HIBISCUS PETROLEUM BERHAD

(Company No : 798322-P)
(Incorporated in Malaysia)

Unaudited Quarterly Financial Report
30 June 2013

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.06.2013 RM'000	QUARTER ENDED 30.06.2012 RM'000	PERIOD ENDED 30.06.2013 RM'000	PERIOD ENDED 30.06.2012 RM'000
REVENUE		3,520	1,999	3,520	1,999
Other income		597	524	597	524
Administrative expenses		(5,678)	(3,101)	(5,678)	(3,101)
Other expenses*		(6,437)	(92)	(6,437)	(92)
Finance costs		(1,014)	(241)	(1,014)	(241)
Share of losses of an associate		(194)	-	(194)	-
Share of losses of jointly controlled entities		(2,030)	(298)	(2,030)	(298)
Gain on dilution of interest in a jointly controlled entity		1,103	-	1,103	-
LOSS BEFORE TAXATION	25	(10,133)	(1,209)	(10,133)	(1,209)
Taxation	26	290	16	290	16
LOSS AFTER TAXATION		(9,843)	(1,193)	(9,843)	(1,193)
LOSS AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		(9,843)	(1,193)	(9,843)	(1,193)
LOSS PER SHARE (SEN)					
Basic	24	(2.22)	(0.28)	(2.22)	(0.28)
Diluted	24	(2.22)	(0.28)	(2.22)	(0.28)

* *Other expenses for the quarter ended 30.06.2013 include unrealised loss on foreign exchange of RM6.3 million (quarter ended 30.06.2012: Nil)*

The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2013 RM'000	QUARTER ENDED 30.06.2012 RM'000	PERIOD ENDED 30.06.2013 RM'000	PERIOD ENDED 30.06.2012 RM'000
LOSS AFTER TAXATION	(9,843)	(1,193)	(9,843)	(1,193)
Other comprehensive income, net of tax:				
Foreign currency translation*	1,980	7,196	1,980	7,196
TOTAL COMPREHENSIVE (EXPENSES)/ INCOME FOR THE QUARTER/PERIOD	(7,863)	6,003	(7,863)	6,003
TOTAL COMPREHENSIVE (EXPENSES)/ INCOME ATTRIBUTABLE TO:				
Owners of the Company	(7,863)	6,003	(7,863)	6,003

** Arising from translation of Group entities' financial statements with different functional currencies directly in reserves.*

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.06.2013 RM'000	AUDITED AS AT 31.03.2013 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		13,967	14,161
Investments in jointly controlled entities		182,444	180,770
Intangible assets		42,674	44,179
Equipment		4,060	3,831
		243,145	242,941
CURRENT ASSETS			
Other receivables, deposits and prepayments		909	656
Tax recoverable		90	90
Amounts owing by jointly controlled entities		1,903	572
Fixed deposits with licensed banks		57,864	58,881
Cash and bank balances		55,148	67,108
		115,914	127,307
TOTAL ASSETS		359,059	370,248
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	4,503	4,404
Other reserves		261,011	247,163
Accumulated losses		(20,129)	(10,286)
		245,385	241,281
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	318
Convertible Redeemable Preference Shares ("**CRPS**")	10	69,992	79,369
		69,992	79,687
CURRENT LIABILITIES			
Other payables and accruals		4,647	5,117
Amount owing to an associate		23,849	29,677
Provision for taxation		11	6
Discovery bonus payable		14,956	14,261
Redeemable Convertible Preference Shares ("**RCPS**")		219	219
		43,682	49,280
TOTAL LIABILITIES		113,674	128,967
TOTAL EQUITY AND LIABILITIES		359,059	370,248
NET ASSETS PER SHARE (RM)		0.54	0.55

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<---- NON-DISTRIBUTABLE				---->		
	SHARE CAPITAL RM'000	**SHARE PREMIUM RM'000**	**WARRANT RESERVE RM'000**	**OTHER RESERVE RM'000**	**FOREIGN EXCHANGE RESERVE RM'000**	**ACCUMULATED LOSSES RM'000**	**TOTAL RM'000**
Quarter ended 30.06.2013							
As at 01.04.2013	4,404	154,724	91,593	190	656	(10,286)	241,281
Conversion of warrants	39	3,086	(1,156)	-	-	-	1,969
Conversion of CRPS	60	9,955	-	(17)	-	-	9,998
Loss after taxation	-	-	-	-	-	(9,843)	(9,843)
Other comprehensive income, net of tax:							
Foreign currency translation	-	-	-	-	1,980	-	1,980
Total comprehensive income/ (expenses) for the quarter	-	-	-	-	1,980	(9,843)	(7,863)
As at 30.06.2013	4,503	167,765	90,437	173	2,636	(20,129)	245,385
Quarter ended 30.06.2012							
As at 01.04.2012	4,180	137,217	98,151	-	(1,314)	(6,089)	232,145
Conversion of Warrants	199	15,587	(5,838)	-	-	-	9,948
Loss after taxation	-	-	-	-	-	(1,193)	(1,193)
Other comprehensive income, net of tax:							
Foreign currency translation	-	-	-	-	7,196	-	7,196
Total comprehensive income/ (expenses) for the quarter	-	-	-	-	7,196	(1,193)	6,003
As at 30.06.2012	4,379	152,804	92,313	-	5,882	(7,282)	248,096

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED 30.06.2013 RM'000	PERIOD ENDED 30.06.2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(10,133)	(1,209)
Adjustments for:		
Depreciation on equipment	112	46
Interest income	(602)	(490)
Unrealised loss/(gain) on foreign exchange	6,313	(524)
Qualifying acquisition expenses	-	46
Finance costs	1,014	241
Share of losses of an associate	194	-
Share of losses of jointly controlled entities	2,030	298
Gain on dilution of interest in a jointly controlled entity	(1,103)	-
Operating loss before working capital changes	(2,175)	(1,592)
Increase in other receivables, deposits and prepayments	(236)	(820)
(Decrease)/increase in other payables and accruals	(1,496)	89
(Increase)/decrease in amounts owing by jointly controlled entities	(1,331)	1,279
Decrease in amount owing to an associate	(4,941)	-
Cash used in operations	(10,179)	(1,044)
Income tax paid	-	(45)
Net cash used in operating activities	(10,179)	(1,089)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(341)	-
Interest received	602	490
Qualifying acquisition expenses paid	-	(46)
Investment in a jointly controlled entity	(40)	(157,335)
Acquisition of intangible assets	(2,179)	-
Net cash used in investing activities	(1,958)	(156,891)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	1,969	9,948
Net cash generated from financing activities	1,969	9,948
Net change in cash and cash equivalents	(10,168)	(148,032)
Effects of foreign exchange rate changes	(2,809)	1,566
Cash and cash equivalents at beginning of the financial quarter *	125,489	218,524
Cash and cash equivalents at end of the financial quarter	112,512	72,058

* *RM500,000 of deposit in respect of CRPS received from a placee, held in the custody of the placement agent, has been excluded from the cash and cash equivalents at the beginning of the financial quarter ended 30.06.2013.*

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2013.

