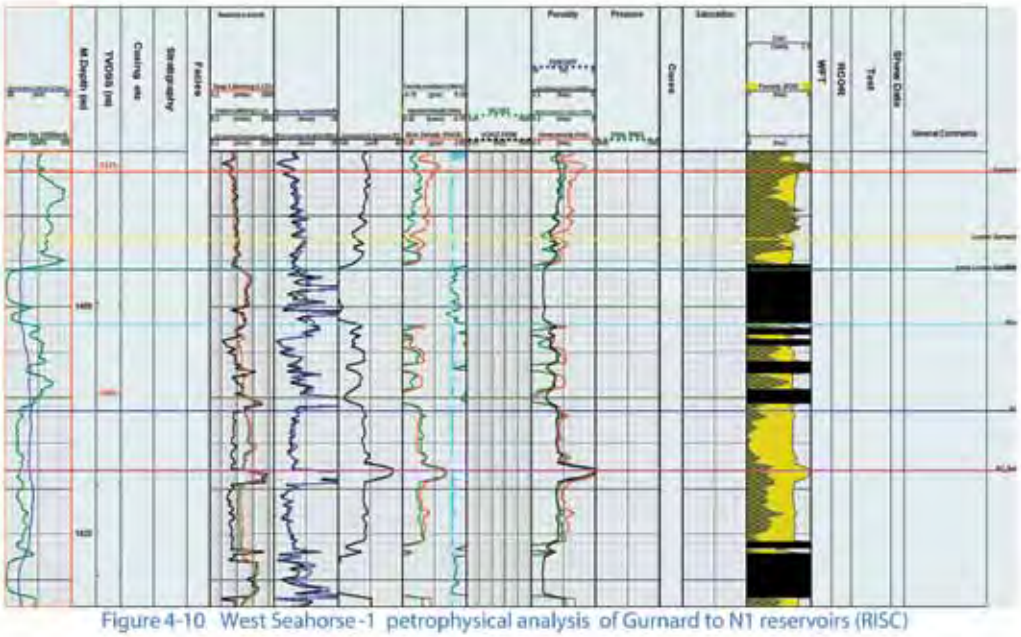

Figure 4-10 West Seahorse-1 petrophysical analysis of Gurnard to N1 reservoirs (RISC)

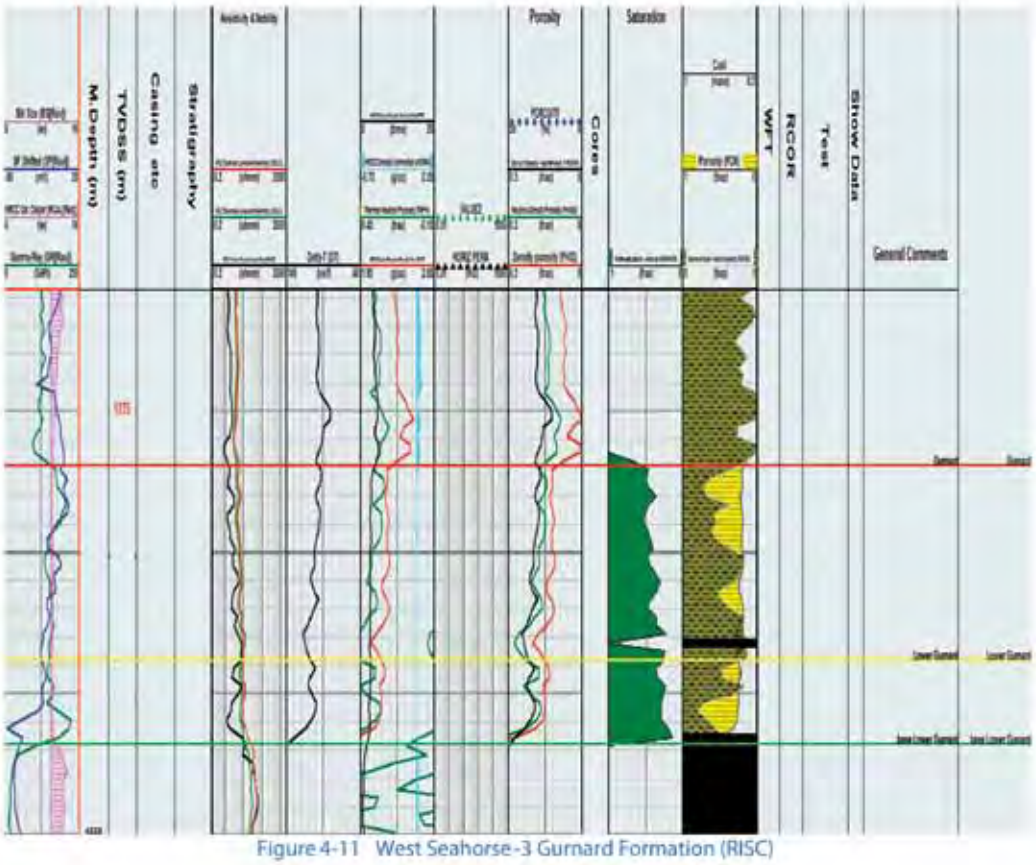

Figure 4-11 West Seahorse-3 Gurnard Formation (RISC)

4.5. FLUID CONTACTS

Fluid contacts in the West Seahorse (WSH) field are defined by logs and MDT measurements and are relatively well defined. RISC has utilised the contact ranges given in (Table 4-2) for estimating the OOIP for the main field and the N2.6 of the NE segment.

Reservoir	Shallow	Best	Deep
N1u	1407.4	1408.4	1409.5
N1	1407.4	1408.4	1409.5
N2.6	1497.5	1498.0	1498.5

Table 4-2 West Seahorse fluid contacts m TVDss

The best estimate for the N1 sand is from the apparent OWC drilled in WSH-3; and is shown on logs at 1408.4 metres TVDss (Figure 4-7). Figure 4-12 shows the available pressure data over the field. The oil gradient corresponds to a downhole oil density of 0.7 g/cc, which is as expected for oil with a stock tank API gravity of circa 48 degrees (or 0.78 g/cc). The water gradient corresponds to a density of 1.01 g/cc with the water gradient being consistent with an aquifer that is continuous from near sea level. This is in line with the local geographic conditions and noted aquifer behaviour elsewhere in the Gippsland Basin.

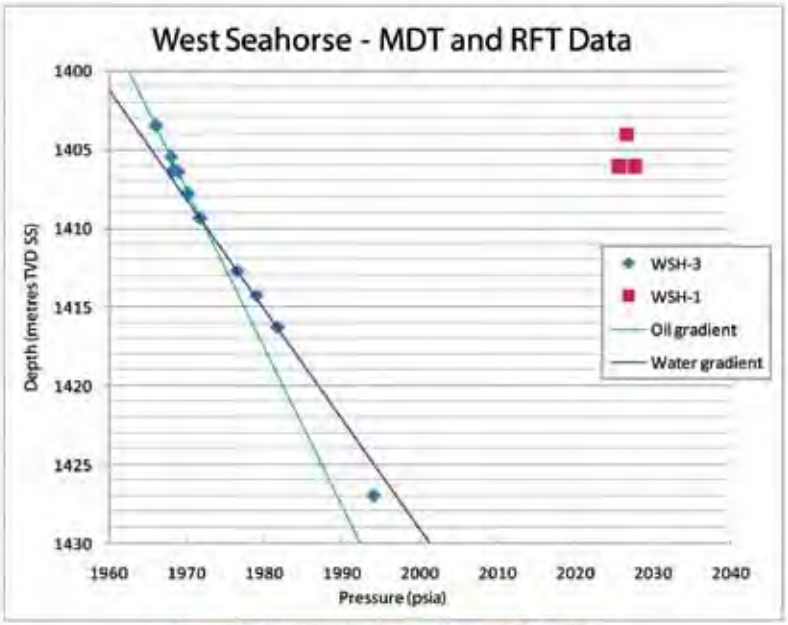

Figure 4-12 West Seahorse MDT and RFT data

The FWL for the N1 sand is interpreted at 1409.5 from MDT data in WSH-3 and RISC has taken this for the deep estimate for the OWC. The shallow estimate was derived from the depth of an RFT oil sample at 1407.4 m TVD SS in WSH-1.

Oil has not been sampled from the N1u sand and there is no MDT/RFT data at this interval either. However, the sands are in close vertical proximity to each other and RISC believes it is reasonable to assume the same contacts for the N1u as for the N1.

There is no evidence of an OWC in the N2.6 sand from the MDT in WSH-3. GCA has previously suggested a range of OWC for the N2.6 from logs run in WSH-1 as shown in Figure 4-13. RISC notes that these contacts are (effectively) at or below the top of the sand in WSH-3 (the top of the N2.6 in WSH-3 is at 1498 m TVD SS). RISC also notes that the water pressures in the N2.6 are consistent with the water pressures in the N1 sand, indicating a common aquifer system. Logs from WSH-3 indicate oil at low saturations in the N2.6

sand (Figure 4-13). The observed pressure depletion in the N1 sand and reported production from the N2.6 sand at Seahorse suggest that the N2.6 sand has been swept by the aquifer (in production time) and this would account for the low saturations and that the deeper contacts are now invalid due to aquifer movement since WSH-1 was drilled. Accordingly RISC is using a single OWC for the N2.6 sand at 1498.0 m TVD SS with a +/- 0.5 metre spread to allow for depth measurement errors.

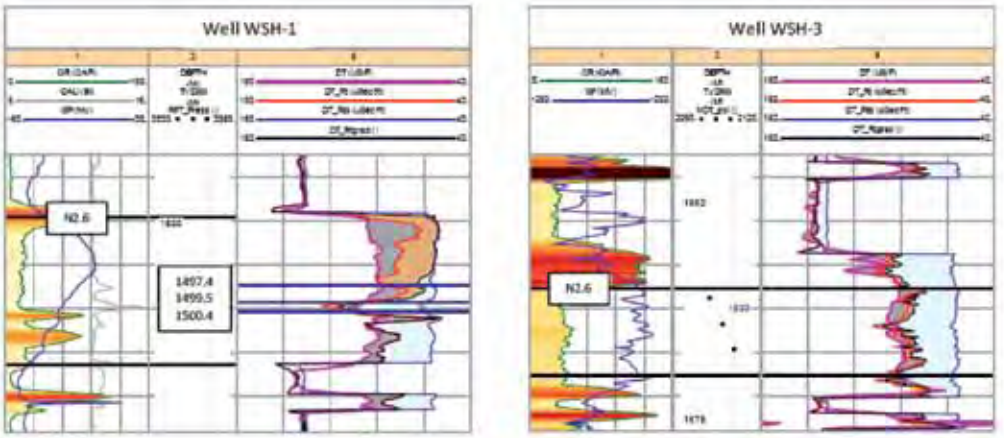

Figure 4-13 Log panel showing N2.6 OWC as interpreted by GCA (after figure 1.24 by GCA)

4.6. PVT

With similar pressure regimes and depths of the reservoirs RISC think it is reasonable to utilise a single set of PVT properties for the N1u, N1 and N2.6 sands (Table 4-3). Samples and analyses are mainly confined to the N1 sand.

West Seahorse Oil PVT Properties				
		Low	Best	High
Formation Volume Factor	rb/stb	1.18	1.16	1.14
Solution GOR	scf/stb	325	235	180

Table 4-3 West Seahorse Oil FVF and GOR

Formation volume factors were measured in lab analyses except for the FVF corresponding to a solution GOR of 180 scf/stb. This was estimated from a correlation which had been tuned to the other laboratory measured Bo values. The FVF has a relatively small range and corresponds to a variation in the OOIP of ~3.5%.

Oil in West Seahorse is a light crude with an API gravity of circa 48 degrees API. In situ oil viscosities are in the range of 0.5 – 0.6 cP. Gippsland Basin oils generally have only minor flow assurance issues and these are typically confined to waxing in the crude due to low seabed temperatures when wells or pipelines are shut in for extended periods. Pipelines are typically insulated and this overcomes most waxing issues.

The main PVT issues in West Seahorse are associated with the possible presence of H_2S and the GOR of the oil.

H_2S

H_2S was measured at 200 ppm during testing of the N1 sand at WSH-1 and at 300 ppm during testing of the same sand at Seahorse 1, but its presence remains unclear. H_2S was not measured in the laboratory on any samples from DSTs/MDTs or production samples from Seahorse 1 during some 20 years of production (advice from 3DO). The non-measurement in the laboratory could be put down to adsorption of the H_2S

onto the un-lined walls of the sample cylinders. There has been no issue with H_2S in the nearby producing Seahorse Field. RISC places more weight on this and accordingly believes there is no need to design for sour gas service at West Seahorse. RISC recommends sampling of the WSH fluids in lined cylinders when drilling WSH-3 ST as a prudent safety measure. Modifications for the presence of H_2S could still be made to the design at this stage if required (albeit at added expense).

GOR

The GOR of the oil at WSH has not been conclusively determined. It lies within the broad range shown in Table 4-3. The producing GOR during DST 1 at WSH-1 (N1 sand) was circa 135 scf/bbl of separator oil. Flashing the oil to stock tank conditions gave a total GOR of circa 180-200 scf/stb. Physical recombination of surface samples allowed measurement of the GOR as 233 scf/stb. Measurements on sub-surface samples (sample chambers run with DST string) showed GORs of circa 330 scf/stb. Bubble point pressures were 825 psig and 1285 psig respectively. Analysis of MDT samples from WSH-3 showed a GOR of 325 scf/stb and a bubble point pressure of 1227 psig.

RISC notes that an oil sample from West Seahorse 2 had a solution GOR of ~740 scf/stb and a bubble point pressure of 1368 psig. We have been unable to determine the reservoir from which this sample was taken and accordingly have not utilized the data in our analysis.

The main conclusions to be drawn from the GOR analysis are:

- The oil is under saturated;
- Bubble point pressure is significantly below initial reservoir pressure and is unlikely to be reached during production due to the strong aquifer drive;
- Producing GOR should remain essentially constant during production.

5. WEST SEAHORSE - EVALUATION OF IN-PLACE OIL

5.1. GROSS ROCK VOLUME

RISC has determined a range in gross rock volumes (GRV) that incorporates uncertainty in depth mapping and oil-water contact. The base case maps are taken from the 3DO grids, as RISC support these. For the main reservoirs (N1u, N1 and N2.6) we used area-depth pairs and an uncertainty on the area that covers the depth uncertainty; for the Gurnard we used a range in GRV.

N1u, N1 and N2.6 Reservoirs

The calculation of gross rock volume of the N1u is constrained between the depth surfaces of the Top N1u and Top N1, and is thus a constant parameter for each calculation. The column heights for both the N1u/N1 and N2.6 are small and the flatness of the structure is such that the fluid limit does not impinge on the base of either the N1 or the N2.6 reservoir. The volumetric calculation for these lower units thus uses the top surface only, limited by the OWC.

We have used the 3DO maps (as we support these) and contacts as defined in section 4.5, to determine the GRV for both West Seahorse Main and West Seahorse NE. Given the structural configuration, the contact in West Seahorse NE cannot be deeper than that of West Seahorse Main, although it can be shallower. As discussed in the Seismic Interpretation section, there is uncertainty associated with the depth maps. RISC estimates a point uncertainty of +/- 6m, and has translated this into an average uncertainty for the field to be in the order of +/- 3m. With comparison of the structural areas defined at the field limits, an uncertainty of 3m would be equivalent to about +/- 20% in area. For our volumetric calculations we have used area/depth pairs in conjunction with an area uncertainty of 20%. Our independently derived depth maps lie within these ranges. In addition, we have defined ranges of fluid limits for the main field and the exploration area as shown in Table 5-1 and Table 5-2 and discussed in section 4.5.

West Seahorse main field				
Reservoir	**Distribution**	**P90, m TVDss**	**P50/ML, m TVDss**	**P10, m TVDss**
N1u and N1	Beta	1407.4	1408.4	1409.5
N2.6	Beta	1497.5	1498.0	1498.5

Table 5-1 West Seahorse main reservoirs, Main field fluid limits

West Seahorse exploration: NE segment				
Reservoir	**Distribution**	**P90, m TVDss**	**P50/ML, m TVDss**	**P10, m TVDss**
N1u	Beta	Min 1400	ML 1405	Max 1410
N1	Beta	no volume	no volume	P10 1408.4
N2.6	Beta	1497.5	1498.0	1498.5

Table 5-2 West Seahorse main reservoirs, NE segment fluid limits

Details of gross rock volumes are given in Table 5-4. Note that the N1 has (minor) volumes in the NE segment only in an upside case, and can essentially be ignored. This is because the spill point is controlled by the shallower N1u, leaving only a small volume in the P10 case above this contact.

Resource areas as defined by RISC are shown in Figure 5-1 through to Figure 5-4.

