

CIRCULAR DATED 29 NOVEMBER 2010

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Circular is issued by RH Petrogas Limited (the “Company”). If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional independent adviser immediately.

If you have sold or transferred your ordinary shares in the capital of the Company, please forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements or opinions made, reports contained in this Circular.

The approval-in-principle of the SGX-ST is not to be taken as an indication of the merit of the Pearl Acquisition (as defined in this Circular) or the Lundin Acquisition (as defined in this Circular), the Company or its subsidiaries.



RH PETROGAS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198701138Z)

CIRCULAR TO SHAREHOLDERS

in relation to

- 1. THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF LUNDIN SALAWATI BASIN BV AND LUNDIN INDONESIA BV (THE “LUNDIN ACQUISITION”); AND**
- 2. THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF PEARLOIL (BASIN) LTD AND PEARLOIL (ISLAND) LTD (THE “PEARL ACQUISITION”),**

(collectively the “Proposed Acquisitions”).

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	Sunday, 12 December 2010, at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	Tuesday, 14 December 2010, at 10.00 a.m.
Place of Extraordinary General Meeting	:	20 Harbour Drive, PSA Vista #06-03, Singapore 117612

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PROXY FORM

DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

- “Act” or “Companies Act”* : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
- “Associate”* : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:-
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more,
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
- “Basin Contracts”* : The Basin PSC and the Basin JOA
- “Basin JOA”* : The operating agreement dated 15 October 1970 in relation to the Basin PSC, the parties to which are currently Petrochina International (Bermuda) Ltd. (**“Petrochina Basin”**), PT Pertamina Hulu Energi Salawati Basin (**“PHE Salawati Basin”**), POB and LISA
- “Basin PSC”* : The Kepala Burung Production Sharing Contract dated October 15, 1970 as renewed as of October 7, 1996 between Perusahaan Pertambangan Minyak Dan Gas Bumi Negara (**“Pertamina”**), Santa Fe Energy Resources (Bermuda) Ltd., Coparex International, Cieco Vogelkop Inc. and Mitsui Oil Exploration Co. Ltd., as amended by the Amendment to the Basin Block Production Sharing Contract between Pertamina, Petrochina Basin, POB, LISA and Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (**“BPMIGAS”**)
- “Board”* : The board of directors of the Company as at the Latest Practicable Date
- “Business Day”* : Any day of the week except Saturday, Sunday or any statutory holiday in Singapore or the British Virgin Islands (in relation to the Pearl Acquisition) or the Netherlands (in relation to the Lundin Acquisition)
- “CDP”* : The Central Depository (Pte) Limited
- “Circular”* : This circular to Shareholders dated 29 November 2010 in respect of the Proposed Acquisitions

DEFINITIONS

<i>“Company”</i>	:	RH Petrogas Limited
<i>“Closing”</i>	:	The completion of the sale and purchase of the LIB Sale Shares and LSB Sale Shares pursuant to the Lundin SPA and/or the completion of the sale and purchase of the POI Sale Shares and POB Sale Shares pursuant to the Pearl SPA (as the case may be)
<i>“Closing Date”</i>	:	The seventh Business Day after the completion or waiver of (i) each of the conditions precedent as provided in the Lundin SPA or (ii) each of the conditions precedent as provided in the Pearl SPA (as the case may be) or such other date as may be mutually agreed upon by the relevant Parties in writing
<i>“Control”</i>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating practice of the Company
<i>“Controlling Shareholder”</i>	:	A person who: (a) holds directly or indirectly 15% or more of the issued share capital of the Company; or (b) in fact exercises Control over the Company
<i>“Directors”</i>	:	The directors of the Company as at the date of this Circular
<i>“Effective Date”</i>	:	Subject to Closing occurring, the effective date of the Lundin SPA and/or the Pearl SPA, being 1 January 2010
<i>“EGM”</i>	:	Extraordinary general meeting
<i>“EPS”</i>	:	Earnings per Share
<i>“FY”</i>	:	Financial year of the Company ended or ending 31 December (as the case may be)
<i>“GCA”</i>	:	Gaffney, Cline & Associates (Consultants) Pte Ltd
<i>“Group”</i>	:	The Company and its Subsidiaries
<i>“Island Contracts”</i>	:	The Island PSC and the Island JOA
<i>“Island JOA”</i>	:	The participation agreement dated April 23, 1990 in relation to the Island PSC, the parties to which are currently PHE Salawati, Petrochina Island, POI and LIB
<i>“Island PSC”</i>	:	The Salawati Kepala Burung Production Sharing Contract dated April 23, 1990 between Pertamina and Trend Kepala Burung Limited, as amended by an agreement dated 14 September 2009 between Pertamina, BPMIGAS, PT Pertamina Hulu Energi Salawati (“PHE Salawati”), Petrochina International Kepala Burung Ltd (“Petrochina Island”), LIB and POI
<i>“Latest Practicable Date”</i>	:	19 November 2010, being the latest practicable date prior to the printing of this Circular
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST and its relevant rule(s), as amended or modified from time to time

DEFINITIONS

<i>“LIB”</i>	:	Lundin Indonesia BV
<i>“LIB Sale Shares”</i>	:	All ordinary shares representing 100% of the total issued capital of LIB at Closing
<i>“LISA”</i>	:	Lundin International S.A.
<i>“LPBV”</i>	:	Lundin Petroleum BV
<i>“LPS”</i>	:	Loss per Share
<i>“LSB”</i>	:	Lundin Salawati Basin BV
<i>“LSB Sale Shares”</i>	:	All ordinary shares representing 100% of the total issued capital of LSB at Closing
<i>“Lundin Acquisition”</i>	:	The acquisition by the Company of the LSB Sale Shares and LIB Sale Shares from LPBV
<i>“Lundin SPA”</i>	:	The definitive sale and purchase agreement dated 6 September 2010 between the Company and LPBV relating to the proposed acquisition of the LSB Sale Shares and LIB Sale Shares
<i>“NAV”</i>	:	Net asset value
<i>“net working interest”</i>	:	Refers to the combined 60% Participating Interest in the Basin PSC and the 33.2142% Participating Interest in the Island PSC from the Proposed Acquisitions
<i>“NPV”</i>	:	Net present value
<i>“NTA”</i>	:	Net tangible assets
<i>“Operator”</i>	:	Means, in respect of the Basin PSC, Petrochina Basin; and in respect of the Island PSC, both Petrochina Island and PHE Salawati
<i>“Participating Interest(s)”</i>	:	Means the participating interest of LSB (being 25.936%) and/or POB (being 34.064%) in relation to the Basin PSC; and/or the participating interest of LIB (being 14.5122%) and/or POI (being 18.7020%) in relation to the Island PSC (as the case may be)
<i>“Parties”</i>	:	The Company and the Vendors
<i>“Pearl Acquisition”</i>	:	The acquisition by the Company of the POI Sale Shares and POB Sale Shares from PHL
<i>“Pearl SPA”</i>	:	The definitive sale and purchase agreement dated 20 September 2010 between the Company and PHL relating to the proposed acquisition of the POI Sale Shares and the POB Sale Shares
<i>“PHL”</i>	:	PearlOil Holdings Limited
<i>“POB”</i>	:	PearlOil (Basin) Ltd
<i>“POB Sale Shares”</i>	:	All ordinary shares representing 100% of the total issued capital of POB at Closing