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

1 BASIS OF PREPARATION

The unaudited Quarterly Report has been prepared in accordance with the reporting requirements as set out in the Malaysian Financial Reporting Standard ("**MFRS**") 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("**MASB**") and Paragraph 9.22 of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 March 2013 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The explanatory notes attached to the unaudited condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Hibiscus Petroleum Berhad ("**Hibiscus Petroleum**" or the "**Company**") and its subsidiaries (the "**Group**") since the financial year ended 31 March 2013.

2 CHANGES IN ACCOUNTING POLICIES

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2013 did not have any significant impact on the unaudited condensed financial statements upon their initial application except for the additional disclosure on fair value measurement.

MFRS 10	Consolidated Financial Statements (effective from 1 January 2013)
MFRS 12	Disclosure of Interests in Other Entities (effective from 1 January 2013)
MFRS 13	Fair Value Measurement (effective from 1 January 2013)
MFRS 119	Employee Benefits (effective from 1 January 2013)
MFRS 127	Separate Financial Statements (effective from 1 January 2013)
Amendments to MFRS 7	Financial Instruments: Disclosures (effective from 1 January 2013)
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)
Annual Improvements to MFRS	2009 – 2011 Cycle (effective from 1 January 2013)
Amendments to MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective from 1 January 2013)

MFRSs and Amendments to MFRSs that are applicable to the Group but not yet effective

The Group did not early adopt the following standards that have been issued by the MASB as these are effective for the financial period beginning on or after 1 January 2014:

MFRS 9	Financial Instruments (effective from 1 January 2015)
Amendments to MFRS 10, 11 and 127	Investment Entities (effective from 1 January 2014)
Amendments to MFRS 132	Financial Instruments: Presentation (effective from 1 January 2014)

3 SEASONAL OR CYCLICAL FACTORS

The Group's operations were not significantly affected by any seasonal or cyclical factors except for severe weather conditions.

4 UNUSUAL ITEMS

Save as disclosed below, there were no other unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 30 June 2013:

(i) On 21 March 2013, the Company's wholly-owned subsidiary, Orient Hibiscus Sdn Bhd ("**Orient Hibiscus**"), had entered into a joint venture agreement with Rex South East Asia Ltd ("**Rex**") to form HiRex Petroleum Sdn Bhd ("**HIREX**") with the objective of pursuing investments in exploration assets in 11 countries within the Asia Pacific region.

On 13 May 2013, Orient Hibiscus had subscribed for 39,998 shares at par value of RM1.00 each ("**shares**") in HIREX. On the same date, Rex also subscribed for 40,000 shares at par value in HIREX. On 17 June 2013, the HIREX management subscribed for 2,927 shares at par value in HIREX. As a result, Orient Hibiscus recognised a gain on dilution of its interest from 100% to 48.24% of the issued and paid-up capital in HIREX of RM1.1 million during the financial quarter.

On 17 June 2013, HIREX entered into an agreement to receive a USD10 million investment from a Panama-based company, Triax Ventures Corp in exchange for a 15% equity stake in HIREX. The shares have not been issued as at 30 June 2013, and were issued on 17 July 2013.

(ii) 10 million CRPS have been converted into 5,988,023 ordinary shares of the Company according to the terms of the CRPS Subscription Agreement executed earlier, as disclosed in Note 10 (ii) of this Quarterly Report.

5 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the prior financial years that have a material effect in the financial quarter ended 30 June 2013.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

Save as disclosed in Note 17 of this Quarterly Report, there were no other material events subsequent to the end of the financial quarter ended 30 June 2013 up to the date of this report.

7 CHANGES IN THE COMPOSITION OF THE GROUP

The change in the composition of the Group during the financial quarter ended 30 June 2013 is disclosed in Note 4 (i) above.

<u>Change in the composition of the Group subsequent to 30 June 2013</u>

On 12 July 2013, the Company's wholly-owned subsidiary, Oceania Hibiscus Sdn Bhd ("**Oceania Hibiscus**") incorporated a wholly-owned subsidiary company in Labuan under the Labuan Companies Act, 1990, namely Althea Corporation Limited ("**Althea**"), with an issued and paid-up share capital of 1 ordinary share of AUD1.00.

8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors are not aware of any material contingent liabilities or contingent assets, which, upon becoming enforceable, may have a material impact on the profit or loss, or net assets value of the Group.

9 DIVIDENDS PAID/PAYABLE

There were no dividends declared or paid during the financial quarter ended 30 June 2013.

10 BORROWINGS, DEBT AND EQUITY SECURITIES

The movements in the issued and paid-up share capital of the Company arising from the conversion of Warrants-A and CRPS into ordinary shares during the financial quarter were as follows:

		PERIOD ENDED 30.06.2013	
	Par value RM	**Number of shares**	**Share capital RM'000**
ORDINARY SHARES			
As at 01.04.2013	0.01	440,394,722	4,404
Conversion of Warrants-A	0.01	3,938,400	39
Conversion of CRPS	0.01	5,988,023	60
As at 30.06.2013	0.01	450,321,145	4,503

(i) Warrants-A

The Warrants-A were issued in registered form and are constituted by the Warrants-A Deed Poll. The Warrants-A are listed on the Main Market of Bursa Securities and are exercisable anytime during the period commencing from 18 April 2012 up to 24 July 2014.

Total issued	:	334,436,522
Exercised during the financial quarter	:	3,938,400
Exercise price	:	RM0.50 per Warrant-A

(ii) CRPS

During the financial quarter ended 30 June 2013, the Company did not issue any further CRPS. However, 10 million CRPS have been converted into 5,988,023 ordinary shares of the Company according to the terms of the CRPS Subscription Agreement. As at 30 June 2013, the total CRPS in issuance amounted to 69,480,000 at an issue price of RM1.00 per CRPS.

The CRPS are classified as a compound financial instrument, where the instrument contains both liability and equity components. The Company has a financial liability arising from its obligation to repay principal and interest to the holders of the CRPS if they choose to redeem the CRPS in the event the unutilised proceeds as at 31 March 2014 are more than 20% of the total proceeds raised. The 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 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% is used. This discount rate reflects the underlying risk of the CRPS which is backed by cash. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

The maturity date of the CRPS is 30 April 2014.