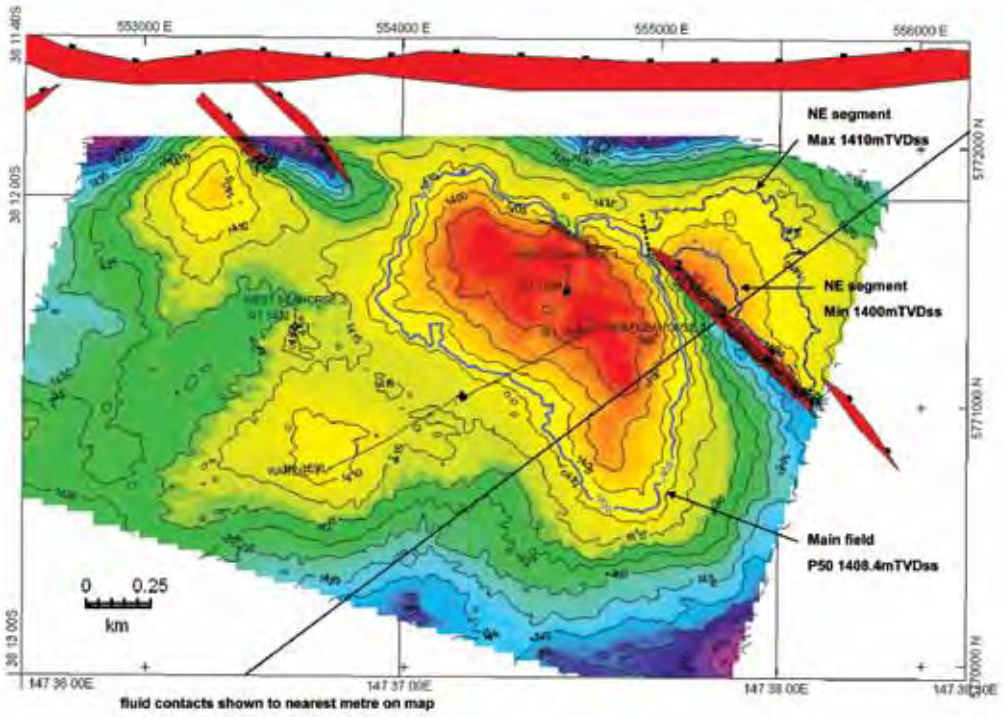

Figure 5-1 Top N1u Depth map with resource areas/field limits

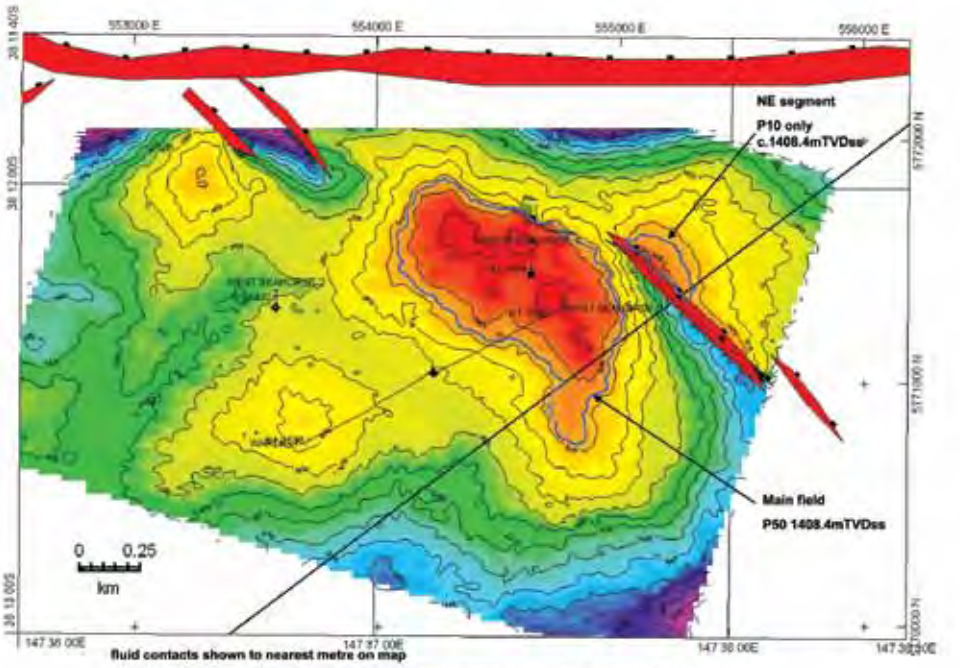

Figure 5-2 Top N1 depth map and resource areas/field limits

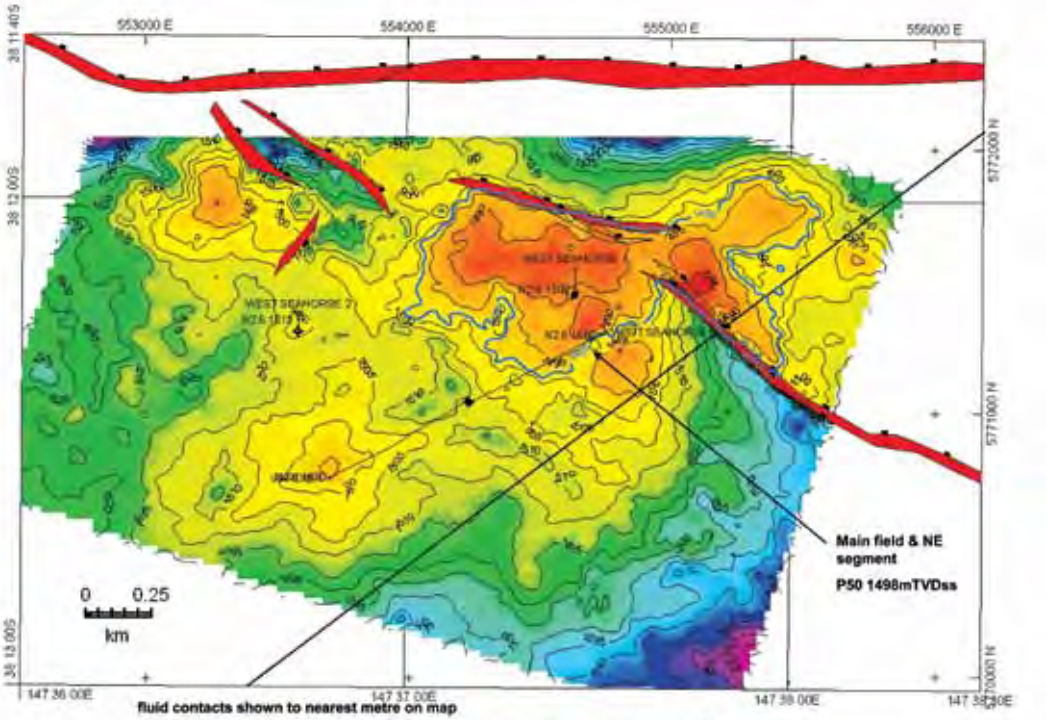

Figure 5-3 Top N2.6 Depth map and resource areas/field limits

Gurnard Formation

Hydrocarbons are present in the Gurnard Formation in West Seahorse-1, West Seahorse-3 and Wardie-1. However, oil is unproven in West Seahorse as no samples or tests have been performed. Oil was sampled but not tested in Wardie-1. In the main field, we have defined a P10 areal limit to the Gurnard at the base of the column in Wardie-1, at 1400m TVDss (Table 4-2, Figure 5-4). The West Seahorse-2 well lies within this area, although close to the margin. Possible hydrocarbons seen in this well are consistent with our approach. Our P90 limit for the main field is the base of the hydrocarbon column in West Seahorse-1 and -3, at 1386.2m TVDss.

The separate NE segment is treated as a prospective resource. Given that the P10 level defined for the main field fully encompasses the NE structure, this is used as the P10 limit for the NE structure. The P90 area is defined as a small crestal area at 1380m TVDss, given that degree of fill is not known.

Reservoir	Distribution	P90, m TVDss	P50/ML, m TVDss	P10, m TVDss
Gurnard, main field	log normal	1386.2	not specifically defined	1400
Gurnard, NE segment	log normal	1380	not specifically defined	1400

Table 5-3 West Seahorse Gurnard fluid contacts

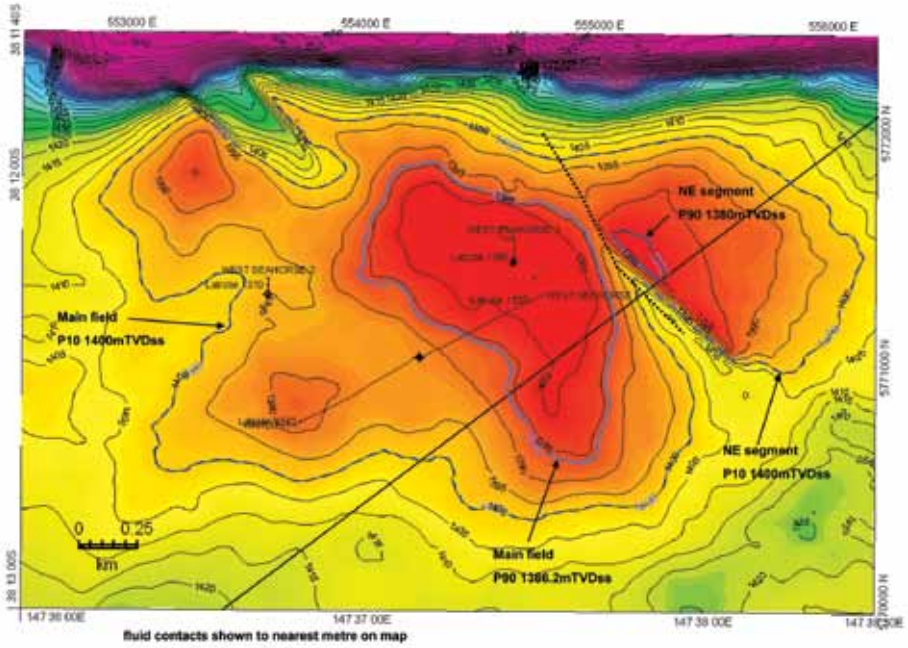

Figure 5-4 Top Gurnard Depth map with resource areas/field limits

Both the main West Seahorse field and the NE exploration segment are cut by the south eastern VIC/P57 permit boundary. We have calculated both total and on-block resource volumes; a summary of gross rock volumes is given in Table 5-4.

Reservoir	Case	Total		On-block	
		Main field, km^2-m	NE segment, km^2-m	Main field, km^2-m	NE segment, km^2-m
Gurnard	P90	4.57	0.31	3.95	0.02
	P50	10.1	1.35	8.42	0.255
	P10	22.8	6.24	17.9	3.25
N1u	P90	4.70	0.18	4.01	0.14
	P50	5.33	0.39	4.51	0.30
	P10	6.00	0.72	5.03	0.52
N1	P90	1.93	0.04	1.86	0.03
	P50	2.60	0.08	2.49	0.06
	P10	3.40	0.14	3.23	0.10
N2.6	P90	2.10	0.84	2.10	0.77
	P50	2.65	1.21	2.65	1.11
	P10	3.23	1.61	3.23	1.48

Table 5-4 West Seahorse gross rock volumes

5.2. RESERVOIR PROPERTIES

Based upon our review of the petrophysical properties of each well, we have defined ranges of input parameters for the various reservoirs in the following tables (Table 5-5, Table 5-6, Table 5-7).

Reservoir	Distribution	P90 %	P50 %	P10 %
Gurnard	log normal	60	75	95
N1u	log normal	21	40	75
N1	log normal	82	88	95
N2.6	log normal	92	94	97

Table 5-5 West Seahorse net-to-gross volumetric inputs

Reservoir	Distribution	P90 %	P50 %	P10 %
Gurnard	log normal	25	28	32
N1u	log normal	23	27	32
N1	log normal	23	26	29
N2.6	log normal	23	26	29

Table 5-6 West Seahorse average porosity volumetric inputs

Reservoir	Distribution	P90 %	Most Likely %	P10 %
Gurnard	beta	65	58	50
N1u	beta	25	19	10
N1	Beta	25	19	10
N2.6	beta	25	19	10

Table 5-7 West Seahorse average water saturation volumetric inputs

Formation volume factors were discussed in Section 4.6.

5.3. OIL IN-PLACE

On the basis of the evaluation and volumetric inputs provided above, RISC calculates the following in-place discovered and undiscovered volumes (Table 5-8, Table 5-9):

West Seahorse Main field - Oil Initially In-place								
	Total Field, 100% share, MMstb				On-block VIC/P57, 100% share, MMstb			
Reservoir	P90	P50	P10	Mean	P90	P50	P10	Mean
Gurnard	2.05	4.78	11.30	5.96	1.77	3.98	8.99	4.84
N1u	1.28	2.49	4.66	2.76	1.08	2.11	3.93	2.33
N1	1.88	2.62	3.60	2.40	1.81	2.51	3.42	2.58
N2.6	2.18	2.87	3.68	2.90	2.11	2.78	3.57	2.80
arithmetic addition: N reservoirs only	5.34	7.98	11.94	8.35	5.07	7.49	11.03	7.81

Table 5-8 West Seahorse Main field – Oil Initially in-place

West Seahorse NE Segment - Oil Initially In-place								
	Total Field, 100% share, MMstb				On-block VIC/P57, 100% share, MMstb			
Reservoir	P90	P50	P10	Mean	P90	P50	P10	Mean
Gurnard	0.14	0.65	3.04	1.29	0.01	0.12	1.57	0.75
N1u	0.07	0.18	0.43	0.22	0.05	0.14	0.31	0.16
N1	0.04	0.08	0.15	0.09	0.03	0.06	0.10	0.06
N2.6	0.88	1.31	1.81	1.33	0.80	1.19	1.64	1.21
arithmetic addition: N reservoirs only	0.99	1.57	2.39	1.64	0.88	1.39	2.05	1.43

Table 5-9 West Seahorse NE segment – Undiscovered Unrisked Oil Initially in-place

6. WEST SEAHORSE RESOURCE AREAS AND CLASSIFICATION

6.1. INTRODUCTION

RISC classifies the hydrocarbon volumes within the main area of the West Seahorse Field and the main reservoirs (N1u, N1 and N2.6) as contingent resources, while the Gurnard will remain a prospective resource until tested. The north-eastern segment of the West Seahorse structure is considered to be near field exploration and thus is also classified as a prospective resource (Figure 6-1). Additional prospective resources are present in the Sea Lion and Felix prospects. The contingent resources in West Seahorse can be booked as reserves once a development plan is approved by the permit owners and a production licence is granted by the government.

The West Seahorse structure is limited to the north by a WNW-ESE down-to-the-north fold and fault trend. The drilled structure is nevertheless essentially a four way dip closure. The closure to the northeast has a different nature, against a down-to-the south throw, in opposition to the fault to the west. Continuity of faulting is therefore not likely. However, the structural distinction of this 'NE segment' is such that we consider this undrilled area to be classified as near-field exploration. This position is strongly supported by the free water level for N1u/N1 at 1408.4 being essentially coincident with the spill into the NE area, rather than being full-to-spill. This suggests that the bounding fault to the NE segment may even be the reason for West Seahorse to be limited as it is; in other words that this fault is a breach point for the structure. This is not the case for the N2.6 sand, for which the free water level appears to be deeper than the spill point between the main field and the NE segment, but the structural differences remain (Section 4.2), and we have maintained the overall exploration status of this area. The Gurnard is less well understood, although the base of the apparent (unsampled) oil column in West Seahorse-1 and -3 is once again close to the spill point between the main and NE areas. The considerable uncertainties confirm that this NE area should be treated as exploration.

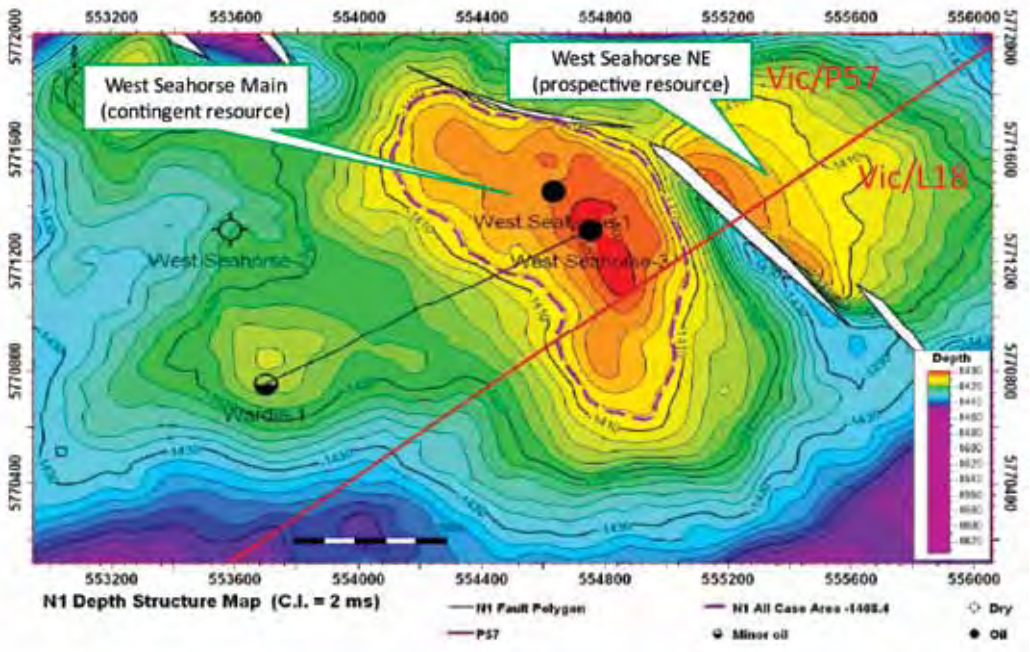

Figure 6-1 West Seahorse field structure showing contingent and prospective resource areas

This position is supported further from the omission in the current development plan of any well in this NE segment, and cannot be considered as reserves. Simulation by 3DO shows that drainage of this area is effectively non-existent for the N1 and N1u reservoirs, and very limited for the N2.6 reservoir. There are no plans to develop the Gurnard.

The Gurnard of the West Seahorse Main segment is a prospective resource due to uncertainties in reservoir deliverability, which RISC consider as very likely or 85% POS.

The NE segment is also classified by RISC as a prospective resource, albeit with a high chance of success. We note that GCA adopt a different position in that they include the NE area in their upside cases, as their depth map does not show the coincidence of the spillpoint referred to above. As prospective resources, the volumes estimated for the NE segment carry a chance of success. The trap is dependent on the SW fault and there is a small chance (10%) that this could leak, given the apparent limit of the N1u/N1 pool at northwestern termination of the fault bounding the NE segment. There is also small risk (10%) of flushing of the lower reservoirs, given that the N2.6 in the main structure does not appear to be full to spill. An additional reservoir deliverability risk is carried for the Gurnard.

Formation	Trap	Reservoir	Seal	Charge	Total
Gurnard	100	85	90	100	**75**
N1u/N1 and N2.6	100	100	90	90	**80**

Table 6-1 West Seahorse NE segment probability of success (%)

6.2. RESOURCE ESTIMATES

The resource estimates for VIC/P57 are given in Table 6-2. This is a probabilistic approach which combines uncertainties in reservoir parameters and recovery factors for the different pools. It is therefore different than the specific cases run to produce the production profiles given in sections 8.5 and 8.5.3.

Classification	Pool	Reservoir	OIP			Ultimate Recovery		
			P90	P50	P10	P90	P50	P10
Contingent	West Seahorse Main	N1u	1.3	2.5	4.7	0.8	1.6	3.0
		N1	1.9	2.6	3.6	1.2	1.7	2.3
		N2.6	2.2	2.9	3.7	1.4	1.9	2.4
		Probabilistic sum	6.5	8.15	10.5	4.1	5.5	7.1
Prospective	West Seahorse Main	Gurnard	2.0	4.8	11.3	0.3	0.7	1.7
	West Seahorse NE	N1u, N1 and N2.6	1.1	1.6	2.1	0.7	1.0	1.4
	West Seahorse NE	Gurnard	0.1	0.6	3.0	0	0.1	0.5

Table 6-2 Unrisked Full Field Resource Estimates (MMstb, RISC)

The recovery factors used for this analysis are given in Table 6-3 and are based on the creation of production type curves, as outlined in Section 8.3.