DEFINITIONS

“POI”	:	PearlOil (Island) Ltd
“POI Sale Shares ”	:	All ordinary shares representing 100% of the total issued capital of POI at Closing
“Proposed Acquisitions”	:	The Pearl Acquisition and the Lundin Acquisition collectively
“PSCs” or “PSC”	:	The Basin PSC and/or the Island PSC
“Sale Shares”	:	The LIB Sale Shares, LSB Sale Shares, POI Sale Shares and POB Sale Shares collectively
“SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shares”	:	Fully paid ordinary shares in the capital of the Company
“Shareholders”	:	The registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Shares
“Substantial Shareholder”	:	A person (including a corporation) who holds, directly or indirectly, 5% or more of the total issued share capital of the Company
“Vendor” or “Vendors”	:	LPBV and/or PHL (as the case may be)
Currencies, Units and Others		
“%” or “percent”	:	Per centum or percentage
“Bcf”	:	Billion standard cubic feet
“MMBbls”	:	Million barrels
“km ² ”	:	Square kilometre
“S\$”, “\$” or “cents”	:	Singapore dollars and cents respectively
“US\$”	:	United States of America dollars
“€”	:	Euro (being the official currency of the Eurozone)

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act. The term “Subsidiary” shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, 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.

DEFINITIONS

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference in this Circular to shares being allotted to a person includes allotment to CDP for the account of that person.

Any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

Any discrepancies in this Circular between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.

GLOSSARY OF TECHNICAL TERMS

The glossary contains an explanation of certain terms used in this Circular in connection with our Group. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms.

<i>"2P"</i>	:	Proved Reserves plus Probable Reserves
<i>"Contingent Resources"</i>	:	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable due to one or more contingencies
<i>"geological"</i>	:	Relating to the origin, history and structure of the Earth
<i>"oilfield"</i>	:	Production area within an oil contract area
<i>"Proved Reserves"</i>	:	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
<i>"Probable Reserves"</i>	:	Those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable
<i>"Possible Reserves"</i>	:	Those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves
<i>"Prospective Resources"</i>	:	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
<i>"subsurface"</i>	:	Area located below the surface of the Earth, or below the sea bottom

LETTER TO SHAREHOLDERS

RH PETROGAS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198701138Z)

Directors

Tan Sri Datuk Sir Tiong Hiew King (Executive Chairman)
Dato' Sri Dr Tiong Ik King (Executive Director)
Dr Tan Jee-Theng Tony (Group CEO & Executive Director)
Tiong Kiew Chiong (Executive Director)
Tiong Chiong Ee (Executive Director)
Abbasbhoy Haider Nakhoda (Independent Non-Executive Director)
Lee Hock Lye (Independent Non-Executive Director)
Yeo Yun Seng Bernard (Independent Non-Executive Director)

Registered Office

20 Harbour Drive
PSA Vista #06-03
Singapore 117612

29 November 2010

To: The Shareholders of RH Petrogas Limited

Dear Sir/Madam

- 1. THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF LUNDIN SALAWATI BASIN BV AND LUNDIN INDONESIA BV (THE "LUNDIN ACQUISITION"); AND**
- 2. THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF PEARLOIL (BASIN) LTD AND PEARLOIL (ISLAND) LTD (THE "PEARL ACQUISITION")**

1. INTRODUCTION

1.1 Background

On 6 September 2010, the Board announced that the Company had on 6 September 2010 executed a definitive sale and purchase agreement with Lundin Petroleum BV to acquire its Participating Interests in the Basin PSC and the Island PSC, both located in West Papua, Indonesia, which are held or will be held by Lundin Salawati Basin BV and Lundin Indonesia BV respectively.

On 20 September 2010, the Board announced that the Company had on 20 September 2010 executed a definitive sale and purchase agreement with PearlOil Holdings Limited to acquire its Participating Interests in the Basin PSC and the Island PSC which are held by PearlOil (Basin) Ltd and PearlOil (Island) Ltd respectively.

1.2 The Lundin SPA

Under the Lundin SPA, the Company will acquire the entire issued and paid-up share capital of LSB and LIB.

(a) Information on LSB

As of the Effective Date, the 25.936% Participating Interest in the Basin PSC was held by LISA, another wholly-owned subsidiary of LPBV. LPBV had agreed in the Lundin SPA to transfer such Participating Interest in the Basin PSC from LISA to LSB before the Closing Date. The transfer was completed by way of an Assignment Agreement dated 7 September 2010 between LISA and LSB. LSB now holds the 25.936% Participating Interest in the Basin PSC.

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LSB is a company duly organised and existing under the laws of the Netherlands with an issued and paid-up capital of €18,000 comprising 18,000 shares of €1 each. LSB is a wholly owned direct subsidiary of LPBV and is principally engaged in the business of oil and gas exploration and production under the Basin PSC.

(b) Information on LIB

LIB holds a 14.5122% Participating Interest in the Island PSC. LIB is a company duly organised and existing under the laws of the Netherlands, with an issued and paid-up capital of €479,250 comprising 1,065 shares of €450 each.

LIB is a wholly owned direct subsidiary of LPBV and is principally engaged in the business of oil and gas exploration and production under the Island PSC.

1.3 The Pearl SPA

Under the Pearl SPA, the Company will acquire the entire issued and paid-up share capital of POB and POI.

(a) Information on POB

POB holds a 34.064% Participating Interest in the Basin PSC. POB is a company incorporated in the British Virgin Islands and has an issued and paid-up capital of US\$1,500,000 comprising 1,500,000 ordinary shares of par value of US\$1 each.

POB is a wholly owned direct subsidiary of PHL and is principally engaged in the business of oil and gas exploration and production under the Basin PSC.

(b) Information on POI

POI holds a 18.702% Participating Interest in the Island PSC.

POI is a company incorporated in the British Virgin Islands and has an issued and paid-up capital of US\$4,500,000 comprising 4,500,000 ordinary shares of par value of US\$1 each.

POI is a wholly owned direct subsidiary of PHL and is principally engaged in the business of oil and gas exploration and production under the Island PSC.

1.4 Purpose of the Circular

The purpose of this Circular is to provide the Shareholders with relevant information relating to the Proposed Acquisitions and to seek Shareholders' approval for the Proposed Acquisitions at the forthcoming EGM.

2. THE LUNDIN ACQUISITION

2.1 The Lundin Purchase Consideration

The aggregate purchase consideration for the LSB Sale Shares and LIB Sale Shares is approximately US\$37.13 million ("**Lundin Purchase Consideration**") which comprises the following:

- (a) US\$33.99 million attributable to the LSB Sale Shares; and
- (b) US\$3.14 million attributable to the LIB Sale Shares.

The Lundin Purchase Consideration of approximately US\$37.13 million takes into account the working capital of LISA and LIB as of the Effective Date, as well as other agreed adjustments as a result of the due diligence investigation undertaken by and on behalf of the Company.