10 BORROWINGS, DEBT AND EQUITY SECURITIES (CONT'D)

Save for the above, there were no other issuances, cancellations, repurchases, resale and repayments of borrowings, debt and equity securities during the financial quarter ended 30 June 2013.

11 OPERATING SEGMENTS

Operating segments are presented in respect of the Group's business segments. The Group has activities in the following principal areas:

(i)	Investment holding	Investments in companies owning/operating oil and gas concessions.
(ii)	Lime	Group's investments and operations in the exploration assets of Lime Petroleum Plc ("**Lime**") and its subsidiaries ("**Lime Group**"), located in the Middle East and Norway.
(iii)	3D Oil & VIC/P57	Group's operations in a development asset, West Seahorse field and other exploration prospects in Australia within exploration permit VIC/P57, and investment in 3D Oil.

	Investment holding RM'000	Lime RM'000	3D Oil & VIC/P57 RM'000	Elimination RM'000	Group RM'000
<u>As at 30.06.2013</u>					
Non-current assets	4,054	182,444	56,647	-	243,145
<u>Quarter ended 30.06.2013</u>					
Revenue	3,341	-	179	-	3,520
Depreciation	112	-	-	-	112
Loss from operations	(7,505)	-	(493)	-	(7,998)
Share of results	(40)	(1,990)	(194)	-	(2,224)
Gain on dilution of interest in a jointly controlled entity	1,103	-	-	-	1,103
Finance costs	(1,014)	-	(726)	726	(1,014)
Interest income	782	-	-	(782)	-
Taxation	(5)	-	295	-	290
Loss after taxation	(6,679)	(1,990)	(1,118)	(56)	(9,843)

11 OPERATING SEGMENTS (CONT'D)

	Investment holding RM'000	Lime RM'000	3D Oil & VIC/P57 RM'000	Elimination RM'000	Group RM'000
As at 30.06.2012					
Non-current assets	614	188,767	-	-	189,381
Quarter ended 30.06.2012					
Revenue	1,999	-	-	-	1,999
Depreciation	46	-	-	-	46
Loss from operations	(670)	-	-	-	(670)
Share of results	-	(298)	-	-	(298)
Finance costs	(241)	-	-	-	(241)
Taxation	16	-	-	-	16
Loss after taxation	(895)	(298)	-	-	(1,193)

12 MATERIAL COMMITMENTS

Save as disclosed below, the Group is not aware of any material capital commitments incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the profit or loss, or net assets value of the Group as at 30 June 2013:

	RM'000
Approved and contracted for:	
Share of an associate's material commitments (3D Oil)	5,075
Share of a jointly controlled operation's material commitments (VIC/P57)	955
Share of a jointly controlled entity's material commitments (Lime)	8,828
Purchase of software	615
	15,473
Approved but not contracted for:	
Share of an associate's material commitments (3D Oil)	16,910
Share of a jointly controlled operation's material commitments (VIC/P57)	130,197
Share of a jointly controlled entity's material commitments (Lime)	54,704
	201,811

13 SIGNIFICANT RELATED PARTY TRANSACTIONS

The recurrent related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2013 RM'000	QUARTER ENDED 30.06.2012 RM'000	PERIOD ENDED 30.06.2013 RM'000	PERIOD ENDED 30.06.2012 RM'000
Project management, technical and other services fees earned from jointly controlled entities				
- Lime	2,519	1,509	2,519	1,509
- HIREX	399	-	399	-

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MMLR OF BURSA SECURITIES

14 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no audit qualification to the auditors' report on the latest audited financial statements.

15 PERFORMANCE REVIEW

Group revenue increased by RM1.5 million from RM2.0 million in the previous financial quarter ("**corresponding quarter**") to RM3.5 million in the current financial quarter ("**current quarter**").

Revenue comprises fees for project management, technical and other services and interest income from fixed deposits. The increase in revenue in the current quarter is due to the increased project management activity for preparation of the 2-well drilling programme in Oman as well as business development, technical and financial services provided to HIREX.

The Group recorded RM10.1 million and RM1.2 million of loss before taxation for the current quarter and the corresponding quarter respectively.

The increase in the current quarter's loss before taxation is primarily due to the increase in unrealised loss on foreign exchange by RM6.8 million arising mainly from the weaker Australian Dollar ("**AUD**") against the Ringgit, which adversely impacted the AUD-denominated intercompany securities (Convertible Mandatory Redeemable Preference Shares) issued by Carnarvon Hibiscus Pty Ltd and held by Oceania Hibiscus, both of which are wholly-owned subsidiaries of Hibiscus Petroleum. Such unrealised loss on foreign exchange does not affect the cashflows of the Group.

Other factors behind the increase in loss before taxation are increases in the share of losses of jointly controlled entities by RM1.7 million and personnel remuneration by RM1.2 million.

The Group's share of losses in the Lime Group amounting to RM2.0 million is mainly arising from the increase in exploration and business development activities in Norway and the Middle East.

The increase in personnel remuneration is due to the expansion of the project management and technical team required to provide services to the Middle East concession companies within the Lime Group and HIREX and in preparation for the development of the West Seahorse prospect in VIC/P57. Accordingly, the Group was able to recover remuneration, consultancy and overheads expenses totalling RM3.8 million from the said projects through the provision of project management, technical and other services.

The Group has also recognised a gain in the dilution of interest in HIREX from 100% to 48.24% of RM1.1 million during the current quarter arising from the subscription of shares by Rex and the HIREX management.

16 MATERIAL CHANGE IN PROFIT/(LOSS) BEFORE TAXATION IN COMPARISON TO THE PRECEDING QUARTER

The Group recorded a loss before taxation for the current quarter of RM10.1 million as compared to a profit before taxation of RM2.7 million in the quarter ended 31 March 2013 ("**preceding quarter**"). During the preceding quarter, negative goodwill arising from subscription of 3D Oil shares of RM7.4 million was recognised. Also, during the current quarter, the Group recorded an unrealised loss on foreign exchange of RM6.3 million against an unrealised gain on foreign exchange of RM1.7 million in the preceding quarter.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Proposed Acquisition of Participating Interests in up to Six Concessions in Norway

On 4 May 2012, our Company announced that Lime had entered into transaction agreements with North Energy ASA ("**North Energy**") to secure 50% of North Energy's interests in 4 concessions located in the Norwegian Continental Shelf ("**NCS**") ("**Previous Agreement**").