Levels	P90	Mode	P10
"N" reservoirs	58%	67%	71%
Gurnard	10%	15%	20%

Table 6-3 Input recovery factors (%) for probabilistic volumetric calculations

7. BASIS FOR EVALUATION

7.1. INTRODUCTION

The evaluation of the West Seahorse field involves considering a number of development options in addition to the geological uncertainties and outcomes described above. RISC have evaluated these using three development scenarios; phased 2 well development with a range of resource outcomes, phased 2 well development with different development concepts and a concurrent minimum 2 well development with a range of resource outcomes.

7.2. PHASED 2 WELL DEVELOPMENT WITH RANGE OF RESOURCE OUTCOMES

This approach assumes a well in West Seahorse Main by a re-entry of WSH-3, followed by a well in the West Seahorse NE a year later. It assumes development via wells with gas lift and subsea completions, with all fluids going back to shore to a new build processing plant. Single well production profiles for the West Seahorse Main were generated, based on the P90, P50 and P10 contingent OIP (the 'N' reservoirs).

7.3. PHASED 2 WELL DEVELOPMENT WITH DIFFERENT DEVELOPMENT CONCEPTS

This approach was used to identify the highest value development option. It assumes P50 OIP and the same timing of development as above. i.e. a well in West Seahorse Main, followed by a well in the West Seahorse NE a year later. The development options were designed to consider:

- Gas lift vs electric submersible pumps (ESPs);
- Subsea completion and pipeline to shore vs Mobile Offshore Production Unit (MOPU) and export to Floating Storage and Offtake (FSO) facility;
- New build plant vs tariff though third party facility.

7.4. CONCURRENT MINIMUM 2 WELL DEVELOPMENT

This approach was used to test the value of accelerating production by starting production from two wells concurrently and to test the sensitivity to having a minimum of two wells for security of supply. This case assumes one well in West Seahorse main and one well in West Seahorse NE, but the West Seahorse NE well is sidetracked onto the main reservoir in the event of West Seahorse NE failing. Thus the development has two producing wells in all cases. Production profiles were generated for P90, P50 and P10 OIP for the both structures. A MOPU vs subsea development was also evaluated.

8. WEST SEAHORSE - PRODUCTION FORECASTING

8.1. INITIAL RESERVOIR PRESSURE

RISC notes the GCA/3DO simulation assumes an initial pressure of ~ 1968 psia which allows for the observed depletion to date.

Pressure depletion is apparent in Figure 4-12 between the RFT data in WSH-1 and the MDT data in WSH-3. The RFT data is consistent with the extrapolated pressure from the DST run over the N1 sand in WSH-1. The pressure has declined from ~2030 psia to ~ 1970 psia.

WSH-1 was drilled in 1981 and WSH-3 in 2008. Pressure depletion has been observed in other non-producing fields in the Gippsland basin due to production from nearby fields. The pressure depletion suggests that the regional aquifer is not "infinite acting" although it does provide a strong water drive to the basin. The amount of pressure depletion observed is not sufficient to impact on development plans for the WSH field.

RISC recommends that pressure measurements are taken in any sidetrack of WSH-3 (and any other new wells) to confirm the rate of pressure depletion, so this can be incorporated into updates of the dynamic simulation models of the field.

8.2. INFLOW PERFORMANCE

RISC has reviewed the permeability and test data and believes that the permeabilities assigned by GCA to the N2.6 are too high. RISC estimated the net pay weighted permeability of N2.6 from core data to be 1330 mD and used this as the best estimate. Similarly we reduce GCA's low and high case permeabilities in N2.6 by 33%. The initial well production rates were reduced in line with the reduced KH. The permeability changes are summarised in Table 8-1.

	Permeability Estimates (mD)			
Source	**Level**	**Low**	**Best**	**High**
RISC	N1u	70	180	300
	N1	230	470	700
	N2.6	890	1330	2000
3DO	N1u	54	80	120
	N1	470	700	1050
	N2.6	1340	2000	3000
GCA	N1u	70	180	300
	N1	230	470	700
	N2.6	1340	2000	3000

Table 8-1 Permeability Estimates for West Seahorse Field

The permeability estimates for the N2.6 as used by GCA/3DO are 1340 – 2000 – 3000 mD for Low-Best-High estimates. RISC has been unable to find any convincing corroborating evidence for the high end of this range; a plot of core porosity vs core permeability shows only 2 points above 2000 mD and the majority below 500 mD (Figure 8-1).

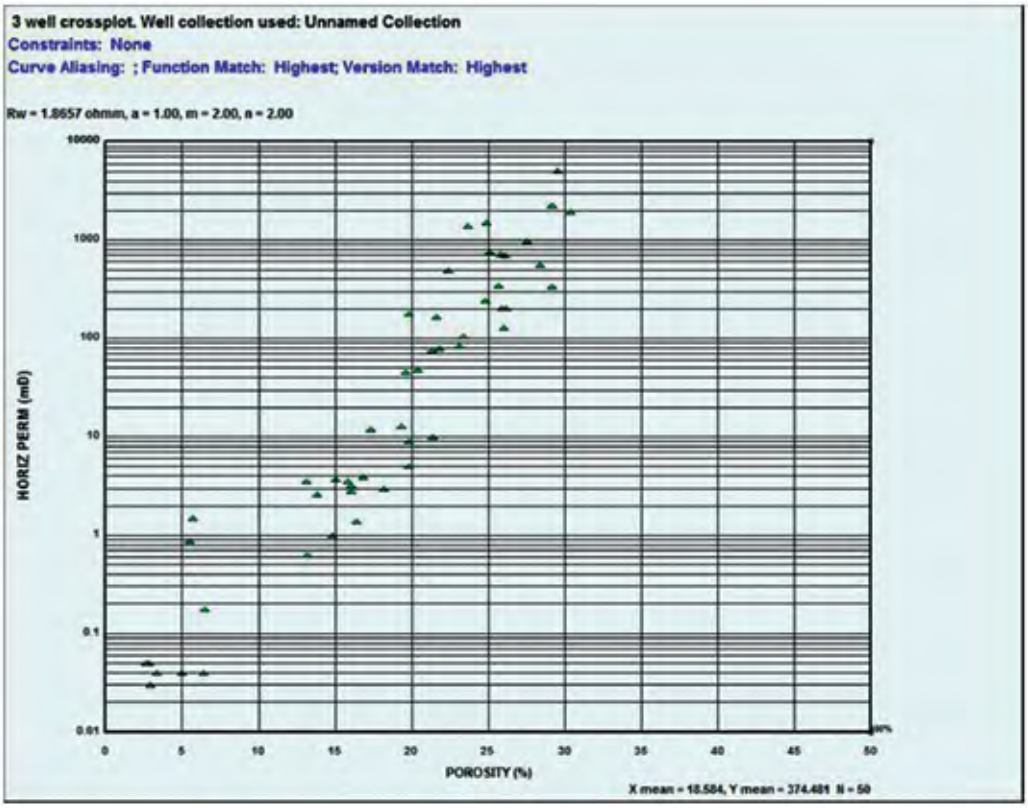

Figure 8-1 Ambient Permeability - Porosity Cross plot from core data

A review of N2.6 mobilities from MDT data in WSH-3 shows a single point with a mobility of 3834 mD/cP and two others around 2000 – 2200 mD/cP. A mobility of 3834 mD/cP corresponds to a permeability of 1900 – 2300 mD assuming mud filtrate viscosities of 0.5 – 0.6 cP.

RISC has been advised of simulated history matches to the Seahorse field carried out on behalf of another operator. 3DO state that this history match provides support for a high end permeability estimate in the N2.6 sand of 3000 mD. RISC does not agree with this view for the following reasons:

- There is no bottom hole pressure in the simulation match;
- No gas lift rates were available;
- The simulation match relies on flow correlations to estimate WHFP and BHP which are inherently uncertain without data correlation points;
- Maximum flow rate from the Seahorse field is circa 8000 bfpd.

Previous work by RISC reviewing flow correlations suggests that errors in the range of +/- 20% can be expected for a number of publically available correlations. (Beggs and Brill (1973), Payne et al (1979), Griffith et al (1973)). We note that the simulation work used a different correlation (Hagerdon and Brown) but we would expect a similar error range.

RISCs opinion is that while 3000 mD may have provided a history match to the Seahorse field the history match is (effectively) unconstrained and that using a permeability of 3000mD for the High (or P10) case is overly optimistic and does not agree with other data.

RISC acknowledges that simulation of West Seahorse shows an initial fluid (oil) rate of 20,000 bfpd is achievable from 2 wells with an N2.6 permeability of 2000 mD. This is higher than RISCs P10 initial rate of 15,000 bfpd. In RISCs opinion the 15,000 bfpd initial rate is appropriate for a valuation scenario given uncertainties in:

- Actual reservoir permeability at both new drill locations;
- Distribution of permeability throughout the reservoir;
- Well completion practices;
- Bottom hole flowing pressures;
- Actual flow rates from the Seahorse field.

RISC suggests that given all of these uncertainties an initial flow rate of 20,000 bfpd represents an outcome that is significantly less probable than appropriate for a P10 case.

In RISC's view, the data indicate that 2000 mD is a better value for the high estimate of (average) permeability in the N2.6 which is a reduction to 2/3 of the 3DO value. We have reduced the low and best estimates by the same ratio.

RISC also notes that GCA has suggested changes to the N1u and N1 permeability estimates used by 3DO and RISC concurs with these changes. It is important to note that the best estimate of permeability for the N1 sand is now in agreement with the recent re-interpretation of the DST over this sand in WSH-1.

The initial inflow of the proposed WSH-3 ST1 well has been simulated by 3DO/GCA. RISC has reduced these initial rates in line with the KH reduction estimated by RISC. The resulting initial rates are shown in Table 8-2.

Well Inflow Performance			
Initial Oil Rate (bopd)	Low	Best	High
GCA Report	8200	9600	10200
RISC Revision	6000	7100	7500
Note:	*Initial Oil rate = Initial Fluid rate*		

Table 8-2 Inflow Performance for proposed ST of WSH-3

8.3. PRODUCTION FORECAST METHODOLOGY

RISC has reviewed various production forecasts prepared by 3DO for internal purposes and from a previous review by GCA, which were derived from a simulation model of the West Seahorse field. RISC has not had access to this model but notes that the forecasts are characteristic of a thin column oil field being produced with a strong water drive; notably a rapid decline in oil rate with a corresponding increase in water rate and near constant total fluid rates. RISC has used these simulated forecasts to create type curves of oil production rate versus cumulative oil (as a fraction of OOIP) as shown in Figure 8-2.

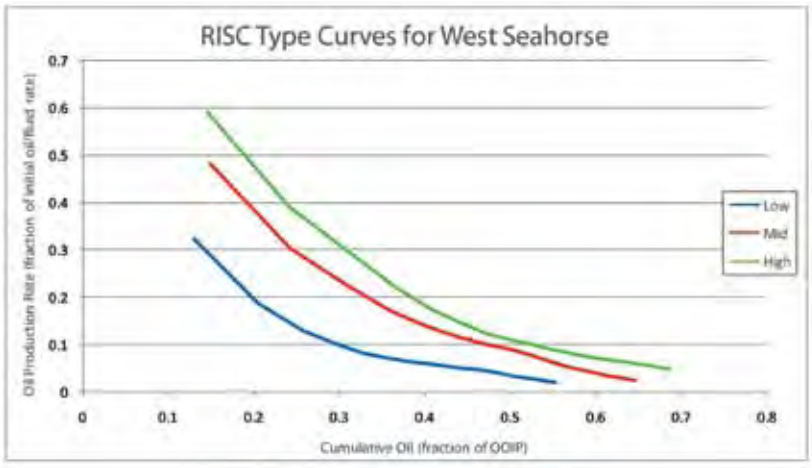

Figure 8-2 Production Forecast Type Curves

The simulated oil recovery factors (55% to 70%) are high by generally accepted world standards but are normal for the Gippsland Basin. The high recovery factors are due to the favourable light oil properties, good reservoir quality and effective aquifer sweep of the small structure, although significant water is produced and the late-life oil rates are correspondingly low.

The type curves can be compared to oil rate verses cumulative oil plots derived from GCA (Figure 8-3). The main difference is that RISC has a smaller separation of the mid and high type curves compared to the GCA 2C and 3C rate-cumulative oil curves. This difference occurs because RISC has used a lower OOIP to generate the high type curve than GCA used to generate their 3C curve. RISC reduced the OOIP by the volume of oil in the NE area of the N1u reservoir (circa 2.3 MMstb on GCA mapping) as we were advised by 3DO that this oil volume was not being drained. This fitted with our observation that if the OOIP nominated by GCA was used to generate the high type curve, it yielded:

- A lower percentage recovery than the mid type curve (over an equivalent time period);
- A similar recovery (71% vs 69%) to the mid type curve when run to abandonment.

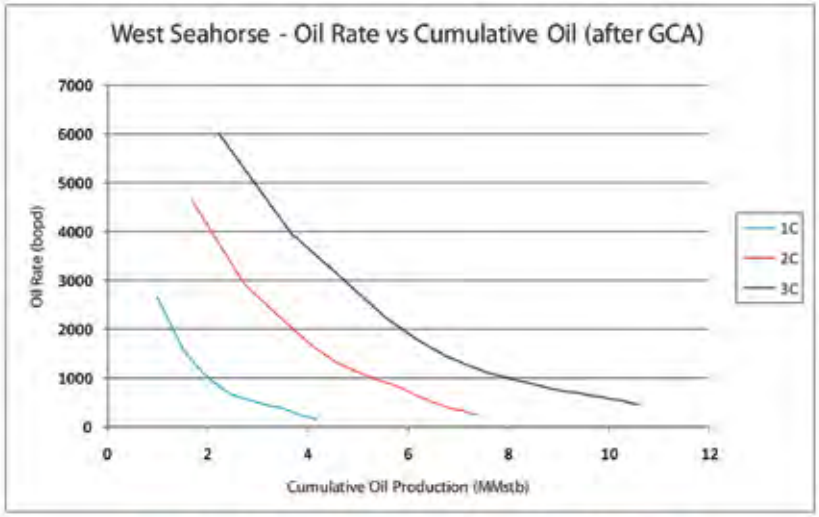

Figure 8-3 Oil Rate vs Cumulative Oil Plot as per GCA Forecast

8.4. DEVELOPMENT SCENARIOS

Once the type curves were generated they were used to generate production forecasts for West Seahorse Main, for the following development cases.

	West Seahorse Development Cases
Number	Description
1	Subsea well (s) with gas lift and flow of all fluids to shore to a new build processing plant
2a	Dry trees with gas lift on a MOPU with oil/water separation and oil/gas sent to shore to existing processing plant
2b	Dry trees with ESPs on a MOPU with oil /water separation and oil/gas sent to shore to existing processing plant
3a	Dry trees with gas lift on a MOPU with oil/water separation and an FSO with oil export by shuttle tanker; gas flared or used for fuel
3b	Dry trees with ESPs on a MOPU with oil/water separation and an FSO with oil export by shuttle tanker; gas flared or used for fuel
Note: Cases 2a - 3b assume water disposed of overboard after treatment	

Table 8-3 Development Cases for West Seahorse Main

The base case field development plan consists of a re-entry of WSH-3 and sidetracking it back to a location near WSH-1 where the N2.6 should be oil saturated. RISC is unaware of the detailed plan for the sidetrack of WSH-3; RISC suggests that the sidetracked well should aim to pass through each reservoir sand at a deviation close to 60° from vertical which will maximize contact with the reservoir. A detailed review of the well path geometry and required bottom hole location(s) should be undertaken to optimise delivery.

RISC expects that drainage of the NE field extension will be limited in a single well development due to water influx and this was confirmed by results from 3DO simulation models.

8.5. WEST SEAHORSE PRODUCTION AND RESOURCE FORECASTS

8.5.1. Single Well Cases for West Seahorse Main

The single well forecasts for West Seahorse Main were done for input evaluation of the 'phased two well development with range of resource outcomes' and 'phased two well development with different development concepts'. Production from a well in the NE pool is described in section 8.5.3. The forecast parameters and recoveries for the initial production licence period are shown in Table 8-4. An economic cut-off must be applied which may reduce the technical oil recovery shown. Similarly production may continue beyond the initial 20 years if economic and if a licence extension is granted. Production is assumed to commence in January 2015.

Case	Scenario	# wells	Initial Rate (bopd)	Downtime %	Technical Recovery to end 2034 (MMstb)	OOIP (MMstb)	RF %
1	Low	1	6000	10	3.5	6.5	54%
	Mid	1	7100	10	5.4	8.2	66%
	High	1	7500	10	7.4	10.5	70%
2a & 3a	Low	1	6000	5	3.6	6.5	55%
	Mid	1	7100	5	5.4	8.2	66%
	High	1	7500	5	7.4	10.5	70%
2b & 3b	Low	1	7000	15	3.6	6.5	55%
	Mid	1	8100	15	5.4	8.2	66%
	High	1	8500	15	7.4	10.5	71%

Note:OOIP is probabilistic sum of N1, N1U and N2.6 reservairs for main pool only

Case 3o and 3b hove identical forecasts to cases 2a and 2b respectively

Technical recovery is to end of 20 year initial production license; an economic cut-off must be applied

Table 8-4 Production Forecast parameters for Development cases - West Seahorse Main

The forecasts show a resource in the range of 3.5 – 7.4 MMstb dependent on the development scenario and the OOIP. The forecasts for the gas lifted subsea wells scenario; gas lifted well on a MOPU and ESP wells on a MOPU are shown in Figure 8-4, Figure 8-5 and Figure 8-6 respectively.

RISC notes that the flowing well head pressure (WHP) in the gas lifted MOPU scenario (cases 2a & 3a) should be lower than for the subsea cases (case 1) as not all of the well fluids are flown to shore. RISC's

scope of work excluded detailed flow performance modelling of the wells and gathering systems but we have allowed for the additional initial rate that could be expected in the MOPU case by reducing the downtime. Initial rates and their impact on recovery are discussed in section 8.7.

RISC has applied a nominal 1000 bfpd (barrels of fluid per day) increase in initial oil rate for the ESP completed cases.