LETTER TO SHAREHOLDERS

Under the Lundin SPA, the Company also undertakes to make an additional payment to LPBV in respect of the LIB Sale Shares (“**Further LIB Purchase Consideration**”). Upon the appraisal and final approval being received from the relevant authorities for a Plan of Development (“**POD**”) covering the commercial development of an oil field within the Koi interest area in the Island PSC, the Company shall make payment to LPBV of the Further LIB Purchase Consideration, which shall be a lump sum determined by the Company according to an agreed rate with reference to the 2P recoverable oil reserves in respect of the POD, subject to a maximum sum of approximately US\$3.93 million. The Further LIB Purchase Consideration is payable by the Company only for the first approved POD within the Koi interest area, and the Company is not obliged to make any payment if no such POD has been proposed or approved.

2.2 **Terms of Payment**

- (a) The Company has paid a deposit of approximately US\$1.86 million (“**Lundin Deposit**”) to LPBV upon the signing of the Lundin SPA.
- (b) On the Closing Date of the Lundin SPA (“**Lundin Closing Payment**”), the Company shall make payment in cash as follows:
 - (i) the Lundin Purchase Consideration; plus
 - (ii) any cash inflow into the designated bank accounts of LISA or LSB (as the case may be) and/or LIB from LPBV and/or its affiliates to fund operations under the Basin Contracts and the Island Contracts; less
 - (iii) any cash outflow from the designated bank accounts of LISA or LSB (as the case may be) and/or LIB to LPBV and/or its affiliates; less
 - (iv) the Lundin Deposit.

The aforesaid cash inflow and cash outflow to be taken into account in determining the final amount payable to LPBV on the Closing Date relate to cash movements during the period commencing on the Effective Date to the Closing Date.

The Lundin Closing Payment will be paid in cash on the Closing Date.

2.3 **Factors taken into account in determining the Lundin Purchase Consideration**

The Lundin Purchase Consideration and the Further LIB Purchase Consideration were arrived at arm’s length on a willing buyer, willing seller basis following commercial negotiation with LPBV and taking into account the following factors:-

- (i) the business potential of LSB and LIB in view of their respective Participating Interests in the Basin PSC and Island PSC; and
- (ii) an assessment by GCA on the estimated volumes of the hydrocarbon reserves, as well as the Contingent Resources and Prospective Resources of the Basin PSC and the Island PSC. Please refer to Section 5 of this Circular for more details.

2.4 **The value of the Sale Shares**

(a) **Value of the LIB Sale Shares**

Based on the audited financial statements of LIB for the financial year ended 31 December 2009:

- (i) the book value of the LIB Sale Shares is US\$1.79 million (excluding inter-company balances);

LETTER TO SHAREHOLDERS

- (ii) the net tangible asset value of the LIB Sale Shares is US\$1.79 million (excluding inter-company balances); and
- (iii) the net profits attributable to the LIB Sale Shares is US\$0.66 million.

(b) Value of LSB Sale Shares

Based on the management accounts of the Indonesian branch of LISA (“**LISAB**”) (being the entity which held Lundin’s Participating Interest in the Basin PSC as at the Effective Date) for the financial year ended 31 December 2009:

- (i) the book value of the LSB Sale Shares is US\$17.57 million (excluding inter-company balances);
- (ii) the net tangible asset value of the LSB Sale Shares is US\$17.57 million (excluding inter-company balances); and
- (iii) the net profits attributable to the LSB Sale Shares is US\$4.07 million.

As the LSB Sale Shares and LIB Sale Shares are not listed on any stock exchange, there is no open market value.

2.5 **Other material terms**

(a) Effective Date

The transfer of the economic ownership of the Participating Interests of LSB and LIB to the Company will take effect on the Effective Date (subject to Closing occurring), whereupon the economic rights and obligations of the Basin Contracts and the Island Contracts will pass to the Company.

From the Effective Date and up to the Closing Date, the Company will receive all revenues generated from the Participating Interests of LSB (or LISA prior to the transfer of its Participating Interest to LSB) and LIB under the Basin Contracts and the Island Contracts, and will bear all costs relating to the Participating Interests of LSB (or LISA prior to the transfer of its Participating Interest to LSB) and LIB under the Basin Contracts and the Island Contracts.

(b) Conditions Precedent

The Closing is conditional upon the fulfilment or waiver of, *inter alia*, the following conditions precedent:

- (i) The Company’s and certain of LPBV’s warranties being true and accurate as at the date of Closing;
- (ii) The approval of the purchase of the LIB Sale Shares and/or the LSB Sale Shares by the Shareholders of the Company;
- (iii) No actions, arbitrations or other proceedings (whether or not on behalf of LPBV or the Company) seeking to restrain, enjoin or invalidate the Lundin SPA having been instituted; and
- (iv) The completion of the internal reorganisation exercise by LPBV in accordance with the terms of the Basin Contracts and applicable law, so that LSB will hold the Participating Interest in the Basin PSC on the Closing Date which has already been completed. Please refer to section 1.2(a).

If any of the conditions precedent above are not fulfilled or not waived in writing by the Company or LPBV (as the case may be) on or before 31st March 2011, the Lundin SPA shall automatically terminate.

LETTER TO SHAREHOLDERS

The Lundin Acquisition and the Pearl Acquisition are separate transactions, and each transaction is not conditional on the completion of the other transaction.

(c) The Lundin Deposit

The Lundin Deposit (including any accrued interest arising therefrom) will be forfeited to LPBV should the Lundin SPA be terminated before the Closing Date for any reason as a result of a breach of the Lundin SPA by the Company. However, if the Lundin SPA is terminated prior to the Closing Date for any reason other than a breach by the Company of the Lundin SPA, the Lundin Deposit shall be returned to the Company together with any accrued interest.

2.6 No Service Agreement

No director from LPBV, LISA, LSB or LIB is proposed to be appointed to the Company or proposed to be engaged through any service agreement with the Company in connection with the Lundin Acquisition.

3. THE PEARL ACQUISITION

3.1 The Pearl Purchase Consideration

The aggregate purchase consideration for the POB Sale Shares and POI Sale Shares is approximately US\$36.7 million ("**Pearl Purchase Consideration**"), subject to the provisions of the Pearl SPA.

3.2 Terms of Payment

- (a) The Company has paid a deposit of approximately US\$2.44 million ("**Pearl Deposit**") to PHL upon signing of the Pearl SPA.
- (b) On the Closing Date of the Pearl SPA ("**Pearl Closing Payment**"), the Company shall make payment in cash as follows:
 - (i) the Pearl Purchase Consideration; plus
 - (ii) any cash call amounts and corporate payables paid on behalf of POB and POI by PHL and/or its affiliates under the Basin Contracts and Island Contracts; less
 - (iii) any cash received on behalf of POB and POI by PHL and/or its affiliates under the Basin Contracts and the Island Contracts; less
 - (iv) the Pearl Deposit.

The aforesaid cash call amounts and corporate payables paid on behalf of POB and POI by PHL as well as any cash received on behalf of POB and POI by PHL to be taken into account in determining the final amount payable to PHL on the Closing Date relate to payments and receipts during the period commencing on the Effective Date to the Closing Date.

The Pearl Closing Payment will be paid in cash on the Closing Date.

3.3 Factors taken into account in determining the Pearl Purchase Consideration

The Pearl Purchase Consideration was arrived at arm's length on a willing buyer, willing seller basis following commercial negotiations with PHL and taking into account the following factors:

- (i) the business potential of POB and POI in view of their respective Participating Interests in the Basin PSC and Island PSC; and

LETTER TO SHAREHOLDERS

- (ii) an assessment by GCA on the estimated volumes of the hydrocarbon reserves, as well as the Contingent Resources and Prospective Resources of the Basin PSC and the Island PSC. Please refer to Section 5 of this Circular for more details.