On 17 April 2013, a revised agreement to replace the Previous Agreement was executed by Lime Petroleum Norway AS ("**Lime Norway**") to secure half of North Energy's interests in up to 6 concessions in the NCS. The final number of concessions in which Lime Norway has interests, is currently subject to the approval of the relevant Norwegian authorities. The total purchase consideration is estimated at Norwegian Kroner ("**NOK**") 28.23 million or equivalent to USD4.93 million which comprises the consideration of NOK27.50 million (as per the Previous Agreement) plus interest.

The completion of the transfer of the interests in the concessions is conditional upon, inter-alia, the approval of the Ministry of Petroleum and Energy and the Ministry of Finance of Norway. Please refer to our announcement dated 18 April 2013.

(ii) Private Placement of CRPS

On 26 September 2012, our shareholders had approved the Company to undertake private placement of up to 210 million CRPS of RM0.01 each in the Company at an issue price of RM1.00 per CRPS. To-date, our Company has executed CRPS Subscription Agreements worth RM89.48 million with investors, of which RM79.48 million in CRPS subscription monies have been received.

On 11 January 2013, our Company had entered into a conditional subscription agreement with Sri Inderajaya (Far East) Sdn Bhd for the subscription of 10 million CRPS worth RM10 million. As Sri Inderajaya (Far East) Sdn Bhd is an entity connected to a director of the Company, this allotment of CRPS has been approved by our Company's shareholders at the Extraordinary General Meeting held on 20 August 2013.

The Company is currently in the process of seeking suitable investors to place out the remaining amount of CRPS by 30 November 2013.

Please refer to our announcement date 11 January 2013.

(iii) HIREX : Joint Venture with Rex

On 21 March 2013, the Company's wholly-owned subsidiary, Orient Hibiscus, had entered into a joint venture agreement with Rex to form HIREX with the objective of pursuing investments in exploration assets using Rex Technology[1] in 11 countries within the Asia Pacific region, namely Malaysia, New Zealand, the Philippines, Vietnam, Australia, Thailand, Brunei, Papua New Guinea, Indonesia, Myanmar and Cambodia, and offshore areas associated with these countries.

[1] *The Rex Technology package is a suite of tools which is able to increase the probability of success in exploration and appraisal drilling, and shorten the time to commercialise viable fields. The technology package comprises 3 components:*

- ***Rex Gravity©*** *- to detect possible hydrocarbon accumulations through use of satellite acquired data.*
- ***Rex Seepage©*** *- to verify hydrocarbon presence through the use of satellite acquired data.*
- ***Rex Virtual Drilling©*** *- a software-based tool which relies on the phenomenon of resonance in acquired seismic data to detect hydrocarbon deposits and predict oil in-place volumes.*

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (CONT'D)

(iii) HIREX : Joint Venture with Rex (Cont'd)

On 17 July 2013, Triax Ventures Corp, a corporate investor, had subscribed for a 15% equity interest in HIREX for USD10 million. Following such subscription, HIREX's paid-up share capital increased to RM97,562 divided into 97,562 shares of RM 1.00 each with equity interests held by Orient Hibiscus and Rex of 41% each, Triax Ventures Corp of 15% and HIREX management of 3%.

Please refer to our announcement of 18 June 2013.

18 PROSPECTS OF THE GROUP

The Group is targeting execution of high impact initiatives at corporate and operational levels in the near term to meet shareholders' expectations. Such initiatives include the following:

(i) Drilling to commence in the quarter ending 31 December 2013

A 2-well drilling programme is targeted to commence in Block 50 Oman in the quarter ending December 2013. A drilling rig contract has been awarded to Aban 7 Pte Ltd for the execution of the drilling programme. The contract will be effective for a minimum period of 50 working days which is anticipated to commence between mid-October and mid-November this year.

The prospects of Masirah North North #1 and Masirah North East #1 in Block 50 Oman have been selected for drilling after in-depth technical evaluation and verification using the proprietary Rex Virtual Drilling technology, in addition to the confirmations provided via conventional methodologies. These prospects are internally estimated to have prospective risked resources of about 160 million barrels.

If the two wells prove successful in the preferred order, they would significantly reduce exploration risks associated with the acreage and increase the commercial potential of the remaining undrilled prospects.

An update of status of exploration activities within the Lime Group is detailed in the accompanying report (Part C) to this Quarterly Report.

(ii) Continue development activities in West Seahorse, Gippsland Basin, Australia

In July 2013, the VIC/P57 joint venture acquired a drilling rig to accelerate time to first oil, facilitate the Australian regulatory process and reduce the overall capital cost of the development. Regulatory approvals for the West Seahorse Production License application and the final Field Development Plan are expected to be received in the quarter ending 31 December 2013.

First oil from VIC/P57 is expected in late 2014 or early 2015 subject to timely receipt of the relevant regulatory approvals.

An update of status of development activities in relation to the West Seahorse field is detailed in the accompanying report (Part C) to this Quarterly Report.

18 PROSPECTS OF THE GROUP (CONT'D)

(iii) Pursuing high-impact exploration opportunities in the Asia-Pacific region

HIREX, the Group's joint venture with Rex, has the following main strategic objectives:

- identify and pursue high-impact/low entry cost exploration opportunities;
- add value to high impact/expensive exploration opportunities in selected, commercially attractive cases using the Rex Virtual Drilling package; and
- obtain small equity stakes at ground level or secure an overriding royalty (for entry above ground level).

In July 2013, Triax Ventures Corp subscribed for a 15% stake in HIREX for RM31.4 million (USD10 million), thus effectively valuing HIREX at approximately RM209.2 million (USD67 million). This investment is expected to cover HIREX's operating costs for its first two years.

HIREX is actively reviewing opportunities and so far, 14 opportunities have been placed in the pipeline for Rex Virtual Drilling analysis scanning. The company aims to identify at least three assets for potential investment on a yearly basis.

(iv) Continue to leverage on Rex Technology

In March 2013, the results of some eight "blind" tests using the Rex Virtual Drilling technology conducted over several months by North Energy in the NCS repeatedly indicated the accuracy of Rex Technology in predicting the presence or absence of oil without physically drilling a well. The technology was highly successful in predicting whether each well that had been drilled in the tested areas was dry, had traces of oil or if it had substantial oil reserves associated with it.

The success of Rex Technology substantially de-risks exploration whilst enjoying high impact value accretion. The highest value accretion within the exploration, development and production value chain occurs in the exploration phase upon commercial discovery.