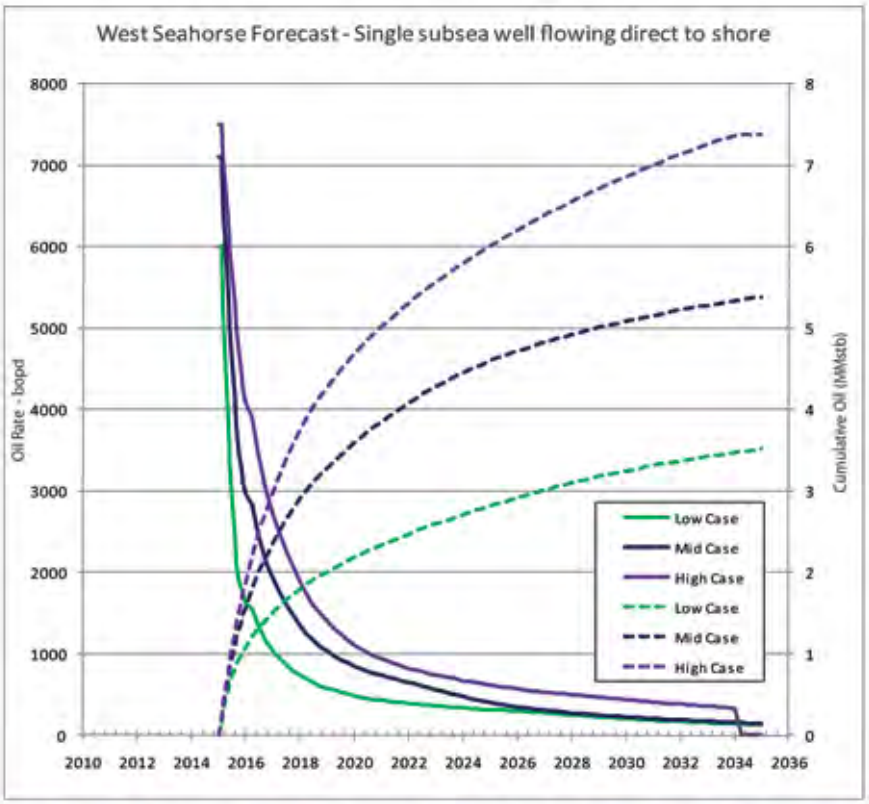

Figure 8-4 West Seahorse Main Production Forecast for single gas lifted well flowing to shore

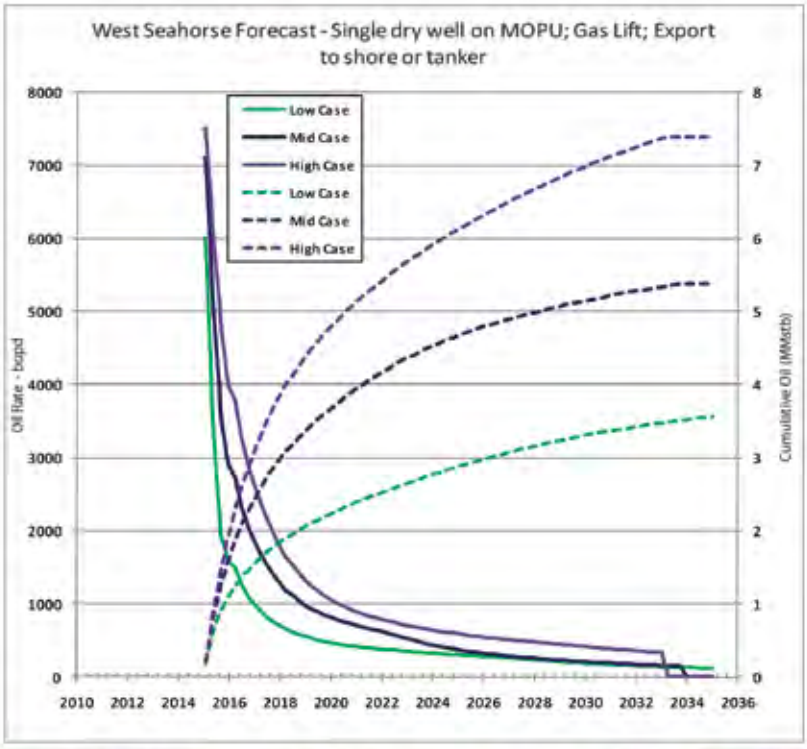

Figure 8-5 West Seahorse Main Production Forecast for single gas lifted well on a MOPU

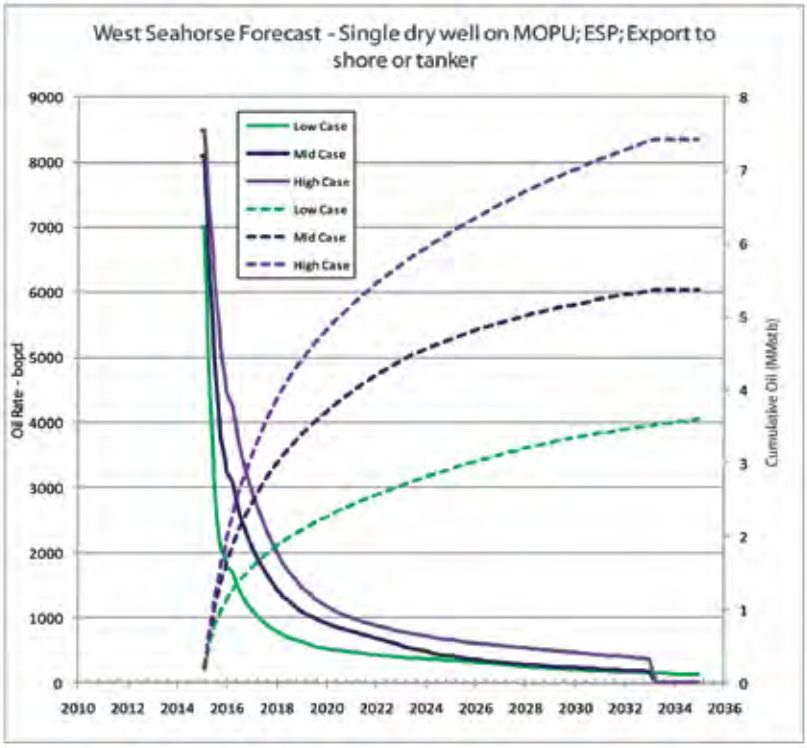

Figure 8-6 West Seahorse Main Production Forecast for single ESP well on a MOPU

8.5.2. Two well concurrent cases

RISC also prepared forecasts for two wells with both wells commencing in January 2015 for input to the 'Minimum concurrent 2 well development ' scenario and the results are tabulated in Table 8-5.

Cases 4 and 6 assumes a well in West Seahorse main and a successful well in West Seahorse NE. Cases 4 and 5 assumes production with subsea completion, while cases 6 and 7 assume production with a MOPU. Cases 5 and 7 assume a failure of West Seahorse NE, leading to a side track to have the second producing well also in West Seahorse Main. All cases assume gas lift.

The forecasting methodology remains as described in section 8.3. In cases 5 and 7 where two wells are completed in the main pool, the wells are assumed to have similar reservoir characteristics so that initial production rates are equal. Cases 4 and 6 have higher recoveries than case 5 and 7 as production from the NE pool is largely independent of the main pool (as evidenced by previous 3DO simulation work, section 8.3). It is notable that producing from two wells in the main pool does not yield incremental recovery compared to a single well; rather production is accelerated. This is a result of the homogeneous reservoir model used to derive the production forecasts. It is likely that the field is more heterogeneous than the model and that ultimate recovery from two wells will be slightly greater than from one well.

Production Forecast Parameters - Two well Cases							
Case	**Scenario**	**# wells**	**Initial Rate**	**Downtime**	**Recovery to end 2034**	**OOIP**	**RF**
			bopd	**%**	**MMstb**	**MMstb**	**%**
4	Low	1 Main, 1 NE	9000	10	4.1	7.6	54%
	Mid	1 Main, 1 NE	11100	10	6.4	9.8	66%
	High	1 Main, 1 NE	12500	10	8.9	12.6	70%
5	Low	2 Main, NE well P&A	12000	10	3.7	6.5	57%
	Mid	2 Main, NE well P&A	14200	10	5.4	8.2	67%
	High	2 Main, NE well P&A	15000	10	7.4	10.5	71%
6	Low	1 Main, 1 NE	9000	5	4.2	7.6	55%
	Mid	1 Main, 1 NE	11100	5	6.4	9.8	66%
	High	1 Main, 1 NE	12500	5	8.9	12.6	70%
7	Low	2 Main, NE well P&A	12000	5	3.5	6.5	54%
	Mid	2 Main, NE well P&A	14200	5	5.4	8.2	66%
	High	2 Main, NE well P&A	15000	5	7.4	10.5	71%

Note: *Cases 4 and 5 - gas lifted subsea wells flowing to shore*
Cases 6 and 7 - gas lifted wells flowing to MOPU and then to shore/FSO
Cases 5 and 7
Well in NE segment P&A, subsequently sidetracked to main field area
Both wells in main segment assumed to have the same initial rate
and brought on line at same time (1/1/2015).

Table 8-5 West Seahorse - Two well cases - Production Forecast Parameters and Recoveries

The production forecast for two wells in the main pool is shown in Figure 8-7 and for one well in each of the main pools and NE pool in Figure 8-8. These two figures show the gas lifted subsea cases. Forecasts for the gas lifted MOPU cases are similar except that downtime is lower at 5% pa for the MOPU case compared to 10% pa in the subsea cases.

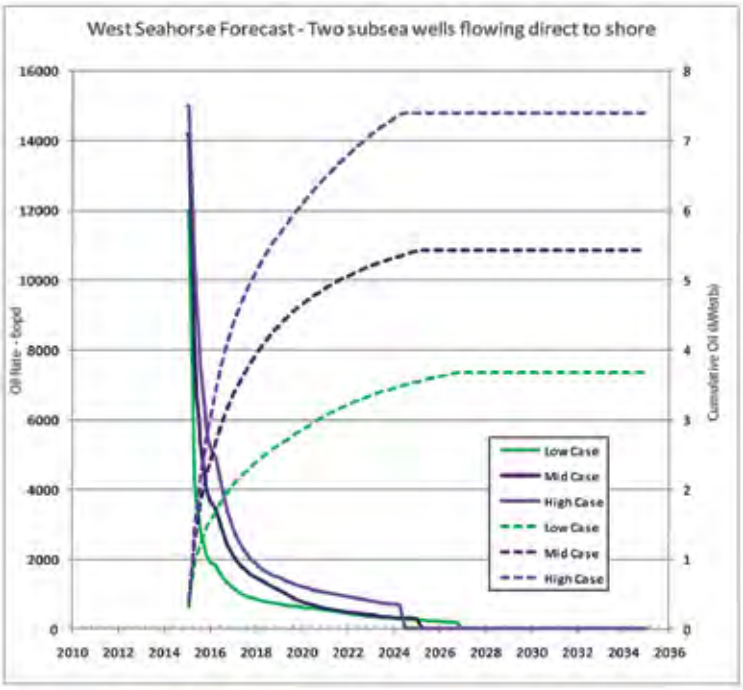

Figure 8-7 West Seahorse forecast - Two wells in Main pool

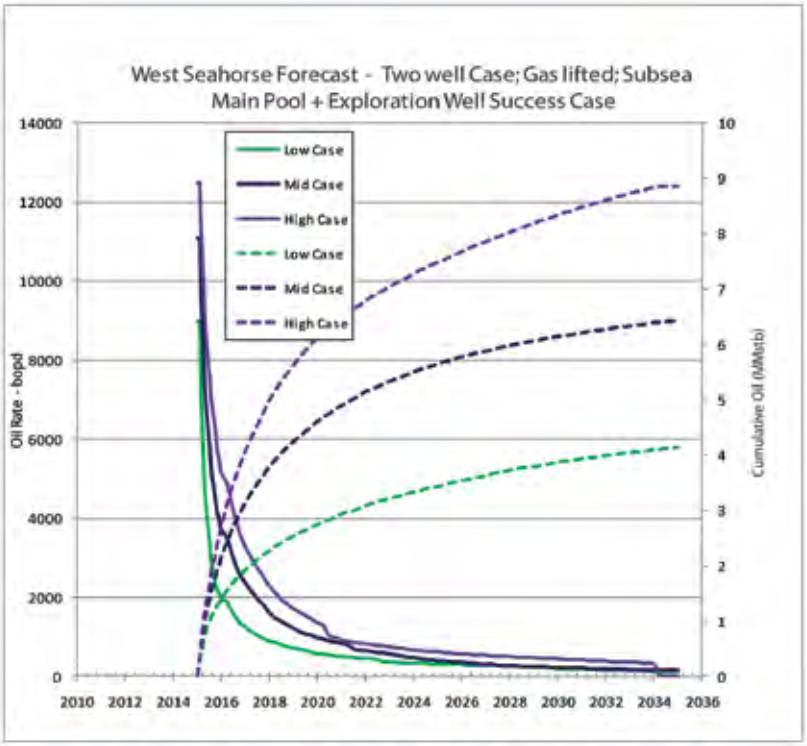

Figure 8-8 West Seahorse forecast - Two wells; 1 in main pool, 1 in NE pool

8.5.3. West Seahorse NE Forecasts

RISC expects that a new well will be required to drain OIP in West Seahorse NE. Accordingly we have prepared a separate production forecast for this well using the same methodology as described in Section 8.3.

The forecast parameters are shown in Table 8-6 and the forecast is shown in Figure 8-9 . These forecasts are truncated before the end of the production licence as the relatively high initial rates and relatively low OOIP mean that the forecast reaches the expected recoveries inside the period of the licence. A mid range downtime of 10% is assumed for all cases. The well is assumed to be drilled and on line by 1st January 2015.

West Seahorse – Near Field Exploration Forecast				
Case	OOIP (MMstb)	Initial Rate (bopd)	Recovery (MMstb)	Recovery Factor (%)
Low	1.1	3000	0.6	55
Mid	1.6	4000	1.0	66
High	2.1	5000	1.5	70

Table 8-6 Forecast Parameters and Prospective Resources for NFE well

Note that recovery factors in the above table are calculated using higher precision figures for OOIP and recovery than shown in the table.

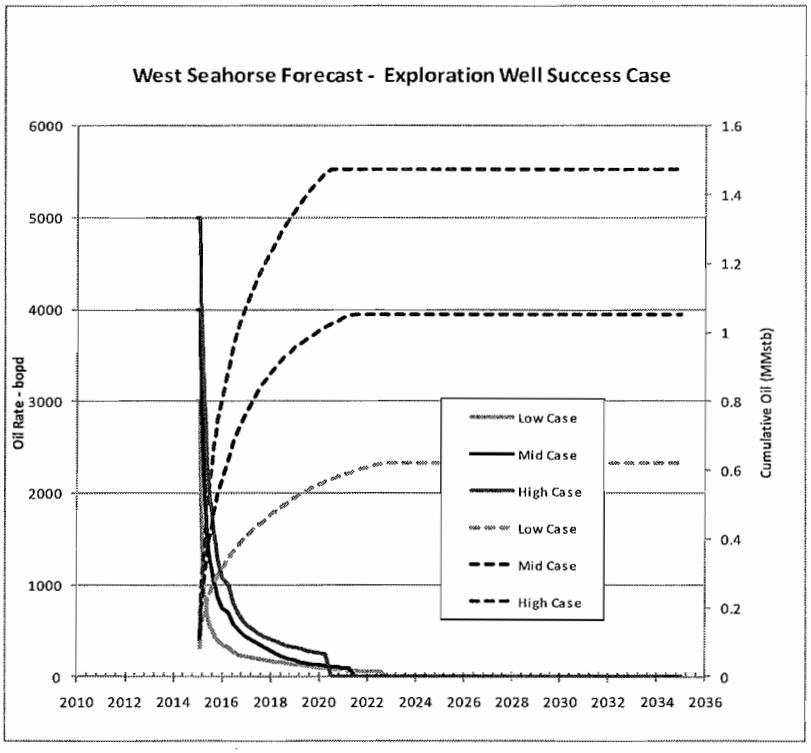

Figure 8-9 Production Forecast - NFE well

If the well drilled in the NE area fails to intersect sufficient oil to justify completion the recommended option is to sidetrack it back to the main field and complete it there. RISC assigns a 20% chance to this outcome. This well then becomes the second well in cases 5 and 7 in section 8.5.2.

8.6. GAS LIFTED WELLS VS ESP WELLS

RISC has reviewed low and mid cases forecasts provided by 3D Oil that compare gas lifted and ESP completed wells (Figure 8-10). The forecasts are for two concurrent wells and assume production to a MOPU or similar rather than subsea completions – they are labeled as having a FWHP of 150 psi. The forecasts assume the same total fluid rates and have very similar rate profiles. There is zero downtime in these forecasts.

These cases show negligible difference in ultimate recoveries between the two well completion strategies, although initial oil rates for the ESP completed wells are circa. 900 bopd higher than for the gas lifted wells in the low case.

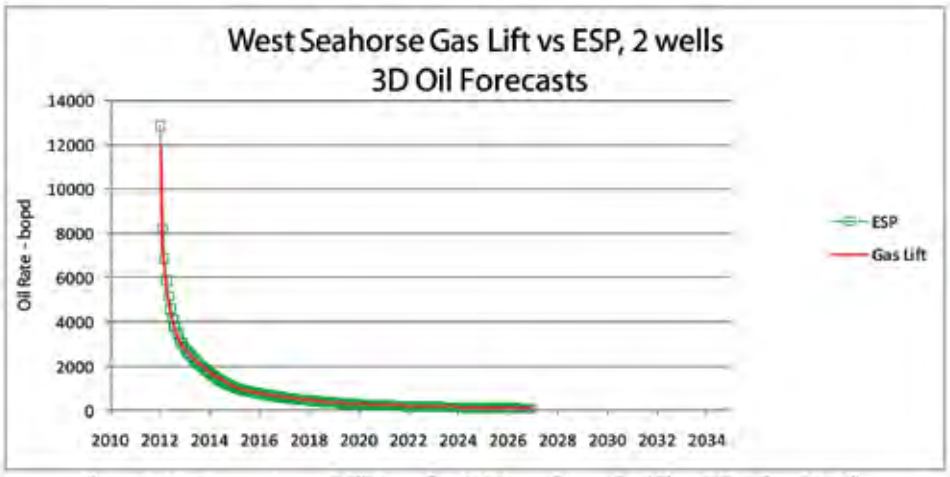

Figure 8-10 Comparison of Oil Rates for 3DO Low Case - Gas Lift vs ESP (after 3D Oil)

These forecasts do not provide enough discrimination to justify ESPs over gas lifted wells or vice versa. RISC expects ESP completed wells to have higher downtime than gas lifted wells but the final decision also requires an understanding of capital and operating cost differences.