3.4 The value of the Sale Shares

(a) **Value of the POB Sale Shares**

Based on the management accounts of POB for the financial year ended 31 December 2009:

- (i) the book value of the POB Sale Shares is net assets of approximately US\$17.75 million (excluding inter-company balances);
- (ii) the net tangible asset value of the POB Sale Shares is approximately US\$17.75 million (excluding inter-company balances); and
- (iii) the net profits attributable to the POB Sale Shares is approximately US\$8.47 million.

(b) **Value of POI Sale Shares**

Based on the management accounts of POI for the financial year ended 31 December 2009:

- (i) the book value of the POI Sale Shares is net liabilities of US\$1.47 million (excluding inter-company balances);
- (ii) the net tangible liability of the POI Sale Shares is approximately US\$1.47 million (excluding inter-company balances); and
- (iii) the net loss attributable to the POI Sale Shares is approximately US\$2.79 million.

As the POB Sale Shares and POI Sale Shares are not listed on any stock exchange, there is no open market value.

3.5 Other material terms

(a) **Effective Date**

The transfer of the economic ownership of the Participating Interests of POB and POI to the Company will take effect on the Effective Date (subject to Closing occurring), whereupon the economic rights and obligations of the Basin Contracts and the Island Contracts will pass to the Company.

From the Effective Date and up to the Closing Date, the Company will receive all revenues generated from the Participating Interests of POB and POI under the Basin Contracts and the Island Contracts, and will bear all costs relating to the Participating Interests of POB and POI under the Basin Contracts and the Island Contracts.

(b) **Conditions Precedent**

The completion of the sale and purchase of the POB Sale Shares and POI Sale Shares is conditional upon the fulfilment or waiver of, *inter alia*, the following conditions precedent:

- (i) The Company's and certain of PHL's warranties being true and accurate as at the date of Closing;
- (ii) The approval of the purchase of the POB Sale Shares and/or the POI Sale Shares by the Shareholders of the Company; and

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- (iii) No actions, arbitrations or other proceedings (whether or not on behalf of PHL or the Company) seeking to restrain, enjoin or invalidate the Pearl SPA having been instituted.

If any of the conditions precedent above are not fulfilled or not waived in writing by the Company or PHL (as the case may be) on or before 31st December 2010, the Pearl SPA shall automatically terminate.

(c) The Pearl Deposit

The Pearl Deposit (including any accrued interest arising therefrom) will be forfeited to PHL should the Pearl SPA be terminated before the Closing Date for any reason as a result of a breach of the Pearl SPA by the Company. However, if the Pearl SPA is terminated prior to the Closing Date for any reason other than a breach of the Pearl SPA by the Company, the Pearl Deposit shall be returned to the Company together with any accrued interest.

3.6 No Service Agreement

No director from PHL, POB or POI is proposed to be appointed to the Company nor proposed to be engaged through any service agreement with the Company in connection with the Pearl Acquisition.

4. INFORMATION ON THE VENDORS

This section is based on information provided by the Vendors.

4.1 Lundin Petroleum BV

Lundin Petroleum BV (“**LPBV**”) is incorporated in the Netherlands, and has an issued and paid-up capital of €18,100 comprising 181 ordinary shares of €100 each. LPBV is part of the Lundin group of companies, which includes Lundin Petroleum AB, a Swedish independent oil and gas company with a portfolio of exploration and production assets in Europe, Russia, Southeast Asia and Africa. Lundin Petroleum AB is listed on the NASDAQ OMX, Stockholm.

The business of LPBV is principally the exploration, development and production of oil and gas resources.

4.2 PearlOil Holdings Limited

PearlOil Holdings Limited (“**PHL**”) is incorporated in the British Virgin Islands, and is a wholly-owned subsidiary of Pearl Energy Limited based in Singapore, which in turn is a wholly-owned subsidiary of Mubadala Development Company PJSC (“**Mubadala**”).

Mubadala, a company established and owned by the Government of Abu Dhabi, is an Abu Dhabi-based strategic development and investment company that plays a pivotal role in the diversification of the Abu Dhabi economy and manages a broad investment portfolio across a wide range of industries globally.

5. INFORMATION ON THE BASIN PSC AND THE ISLAND PSC

The Basin PSC and Island PSC are two contiguous PSCs located in the “Birds Head” area of West Papua, Indonesia. The Basin PSC covers an area of 872 km² of onshore West Papua, while the Island PSC covers an area of 1,097 km² including both onshore and offshore areas.

The assets are primarily oil-weighted with production from the two PSCs averaging around 4,700 barrels of oil per day (“bopd”) net to the acquired Participating Interests. Gas produced from the PSCs is almost entirely used as fuel and power generation for the operations.

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GCA was appointed by the Company for the purpose of conducting an independent technical study of the PSCs in order to evaluate the hydrocarbon reserves and other technical aspects of the blocks in order to assess the economic values of the PSCs. GCA is an independent international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis.

Based on the information provided by the Vendors, GCA estimates the proved plus probable (2P) oil Reserves of around 25.24 million barrels (MMBbls) for the combined Basin PSC and Island PSC on a gross field (100%) basis. This works out to approximately 13.8 MMBbls on a net working interests basis in respect of the Proposed Acquisitions. In accordance with the requirement for Reserves to be economic, this net working interest figure assumes a cut-off of production prior to the end of the technically recoverable production life, being the time when it is deemed no longer economical to continue to produce oil, taking into account the oil prices and production costs assumed by GCA. On a purely technically recoverable volume basis, i.e., prior to any economic cut-off, this is equivalent to around 14.3 MMBbls which is reported in previous announcements made on the acquisitions. The net working interest reserve figures stated above include the Indonesian Government's profit share of production under the terms of the PSCs. Excluding the Indonesian Government's profit share of production, the associated 2P net Reserves on an entitlement basis is around 6.08 MMBbls.

Exploration upside exist within the Basin PSC and the Island PSC, and several exploration prospects have been identified.

5.1 **Basin PSC**

The Basin PSC, dated 15th October 1970, was renewed in 1996 with the current licence expiring on 15th October 2020.

The current partners and their respective participating interests in the Basin PSC are as follows:

Company	Participating Interest
Petrochina Basin (Operator)	30.000%
POB	34.064%
LSB	25.936%
PHE Salawati Basin	10.000%

5.2 **Island PSC**

The Island PSC is effective from 23rd April 1990 for a 30-year term, expiring on 22nd April 2020.

The current partners and their respective participating interests in the Island PSC are as follows:

Company	Participating Interest
Petrochina Island (Joint Operator)	16.7858%
POI	18.7020%
LIB	14.5122%
PHE Salawati (Joint Operator)	50.0000%

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6. THE LUNDIN ACQUISITION AS A MAJOR TRANSACTION

Pursuant to the terms and conditions of the Lundin SPA, the Company will purchase and LPBV will sell the entire issued and paid-up share capital of LIB and LSB for the Lundin Purchase Consideration of approximately US\$37.13 million.