To-date, the Group has successfully secured access to Rex Technology as follows:

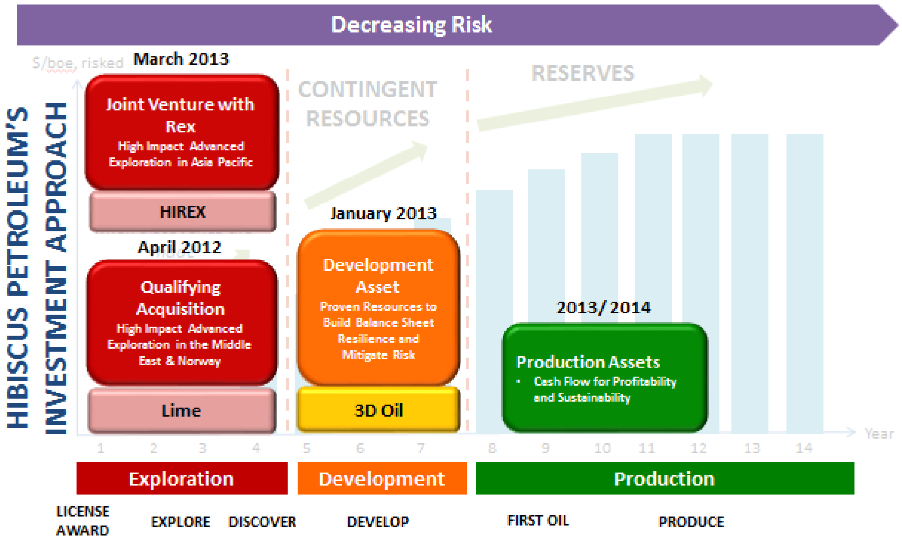
(a) Exclusive use of Rex Technology in 15 countries in the Middle East (through Lime);

(b) Use of Rex Technology on a project basis in Norway (through Lime); and

(c) First right of refusal to use Rex Technology in 11 countries in the Asia Pacific region (through HIREX).

18 PROSPECTS OF THE GROUP (CONT'D)

(v) Balancing the portfolio of assets through future acquisitions of development and/or producing assets



Securing a development asset within VIC/P57 in January 2013 was an integral component of our early portfolio balancing strategy as it significantly reduces the risk profile of the Group.

To complete the Group's portfolio balancing strategy, the Group is in the process of evaluating several production prospects. Acquiring a production asset will provide the Group a higher level of business sustainability as well as allow the reinvestment of cashflows from production into new exploration projects with larger growth potential.

19 PROFIT FORECAST AND PROFIT GUARANTEE

The Group has not announced or disclosed any profit forecast or profit guarantee in any public documents.

20 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the financial quarter ended 30 June 2013.

21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the financial quarter ended 30 June 2013.

22 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There were no financial instruments with material off-balance sheet risk as at the date of this Quarterly Report.

23 MATERIAL LITIGATION

There was no material litigation as at the date of this Quarterly Report.

24 LOSS PER SHARE

Basic loss per share is calculated by dividing the Group's loss after taxation attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial quarter/period.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.06.2013 RM'000	QUARTER ENDED 30.06.2012 RM'000	PERIOD ENDED 30.06.2013 RM'000	PERIOD ENDED 30.06.2012 RM'000
Loss after taxation attributable to owners of the Company (RM'000)	(A)	(9,843)	(1,193)	(9,843)	(1,193)
Weighted average number of shares in issue ('000)	(B)	443,577	429,368	443,577	429,368
Basic loss per share (sen)	(A/B)	(2.22)	(0.28)	(2.22)	(0.28)

The fully diluted loss per share for the Group in the current financial period is the basic loss per share as the assumed conversion from the exercise of Warrants-A, Warrants-B and CRPS would be anti-dilutive.

25 LOSS BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2013 RM'000	QUARTER ENDED 30.06.2012 RM'000	PERIOD ENDED 30.06.2013 RM'000	PERIOD ENDED 30.06.2012 RM'000
Loss before taxation is arrived at after charging/(crediting):				
Depreciation on equipment	112	46	112	46
Interest income	(602)	(490)	(602)	(490)
Unrealised loss/(gain) on foreign exchange	6,313	(524)	6,313	(524)
Qualifying acquisition expenses	-	46	-	46
Finance costs	1,014	241	1,014	241
Share of losses of an associate	194	-	194	-
Share of losses of jointly controlled entities	2,030	298	2,030	298
Gain on dilution of interest in a jointly controlled entity	(1,103)	-	(1,103)	-

Other than as presented in the Condensed Consolidated Income Statements, and as disclosed above, there were no other income, interest expense, provision for and write off of receivables or inventories, gain/loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain/loss on derivatives, and other exceptional items for the financial quarter ended 30 June 2013.

26 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2013 RM'000	QUARTER ENDED 30.06.2012 RM'000	PERIOD ENDED 30.06.2013 RM'000	PERIOD ENDED 30.06.2012 RM'000
Income taxation	(5)	(6)	(5)	(6)
Deferred taxation	295	22	295	22
	290	16	290	16

27 REALISED AND UNREALISED ACCUMULATED LOSSES

	UNAUDITED AS AT 30.06.2013 RM'000	AUDITED AS AT 31.03.2013 RM'000
Analysis of accumulated losses:		
Realised	(13,699)	(10,884)
Unrealised	(6,313)	687
	(20,012)	(10,197)
Less: Consolidation adjustments	(117)	(89)
	(20,129)	(10,286)

AUTHORISED FOR ISSUE

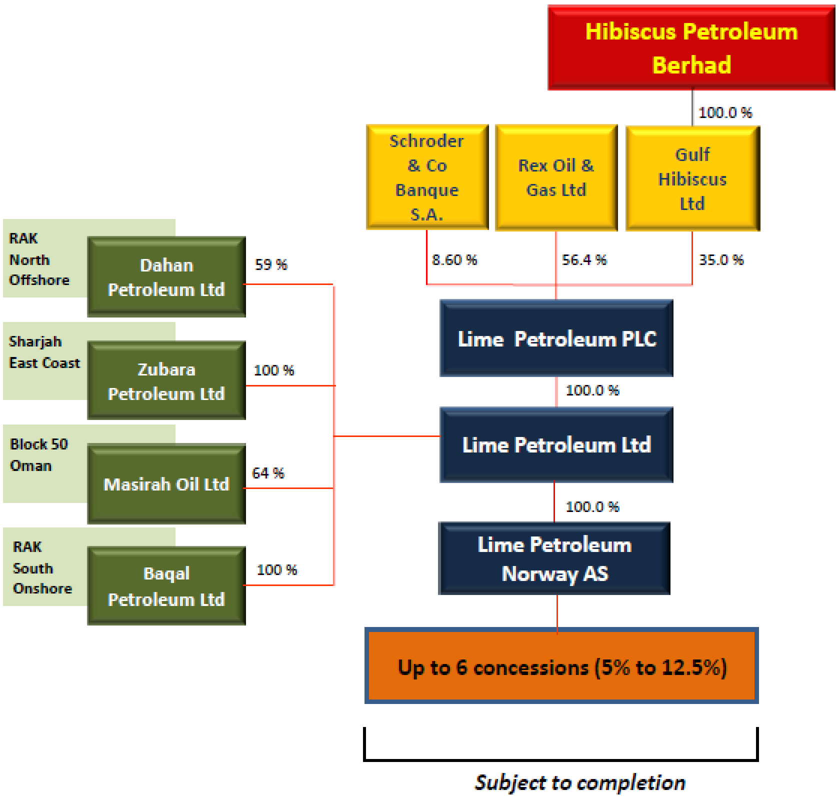
The Quarterly Report is authorised for issue by the Board in accordance with a resolution of the Board of Directors dated 21 August 2013.

