HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
30 September 2013

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.09.2013 RM'000	QUARTER ENDED 30.09.2012 RM'000	PERIOD ENDED 30.09.2013 RM'000	PERIOD ENDED 30.09.2012 RM'000
REVENUE		3,044	1,870	6,564	3,869
Other income		4,900	-	1,791	-
Administrative expenses		(5,815)	(3,311)	(11,493)	(6,412)
Other expenses*		(101)	(581)	(2,832)	(149)
Finance costs		(1,117)	(367)	(2,131)	(608)
Share of losses of an associate		(194)	-	(388)	-
Share of losses of joint ventures		(421)	(495)	(2,451)	(793)
Gain on dilution of interest in a joint venture		12,352	-	13,455	-
PROFIT/(LOSS) BEFORE TAXATION	25	12,648	(2,884)	2,515	(4,093)
Taxation	26	(6)	20	284	36
PROFIT/(LOSS) AFTER TAXATION		12,642	(2,864)	2,799	(4,057)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		12,642	(2,864)	2,799	(4,057)
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic	24	2.79	(0.65)	0.62	(0.94)
Diluted	24	1.70	(0.65)	0.52	(0.94)

** Other expenses for the six-month period ended 30.09.2013 include unrealised loss on foreign exchange of RM2.8 million (six-month period ended 30.09.2012: negligible)*

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 30.09.2013 RM'000	QUARTER ENDED 30.09.2012 RM'000	PERIOD ENDED 30.09.2013 RM'000	PERIOD ENDED 30.09.2012 RM'000
PROFIT/(LOSS) AFTER TAXATION	12,642	(2,864)	2,799	(4,057)
Other comprehensive income/(expenses), net of tax:				
Foreign currency translation*	4,022	(7,281)	6,002	(85)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE QUARTER/ PERIOD	16,664	(10,145)	8,801	(4,142)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:				
Owners of the Company	16,664	(10,145)	8,801	(4,142)

** Arising from translation of Group entities' financial statements with different functional currencies recognised 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 30.09.2013 RM'000	AUDITED AS AT 31.03.2013 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		13,773	14,161
Investments in joint ventures		198,206	180,770
Intangible assets		60,162	44,179
Equipment		26,799	3,831
		298,940	242,941
CURRENT ASSETS			
Other receivables, deposits and prepayments		2,064	656
Tax recoverable		90	90
Amounts owing by joint ventures		2,795	572
Fixed deposits with licensed banks		42,982	58,881
Cash and bank balances		39,517	67,108
		87,448	127,307
TOTAL ASSETS		386,388	370,248
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	4,613	4,404
Other reserves		277,717	247,163
Accumulated losses		(7,487)	(10,286)
		274,843	241,281
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	318
Convertible Redeemable Preference Shares ("**CRPS**")	10	81,588	79,369
		81,588	79,687
CURRENT LIABILITIES			
Other payables and accruals		6,766	5,117
Amount owing to an associate		7,266	29,677
Provision for taxation		10	6
Discovery bonus payable		15,696	14,261
Redeemable Convertible Preference Shares ("**RCPS**")		219	219
		29,957	49,280
TOTAL LIABILITIES		111,545	128,967
TOTAL EQUITY AND LIABILITIES		386,388	370,248
NET ASSETS PER SHARE (RM)		0.60	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**
6 months to 30.09.2013							
As at 01.04.2013	4,404	154,724	91,593	190	656	(10,286)	241,281
Conversion of warrants	87	6,850	(2,566)	-	-	-	4,371
Conversion of CRPS	122	20,280	-	(12)	-	-	20,390
Profit after taxation	-	-	-	-	-	2,799	2,799
Other comprehensive income, net of tax:							
Foreign currency translation	-	-	-	-	6,002	-	6,002
Total comprehensive income for the period	-	-	-	-	6,002	2,799	8,801
As at 30.09.2013	4,613	181,854	89,027	178	6,658	(7,487)	274,843
6 months to 30.09.2012							
As at 01.04.2012	4,180	137,217	98,151	-	(1,314)	(6,089)	232,145
Conversion of warrants	206	16,136	(6,044)	-	-	-	10,298
Loss after taxation	-	-	-	-	-	(4,057)	(4,057)
Other comprehensive expenses, net of tax:							
Foreign currency translation	-	-	-	-	(85)	-	(85)
Total comprehensive expenses for the period	-	-	-	-	(85)	(4,057)	(4,142)
As at 30.09.2012	4,386	153,353	92,107	-	(1,399)	(10,146)	238,301