Chapter 10 of the Listing Manual governs the continuing listing obligations of a listed company in respect of acquisitions and realisations. Under Rule 1013 of the Listing Manual, a transaction will be classified as a “major transaction” if any of the relative figures calculated on the bases set out in Rule 1006 exceeds twenty percent (20%). Under Rule 1014(2) of the Listing Manual, Shareholders’ approval must be obtained for a “major transaction”.

The relative figures calculated in accordance with the bases set out in Rule 1006 are set out below:

- | | |
|--|---|
| (a) The net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets. | Not applicable as this transaction is an acquisition and not a disposal of assets. |
| (b) The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits. | The comparison is not meaningful as the Group incurred a net loss as per latest announced financial results for the financial period ended 30 June 2010 ⁽¹⁾ . |
| (c) The aggregate value of the consideration given, compared with the Company’s market capitalisation ⁽¹⁾ . | The consideration of approximately US\$37.13 million (approximately equivalent to S\$50.13 million based on an exchange rate of US\$1.00 : S\$1.35) for the Lundin Acquisition represents approximately 21.6% of the Company’s market capitalisation of approximately S\$232,149,861 ⁽²⁾ as at 3 September 2010. |
| (d) The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue. | Not applicable as no shares will be issued by the Company as consideration for the Lundin Acquisition. |

Notes:

- (1) Based on the un-audited financial statements for the financial period ended 30 June 2010, the net profit before tax attributable to the LIB Sale Shares and LSB Sale Shares is approximately US\$731,000 and US\$3,321,000 respectively. The net loss before tax of the Group for the financial period ended 30 June 2010 is S\$1,519,000.
- (2) Based on the volume weighted average price of the Shares of S\$0.5093 traded on the SGX-ST on 3 September 2010, being the last Market Day preceding the date of the Lundin SPA.

As the relative figures computed in accordance with the bases set out in Rule 1006(c) exceeds 20%, the Lundin Acquisition amounts to a “major transaction” as defined in Rule 1014(1) of the Listing Manual. Accordingly, the Lundin Acquisition is subject to approval of Shareholders being obtained.

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7. THE PEARL ACQUISITION AS A MAJOR TRANSACTION

Pursuant to the terms and conditions of the Pearl SPA, the Company will purchase and PHL will sell the entire issued and paid-up share capital of POB and POI for the Pearl Purchase Consideration of approximately US\$36.7 million.

The relative figures calculated in accordance with the bases set out in Rule 1006 are set out below:

- | | |
|---|--|
| (a) Net asset value of the assets to be disposed of, compared with the group's net asset value | Not applicable as this transaction is an acquisition and not a disposal of assets. |
| (b) Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits | The comparison is not meaningful as the Group incurred a net loss as per latest announced financial results for the financial period ended 30 June 2010 ⁽¹⁾ . |
| (c) Aggregate value of the consideration given or received, compared with the issuer's market capitalisation ⁽²⁾ | The consideration of approximately US\$36.7 million (approximately equivalent to S\$49.2 million based on exchange rate of US\$1.00 : S\$1.34) for the Pearl Acquisition represents approximately 17.6% of the Company's market capitalisation of approximately S\$280,284,605 ⁽²⁾ as at 17 September 2010. |
| (d) Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue | Not applicable as no shares will be issued by the Company as consideration for the Proposed Acquisition. |

Notes:

- (1) Based on the un-audited financial statements for the financial period ended 30 June 2010, the net profit before tax attributable to the POB Sale Shares is approximately US\$3,695,000 and the net loss before tax attributable to the POI Sale Shares is approximately US\$2,137,000. The net loss before tax of the Group for the financial period ended 30 June 2010 is S\$1,519,000.
- (2) Based on the volume weighted average price of the Shares of S\$0.6149 traded on the SGX-ST on 17th September 2010, being the last Market Day preceding the date of the Pearl SPA.

The relative figure of the Pearl Acquisition under Rule 1006(c) as computed above exceeds 5 percent but falls below 20 percent. However, when the Pearl Acquisition is aggregated with the Lundin Acquisition, the two transactions in aggregate exceed 20 percent in respect of the relative figure under Rule 1006(c). As such, the Company will be seeking the approval of shareholders in a general meeting in relation to the Proposed Acquisitions pursuant to Rule 1014 of the Listing Manual.

8. FUNDING

The Company will evaluate and consider various financing alternatives, including but not limited to, new equity issue, new issue of convertible securities, debt instruments, controlling shareholders' loan and/or external bank borrowings.

If the Company intends to issue new Shares through placement at any time before Closing, the Company will update the Shareholders accordingly through announcements.

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9. RATIONALE FOR THE PROPOSED ACQUISITIONS

The Directors are of the view that the Proposed Acquisitions are in the interests of the Company and Shareholders for the following reasons:-

Potential source of cashflow

The Island PSC and the Basin PSC consist of mature oilfields which have long histories of production. Accordingly, the Proposed Acquisitions are likely to provide long-term positive cash flow and profitability, barring unforeseen circumstances.

Reduce risks through balanced asset portfolio

The Company's entry into the oil and gas resource business begun in August 2009 with the acquisition of Kingworld Resources Limited ("KRL"), which is engaged in the development and production of crude oil in the People's Republic of China. However, KRL still has not reached the production stage at the Latest Practicable Date. Subsequent to the KRL acquisition, the Company has acquired another oil and gas project in West Belida, Indonesia. The West Belida asset is in the exploration and development stage of the oil and gas cycle. As the Basin PSC and Island PSC are in the production stage with exploration upsides, the Company believes that the Proposed Acquisitions will help to achieve a more risk-balanced portfolio of assets.

Establish and expand the Company's portfolio

The Proposed Acquisitions, together with the Company's other existing projects, will help to further reinforce the Company's aspiration to be a serious player in the oil and gas sector.

10. FINANCIAL EFFECTS OF THE LUNDIN ACQUISITION

The financial effects of the Lundin Acquisition on the Company set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the Closing.

10.1 **NAV per Share**

For illustrative purposes only, the effect of the Lundin Acquisition on the NAV per Share of the Group for FY2009, assuming that the Lundin Acquisition had been completed at the end of the financial year ended 31 December 2009 ("FY2009") is as follows:

	NAV per Share (cents) for FY2009
Before adjusting for the Lundin Acquisition ⁽³⁾	30.41
After adjusting for the Lundin Acquisition ⁽³⁾	30.20

Notes:

(3) Computed based on the issued share capital of 455,821,443 ordinary shares as at 31 December 2009.

The net tangible asset value of the Group after the Lundin Acquisition can only be ascertained after performing additional procedures, including purchase price allocation.

10.2 **Earnings/(Loss) per Share**

For illustrative purposes only, the effect of the Lundin Acquisition on the EPS/LPS of the Group for FY2009, assuming that the Lundin Acquisition had been completed at the beginning of FY2009 is as follows:

	EPS / (LPS) (cents) for FY2009
Before adjusting for the Lundin Acquisition ⁽⁴⁾	(1.35)
After adjusting for the Lundin Acquisition ⁽⁴⁾	0.26

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Notes:

(4) Computed based on the weighted average number of ordinary shares of 337,505,005 as at 31 December 2009.