By Order of the Board of Directors
Hibiscus Petroleum Berhad

PART C – STATUS OF DEVELOPMENT AND EXPLORATION ACTIVITIES

1 EXPLORATION ACTIVITIES UNDER THE LIME GROUP

LIME GROUP STRUCTURE



The Hibiscus Petroleum Berhad Group (the "**Group**") has a 35% equity stake in Lime Petroleum Plc ("**Lime**") which has access to the following oil and gas concessions:

(i) Middle East

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

(ii) Norway

Up to 6 concessions which are currently still subject to completion and approval by the relevant Norwegian authorities.

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

LIME GROUP STRUCTURE (Cont'd)

During the financial quarter ended 30 June 2013, the total expenditure incurred by the Lime Group is set out below:

	PERIOD ENDED 30.06.2013 RM'000
Intangible exploration and evaluation assets	23,740
Administrative expenses	4,492
	28,232

	AS AT 30.06.2013 RM'000
Loan to North Energy ASA ("**North Energy**")	14,314

The loan to North Energy of NOK27.5 million is essentially a prepayment for the proposed acquisition of Norwegian interests by Lime Petroleum Norway AS ("**Lime Norway**"), for which an interest at the rate of 4.00% per annum is earned.

1.1 BLOCK 50 OMAN CONCESSION

<u>Drilling to commence in quarter ending 31 December 2013</u>

We had targeted to drill our first exploration well in Block 50 Oman in October 2012. We delayed the original drilling program because initial results from Rex Virtual Drilling studies on legacy seismic data indicated that there could be more viable projects in the area than was earlier reported in the Aker Geo AS ("**Aker Geo**")/Pareto Securities Asia Pte Ltd ("**Pareto**") studies (which were used in 2011 as a basis of valuing the Lime concessions).

In order to optimise the returns from our drilling expenditure dollars, we decided to conduct more seismic field and processing activity in order to identify all possible prospects. New seismic data was therefore obtained and when analysed with the Rex Virtual Drilling[1] software tool, yielded positive indications of hydrocarbon accumulations, not only in the previously identified prospects, but also in two new prospects.

To better delineate the two new prospects, an infill 2D seismic programme and a pseudo 100 metre-spacing 3D seismic swath were executed in the first quarter of 2013. The survey was completed in April 2013, and the new 2D seismic data has been processed and interpreted.

The three previously identified prospects reported in the 2011 Aker Geo report remain as viable conventional prospects but the two newly identified prospects are now ranked as the most promising targets for the upcoming 2013 drilling campaign.

[1] *The Rex Virtual Drilling tool is a proprietary and cutting-edge technology developed by Rex Technology Management Ltd ("**Rex Management**"), which uses responses from the low frequency band of a conventional seismic dataset to identify the nature of reservoir fluid accumulations (i.e. fluids oil, condensate or water).*

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

1.1 BLOCK 50 OMAN CONCESSION (Cont'd)

Ongoing Activities

After detailed consideration of the various options, Masirah Oil Ltd ("**Masirah**"), the holder of the Block 50 Oman concession, opted to drill the two (out of three high-graded) very promising, newly identified prospects. These prospects are identified as Masirah North North and Masirah North East; with the third-ranked prospect being referred to as GA-South (refer to Figure 1). As at the date of this Quarterly Report, geotechnical and geophysical surveys have been carried out on all three locations and the results show that the selected surface well locations are suitable for the positioning of a mat-based or independent leg jack-up drilling rig.

Based on current discussions with the selected drilling contractor, our maiden well, Masirah North North # 1 is expected to be spud early in the quarter ending 31 December 2013. Masirah North North # 1 and Masirah North East # 1 were selected as our top two drilling locations as results from the Rex Virtual Drilling analysis suggested that wells in these locations 1) have a good geological chance of success ("**GCOS**"), 2) are expected to be less costly to drill, 3) have a reasonable level of recoverable volumes (approximately 160 million – 200 million barrels of oil if discoveries are made) and, 4) if successful, will significantly reduce exploration risks associated with the future drilling of the acreage east of the Melange belt which is anticipated to significantly accrete the valuations of Block 50, Oman.

Of the three prospects that could be drilled:

- Masirah North North is likely to be a structural/stratigraphic play which has a high GCOS as confirmed by consistent results from Virtual Drilling on nine 2D lines from three vintages of seismic and from pseudo 3D (100m line spacing) seismic.

- Masirah North East is a stratigraphic play which has been confirmed through consistent results from Virtual Drilling on 2D lines, and also from pseudo 3D (100m line spacing) seismic survey.

- GA-South has a high GCOS, as indicated by conventional analysis and confirmed by Virtual Drilling on 3D seismic data.

Towards this end, a drilling rig contract has been awarded to Aban 7 Pte Ltd for the execution of the drilling programme. The contract will be effective for a minimum period of 50 working days which is anticipated to commence between mid-October and mid-November this year.