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 30.09.2013 RM'000	PERIOD ENDED 30.09.2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	2,515	(4,093)
Adjustments for:		
Depreciation on equipment	225	99
Interest income	(996)	(969)
Unrealised loss on foreign exchange	2,761	4
Qualifying acquisition expenses	-	46
Finance costs	2,131	608
Share of losses of an associate	388	-
Share of losses of joint ventures	2,451	793
Gain on dilution of interest in a joint venture	(13,455)	-
Operating loss before working capital changes	(3,980)	(3,512)
Increase in other receivables, deposits and prepayments	(1,406)	(761)
Increase in other payables and accruals	1,835	652
(Increase)/decrease in amounts owing by joint ventures	(2,223)	1,359
Decrease in amount owing to an associate	(20,383)	-
Cash used in operations	(26,157)	(2,262)
Income tax paid	-	(90)
Net cash used in operating activities	(26,157)	(2,352)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(23,197)	(276)
Interest received	996	969
Qualifying acquisition expenses paid	-	(46)
Investment in a jointly controlled entity	(40)	(157,335)
Subscription of shares in an associate and related expenses paid	-	(8,316)
Acquisition of intangible assets	(19,315)	-
Net cash used in investing activities	(41,556)	(165,004)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	4,371	10,297
Proceeds from issuance of CRPS and related expenses paid	21,299	(146)
Deposits received from CRPS placees	-	3,724
Net cash generated from financing activities	25,670	13,875
Net change in cash and cash equivalents	(42,043)	(153,481)
Effects of foreign exchange rate changes	(1,447)	1,039
Cash and cash equivalents at beginning of the financial period	125,989	218,524
Cash and cash equivalents at end of the financial period	82,499	66,082

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, Amendments to MFRSs and IC Interpretation 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)
Amendments to MFRS 136	Recoverable Amounts Disclosures for Non-Financial Assets (effective from 1 January 2014)
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting (effective from 1 January 2014)
IC Interpretation 21	Levies (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 period ended 30 September 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 ("**Triax**") in exchange for a 15% equity stake in HIREX. Subsequently, on 17 July 2013, Triax subscribed for 14,635 shares at par value in HIREX which resulted in Orient Hibiscus recognising a gain on dilution of its interest from 48.24% to 41% of the issued and paid-up capital in HIREX of RM12.4 million during the financial quarter.

(ii) During the financial period ended 30 September 2013, 21.45 million CRPS were issued according to the terms of the CRPS Subscription Agreements executed earlier, as disclosed in Note 10 (ii) of this Quarterly Report. During the current financial period, 20.45 million CRPS were converted into 12,171,454 ordinary shares of the Company according to the terms of the CRPS Subscription Agreements.

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 period ended 30 September 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 period ended 30 September 2013 up to the date of this report.

7 CHANGES IN THE COMPOSITION OF THE GROUP

On 12 July 2013, the Company's wholly-owned subsidiary, Oceania Hibiscus Sdn Bhd ("**Oceania Hibiscus**") incorporated a wholly-owned subsidiary 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. The principal activity of Althea is investment holding.

7 CHANGES IN THE COMPOSITION OF THE GROUP (CONT'D)

On 26 September 2013, the Company acquired Genesis Hibiscus Sdn Bhd ("**Genesis Hibiscus**"), a dormant shelf company incorporated in Malaysia under the Companies Act, 1965, with an authorised share capital of 100,000 ordinary shares of RM1.00 each and a paid-up capital of RM2.00 from non-related parties. Genesis Hibiscus is a wholly-owned subsidiary of the Company. The principal activity of Genesis Hibiscus is investment holding.
Concurrently, Genesis Hibiscus became the sole shareholder of Cayman Hibiscus Inc SPC ("**Cayman Hibiscus**"), a company incorporated under the laws of the Cayman Islands, with an issued and paid-up share capital of 1 ordinary share of USD1.00. The principal activity of Cayman Hibiscus is investment holding.

Save as disclosed above and in Note 4 (i), there were no other changes in the composition of the Group during the financial period ended 30 September 2013.

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 period ended 30 September 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 six-month financial period were as follows:

			PERIOD ENDED 30.09.2013
	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	8,742,200	87
Conversion of CRPS	0.01	12,171,454	122
As at 30.09.2013	0.01	461,308,376	4,613

(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 period	:	8,742,200
Exercise price	:	RM0.50 per Warrant-A

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

(ii) CRPS

During the financial period ended 30 September 2013, the Company issued 21.45 million CRPS. 20.45 million CRPS have been converted into 12,171,454 ordinary shares of the Company according to the terms of the CRPS Subscription Agreements. As at 30 September 2013, the total CRPS in issuance amounted to 80,480,000.

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. As disclosed in Note 17 (ii) of this Quarterly Report, the Company intends to extend the maturity date to 31 December 2014, subject to the approval of the shareholders of Hibiscus Petroleum and the current CRPS holders being obtained.

Save for the above, there were no other issuances, cancellations, repurchases, resale and repayments of borrowings, debt and equity securities during the financial period ended 30 September 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	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	Operations in a development asset (West Seahorse field) and other exploration prospects in Australia within exploration permit VIC/P57, and investment in 3D Oil Limited ("**3D Oil**").
(iv)	HIREX	Planned investments in exploration assets within the Asia Pacific region. There were no exploration assets secured during the financial period ended 30 September 2013.