8.7. INITIAL OIL RATE AND POTENTIAL IMPACT ON VALUATION

Initial oil rates can often have a significant impact on value due to acceleration of income. As initial oil rates can be affected by different development options and reservoir characteristics, it is important to understand the impact of these on West Seahorse.

The MOPU development requires a lower WHP than a subsea completion (~150 vs 400psi) and this can cause a higher initial production rate. GCA and 3DO both carry higher permeabilities than RISC, which again can cause higher initial production rates.

However, RISC believes that for West Seahorse, initial oil rates are less important than oil production in the first 1-2 years, as the production decline rate is so rapid.

Table 8-7 shows the initial production rates and cumulative oil production for three cases; RISC high case (2 concurrent wells, MOPU and 5% downtime), GCA mid case (zero downtime) and 3DO mid case (no down time). The biggest contrast in initial rates a 15% between the 3DO and RISC cases, but there is effectively no difference in cumulative production after one year once the downtime assumptions have been equalised.

			Forecast			10%	5% DT	
Forecast	Well Count	Initial Oil Rate	Cum Oil at 1 year	Oil rate after 1 year	Downtime	Approx. CP Incl DT		Source
		bopd	Mstb	Bopd	%	Mstb	Mtsb	
RISC High case, MOPU	2	15000	3.1	5460	5	3	3.1	RISC
GCA Mid forecast	2	14100	3.4	6720	0	3	3.1	GCA Report - Upscaled from GCA 1 well mid case
3DO Mid Case	2	17292	3.29	5260	0	3	3.1	3DO mid 2a spreadsheet
RISC High case has similar permeability to GCA & 3DO mid								

Table 8-7 Comparison of Forecasted recoveries vs initial oil rates

RISC suggests that a focus on maximising operational uptime is more likely to increase value than increasing initial oil rates.

RISC's production profiles are based on modifying GCA type curves, which is an approximation. 3DO ran some of RISCs development scenarios through their simulation model as an independent check of the accuracy of RISCs initial rates and any impact on recovery. RISC concentrated on the 'low' or P90 cases to understand the economic robustness of the valuation. The comparison is shown in Table 8-8. The labels '7, Low' and '6, Low' refer to Table 8-5 whilst the labels 'Low_5a' etc refer to simulation results from 3DO that were provided to Hibiscus directly by 3DO.

The table shows that the RISC low cases are slightly conservative in year 1 production compared to the 3DO simulation cases. The difference in oil production at 1 year is less than 10%. This small difference in oil production relative to the difference in initial oil rates is caused by the high decline in oil rates as evidenced by the similar oil rates at 1 year.

The table suggests that there could be some limited commercial upside to the RISC low cases.

Case	Description	Oil Rate		Oil production
		Initial	1 year	at 1 year
		bopd	bopd	MMstb
7, Low	RISC Low , 2 wells main block; gas lift to MOPU	12000	2000	1.63
Low_5a	Simulation of RISC Low , 2 wells main block; Gas Lift to MOPU	20000	2440	1.75
Low_1a	Simulation of RISC Low , 2 wells main block; ESP to MOPU; Note (1)	20000	2370	1.96
6, Low	RISC Low , 1 well main block; 1 well NE block gas lift to MOPU	9000	1920	1.47
Low_2a	Simulation of RISC Low , 1 well main block; 1 well NE block; ESP to MOPU	15000	2200	1.54

Note (1) *3DO have noted concerns with potentially unrealistically low BHFP under ESP for second well in main block*

RISC cases have DT adjusted to 0% for alignment with simulation

Table 8-8 Simulation results of RISC Low cases - Comparison of oil recoveries and rates at 1 year versus initial oil rates

9. DEVELOPMENT CONCEPT AND COSTS

9.1. INTRODUCTION

The West Seahorse field is located approximately 14km offshore the Victorian coast in 39m of water. The field is a small oil field with a mid case recoverable resource of some 7.5 MMbbl of light oil. The nearest oil processing facility is the Esso operated Longford Crude Stabilisation plant which is approximately 38km away from the field.

Given the relatively small size of the field we have considered cost saving initiatives where possible. Two examples of this are the use of second hand Xmas trees and, in the case of offshore processing, the use of coiled 4" flexible piping for the subsea pipeline which reduces installation costs. Both of these concepts are technically feasible, but are not without risk.

In carrying out the development costing for this report, RISC has reviewed the development concepts and costs supplied by Worley Parsons to 3DO and we have used our own cost estimating tools and benchmarks. Where necessary we have escalated the costs to 2012 and added contingency to account for the risks associated with using 'lowest cost' solutions.

9.2. DEVELOPMENT SCHEDULE

RISC considers that a project schedule with start-up two years after FID is a credible scenario for a development of the scale outlined above. It is likely that a FEED study for a development could be completed in six months and that immediately after the completion of this study FID could be taken. Government approvals and procurement of major equipment will take approximately one year. A further six months will be required for installation and then three months for hook up and commissioning activities to be completed. With some contingency added this will give 2 year project duration in total. Assuming FID is taken at the end of 2012, this will give first production in January 2015.

9.3. DEVELOPMENT OPTIONS

9.3.1. Single well on West Seahorse Main with Subsea Tieback to Shore

This option has moderate capital costs and the lowest operating costs which prolongs economic life. A risk with this option is that if a work over is required, the well intervention costs will be relatively high.

The wells will be drilled by a jack-up drill rig with an assumed day rate of US$220,000/day. A total drilling spread rate of US$370,000 has been assumed, which includes well completion, support vessels and fuel costs but not any drilling equipment costs. These are significantly higher for subsea wells than surface wells as the subsea Xmas tree and wellhead completion equipment is much more expensive to purchase and install.

RISC has considered a single well development of West Seahorse main with a sidetrack of an existing exploration well (WSH-1 or WSH-3). The well would be connected to a multiphase subsea production pipeline. A single umbilical will supply the power and control for the well. The subsea pipeline will be 8" diameter flexible carbon steel pipe to be reel installed from a MSV or similar vessel. This arrangement will reduce the installation costs significantly as a pipe laying barge will not need to be mobilised for the short (14km) pipeline. A subsurface shore crossing conduit would be drilled to allow the pipeline to come onshore with minimal environmental impact. A 2.5" gas lift line would be laid in the same fashion as the production line to supply lift gas to the wells.

The onshore pipelines will be approximately 31km to a new processing and stabilisation plant at Dutson Downs adjacent to the existing Longford Crude Stabilisation plant. This is shown schematically Figure 9-1.

Figure 9-1 Subsea to shore development option

The cost of this development option is summarised in Table 9-1.

	Cost US$ MM
Well costs	20.6
Subsea completion and control costs	14
Subsea Pipelines, umbilical and shore crossing costs	39.3
Onshore Pipeline cost	16.1
Dutson Downs Crude Stabilisation plant	30.0
Abandonment	10.8
Total CAPEX	**130.8**
Annual Fixed OPEX	7.0
Variable OPEX	$5/bbl

Table 9-1 Subsea Tieback development costs

The annual fixed Opex is summarised in Table 9-2.

	Cost US$ MM/p.a.
Well operating costs	2.0
Subsea completion and control operating costs	0.5 (3% of Capex)
Subsea Pipeline operating costs	0.3 (1% of Capex)
Onshore Pipeline operating cost	0.2 (1% of Capex)
Dutson Downs Crude Stabilisation plant operating costs	3.0 (10% of Capex)
G&A operating costs	1.0
Total OPEX	**7.0**

Table 9-2 Fixed OPEX breakdown

9.3.2. Phased two well development with different development concepts

All scenarios assume a well targeting the 'N' reservoirs in West Seahorse Main, followed a year later by a well targeting the 'N' reservoirs in West Seahorse NE, and assume mid case OIP.

9.3.2.1. Subsea Development

For the subsea development option, the West Seahorse Main development and costs are as in section 9.3.1. A second well in West Seahorse NE adds capital costs of approximately $24 million ($22mm drilling and $2mm subsea infrastructure) and operating costs of $1 million p.a.

The option of processing of the oil at Longford Crude plant by Esso was also evaluated, with an assumed screening processing tariff of US$15/bbl. This does not appear to be an attractive option as the additional Opex of the processing tariff reduces the value of the project relative to investing in a new processing plant. This option is also considered to carry considerable uncertainty as to the commercial arrangements Esso would demand.

9.3.2.2. MOPU Development

This option assumes the two wells are drilled from a MOPU and processed oil piped to a truck loading facility onshore. The facility is assumed to be a converted jackup drilling rig which has the processing equipment to separate oil, water and gas and can be leased for US$85,000/day with low upfront capital costs. The water would be discharged into the ocean while the gas would be used for fuel and the lift gas flared. The oil would be piped to shore through a 14km * 4" flexible carbon steel pipe. This smaller pipe size is appropriate because the well fluids are processed offshore. Onshore, a pipeline will be required to transport the oil to a storage and truck loading facility at Dutson Downs. This concept is shown schematically in Figure 9-2.

Figure 9-2 MOPU to shore development option

A summary of development costs for this option are shown in Table 9-3.

	Cost US$ MM
Well costs 2 (wells)	30.5
MOPU mobilisation and refurbishment costs	29.6
Subsea Pipelines and shore crossing costs	30
Onshore Pipeline and truck loading facility costs	22.16
Abandonment	6
Total CAPEX	**118.3**
Annual Fixed OPEX	33.9
Variable OPEX	$5/bbl

Table 9-3 MOPU to shore development costs

Two sensitivities to this option were evaluated:

- Using Electric Subsurface Pumps (ESP) to lift the oil instead of gas lift;
- Sending the produced oil from the MOPU directly to a FSO moored nearby.

Table 9-4 summarises the capital and operational expenditure associated with these options.

Development Options	CAPEX US$ MM	Annual Fixed OPEX US$ MM	Variable OPEX USD$/bbl
MOPU (gaslift) to shore	118.3	33.9	5
MOPU (ESP) to shore	118.3	36.9	5
MOPU to FSO	112.2	42.6	5

Table 9-4 MOPU Capital and Operational Expenditure

The advantages of a MOPU compared to the subsea case include:

- Lower capital cost as the MOPU and FSO can be leased. The only upfront costs are refurbishment and mobilisation costs;
- Accessing wells for intervention or work-over is simpler.

However these advantages are outweighed by the high operating cost imposed by the leasing costs for the MOPU and FSO and the higher downtime and operating costs associated with ESP failure. These operating costs significantly reduce the economic life of the development as any associated production increases are not sufficient to offset the higher operating costs.

9.3.2.3. Well Head Platform (WHP) Development

The third development option considered was to drill the two wells from a WHP and to pipe the produced fluids to an onshore process facility. The WHP was assumed to be a new build monopod or jacket type facility. The facility would not have processing capacity and would be normally unmanned. As with the other onshore processing cases, the development assumes a multiphase pipeline to a processing facility at Dutson Downs, with a gas lift line and umbilical. A variation to this option was considered where the oil would be processed at a FPSO moored nearby. A photograph of this concept is shown in Figure 9-3.

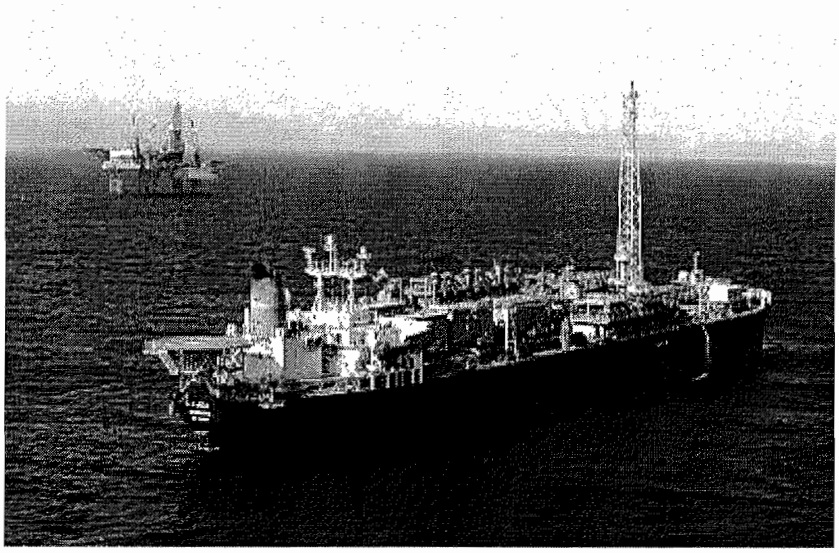

Figure 9-3 WHP to FPSO development option

A summary of development costs for this option are shown in Table 9-5 below:

	Cost US$ MM
Well costs 2 (wells)	30.5
mobilisation and refurbishment costs	75
Subsea Pipelines and shore crossing costs	39.3
Onshore Pipeline	16.16
Onshore processing facility costs	30
Abandonment	14.1
Total CAPEX	**205.1**
Annual Fixed OPEX	12.4
Variable OPEX	$5/bbl

Table 9-5 WHP to shore development costs

Table 9-6 summarises the capital and operational expenditure associated with the WHP to FPSO option.

Development Options	CAPEX US$ MM	Annual Fixed OPEX US$ MM	Variable OPEX US$/bbl
WHP to FPSO	176.2	75.5	5

Table 9-6 FPSO Option Capital and Operational Expenditure

As with the MOPU option, this option has lower capital cost than the subsea option and accessing wells for intervention or work-over is simpler, but this is cancelled out by higher OPEX.

9.3.3. Concurrent Minimum Two Well Development (concurrent)

This scenario evaluated subsea and MOPU options with P90, P50 and P10 volumes. It also considered a case where the West Seahorse NE well was a failure and then sidetracked into West Seahorse Main. The development costs are the same as outlined above except for the well costs. These have been reduced to reflect the reduced mobilisation costs (as both wells are drilled in a single mobilisation) and to allow for the cost of a sidetrack in the case of a failed West Seahorse NE well. The well costs are summarised in Table 9-7.

	West Seahorse NE well successful	West Seahorse NE well unsuccessful and sidetracked
Subsea Well costs (US$ millions)	43.1	59.1
MOPU Well costs (US$ millions)	30.5	45.1

Table 9-7 Scenario 3 Well costs

The case where the West Seahorse NE well is sidetracked is significantly higher in costs as it is effectively a dry well cost plus a new development well cost.

9.4. SEALION PROSPECT

The Sea Lion prospect is located even closer to shore than West Seahorse and in shallower water. The development of SeaLion will be a single well tieback to West Seahorse. Exploration well cost is estimated at $10.5 million. It is assumed that only one well is required to access both reservoirs.

10. EXPLORATION

10.1. INTRODUCTION

3DO carry two exploration prospects within VIC /P57; Sea Lion and Felix, as shown on the location map in Figure 10-1 and on the regional seismic line in Figure 10-2. Both prospects are located on the southern boundary of the Rosedale Fault and on trend with the oil discoveries of West Seahorse, Seahorse, Wirrah, West Moonfish and Moonfish.

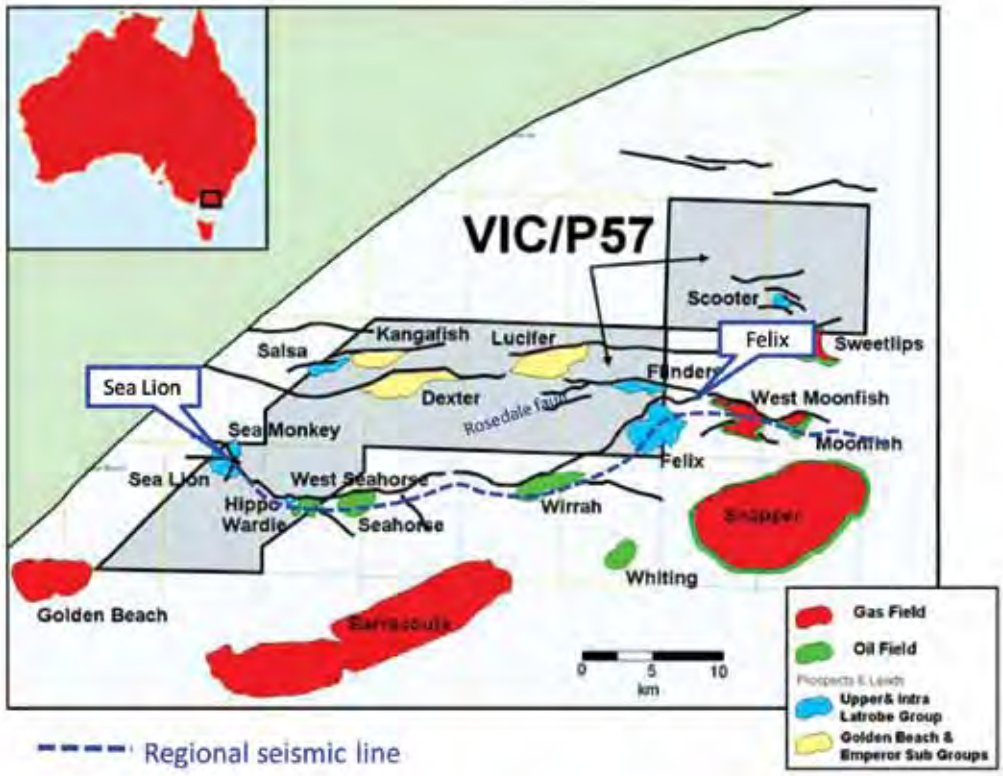

Figure 10-1 Location of exploration prospects in VIC/P57

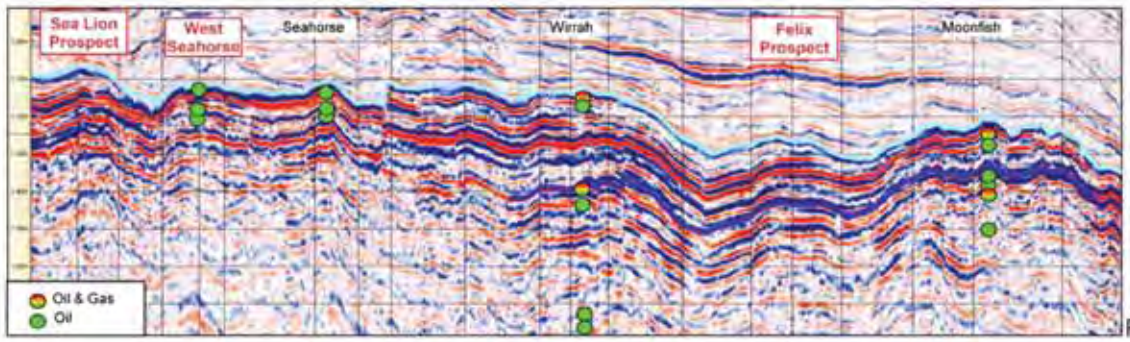

Figure 10-2 Regional seismic line over exploration prospects

Sea Lion targets the Upper Latrobe group reservoirs, similar to the West Seahorse as show in Figure 10-3. These reservoirs are not in closure at Felix, which targets deeper reservoirs within the Latrobe Group.