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

1.1 BLOCK 50 OMAN CONCESSION (Cont'd)

<u>Ongoing Activities (Cont'd)</u>

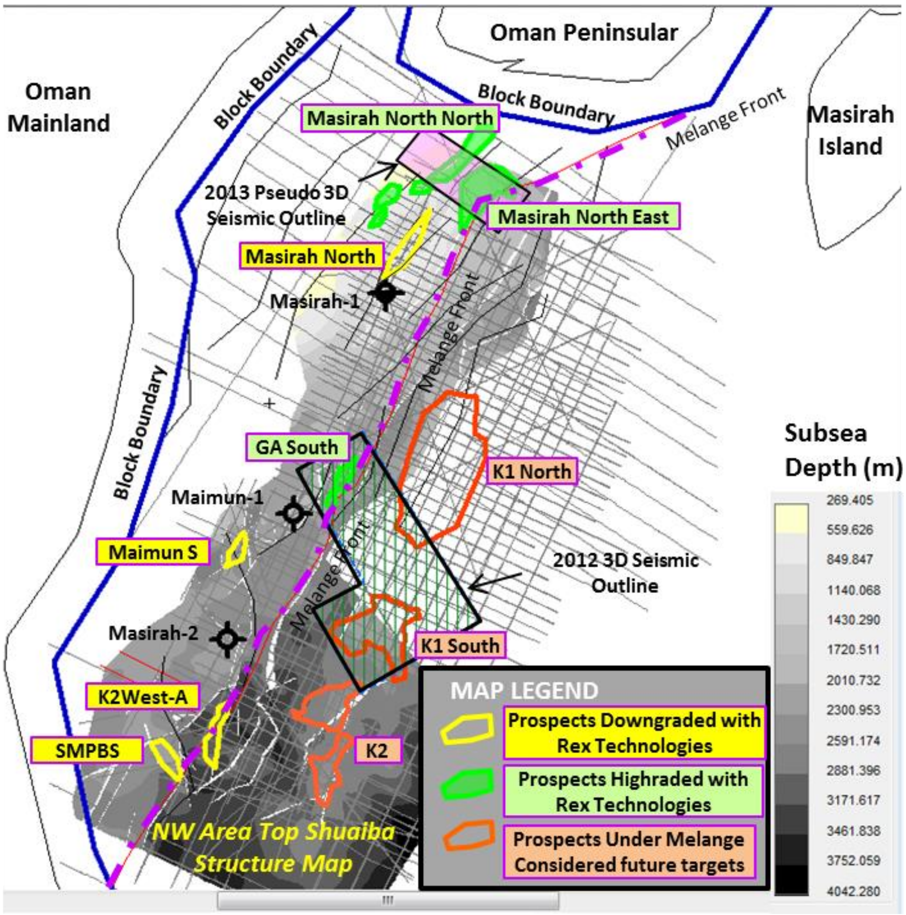


Figure 1: Well Locations for Block 50 Oman

Meanwhile, other groundwork for conducting our drilling operations is progressing well. The procurement process for material and services is now almost complete. In total, 22 tenders were called, these tenders being above the threshold of USD0.5 million each and a further 16 contracts were signed after an auditable process of Request for Quotation ("**RFQ**").

We anticipate drilling operations to cost between USD33 million and USD40 million (in total) for a two-well program (depending on the combination of wells that are finally drilled).

Throughout the process, Masirah has adhered to tender guidelines laid down by the Omani Ministry of Oil and Gas ("**MOG**") and has worked closely with the relevant domestic government agencies.

It is important to note that the key operations of Masirah are being managed mainly by Hibiscus Petroleum. The Hibiscus Petroleum well-engineering team is located in Dubai in the United Arab Emirates whilst our supply base for the Block 50 Oman drilling project is at Duqm Port, Oman.

Work on setting up a logistics/supply base in Duqm Port, Oman, commenced in May 2013.

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

1.1 BLOCK 50 OMAN CONCESSION (Cont'd)

Health, Safety, Security and Environment ("HSSE")

Environmentally, Masirah Bay supports a large fishing fleet that in turn supports much of the local population in and around the Duqm area. Therefore, we are sensitive of our possible impact on the environment as we move into offshore operations and as our air and sea movements increase. In addition, the Bay has a thriving marine mammal population that has varying activity levels throughout the year and this has been fully considered in the preparation and approval of our Environmental Impact Assessment ("**EIA**") report. Given the meticulous planning that is being undertaken for the preservation of the environment, we will endeavour to ensure that our operations cause minimal disruption to marine life.

We have also appointed a full-time HSSE Manager, tasked with developing the HSSE documentation and procedures specific to our drilling project and the associated logistics operations. A major part of his role will be to act as the focal point for initiating HSSE initiatives that will constantly remind all those involved in our operations that we work in an environment that is inherently unsafe and it is only through intensive preparation and careful execution that such latent risks are eliminated or mitigated.

The company currently has active operations in the port of Duqm together with a growing project team and we are proud to say there has been no reportable safety related incidents to-date. We will continue to be diligent in this aspect of our operations to ensure that we will be regarded as a responsible exploration and production partner to the host governments of the jurisdictions in which we operate.

Extended Well-Testing Strategy

Should our drilling program deliver positive results and the wells drilled test at rates that will support an Extended Well Testing ("**EWT**") strategy, then it will be our aim to conduct such an EWT at the earliest opportunity. The broad technical objectives of an EWT would be to:

- Ensure production rates are sustainable over a three to six month period prior to considering further appraisal and/or development alternatives

- Test other possible discoveries within Block 50 Oman

Currently, Masirah is provisionally finalising the commercial terms and implementation details of a possible EWT program with the relevant regulatory authorities.

1.2 RAK NORTH OFFSHORE CONCESSION

After evaluating the potential of the various prospects within the RAK North Offshore concession, Lime's subsidiary company, Dahan Petroleum Ltd, has decided to relinquish an area defined contractually as Area C within the concession area, where neither conventional analysis nor Rex Virtual Drilling revealed commercially viable prospects. Final relinquishment is pending acknowledgement from the Government of Ras Al Khaimah. At the same time, technical work is progressing on prospects within Area B which we assess to have greater potential.

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

1.2 RAK NORTH OFFSHORE CONCESSION (Cont'd)

Sub-Surface Evaluation

The team had received access to 3D seismic data acquired in 1984 covering the Saleh field (which has producing wells and lies within, but is excluded from Lime's concession), as well as some acreage within our concession boundaries.

Preliminary Rex Virtual Drilling studies on this data are nearing conclusion with several very positive prospects identified. Additional 3D seismic data acquired in 2012 has been processed and has found seismic anomalies, which have been confirmed by Virtual Drilling. This is encouraging as such anomalies generally indicate the presence of a working petroleum system. Based on conventional evaluation, sequence stratigraphy and the application of the Rex Virtual Drilling technology, a prospect has been prioritized and a well prognosis has been developed.

Well-Engineering

Preliminary technical work is continuing in preparation for the drilling of a well in the RAK North Offshore Concession. The team is continuously monitoring the market to identify available and technically appropriate drilling rigs which can drill in a safe and efficient manner. It is expected that the well to be drilled will be reasonably deep (about 4500m), of high temperature and may possibly contain some toxic gases.

1.3 RAK SOUTH ONSHORE CONCESSION

The RAK South Onshore concession is situated to the south of the Emirate of Ras Al Khaimah.

The seismic, gravity and magnetic survey datasets of the concession have been integrated and certain areas have been identified for future seismic acquisition. Tenders for the seismic data have been completed and submissions are being evaluated.