10.3 **Gearing**

For illustrative purposes only, the effect of the Lundin Acquisition on the gearing ratio of the Group for FY2009, assuming that the Lundin Acquisition had been completed at the end of FY2009 is as follows:

	Gearing (times)⁽⁵⁾
Before adjusting for the Lundin Acquisition	0.06
After adjusting for the Lundin Acquisition	0.30

Notes:

(5) Gearing means the ratio of net debt to equity attributable to the owners of the parent less assets revaluation reserve. Net debt means the aggregate amount of liabilities arising from banks and financial institutions and shareholder loans less cash and cash equivalents.

11. **FINANCIAL EFFECTS OF THE PEARL ACQUISITION**

The financial effects of the Pearl Acquisition on the Company set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the Closing.

11.1 **NAV per Share**

For illustrative purposes only, the effect of the Pearl Acquisition on the NAV per Share of the Group for FY2009, assuming that the Pearl Acquisition had been completed at the end of the financial year ended 31 December 2009 ("FY2009") is as follows:

	NAV per Share (cents) for FY2009
Before adjusting for the Pearl Acquisition ⁽⁶⁾	30.41
After adjusting for the Pearl Acquisition ⁽⁶⁾	30.37

Notes:

(6) Computed based on the issued share capital of 455,821,443 ordinary shares as at 31 December 2009.

The net tangible asset value of the Group after the Pearl Acquisition can only be ascertained after performing additional procedures, including purchase price allocation.

11.2 **Earnings/(Loss) per Share**

For illustrative purposes only, the effect of the Pearl Acquisition on the EPS/LPS of the Group for FY2009, assuming that the Pearl Acquisition had been completed at the beginning of FY2009 is as follows:

	EPS/(LPS) per Share (cents) for FY2009
Before adjusting for the Pearl Acquisition ⁽⁷⁾	(1.35)
After adjusting for the Pearl Acquisition ⁽⁷⁾	0.85

Notes:

(7) Computed based on the weighted average number of ordinary shares of 337,505,005 as at 31 December 2009.

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11.3 Gearing

For illustrative purposes only, the effect of the Pearl Acquisition on the gearing ratio of the Group for FY2009, assuming that the Pearl Acquisition had been completed at the end of FY2009 is as follows:

	Gearing (times) ⁽⁸⁾
Before adjusting for the Pearl Acquisition	0.06
After adjusting for the Pearl Acquisition	0.33

Notes:

(8) Gearing means the ratio of net debt to equity attributable to the owners of the parent less assets revaluation reserve. Net debt means the aggregate amount of liabilities arising from banks and financial institutions and shareholder loans less cash and cash equivalents.

12. FINANCIAL HIGHLIGHTS

12.1 Financial information relating to LSB and LIB

The financial information of LSB is based on the management accounts of the Indonesia branch of LISA for the financial year ended 31 December 2009 ("FY2009") and for the half year period ended 30 June 2010 ("HY2010").

The financial information of LIB is based on the audited financial statements of LIB for FY2009 and its management accounts for HY2010.

US\$'000	FY2009		HY2010	
	LSB	LIB	LSB	LIB
Revenue	26,517	9,396	11,040	4,168
Less: Cost of sales	(19,119)	(10,763)	(7,719)	(3,721)
Gross Profit/(Loss)	7,398	(1,367)	3,321	447
Other income	298	1,050	119	390
Administrative expenses	(298)	(51)	(119)	(103)
Other operating expenses	–	(5)	–	(3)
Profit/(Loss) before tax	7,398	(373)	3,321	731
Income tax expense	(3,327)	1,034	(1,549)	(287)
Profit for the year/period	4,071	661	1,772	444
US\$'000				
Non-Current Assets	31,614	23,559	38,357	30,393
Current Assets	15,985	14,041	11,918	15,990
Current Liabilities	(10,157)	(13,195)	(5,987)	(14,607)
Net Current Assets	5,828	846	5,931	1,383
Non-Current Liabilities	(10,412)	(2,465)	(15,486)	(3,023)
Net Assets	27,030	21,940	28,802	28,753
Equity attributable to equity holders				
Share capital	–	690	–	690
Reserves	27,030	21,250	28,802	28,063
Total Equity	27,030	21,940	28,802	28,753

Note: The above figures included inter-company balances.

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12.2 Financial information relating to POB and POI

The financial information of POB and POI is based on the management accounts of POB and POI for the financial year ended 31 December 2009 (“FY2009”) and for the half year period ended 30 June 2010 (“HY2010”).

US\$'000	FY2009		HY2010	
	POB	POI	POB	POI
Revenue	38,072	16,650	14,478	5,737
Less: Cost of sales	(26,839)	(20,825)	(10,757)	(7,859)
Gross Profit/(Loss)	11,233	(4,175)	3,721	(2,122)
Administrative expenses	(22)	(21)	(26)	(15)
Profit/(Loss) before tax	11,211	(4,196)	3,695	(2,137)
Income tax expense	(2,745)	1,407	(597)	411
Profit/(Loss) for the year/period	8,466	(2,789)	3,098	(1,726)
US\$'000				
Non-Current Assets	28,127	8,929	29,099	8,340
Current Assets	22,482	20,230	21,461	20,059
Current Liabilities	(7,524)	(17,020)	(5,183)	(19,013)
Net Current Assets	14,958	3,210	16,278	1,046
Non-Current Liabilities	(14,096)	(4,717)	(13,290)	(3,690)
Net Assets	28,989	7,422	32,087	5,696
Equity attributable to equity holders				
Share capital	1,500	4,500	1,500	4,500
Reserves	27,489	2,922	30,587	1,196
Total Equity	28,989	7,422	32,087	5,696

Note: The above figures included inter-company balances.

13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the capital of the Company as at the Latest Practicable Date are as follows:-

	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾
Tan Sri Datuk Sir Tiong Hiew King ^{(1), (4)}	–	–	315,389,486	69.19
Dato' Sri Dr Tiong Ik King ⁽¹⁾	–	–	202,889,486	44.51
Dr Tan Jee-Theng, Tony ⁽²⁾	200,000	0.044	220,000	0.048
Tiong Kiew Chiong ⁽³⁾	–	–	5,005,000	1.098
Tiong Chiong Ee	–	–	–	–
Abbasbhoy Haider Nakhoda	–	–	–	–
Lee Hock Lye	–	–	–	–
Yeo Yun Seng Bernard	–	–	–	–

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	<u>Direct Interest</u>		<u>Deemed Interest</u>	
	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾
Substantial Shareholders				
Surreyville Pte Ltd	202,889,486	44.51	–	–
Woodsville International Limited ⁽¹⁾	–	–	202,889,486	44.51
Sharptone Investments Limited ⁽⁴⁾	112,500,000	24.68	–	–
Tiong Kiu King ⁽⁴⁾	–	–	112,500,000	24.68
Kim Eng Securities Pte. Ltd.	35,175,000	7.717	–	–
Kim Eng Holdings Limited ⁽⁶⁾	–	–	35,175,000	7.717
Mitsubishi UFJ Financial Group, Inc. ⁽⁶⁾	–	–	35,175,000	7.717
Mitsubishi UFJ Securities Co., Ltd ⁽⁶⁾	–	–	35,175,000	7.717
Yuanta Financial Holdings Co., Ltd ⁽⁶⁾	–	–	35,175,000	7.717
Yuanta Securities Co., Ltd ⁽⁶⁾	–	–	35,175,000	7.717
Yuanta Securities Asia Financial Services Limited ⁽⁶⁾	–	–	35,175,000	7.717

Notes:

- (1) Dato' Sri Dr. Tiong Ik King and Tan Sri Datuk Sir Tiong Hiew King's deemed interest arises from their shareholding in Woodsville International Limited, the holding company of Surreyville Pte Ltd.
- (2) Dr Tan Jee-Theng, Tony is deemed to be interested in the 220,000 ordinary shares registered in the name of HL Bank Nominees (S) Pte. Ltd.
- (3) Tiong Kiew Chiong's shareholdings in the Company is registered in the name of Citibank Nominees Singapore Pte Ltd.
- (4) Tiong Kiu King and Tan Sri Datuk Sir Tiong Hiew King's deemed interest arises from their shareholding in Sharptone Investments Limited.
- (5) Computed based on the total issued share capital of 455,821,443 Shares.
- (6) These companies are deemed to be interested in the 35,175,000 Shares held by Kim Eng Securities Pte. Ltd. by virtue of Section 7 of the Companies Act.