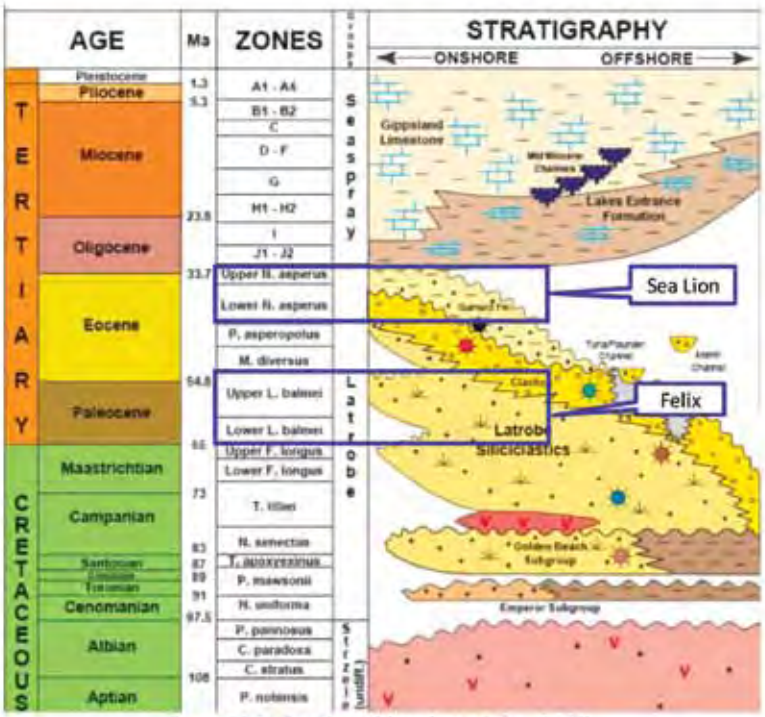

Figure 10-3 Stratigraphic column (after ESSO)

10.2. SEA LION

3D Oil view the Sea Lion prospect to have stacked potential, with reservoirs of N. asperus age; Gurnard, N1, N2.2, N2.3, N2.6 and P1. Sea Lion located along strike for the West Seahorse discovery which encountered oil in the Gurnard, N1 and N2.6 reservoirs. A structural correlation between West Seahorse and Sea Lion is shown in Figure 10-4.

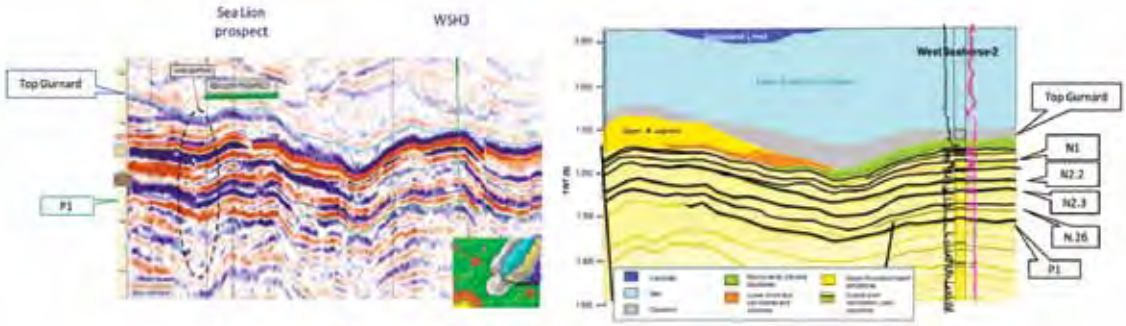

Figure 10-4 Structural correlation of West Seahorse to Sea Lion

Sea Lion is a robust structure at all levels, as shown in Figure 10-5. The Top Of Latrobe (TOL), marks the top of the Gurnard Formation. The seismic data defines the events quite clearly and we can be confident that a structure is present, although there will be some uncertainty in its extent.

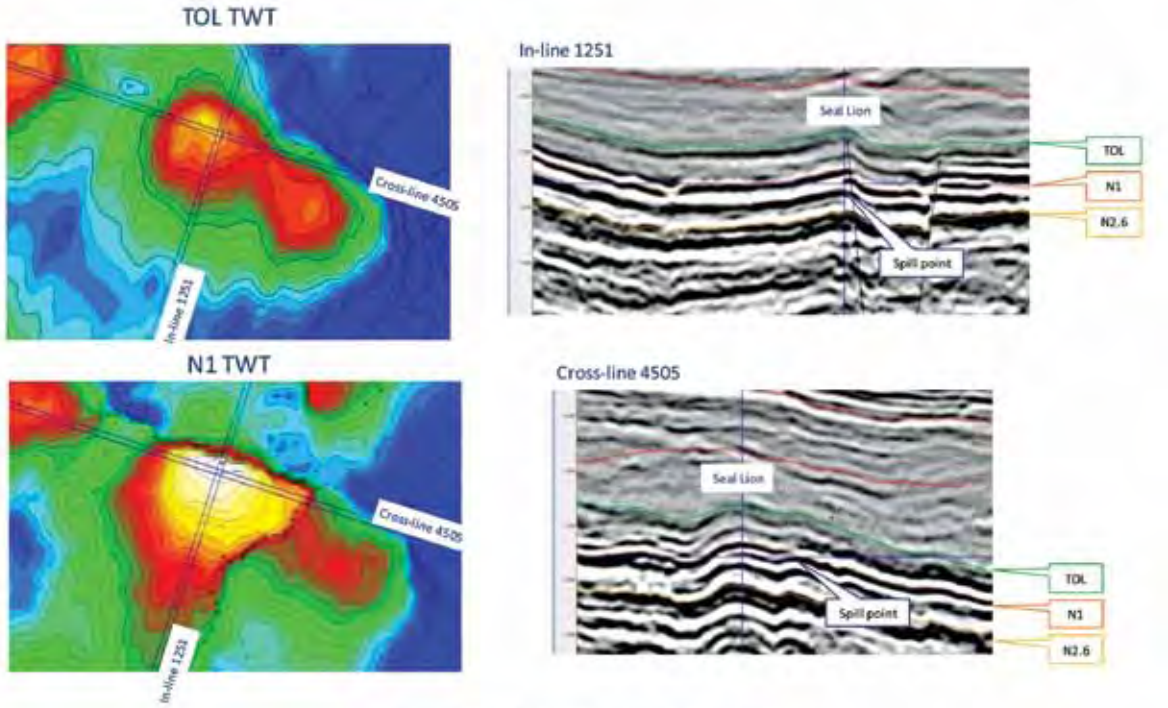

Figure 10-5 Sea Lion structural mapping

The Gurnard section is a transgressive unit which was deposited across the greater VIC/P57 area. In basinward positions such as West Seahorse, the unit is present as a glauconitic greensand, while in proximal positions (towards the west) it is a sand prone shoreface sand facies as seen in Wasabi-1, Amberjack-1 & Snook-1. The glauconite reduces effective porosity, which is the reason why oil saturations at West Seahorse are low. 3DOil have interpreted the sand prone facies to be present over Sea Lion based on seismic stratigraphy and regional paleogeography, which is supported by well data. RISC supports this overall model. The other sands of the N. asperus are generally well developed and can be expected to be present in Sea Lion. The exception is the Upper N1 reservoir, which has a low net to gross at West Seahorse, due to the presence of coals.

The main risks for Sea Lion are associated with seal and degree of fill. Effective seal can be expected for the Gurnard, N1 and N2.6 reservoirs, but not for the N2.2, N2.3 and P1, based on the oil legs seen in the West Seahorse field. The N2.6 reservoir at West Seahorse was not full to spill, either due to limited charge or flushing of the reservoir, and this could occur at Sea Lion. RISC has therefore assessed the Sea Lion prospect at three levels - the Gurnard, N1 and N2.6.

RISC have assessed exploration risk using a standardised approach which takes into account a level of confidence based on data availability and is calibrated by many global exploration assessments with the results given in Table 10-1. This methodology is based on the work by Otis and Schneiderman in 1997 which still underpins many of the current exploration risk assessment methodologies. The risks are slightly different between the Gurnard and N1/N2.6 reservoirs. The Gurnard has a higher reservoir risk; associated with the validity of the depositional model, but it carries less seal risk; as it is overlain by a regional transgression with deposition the Lakes Entrance Formation. The degree of fill uncertainty is carried within the volumetric calculations.

Formation	Trap	Reservoir	Seal	Charge	Total
Gurnard	95	60	95	70	**37**
N1/N2.6	95	75	85	70	**42**

Table 10-1 Probability of Success (POS) % for Sea Lion prospect

RISC have independently reviewed the seismic interpretation and calculated volumetrics for the prospect based on 3DO mapping and using West Seahorse as an analogue for the reservoir parameters, with input shown in Table 10-2. RISC have only calculated volumes for Gurnard, N1 and N2.6 levels, but recognise upside potential at the N2.2, N2.3 and P1 levels should intra-formational seals be present. Reservoir parameters are based on the RISC evaluation of the West Seahorse field, supplemented by regional work supplied by 3DO.

Factor	Distribution	Gurnard			N1			N2.6		
		P90	P50	P10	P90	P50	P10	P90	P50	P10
Areal extent km2	Beta	1.2	1.42	1.63	1.0	1.2	1.4			
Thickness m	Beta	10	30	50	20	25	30	90% of N1 structure		
Spill point	Beta	1320	1323	1326	1414	1416	1418			
GRV Km2.m	Beta	8.5	12.6	17.6	12.4	15.2	18.5	11.2	13.6	16.7
Degree of fill %	Beta	50	70	90	50	70	95	50	70	90
N/G %	Lognormal	50	69	95	40	57	80	57	72	90
Porosity %	Lognormal	22	27	33	22	27	33	22	27	33
Sw %	Lognormal	65	57	45	25	16	10	25	16	10
FVF	Beta	1.14	1.16	1.18	1.14	1.16	1.18	1.14	1.16	1.18
RF %	Beta	10	25	40	55	65	75	55	65	75
OIP mmbbl		2.0	3.7	6.5	3.0	7.0	11.4	5.0	8.1	12.5
OIP mmbbl (3D Oil)			3.9			5.9			6.2	
UR mmbbls		0.4	0.9	2.0	2.6	4.5	7.5	3.2	5.2	8.2

Table 10-2 Sea Lion Volumetric Parameters

A probabalistic summation of the three reservoir levels is given in Table 10-3. The 3DO OIP estimates lie within this range.

Reservoir	OIP			Ultimate Recovery		
	P90	P50	P10	P90	P50	P10
Gurnard, N1u, N1 and N2.6	14.3	19.5	26.0	7.8	11.0	15.3

Table 10-3 Probabalistic Summation of Sea Lion Resources

The Felix prospect is less well defined than the Sea Lion prospect. The Gurnard, N1 and N2.6 reservoirs are not in closure and the prospect relies on closure at the deeper targets of the M2, F.Longus and sub-volcanics levels, as shown in Figure 10-6. The seismic data is not such good quality in the deeper section and the mapping is more uncertain.

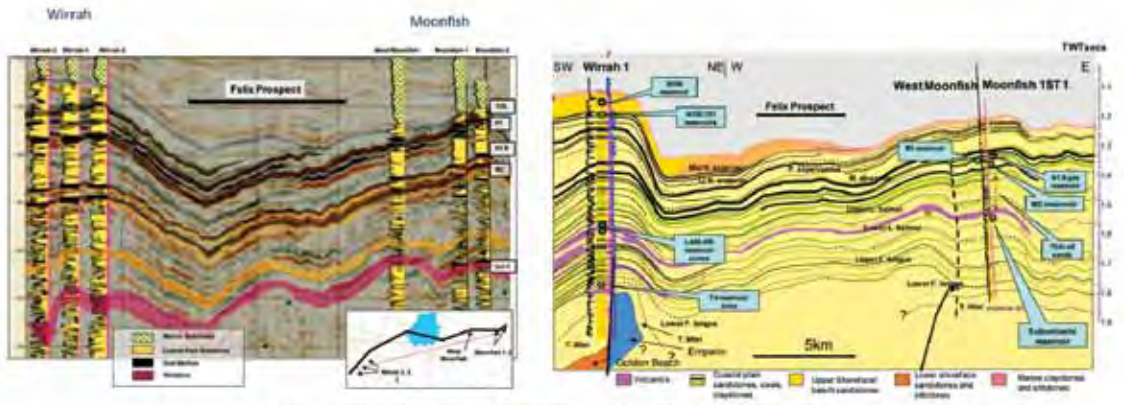

Figure 10-6 Structural correlation from Wirrah to Moonfish

3DO demonstrated that the majority of the resource is at the 'sub-volcanics' level, and RISC has only assessed this. Figure 10-7 shows 3DO's mapping of Felix at sub-volcanics level, which shows it as a low relief structure with an areal closure of some 4.5km^2. With such a subtle structure there will be a high degree of uncertainty, but it would be unlikely to extend past the high side contour shown. While there has been production from the sub-volcanics reservoir in the nearby Moonfish Field, the recently drilled wells of North Wirrah-1 and West Moonfish have encountered substantial relic oil columns (30m and 17m respectively) in addition to live oil, and this demonstrates the potential for flushing of the reservoir. Gas has also been encountered in nearby fields, so there is a phase risk.

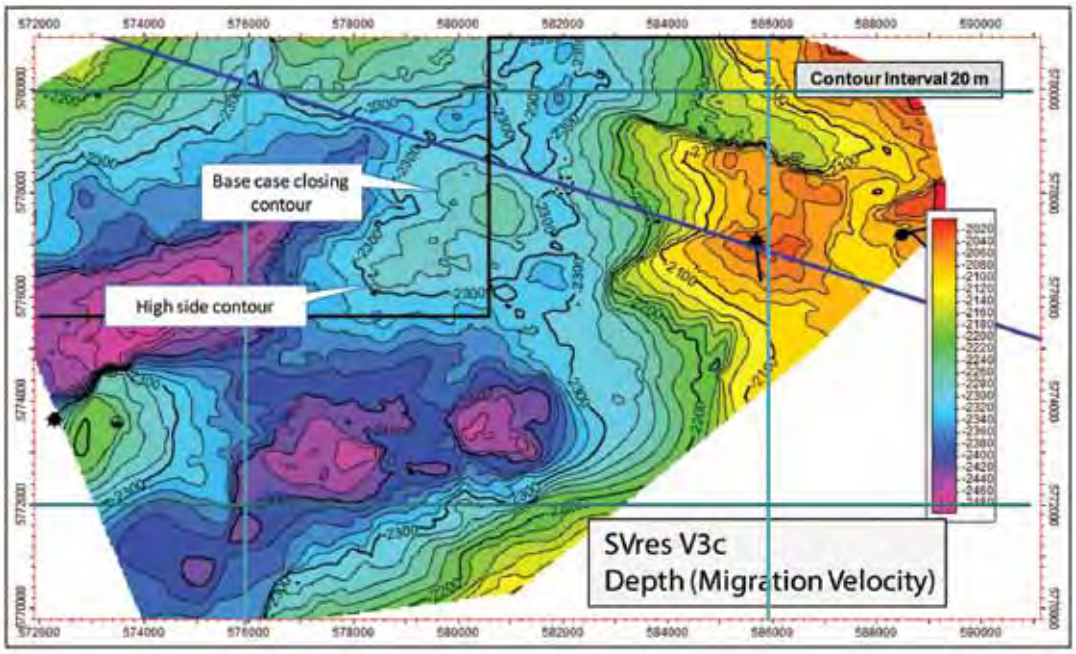

Figure 10-7 3DOII Felix Sub-volcanic level mapping

RISC have independently carried out volumetric estimates, but based on information supplied by 3DO, and these are summarised in Table 10-4. RISC is considerably more conservative than 3DO for two reasons:

- RISCs GRV estimates are approximately 25% of that carried by 3DO;
- RISC has assumed a range of fill factors. This is due to the large residual columns seen in the recent wells;
- RISC also notes that the prospect may extend into VIC/L18.

Factor	Distribution	RISC			3DOIL		
		P90	P50	P10	P90	P50	P10
Areal extent km2	Beta	0.8	3.4	8.3			
Spill point	Beta	2260	2280	2300			
GRV Km2.m	Beta	9	46	132	100	222	420
Degree of fill %	Beta	50	70	90	100	100	100
N/G %	Lognormal	55	65	75	55	65	75
Porosity %	Lognormal	16	19	22	17	19	22
Sw %	Lognormal	50	38	26	46	38	30
FVF	Beta	1.16	1.20	1.24	1.2	1.2	1.2
RF %	Beta	40	50	60	49	53	57
OIP mmbbl		2	12	37	37	87	174
UR mmbbls		1	6	19	20	46	94

Table 10-4 Felix Volumetric evaluation parameters

RISC estimates the POS of the prospect at 26%, as shown in Table 10-5. Trap presence is probable. Reservoir and seal are very likely given the production from this reservoir in the adjacent field. Charge is seen as probable; while we can be confident that a hydrocarbon charge would have occurred, there are risks associated with phase and flushing.

Formation	Trap	Reservoir	Seal	Charge	Total
Sub volcanics	60	85	85	60	**26**

Table 10-5 Probability of Success (POS) % for Felix prospect

11. LIST OF TERMS

The following lists, along with a brief definition, abbreviated terms that are commonly used in the oil and gas industry and which may be used in this report.