1.4 SHARJAH EAST COAST CONCESSION

Sub-Surface Evaluation

Preliminary Rex Virtual Drilling analysis performed on the raw stack seismic data acquired during the 2012 seismic acquisition programme has been followed by conventional studies of the 2D and 3D seismic datasets, which have been undertaken by a third party consultancy. These studies have identified several conventional prospective features. Further Rex Virtual Drilling analysis has been carried out on these areas to align the conventional analysis with the Virtual Drilling anomalies. The results have been positive thus far.

Studies looking to integrate the petrophysical data related to three previously drilled wells with the models developed from other recent studies are ongoing.

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

1.5 NORWAY

In February 2013, Lime Petroleum Norway AS ("**Lime Norway**") was pre-qualified as a licensee in the Norwegian Continental Shelf ("**NCS**") by the Norwegian Ministry of Petroleum and Energy. This approval endorses Lime Norway as a qualified oil and gas E & P player in Norway, allowing the company to assume direct participating interests in partner-operated licenses in the NCS. The pre-qualification process, which usually takes several months and requires new entrants to demonstrate sufficient geological and geophysical technical expertise as well as sound financial ability, is part of the Norwegian Government's efforts to attract oil and gas players who can contribute to efficient and safe domestic exploration activities. Qualified oil and gas E & P players are able to apply for attractive expenditure rebates offered by the Government of Norway for exploration-related activities.

Pursuant to a process of in-depth technical evaluation (which included Rex Virtual Drilling analysis), Lime Norway finalised its selection of production licenses to be acquired from North Energy ASA ("**North Energy**"), subject to Norwegian Government approval. Given the rate at which new opportunities are being offered to Lime Norway on the back of a wider acceptance of the Rex Virtual Drilling technology and our relationship with North Energy, we believe that our activities in Norway will become progressively more significant over the coming years.

1.6 FARMING OUT MIDDLE EAST CONCESSIONS

Efforts are also underway to farm out a portion of our interests in our Sharjah, RAK South Onshore and RAK North Offshore concessions. This will allow us to mitigate the risks borne by the Company in concessions where Lime has 100% working interests or a commitment to fund wells which have extremely high drilling costs (i.e. RAK North Offshore).

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

Our wholly-owned subsidiary, Carnarvon Hibiscus Pty Ltd ("**CHPL**"), as operator, is responsible for the day-to-day management of work activities within VIC/P57, affording us a high level of financial and operational control in this concession.

A project team was set up in Melbourne in late 2012 comprising representatives from Hibiscus Petroleum and 3D Oil as well as other specialists to carry out Concept and Front-End Engineering Design ("**FEED**") studies. Out of 12 concepts originally considered, two were advanced and evaluated further including: (a) an offshore to onshore solution using an offshore located Mobile Offshore Production Unit ("**MOPU**") that exports oil via a subsea pipeline to a Company established onshore processing facility. From the processing facility, this solution relied on a fleet of trucks to deliver oil cargoes to a local refinery; and, (b) an all-offshore based solution, comprising a MOPU and Storage Tanker that exports the produced oil to international markets or local refineries via crude oil tankers.

After careful consideration, the project team selected the all-offshore solution for the West Seahorse development due to the following reasons:

- Reduced time to first oil,
- Reduced capital expenditure,
- Proven development concept for the Bass Strait environment, and
- Opens crude oil sales options to both domestic and international markets.

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

As previously mentioned, the all-offshore solution comprises a MOPU, Catenary Anchor Leg Mooring ("**CALM**") Buoy and a Floating Storage and Offloading ("**FSO**") vessel.

Whilst MOPUs are generally available, securing a unit to operate in the harsh weather environment of the Bass Strait is a somewhat more complex task and was a potential source of delay to our First Oil objective. In order to mitigate this risk and deliver on our target to generate revenue from West Seahorse by early 2015, CHPL and its key contractors performed a global market search and desktop engineering assessments before identifying a drilling unit with the necessary technical specifications that would allow a cost effective conversion (into a MOPU) and timely deployment on our project. The identified unit, the GSP Britannia, was physically surveyed and found to be in good condition and very well maintained.

Commercial negotiations with the rig owner began in May 2013 and two further, more detailed inspections, were performed. Final agreements were reached with the owner and a Sale and Purchase Agreement to acquire the GSP Britannia, on behalf of the West Seahorse joint venture was signed by both parties on 18 July 2013.

A small site team has now been set up in Tuzla, Turkey (where the rig is currently located) to define the scope of work necessary to a) reactivate ABS class and b) enable long term use of the rig as a MOPU for the West Seahorse Project.

We believe that the advantages of this early acquisition of the Britannia are numerous and include:

- Acceleration of First Oil from the West Seahorse Project,
- Facilitates the Australian regulatory approval process as it focuses the team on the final solution immediately,
- Large deck area on the GSP Britannia allows space for an independent, stand-alone Modular Drilling Rig which provides a more cost effective means of drilling both the exploration and development wells for the West Seahorse project before the MOPU is put into production service, and,
- Reduces overall capital cost of the development.

At this time, our business strategy does not include the ownership of assets such as the Britannia MOPU. CHPL has secured this unit on behalf of the West Seahorse joint venture as it was technically the right unit available at the right price. If we had not acted positively on this unit, our target of achieving First Oil in early 2015 would have been severely and negatively impacted. It is our objective that the GSP Britannia will not be maintained as a project capital asset but instead be divested to the party selected to provide the West Seahorse joint venture with a turnkey production system on a charter basis.

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

Tender packages for the West Seahorse contracts are being prepared, leading to the formal tender process and award of contracts in the second half of 2013. The current schedule for tendering and award of major contracts is as follows:

Contract	Tender	Contract Award
Operations & Maintenance – the Duty Holder of the field responsible for safe operation of the West Seahorse Project	July 2013	August 2013
MOPU – purchase of the GSP Britannia, refurbishment, reactivate class, supply of equipment, integration and installation	August 2013	October 2013
FSO – vessel that will store produced oil before selling to the market	September 2013	December 2013
Export System – includes the submarine pipeline, CALM buoy and offloading hose	September 2013	December 2013
Drilling – the supply of a Modular Platform drilling rig including the drilling operations	October 2013	January 2014

The West Seahorse Production License application and the final Field Development Plan were submitted to the Australian National Offshore Petroleum Titles Authority in April and May 2013 respectively. Regulatory approval is expected to be received in fourth quarter of 2013.

In addition, from a sub-surface perspective, the team has completed the re-mapping of the West Seahorse field based on reprocessed 3D seismic data. Preliminary results indicate a slight improvement in potential reserves. An independent assessment is currently being performed and results are due in August 2013.

First Oil from VIC/P57 is expected in late 2014 or early 2015 subject to a timely receipt of the relevant regulatory approvals.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
21 August 2013