None of the Directors or Controlling Shareholders has any interest, direct or indirect, in the Proposed Acquisitions.

14. RISK FACTORS RELATING TO THE PROPOSED ACQUISITIONS

Prospective investors should carefully consider and evaluate each of the following considerations and all other information contained in this Circular before deciding to invest in the Shares and/or to approve the Proposed Acquisitions. To the best of the Directors' knowledge and belief, all risk factors which are material to investors in making an informed judgment of the Company have been set out below. If any of the following considerations, uncertainties or material risks develops into actual events, the business, financial condition of the Company and / or results of operations could be materially and adversely affected. In such cases, the price of the Shares could decline due to any of these considerations, uncertainties or material risks, and investors may lose all or part of their investment in the Shares.

The Group faces uncertainties associated with its business

The Group's business of exploration, development and production of petroleum resources under the PSCs involve numerous risks, including but not limited to, the financial costs of investment in infrastructure and equipment, setting up new facilities and incurring working capital requirements. These will require substantial capital expenditure and financial resources. There is no assurance that these initiatives undertaken will achieve revenues that are commensurate with the Group's investment costs. If the Group fails to achieve a sufficient level of revenue or if the Operators of the PSCs fail to manage and control the costs efficiently, the Company will not be able to recover its investment and the Group's future financial position and performance would be adversely affected.

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The business, revenues and profits from the Proposed Acquisitions are affected by the volatility of prices for crude oil

The business and financial condition and results from the PSCs will be dependent upon the prices of, and demand for, crude oil. Declines in crude oil prices may adversely affect the Company's business, revenues and profits. The profitability of the Proposed Acquisitions is, and will be determined in large part by, the difference between the prices received for crude oil that the PSCs produce and the costs of acquiring, developing, producing and selling the crude oil produced.

Historically, international prices for crude oil have fluctuated widely in response to changes in many factors. The Company does not and will not have control over the factors affecting international prices for crude oil. These factors include but are not limited to:

- (i) global and regional economic and political developments in crude oil producing regions, particularly in the Middle East;
- (ii) the ability of the Organisation of Petroleum Exporting Countries and other crude oil producing nations to set and maintain crude oil production levels and prices;
- (iii) other actions taken by major crude oil producing or consuming countries;
- (iv) global and regional supply and demand for crude oil;
- (v) competition from other energy sources;
- (vi) domestic and foreign government regulations; and
- (vii) global economic conditions.

Although international crude oil prices have risen significantly in recent years, the Company expects continued volatility and uncertainty in international prices for crude oil.

The Company is exposed to technical and commercial uncertainties

The volumes of hydrocarbon resources under the PSCs are estimates based on professional engineering judgment and are subject to future revision, upward or downward, as a result of future operations, economic conditions or as additional information become available.

The determination of the hydrocarbon volumes may be subject to various significant factors and professional opinions. This will change as new information becomes available and perceptions of market conditions change. Should there be changes to any significant factors and professional opinions, it could have a material adverse effect on the valuation, financial condition and results of operations of the Company and the Group.

There are evaluation, development and production risks in respect of Contingent Resources and Prospective Resources under the PSCs

Although there have been a number of discoveries and exploration leads/prospects in relation to the PSCs, these are merely Contingent Resources and Prospective Resources, to which the Company may have to expend significant capital expenditure and financial resources to study, explore, appraise and develop. In addition, the results of evaluation, development and production are uncertain. Estimates of oil resources and/or reserves in the subsurface are made by inferring subsurface conditions from limited data such as seismic data, and well data 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. Therefore, there is no guarantee that such leads/prospects will lead to the discovery of economically viable resources for production.

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Even where the existence of resources is established, the development of such resources is inherently exposed to risks. Completion of a well does not assure a profit on the investment or recovery of drilling, completion or operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and adverse field operating conditions may affect production from successful wells. These adverse field conditions may 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. Therefore, wells may not produce sufficient crude oil and/or revenues to return a positive cash flow after drilling, development, operating and other costs.

Further, oil development and production operations involve risks normally incident to such activities, including blowouts, oil spills and fires (each of which could result in damage to, or destruction of, wells, production facilities or other property, or injury to persons), geological uncertainties and unusual or unexpected rock formations and abnormal pressures, which may result in dry holes, failure to produce oil in commercial quantities or an inability to fully produce discovered reserves.

The Company is reliant on its ability to retain and recruit skilled personnel and professional staff

The Company requires skilled personnel and professional staff in the areas of exploration and development, operations, engineering, crude oil marketing, finance and accounting in order to effectively manage its investments in the PSCs. Competition for such skilled personnel and professional staff is intense and comes primarily from similar businesses active in the industry, many of which possess greater resources. Limitations on the Company's ability to hire and retain the required number of skilled personnel and professional staff would reduce its capacity to manage the investments properly and may have an adverse impact on the operations, results and growth of the Company and the Group.

The Company may require further financing in the future

The Company may need to obtain additional debt or equity financing to acquire the assets and/or to fund its obligations under the PSCs. Additional equity financing may lead to a dilution in the interests of its Shareholders. Should additional debt financing be required, the ability of the Company to pay dividends may be restricted or it may need to seek consent for the payment of dividends. Such financing may increase its vulnerability to general diverse economic and industrial conditions and also reduce the availability of cash derived from operations due to repayment of its debt. Hence, the growth prospects of the Company may be limited due to reduction in funds for capital expenditures, working capital and other general corporate purposes and will affect its flexibility in planning for, or reacting to, changes in its business and industry. There is no assurance that the Company will be able to obtain additional financing, or on terms that are acceptable to it.

The Company's business may be affected by unexpected business interruptions

The business operations of the PSCs are vulnerable to interruptions caused by fire, typhoon, natural calamities such as earthquakes, as well as stoppage in the supply of utilities, power failures and other events beyond control. As a result of such disruptions, the production may be interrupted, thereby causing a decline in its production output, which will impact the Company's revenue and profitability.

LETTER TO SHAREHOLDERS

The Company is subject to governmental regulations and relevant approvals

The operations of the PSCs are subject to extensive regulation by the Indonesian government. These regulations affect material aspects of the PSC operations, such as exploration and production licensing, industry-specific taxes and fees, capital investments, import and export quotas and procedures, and environmental and safety standards and requirements. As a result, the Operators of the PSCs may face significant constraints on their ability to implement the approved business strategies or decisions. The PSCs may also be adversely affected by future changes in certain policies of the Indonesian government in respect of the upstream oil and gas industry.