Abbreviation	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1st Quarter
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2nd Quarter
2D	Two Dimensional
3D	Three Dimensional
4D	Four Dimensional – time lapsed 3D in relation to seismic
3P	The sum of Proved, Probable and Possible Reserves or in-place quantities, depending on the context.
3Q	3rd Quarter
4Q	4th Quarter
AFE	Authority for Expenditure
AEMO	Australian Energy Market Operator
API	American Petroleum Institute (oil gravity)
APPEA	Australian Petroleum Production and Exploration Association
Bbl	US Barrel
BBL/D	US Barrels per day
BCF	Billion (109) cubic feet
BCM	Billion (109) cubic meters
BFPD	Barrels of fluid per day
Bo	Oil formation volume factor
BOPD	Barrels of oil per day
BTU	British Thermal Units

Abbreviation	Definition
BOEPD	US barrels of oil equivalent per day
BREE	Bureau of Resources and Energy Economics
BWPD	Barrels of water per day
°C	Degrees Celsius
Capex	Capital expenditure
CAPM	Capital asset pricing model
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf
Contingent Resources	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. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
CO2	Carbon dioxide
CP	Centipoise (measure of viscosity)
CPI	Consumer Price Index
DA	Designated Authority
DCF	Discounted Cash Flow
DEG	Degrees
DHI	Direct hydrocarbon indicator
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
DLIS	Digital Log Interchange Standard
DST	Drill stem test
E&P	Exploration and Production
EG	Gas expansion factor. Gas volume at standard (surface) conditions / gas volume at reservoir conditions (pressure & temperature)
EIA	US Energy Information Administration
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery

Abbreviation	Definition
ESP	Electric submersible pump
EUR	Economic ultimate recovery
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front End Engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating Production Storage and offtake unit
FWL	Free Water Level
FVF	Formation volume factor
GIIP	Gas Initially In Place
GJ	Giga (109) joules
GOC	Gas-oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas To Liquid(s)
GWC	Gas water contact
H2S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal Rate of Return is the discount rate that results in the NPV being equal to zero.
JV(P)	Joint Venture (Partners)
kbpd	Thousand barrels per day

Abbreviation	Definition
Kh	Horizontal permeability
km2	Square kilometres
Krw	Relative permeability to water
Kv	Vertical permeability
kPa	Kilo (thousand) Pascals (measurement of pressure)
Mstb/d	Thousand Stock tank barrels per day
LAS	Log ASCII Standard
LIBOR	London inter-bank offered rate
LNG	Liquefied Natural Gas
LTBR	Long-Term Bond Rate
m	Metres
MDT	Modular dynamic (formation) tester
mD	Millidarcies (permeability)
MJ	Mega (106) Joules
MMbbl	Million US barrels
MMscf(d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
MOU	Memorandum of Understanding
Mscf	Thousand standard cubic feet
Mstb	Thousand US stock tank barrels
MPa	Mega (106) pascal (measurement of pressure)
mss	Metres subsea
MSV	Mean Success Volume
mTVDss	Metres true vertical depth subsea

Abbreviation	Definition
MW	Megawatt
NMR	Nuclear Magnetic Resonance
NPV	Net Present Value (of a series of cash flows)
NTG	Net to Gross (ratio)
ODT	Oil down to
OGIP	Original Gas In Place
OOIP	Original Oil in Place
Opex	Operating expenditure
OWC	Oil-water contact
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively.
PBU	Pressure build-up
PJ	Peta (1015) Joules
POS	Probability of Success
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.

Abbreviation	Definition
Proved Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as "Proven".
PRRT	Petroleum Resource Rent Tax
PSC	Production Sharing Contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
p.u.	Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%
PVT	Pressure, volume & temperature
QA/QC	Quality Assurance/ Control
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
RFT	Repeat Formation Test
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
Reserves	RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
RT	Measured from Rotary Table or Real Terms, depending on context
SC	Service Contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)

Abbreviation	Definition
Sg	Gas saturation
Sgr	Residual gas saturation
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers
SPE-PRMS	Petroleum Resources Management System, approved by the Board of the SPE March 2007 and endorsed by the Boards of Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
stb	Stock tank barrels
STOIIP	Stock Tank Oil Initially In Place
Sw	Water saturation
TCM	Technical committee meeting
Tcf	Trillion (1012) cubic feet
TJ	Tera (1012) Joules
TLP	Tension Leg Platform
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth
US$	United States dollar
US$ million	Million United States dollars
WACC	Weighted average cost of capital
WHFP	Well Head Flowing Pressure
Working interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil

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AUDITED FINANCIAL STATEMENTS OF 3D OIL FOR THE FYE 30 JUNE 2012

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	2012	2011
		$	$
Revenue	5	140,072	336,290
Expenses			
Corporate expenses		(464,739)	(159,663)
Administrative expenses		(84,318)	(66,749)
Employment expenses		(1,118,592)	(833,850)
Occupancy expenses		(94,466)	(91,436)
Depreciation and amortisation expense	6	(40,318)	(26,746)
Exploration costs written off		(5,954,106)	(151,426)
Unrealised exchange gains/loss		(6,747)	(51,650)
Realised exchange gains/loss		(896)	88,769
Share based payments		(48,587)	(47,107)
Loss before income tax benefit		(7,672,697)	(1,003,568)
Income tax benefit	7	695,894	-
Loss after income tax benefit for the year attributable to the owners of 3D Oil Limited		(6,976,803)	(1,003,568)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of 3D Oil Limited		**(6,976,803)**	**(1,003,568)**
		Cents	**Cents**
Basic earnings per share	27	(3.38)	(0.49)
Diluted earnings per share	27	(3.38)	(0.49)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012	2011
		$	**$**
Assets			
Current assets			
Cash and cash equivalents	8	1,684,892	3,857,995
Trade and other receivables	9	725,958	34,962
Other	10	63,718	34,848
Total current assets		2,474,568	3,927,805
Non-current assets			
Property, plant and equipment	11	13,640	18,914
Intangibles	12	52,736	54,018
Exploration and evaluation	13	20,569,130	25,921,401
Total non-current assets		20,635,506	25,994,333
Total assets		**23,110,074**	**29,922,138**
Liabilities			
Current liabilities			
Trade and other payables	14	361,100	217,250
Provisions	15	44,166	64,954
Total current liabilities		405,266	282,204
Non-current liabilities			
Provisions	16	538,308	545,218
Total non-current liabilities		538,308	545,218
Total liabilities		943,574	827,422
Net assets		**22,166,500**	**29,094,716**
Equity			
Issued capital	17	50,620,867	50,620,867
Reserves	18	78,645	185,283
Accumulated losses		(28,533,012)	(21,711,434)
Total equity		**22,166,500**	**29,094,716**

The above statement of financial position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Contributed equity	Reserves	Retained profits	Total equity
	$	$	$	$
Balance at 1 July 2010	50,620,867	2,023,826	(22,593,516)	30,051,177
Loss after income tax benefit for the year	-	-	(1,003,568)	(1,003,568)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,003,568)	(1,003,568)
Transactions with owners in their capacity as owners:				
Share-based payments	-	47,107	-	47,107
Expiry of Options	-	(1,885,650)	1,885,650	-
Balance at 30 June 2011	**50,620,867**	**185,283**	**(21,711,434)**	**29,094,716**
Balance at 1 July 2011	50,620,867	185,283	(21,711,434)	29,094,716
Loss after income tax benefit for the year	-	-	(6,976,803)	(6,976,803)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(6,976,803)	(6,976,803)
Transactions with owners in their capacity as owners:				
Share-based payments	-	48,587	-	48,587
Expiry of Options	-	(155,225)	155,225	-
Balance at 30 June 2012	**50,620,867**	**78,645**	**(28,533,012)**	**22,166,500**

The above statement of changes in equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	2012	2011
		$	**$**
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		19,788	13,012
Payments to suppliers and employees (inclusive of GST)		(1,670,764)	(1,065,022)
Interest received		121,113	415,999
Net cash used in operating activities	26	(1,529,863)	(636,011)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,274)	(11,864)
Payments for intangibles		(30,488)	(35,370)
Payments for exploration and evaluation		(601,835)	(3,874,531)
Proceeds from foreign exchange investment		(7,643)	37,113
Net cash used in investing activities		(643,240)	(3,884,652)
Cash flows from financing activities			
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(2,173,103)	(4,520,663)
Cash and cash equivalents at the beginning of the financial year		3,857,995	8,378,658
Cash and cash equivalents at the end of the financial year	**8**	**1,684,892**	**3,857,995**

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

NOTE 1. GENERAL INFORMATION

The financial report covers 3D Oil Limited as an individual entity. The financial report is presented in Australian dollars, which is 3D Oil Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

3D Oil Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5, 164 Flinders Lane
Melbourne, VIC 3000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 September 2012. The directors have the power to amend and reissue the financial report.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. At 30 June 2012 the Company has cash and cash equivalents of $1.7 million and a net decrease of cash during the financial year of $2.2 million. This cash decrease was predominately due to the spend on exploration expenditure on VICP/57 and T41/P as detailed in the Review of Financial Position in the Director's Report.

The Company also has exploration commitments as detailed in Note 24 of $37.0 million over the next 5 years. On 15 August 2012, the Company announced that it had entered into a farm-in ageement with Hibiscus Petroleum Berhad ('Hibiscus') in relation to the VIC/P57 permit. Under the agreement, Hibiscus will invest funds of $27.0 million to acquire 50.1% of the permit. It is anticipated that the cost of the commitments will be covered by the funding of $27.0 million with the shortfall being covered using alternative funding methods via the joint arrangement vehicle.

In addition to the commitments outlined above and in **Note 24, the Company may need to secure funding by means of a capital raising, debt financing, sale of assets, farm out or a combination of these in order to manage its own working capital requirements. The Directors continue to monitor the ongoing funding requirements of the Company. The Directors are of the** opinion that the financial report has been appropriately prepared on a going concern basis.

Research and development tax incentives

Revenue relating to research and development (R&D) tax incentive refunds is recognised at the time of lodgement of the R&D claim. The claim is based on the company's interpretation as to the eligibility of its specific R&D activities.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Intangible assets are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Petroleum and Exploration Development Expenditure

Petroleum and exploration development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward in relation to each area of interest to the extent the following conditions are satisfied:

(a) the rights to tenure of the area of interest are current; and

(b) at least one of the following conditions is also met:

(i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

(ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward cost in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the cost of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of 3D Oil Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to,

the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Foreign Currency translation

Both the functional and presentation currency of 3D Oil Limited is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2012. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

(i) Interpretation 20 Stripping Costs in the Production Phase of a Mine

Issued in November 2011 Interpretation 20 clarifies those costs of removing mine waste materials (overburden) to access ore in a surface mine must be capitalised as inventory under AASB 102 Inventories. This will have no impact on the Companies financial statements because the Company does not operate a surface mine.

(ii) AASB 9 Financial Instruments Amendments to Australian Accounting Standards (effective from 1 January 2015)

In December 2009 the AASB issued a revised AASB 9 Financial Instruments. It is effective for accounting periods on or after 1 January 2015. This amends the requirements for classification and measurement of financial assets. On initial analysis this standard will have no impact on the Company's financial statements.

(iii) AASB 11 Joint Arrangements

In August 2011 the Australian Accounting Standards Board issued AASB 11 to replace AASB131: Interests in Joint Ventures (July 2004 as amended). AASB 11 requires joint arrangements to be classified as either 'joint operations' (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or 'joint ventures' (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed). This standard will have no impact on the Company's financial statements as at the 30th of June 2012 as at that time the Company is not a party to any joint arrangement.

(iv) AASB 12 Disclosure of Interests in Other Entities

In August 2011 the Australian Accounting Standards Board issued AASB 12. AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a 'structured entity', replacing the 'special purpose entity' concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This standard will only affect disclosures and will have no other impact on the Company's financial statements.

(v) AASB 13 Fair Value Measurement and Amendments to AASB 2011-8 Amendments to Australian

Accounting Standards arising from AASB 13 (effective 1 January 2013) In September 2011 the Australian Accounting Standards Board issued AASB 13, it defines fair value, sets out in a single Standard a framework for measuring fair value and requires disclosures about fair value measurements. On initial analysis this standard will have no impact on the Company's financial statements.

None of the other standards, amendments or interpretations issued which are not yet effective are expected to affect the financial statements.

NOTE 3.
CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Long service leave provision

As discussed in note 2, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for well abandonment

A provision has been made for the present value of anticipated costs of the remediation work that will be required to comply with environmental and legal obligations. The provision is estimated based on currently available facts, technology expected to be available at the time of the clean up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites.

Exploration and evaluation

At each reporting period the directors review the carrying amount of each of the tenements by assessing whether any of the indicators of impairment outlined in AASB 6 Exploration for and Evaluation of Mineral Resources are in existence.

NOTE 4.
OPERATING SEGMENTS

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. 3D Oil Limited operates in the development of oil and gas within Australia. The Company's activities are therefore classified as one business segment.

NOTE 5.
REVENUE

	2012	2011
	$	**$**
Other revenue		
Interest	120,284	323,180
Rent	19,788	13,110
Revenue	**140,072**	**336,290**

NOTE 6.
EXPENSES

	2012	2011
	$	**$**
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	(8,548)	(6,549)
Amortisation		
Software	(31,770)	(20,197)
Total depreciation and amortisation	(40,318)	(26,746)
Post employment benefit plans – Superannuation contributions	(106,935)	(102,371)
Equity settled share based payments	(48,587)	(47,107)
Employment entitlements	27,698	(29,353)
	(127,824)	(178,831)
Foreign Currency		
Realised gain/loss on foreign currency translation	(896)	88,769
Unrealised loss on foreign currency translation	(6,747)	(51,650)
	(7,643)	37,119
Operating lease payments		
Office lease	(90,317)	(86,843)

NOTE 7.
INCOME TAX BENEFIT

	2012	2011
	$	**$**
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(7,672,697)	(1,003,568)
Tax at the statutory tax rate of 30%	(2,301,809)	(301,070)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	(106,638)	14,132
Other Permanent Differences	1,319	1,377
	(2,407,128)	(285,561)
R&D tax offset receivable at 30 June 2012	(695,894)	-
Income tax losses not taken up as benefit	2,407,128	285,561
Income tax benefit	**(695,894)**	**-**

Petroleum Resource Rent Tax

PRRT applies to all petroleum projects in offshore areas under the Petroleum Act, other than some specific production licences. PRRT is assessed on a project basis or production licence area and is levied on the taxable profits of a petroleum project at a rate of 40%. Certain specified undeducted expenditures are eligible for compounding. The expenditures can be compounded annually at set rates, and the compounded amount can be deducted against assessable receipts in future years.

The Company estimates that if a production licence was granted on VIC/P57, it has incurred expenditure that would result in total carried forward undeducted expenditure of $72 million to 30 June 2012 (2011: $71 million) which is capable of being offset against income derived in future years. At 1 July 2012 this estimated amount is $88 million (2011: $86 million) as compounding occurs annually on 1 July.

Expenditure incurred in relation to production licence T/41P expired when the licence was relinquished.

The Company has not recognised a deferred tax asset with respect to the carried forward undeducted expenditure.

	2012	2011
	$	**$**
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax Losses	15,449,435	14,801,545
Temporary Differences	(6,926,166)	(7,138,504)
Total deferred tax assets not recognised	**8,523,269**	**7,663,041**

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The taxation benefits of tax losses and temporary difference not brought to account will only be obtained if:

(i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the company continues to comply with the conditions for deductibility imposed by law; and

(iii) no change in tax legislation adversely affects the company in realising the benefits from deducting the losses.

NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2012	2011
	$	**$**
Cash at bank	190,315	357,431
Cash on deposit	1,494,577	3,500,564
	1,684,892	**3,857,995**

NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2012	2011
	$	**$**
R&D tax concession receivable	695,895	-
Interest receivable	2,844	3,673
GST receivable	27,219	31,289
	725,958	**34,962**

AUDITED FINANCIAL STATEMENTS OF 3D OIL FOR THE FYE 30 JUNE 2012 *(Cont'd)*

The average credit period on trade and other receivables is 30 days. No interest is charged on the receivables. The Company has financial risk management policies in place to ensure that all receivables are received within the credit timeframe. Due to the short term nature of these receivables, their carrying value is assumed to be approximate to their fair value.

Subsequent to year end, the Company has received the $696k R&D tax concession receivable, however at the date of the financial report the Company is awaiting final approval by AusIndustry.

NOTE 10.
CURRENT ASSETS - OTHER

	2012	2011
	$	**$**
Prepayments	**63,718**	**34,848**

NOTE 11.
NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	$	**$**
Plant and equipment - at cost	82,693	79,420
Less: Accumulated depreciation	(69,053)	(60,506)
	13,640	18,914
	13,640	**18,914**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & Equipment	Total
	$	**$**
Balance at 1 July 2010	14,215	14,215
Additions	11,864	11,864
Depreciation expense	(7,165)	(7,165)
Balance at 30 June 2011	18,914	18,914
Additions	3,274	3,274
Depreciation expense	(8,548)	(8,548)
Balance at 30 June 2012	**13,640**	**13,640**

NOTE 12.
NON-CURRENT ASSETS - INTANGIBLES

	2012	2011
	$	**$**
Software – at cost	151,518	121,030
Less: Accumulated amortisation	(98,782)	(67,012)
	52,736	54,018
	52,736	**54,018**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software	Total
	$	**$**
Balance at 1 July 2010	38,230	38,230
Additions	35,370	35,370
Amortisation expense	(19,582)	(19,582)
Balance at 30 June 2011	54,018	54,018
Additions	30,488	30,488
Amortisation expense	(31,770)	(31,770)
Balance at 30 June 2012	**52,736**	**52,736**

NOTE 13.
NON-CURRENT ASSETS - EXPLORATION AND EVALUATION

	2012	2011
	$	**$**
Exploration and evaluation expenditure	**20,569,130**	**25,921,401**

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Out of the total of $5,954,106, the write off of expenditure on permit T/41P accounts for exploration assets in the reporting period is $5,943,816. The permit was relinquished at the end of the reporting period.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Exploration & Development Expenditure	Total
	$	**$**
Balance at 1 July 2010	22,177,579	22,177,579
Additions	3,895,248	3,895,248
Write off of assets	(151,426)	(151,426)
Balance at 30 June 2011	25,921,401	25,921,401
Expenditure during the year	601,835	601,835
Write off of assets	(5,954,106)	(5,954,106)
Balance at 30 June 2012	**20,569,130**	**20,569,130**

NOTE 14.
CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2012	2011
	$	**$**
Trade payables	287,629	157,308
Sundry payables and accrued expenses	73,471	59,942
	361,100	**217,250**

Refer to note 20 for further information on financial instruments.