The Company is dependent on the performance of its partners under the PSCs

Under the PSCs, the Basin PSC is operated by Petrochina Basin, while the Island PSC is operated jointly by Petrochina Island and PHE Salawati under a joint operating body. Any delay in work progress of the approved work programs on the part of the Operators, or their failure to secure the necessary goods or contract services for the performance of the approved work programs under the PSCs, may result in financial loss to the Company.

The PSCs are subject to risks relating to Indonesia

The PSCs are dependent on the political, economic, regulatory and social conditions in Indonesia. Any changes in the policies implemented by the government of Indonesia which will result in currency and interest rate fluctuations, capital restrictions, and changes in taxes and duties detrimental to the Company's business may materially affect its operations, financial performance and future growth. Unfavourable changes in the social, economic and political conditions of Indonesia or in the Indonesian government policies in the future may have a negative impact on the operations and business in Indonesia which will in turn adversely affect the overall financial performance. In addition, foreign exchange control may limit the Company's ability to utilise its cash effectively and affect its ability to receive dividends and other payments.

The Company has no certainty for its removal from the Watch List

It was announced by the Company on 4 March 2008 and pursuant to Rule 1311 of the Listing Manual, the Company had been placed on the Watch List with effect from 5 March 2008. It was further announced on 2 March 2010 that the Company was granted a 12 month extension, till 4 March 2011, to meet the requirements to exit from the Watch List, which are set out below:

- (a) the Company records consolidated pre-tax profit for the latest completed financial year and has an average daily market trading capitalisation of S\$40 million or more over the last 120 market days; or
- (b) it satisfies the Mainboard admission criteria as set up in Listing Rule 210(2)(a) or 210 (b).

There is no certainty that the Company would be removed from the Watch List after the completion of the Proposed Acquisitions. In addition, the Company may be delisted from the SGX-ST if it fails to restore its financial health to the prescribed levels as mentioned above.

The Group is exposed to risks in doing business outside of Singapore

The assets under the PSCs are located in Indonesia, while the Company's participating interests in the PSCs are held by one or more intermediate holding companies incorporated in various overseas jurisdictions for tax or other strategic planning purposes. There are inadvertent risks in doing business overseas, such as unexpected changes in regulatory requirements, difficulties in staffing and managing foreign offices, potentially adverse tax consequence, legal uncertainty, tariffs and other trade barriers, variable and unexpected changes in local law and barriers to the repatriation of capital or profits, any of which would materially affect the Group's overseas operations and consequently its business, financial performance and financial position.

LETTER TO SHAREHOLDERS

The results of the Group may be adversely affected by fluctuating foreign exchange currencies

The bulk of the Group's sales and expenses under the PSCs are denominated in US\$ whereas the Group's financial reporting currency is in S\$. This may give rise to exchange gain or loss as a result of fluctuation in the exchange rate between US\$ and S\$.

15. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 30 of this Circular, will be held at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612 on Tuesday, 14 December 2010, at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions set out in the notice of EGM.

16. DIRECTORS' RECOMMENDATIONS

- (a) The Directors have considered and reviewed, inter alia, the terms of the Lundin SPA and the Pearl SPA and the rationale for, and the financial effects of the Proposed Acquisitions and all other relevant facts set out in this Circular. The Directors are collectively of the view that the Proposed Acquisitions are in the best interests of the Company. The Directors therefore recommend that Shareholders vote in favour of the Proposed Acquisitions at the EGM.
- (b) Shareholders are advised to read this Circular in its entirety, in particular the rationale for and the financial effects of the Lundin Acquisition and the Pearl Acquisition and for those who may require advice in the context of his specific investment, to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser.

17. ACTION TO BE TAKEN BY SHAREHOLDERS

- (a) Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf must complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612 not less than 48 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.
- (b) A Depositor shall not be regarded as a shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

18. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Circular) collectively and individually accept responsibility for the accuracy of the information contained in this Circular and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading in any material respect.

The Directors confirm that this Circular contains all other information known to the Company or any of its Directors, that is material to Shareholders in deciding whether it is in the interests of the Company to approve the Proposed Acquisitions. Such information includes, from an economic and commercial point of view, the true potential costs and detriments of, or resulting from, the transaction, including opportunity costs, taxation consequences, and benefits foregone by the Company.

LETTER TO SHAREHOLDERS

19. CONSENTS

GCA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

20. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612 during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the Annual Report of the Company for FY2009;
- (b) the Memorandum and Articles of Association of the Company;
- (c) the letter of consent referred to in Section 19 above; and
- (d) the Lundin SPA; and
- (e) the Pearl SPA.

Yours faithfully
For and on behalf of the Board of Directors

Tan Sri Datuk Sir Tiong Hiew King
Executive Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING

RH PETROGAS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 198701138Z)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **RH Petrogas Limited** (the “**Company**”) will be held at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612 on Tuesday, 14 December 2010, at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions as set out below:

ORDINARY RESOLUTIONS

Resolved That:

Resolution 1: The Lundin Acquisition

- (a) pursuant to Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), approval be and is hereby given for the Lundin Acquisition, being a major transaction; and
- (b) the Directors of the Company be and are hereby authorised to do any and all such acts as they may, in their absolute discretion deem fit, expedient or necessary, and take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be required or as they may consider necessary or expedient for the purpose of giving effect to the Lundin Acquisition.

Resolution 2: The Pearl Acquisition

- (a) pursuant to Chapter 10 of the Listing Manual of the SGX-ST, approval be and is hereby given for the Pearl Acquisition, being a major transaction; and
- (b) the Directors of the Company be and are hereby authorised to do any and all such acts as they may, in their absolute discretion deem fit, expedient or necessary, and take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be required or as they may consider necessary or expedient for the purpose of giving effect to the Pearl Acquisition.

By Order of the Board
RH Petrogas Limited

Wee Woon Hong
Company Secretary
29 November 2010

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A shareholder of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company ("EGM") may appoint not more than two proxies to attend and vote in his/her stead. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a shareholder of the Company.
- (2) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612 not later than 48 hours before the time appointed for the holding of the EGM.
- (3) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
- (4) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 48 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

PROXY FORM

RH PETROGAS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198701138Z)

Important:

1. For investors who have used their CPF monies to buy shares in the capital of RH Petrogas Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We* _____ (Name) NRIC/Passport number* _____

of _____ (Address)

being a shareholder/shareholders* of RH Petrogas Limited (the “**Company**”) hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her, the Chairman of the Extraordinary General Meeting (the “**EGM**”) of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the EGM of the Company to be held at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612 on Tuesday, 14 December 2010, at 10.00 a.m., and at any adjournment thereof.

(Please indicate with an “X” in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the Notice of EGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM)

No.	Ordinary Resolution	To be used on a show of hands		To be used in the event of a poll	
		For	Against	Number of Votes For**	Number of Votes Against**
1	To approve the Lundin Acquisition				
2	To approve the Pearl Acquisition				

* Delete accordingly

** If you wish to exercise all your votes “For” or “Against”, please indicate an “X” within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2010

Total Number of Shares Held



Signature(s) of Shareholder(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
2. A shareholder entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
3. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612 not less than 48 hours before the time appointed for the EGM.
4. Where a shareholder appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy and, if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.