The average credit period on trade and other receivables is 30 days. No interest is charged on the receivables. The Company has financial risk management policies in place to ensure that all receivables are received within the credit timeframe. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

NOTE 15.
CURRENT LIABILITIES - PROVISIONS

	2012	2011
	$	**$**
Employee benefits	**44,166**	**64,954**

NOTE 16.
NON-CURRENT LIABILITIES - PROVISIONS

	2012	2011
	$	**$**
Employee benefits	38,308	45,218
Provision for well abandonment	500,000	500,000
	538,308	**545,218**

Provision for well abandonment

The provision for well abandonment represents the present value of director's best estimate for the costs to abandon the Wardie-1 Well. There is no current estimate of when any abandonment may take place in light of the recently agreed farm-in arrangement with Hibiscus Petroleum Berhad.

NOTE 17.
EQUITY - ISSUED CAPITAL

	2012	2011
Ordinary shares - fully paid	**$**	**$**
	50,620,867	**50,620,867**
	Shares	Shares
	206,560,000	**206,560,000**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

AUDITED FINANCIAL STATEMENTS OF 3D OIL FOR THE FYE 30 JUNE 2012 *(Cont'd)*

Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The company is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2011 Annual Report.

Options

For futher information in relaion to unissued ordinary shares of 30 Oil Limited under option, refer to the Directors' report and Note 28.

NOTE 18. EQUITY - RESERVES

	2012	2011
	$	**$**
Share-based payments reserve	78,645	2,038,070
Options reserve	-	(1,852,787)
	78,645	**185,283**

	Share based Payment	Total
	$	**$**
Balance at 1 July 2010	2,023,826	2,023,826
Share based payments	47,107	47,107
Expiry of options	(1,885,650)	(1,885,650)
Balance at 30 June 2011	185,283	185,283
Share based payments	48,587	48,587
Expiry of options	(155,225)	(155,225)
Balance at 30 June 2012	**78,645**	**78,645**

NOTE 19. EQUITY - DIVIDENDS

There were no dividends paid or declared during the current or previous financial year.

The company does not have franking credits available for subsequent financial years.

NOTE 20.
FINANCIAL INSTRUMENTS

Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the company's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The company undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The company is not exposed to any significant price risk.

Interest rate risk

The company's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

As at the reporting date, the company had the following variable rate borrowings and interest rate swap contracts outstanding:

	2012		2011	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$	%	$
Cash on hand	4.35	190,315	4.75	357,431
Cash on deposit	4.35	1,494,577	4.75	3,500,564
Net exposure to cash flow interest rate risk		**1,684,892**		**3,857,995**

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The company obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

The tables below illustrate the impact on profit before tax based upon expected volatility of interest rates using market data and analysis forecasts.

	Basis points increase			Basis points decrease		
2012	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	**131**	**22,072**	**22,072**	**131**	**(22,072)**	**(22,072)**

	Basis points increase			Basis points decrease		
2011	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	**143**	**55,170**	**55,170**	**143**	**(55,170)**	**(55,170)**

NOTE 21.
KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The following persons were directors of 3D Oil Limited during the financial year:

Mr Campbell Horsfall
Non-executive Chairman

Mr Noel Newell
Managing Director

Ms Melanie Leydin
Non-executive Director, Company Secretary

Ms Philippa Kelly
Non-executive Director

Mr Keith Edwards
Non-executive Director - resigned 23 March 2012

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2012	2011
	$	**$**
Short-term employee benefits	861,104	840,899
Post-employment benefits	66,945	65,907
Long-term benefits	13,817	10,480
	941,866	**917,286**

AUDITED FINANCIAL STATEMENTS OF 3D OIL FOR THE FYE 30 JUNE 2012 *(Cont'd)*

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr C Horsfall	38,000	-	-	-	38,000
Mr N Newell*	37,805,150	-	-	-	37,805,150
Ms M Leydin	150,000	-	-	-	150,000
Ms P Kelly	145,000	-	-	-	145,000
Mr K Edwards**	240,000	-	-	(240,000)	-
	38,378,150	**-**	**-**	**(240,000)**	**38,138,150**

* purchased 200,000 shares on-market at $0.07 per share on 16 August 2012 taking holding to 38,105,150 shares.
**resigned on 23 March 2012

2011	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr C Horsfall	38,000	-	-	-	38,000
Mr N Newell	37,700,150	-	105,000	-	37,805,150
Ms M Leydin	150,000	-	-	-	150,000
Ms P Kelly	145,000	-	-	-	145,000
Mr K Edwards*	-	-	240,000	-	240,000
	38,033,150	**-**	**345,000**	**-**	**38,378,150**

* Mr K Edwards was appointed as a Non-Executive Director on 30 June 2011.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

2012

Options over ordinary shares

There were no options over ordinary shares held by key management personnel during the 2012 financial year.

2011	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
Options over ordinary shares					
Mr C Horsfall*	500,000	-	-	(500,000)	-
Mr N Newell*	4,000,000	-	-	(4,000,000)	-
Mr K Lanigan	265,000	-	-	(265,000)	-
	4,765,000	-	-	(4,765,000)	-

* These options expired on 31 January 2011.

NOTE 22.
REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	2012	2011
	$	**$**
Audit services – Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	35,000	33,500
Other services – Grant Thornton Audit Pty Ltd		
Taxation Services	134,966	-
	169,966	**33,500**

NOTE 23.
CONTINGENT LIABILITIES

There were no contingent liabilities in existence at 30 June 2012.

NOTE 24.
COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements of the Mineral Resources Authority. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable. (Refer to Note 25 for details of the Farm-in agreement recently entered into with Hibiscus Petroleum. In the event that the all required conditions pursuant to the agreement are fulfilled, the Company will be responsible for 49.9% of the exploration commitments outlined above).

	2012	2011
	$	**$**
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	46,044	90,316
One to five years	-	46,044
	46,044	**136,360**
Exploration Licenses – Commitments for Expenditure		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	600,000	700,000
One to five years	36,400,000	37,000,000
	37,000,000	**37,700,000**

NOTE 25.
EVENTS AFTER THE REPORTING PERIOD

On 15 August 2012, the Company entered into a conditional Farm-in Agreement and Subscription Agreement with Hibiscus Petroleum Berhad, through its wholly owned subsidiary ('Hibiscus'). Under the Farm-in Agreement, Hibiscus will acquire a 50.1% interest in petroleum exploration permit VIC/P57 up front and will invest up to $27m in tranches to fund joint operations on the permit.

On 4 September 2012, as per the Subscription Agreement, Hibiscus subscribed for new shares in the Company equal to 14.99% of the Company's share capital (before the new shares are issued) as part of a cornerstone investment. The consideration (including costs of the transaction) of $2.0 million was based on the 30 day Volume Weighted Average Price of the Company's shares prior to the date the agreement was announced.

Completion of both the Subscription Agreement and Farm-in Agreement will be subject to a number of conditions precedent, including Foreign Investment Review Board ('FIRB') and Hibiscus shareholder approval. The shares subscribed for by Hibiscus will be issued once the conditions have been met.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

NOTE 26.
RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	2012	2011
	$	**$**
Loss after income tax benefit for the year	(6,976,803)	(1,003,568)
Adjustments for:		
Depreciation and amortisation	40,318	26,746
Share-based payments	48,587	47,107
Foreign exchange differences	7,643	(37,113)
Exploration costs written off	5,954,106	151,426
Annual and long service leave provisions	(27,698)	29,353
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(690,996)	79,421
Decrease/(increase) in prepayments	(28,870)	1,241
Increase in trade and other payables	143,850	69,376
Net cash used in operating activities	**(1,529,863)**	**(636,011)**

NOTE 27.
EARNINGS PER SHARE

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 'Earnings per Share'. The rights to options are non-dilutive as the Company has generated a loss for the financial year.

	2012	2011
	$	**$**
Loss after income tax attributable to the owners of 3D Oil Limited	**(6,976,803)**	**(1,003,568)**
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	206,560,000	206,560,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	**206,560,000**	**206,560,000**
	Cents	**Cents**
Basic earnings per share	(3.38)	(0.49)
Diluted earnings per share	(3.38)	(0.49)

NOTE 28.
SHARE-BASED PAYMENTS

Set out below are summaries of options granted under the plan:

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
31/03/2008	31/03/2013	$0.75	400,000	-	-	(400,000)	-
27/08/2009	30/06/2014	$0.25	125,000	-	-	(125,000)	-
27/08/2009	30/06/2014	$0.25	64,000	-	-	-	64,000
02/06/2010	30/11/2014	$0.40	265,000	-	-	-	265,000
02/06/2010	30/11/2014	$0.40	150,000	-	-	(150,000)	-
02/06/2010	30/11/2014	$0.40	200,000	-	-	-	200,000
24/01/2011	31/01/2015	$0.40	200,000	-	-	(200,000)	-
07/10/2011	07/10/2015	$0.18	-	697,177	-	(142,477)	554,700
			1,404,000	**697,177**	**-**	**(1,017,477)**	**1,083,700**

AUDITED FINANCIAL STATEMENTS OF 3D OIL FOR THE FYE 30 JUNE 2012 *(Cont'd)*

2011

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/12/2006	31/01/2011	$0.60	4,000,000	-	-	(4,000,000)	-
14/12/2006	31/01/2011	$0.50	5,500,000	-	-	(5,500,000)	-
14/12/2006	31/01/2011	$0.50	100,000	-	-	(100,000)	-
14/12/2006	31/01/2011	$0.50	1,500,000	-	-	(1,500,000)	-
31/03/2008	31/03/2013	$0.75	400,000	-	-	-	400,000
27/08/2009	30/06/2014	$0.25	125,000	-	-	-	125,000
27/08/2009	30/06/2014	$0.25	64,000	-	-	-	64,000
02/06/2010	30/11/2014	$0.40	-	265,000	-	-	265,000
02/06/2010	30/11/2014	$0.40	-	150,000	-	-	150,000
02/06/2010	30/11/2014	$0.40	-	200,000	-	-	200,000
24/01/2011	31/01/2015	$0.40	-	200,000	-	-	200,000
			11,689,000	**815,000**	**-**	**(11,100,000)**	**1,404,000**

For the options on issue during the previous and current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
14/12/2006	31/01/2011*		$0.60	83.00%	0.00%	5.93%	$0.213
14/12/2006	31/01/2011*		$0.50	83.00%	0.00%	5.93%	$0.173
14/12/2006	31/01/2011*		$0.50	83.00%	0.00%	5.93%	$0.185
14/12/2006	31/01/2011*		$0.50	83.00%	0.00%	3.56%	$0.156
31/03/2008	31/03/2013	$0.59	$0.75	83.00%	0.00%	6.09%	$0.030
27/08/2009	30/06/2014	$0.19	$0.25	80.00%	0.00%	4.97%	$0.049
27/08/2009	30/06/2014	$0.19	$0.25	80.00%	0.00%	4.97%	$0.440
02/06/2010	30/11/2014	$0.19	$0.40	80.00%	0.00%	4.97%	$0.083
02/06/2010	30/11/2014	$0.19	$0.40	80.00%	0.00%	4.97%	$0.076
02/06/2010	30/11/2014	$0.19	$0.40	80.00%	0.00%	5.16%	$0.083
24/01/2011	31/01/2015	$0.25	$0.40	80.00%	0.00%	5.16%	$0.931
07/10/2011	07/10/2015	$0.14	$0.18	99.67%	0.00%	4.36%	$0.090

* 30 Oil Limited listed on the Australian Stock Exchange in November 2007.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Noel Newell
Managing Director
28 September 2012
Melbourne

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Independent Auditor's Report
To the Members of 3D Oil Limited

Report on the financial report

We have audited the accompanying financial report of 3D Oil Limited (the "Company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company .

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Electronic presentation of audited financial report

This auditor's report relates to the financial report of 3D Oil Limited and controlled entities for the year ended 30 June 2012 included on 3D Oil Limited's web site. The Company's Directors are responsible for the integrity of 3D Oil Limited's web site. We have not been engaged to report on the integrity of 3D Oil Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of 3D Oil Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Grant Thornton

Report on the remuneration report

We have audited the remuneration report included in pages 17 to 21 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of 3D Oil Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 28 September 2012

FURTHER INFORMATION

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

The respective letters of consent have been received from HLIB, PricewaterhouseCoopers Taxation Services Sdn Bhd, Pareto Asia, RISC and Corrs Chambers Westgarth confirming that they have given their respective consent to the inclusion in this Circular of their names, letters and reports (where applicable) and all references thereto, in the form and context in which they appear and have not, prior to the issue of this Circular, been withdrawn.

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 to Hibiscus Petroleum in respect of the Proposals.

PricewaterhouseCoopers Taxation Services Sdn Bhd confirms it is not aware of any situation of conflict of interest or potential conflict of interest in its capacity as the independent expert on policies on foreign investments, taxation and repatriation of profits of Australia in respect of the Proposals.

Pareto Asia confirms that there is no situation of conflict of interest or potential conflict of interest in its capacity as the independent valuer for the Proposed Farm-In and independent expert providing fairness opinion for both the Subscription Consideration for the Proposed Subscription and the purchase consideration for the Proposed Farm-In.

RISC confirms that there is no situation of conflict of interest or potential conflict of interest in its capacity as the independent technical assessor of the Recoverable Resources for VIC/P57 in respect of VIC/P57.

Corrs Chambers Westgarth confirms that there is no situation of conflict of interest or potential conflict of interest in its capacity as the Australian legal counsel for our Group in respect of the Proposals.

4. MATERIAL COMMITMENT 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:

Material commitments approved and contracted for	RM'**000**
Farm-In Investment for the Proposed Farm-In	85,768
Capital commitment for purchase of application software	2,178
Share of jointly controlled entity's material commitment[22]	10,711
	98,657

[22] *For outstanding minimum work obligations and remaining indicative consideration to be paid for Lime Norway. These commitments are expected to be funded by Lime.*

5. 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 Memorandum and Articles of Association of Hibiscus Petroleum;

(ii) The latest audited consolidated financial statements of Hibiscus Petroleum for the past 2 FYE 31 March 2011 and 31 March 2012;

(iii) The unaudited consolidated quarterly results of Hibiscus Petroleum for the second quarter ended 30 September 2012;

(iv) Expert's report on policies on foreign investments, taxation and repatriation of profits of Australia issued by PricewaterhouseCoopers Taxation Services Sdn Bhd as included in Appendix III;

(v) Legal opinion on the ownership/title and the enforceability of agreements, representations and undertakings issued by Corrs Chambers Westgarth as included in Appendix IV;

(vi) Expert's report in relation to the fairness of the Subscription Consideration for the Proposed Subscription issued by Pareto Asia as included in Appendix V;

(vii) Expert's report in relation to the fairness of the purchase consideration for the Proposed Farm-In issued by Pareto Asia as included in Appendix VI;

(viii) Valuation certificate of VIC/P57 by Pareto Asia dated 21 September 2012 as included Appendix VII and the valuation report dated 21 September 2012 by Pareto Asia;

(ix) Expert's report in relation to the Technical Evaluation by RISC as included in Appendix VIII;

(x) The material contracts referred to in Section 7 of this Appendix I; and

(xi) The letters of consent referred to in Section 2 of this Appendix X.

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

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 Saujana Ballroom, The Saujana Hotel, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan on Wednesday, 19 December 2012 at 2.00 p.m., for the purpose of considering and if thought fit, to pass the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

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") BY OCEANIA HIBISCUS SDN BHD ("OHSB"), A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY ("PROPOSED SUBSCRIPTION")

"**THAT**, subject to the passing of Ordinary Resolution 2 and the approvals of all relevant regulatory authorities (if applicable) being obtained, approval be and is hereby given for OHSB's subscription of 30,963,000 new fully paid ordinary shares in 3D Oil, representing approximately 13.04% of the enlarged total issued share capital of 3D Oil for a subscription amount AUD2,043,558 pursuant to and in accordance with the terms of the conditional subscription agreement dated 14 August 2012 entered into by the Company, OHSB and 3D Oil, as further elaborated in the Company's Circular to shareholders dated 4 December 2012.

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 or expedient or relevant to give effect to and complete the Proposed Subscription 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 Subscription."

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION OF A 50.1% UNENCUMBERED LEGAL AND BENEFICIAL RIGHT, TITLE AND INTEREST IN THE EXPLORATION PERMIT VIC/P57 ("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 CARNARVON HIBISCUS PTY LTD ("CHPL"), A WHOLLY-OWNED SUBSIDIARY OF OHSB FROM 3D OIL FOR A PURCHASE CONSIDERATION OF AUD13,473,000 AND A CONTRIBUTION OF AUD13,527,000 TOWARDS THE JOINT OPERATING ACTIVITIES OF THE PROJECT IN RESPECT OF THE FARM-IN INTEREST ("PROPOSED FARM-IN")

"**THAT**, subject to the passing of Ordinary Resolution 1 and the approvals of all relevant regulatory authorities (if applicable) being obtained, approval be and is hereby given for CHPL's acquisition of the Farm-In Interest, from 3D Oil for a purchase consideration of AUD13,473,000 and a contribution of

AUD13,527,000 towards the joint operating activities of the project in respect of the Farm-In Interest pursuant to and in accordance with the terms of the conditional farm-in agreement dated 14 August 2012 entered into by the Company, CHPL and 3D Oil, as further elaborated in the Company's Circular to shareholders dated 4 December 2012.

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 to give effect to and complete the Proposed Farm-In 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 Farm-In."

By Order of the Board,

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

Kuala Lumpur
4 December 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 12 December 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 up to two (2) proxies to attend and vote at the meeting. Where a member appoints two (2) 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. of Authorised Nominee *

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 Saujana Ballroom, The Saujana Hotel, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan on Wednesday, 19 December 2012 at 2.00 p.m. or at any adjournment thereof, on the following resolutions referred to in the Notice of Extraordinary General Meeting by indicating an "**X**" in the space provided below :-

	FOR	AGAINST
ORDINARY RESOLUTION 1 – PROPOSED SUBSCRIPTION		
ORDINARY RESOLUTION 2 – PROPOSED FARM-IN		

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. *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 12 December 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 up to two (2) proxies 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 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.*

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.*

Fold this flap for sealing

Then fold here

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