11 OPERATING SEGMENTS (CONT'D)

	Investment holding RM'000	Lime RM'000	3D Oil & VIC/P57 RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
As at 30.09.2013						
Non-current assets	26,799	186,184	73,935	12,022	-	298,940
Period ended 30.09.2013						
Revenue	6,284	-	280	-	-	6,564
Depreciation	(225)	-	-	-	-	(225)
Profit/(loss) from operations	(6,935)	-	965	-	-	(5,970)
Share of results	-	(2,079)	(388)	(372)	-	(2,839)
Gain on dilution of interest in a joint venture	-	-	-	13,455	-	13,455
Finance costs	(2,131)	-	(1,653)	-	1,653	(2,131)
Interest income	1,709	-	-	-	(1,709)	-
Taxation	(10)	-	294	-	-	284
Profit/(loss) after taxation	(7,367)	(2,079)	(782)	13,083	(56)	2,799
As at 30.09.2012						
Non-current assets	837	180,418	-	-	-	181,255
Period ended 30.09.2012						
Revenue	3,869	-	-	-	-	3,869
Depreciation	(99)	-	-	-	-	(99)
Loss from operations	(2,692)	-	-	-	-	(2,692)
Share of results	-	(793)	-	-	-	(793)
Finance costs	(608)	-	-	-	-	(608)
Taxation	36	-	-	-	-	36
Loss after taxation	(3,264)	(793)	-	-	-	(4,057)

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 September 2013:

	RM'000
Approved and contracted for:	
Share of an associate's material commitments (3D Oil)	5,489
Share of a joint operation's material commitments (VIC/P57)	2,575
Share of a joint venture's material commitments (Lime)	6,650
	14,714
Approved but not contracted for:	
Share of an associate's material commitments (3D Oil)	22,890
Share of a joint operation's material commitments (VIC/P57)	176,242
Share of a joint venture's material commitments (Lime)	59,904
	259,036

13 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2013 RM'000	QUARTER ENDED 30.09.2012 RM'000	PERIOD ENDED 30.09.2013 RM'000	PERIOD ENDED 30.09.2012 RM'000
Project management, technical and other services fees earned from joint ventures				
- Lime	2,045	1,392	4,564	2,901
- HIREX	605	-	1,004	-
Joint Operating Agreement indirect overhead recovery from an associate				
- 3D Oil	541	-	838	-
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	413	-	679	-
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(522)	-	(1,325)	-

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

15.1 Material factors affecting financial year-to-date results

In the current six-month period ("**current period**"), the Group revenue increased by RM2.7 million from RM3.9 million in the corresponding six-month period in the previous year ("**corresponding period**") to RM6.6 million.

Revenue comprises fees for project management, technical and other services, and interest income from fixed deposits. The increase in revenue in the current period is due to the increased project management activity for preparation of the 2-well drilling programme in Oman commencing in the quarter ending December 2013, as well as business development, technical and financial services provided to HIREX.

The Group recorded an increase in profit before taxation of RM6.6 million for the current period as compared with the corresponding period. This increase is mainly from the recognition of gain on the dilution of interest in HIREX from 100% to 41.00% of RM13.5 million during the current period arising from the subscription of shares by Rex South East Asia Ltd ("**Rex**"), HIREX management and Triax for RM31.4 million.

The gain on dilution of interest in HIREX is partially offset by the increase in personnel remuneration by RM3.0 million, unrealised loss on foreign exchange by RM2.8 million and share of losses of joint ventures by RM1.7 million.

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 RM7.2 million through the provision of project management, technical and other services and overheads recovery from the VIC/P57 joint venture.

The increase in unrealised loss on foreign exchange is mainly because of 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 ("**CHPL**") 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.

The higher Group's share of losses in the Lime Group is largely due to the increase in exploration and business development activities in Norway and the Middle East.

15.2 Material factors affecting current quarter's results

During the current quarter, the Group recorded revenue of RM3.0 million, an increase of RM1.1 million as compared to RM1.9 million in the corresponding three-month period in the prior year ("**corresponding quarter**"). Such increase is mainly due to higher revenue earned from project management, technical and other services fees from Lime and HIREX.

15 PERFORMANCE REVIEW (CONT'D)

15.2 Material factors affecting current quarter's results (cont'd)

The Group registered an increase in profit before taxation by RM15.5 million in the current quarter compared to the corresponding quarter, primarily arising from the recognition of gain on dilution of interest in HIREX from 48.24% to 41.00% of RM12.4 million. Another factor contributing to the increase in profit before taxation is the increase in other income comprising the reversal of unrealised foreign exchange loss from the previous quarter of RM3.3 million and income earned from overhead recovery by CHPL as operator of the VIC/P57 joint venture of RM1.7 million.

The key increases in costs in the current quarter include personnel remuneration by RM1.7 million and finance costs by RM0.7 million mainly comprising finance costs on the liability portion of CRPS issued.

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

The Group recorded an increase in profit before taxation in the current quarter of RM22.8 million as compared to the quarter ended 30 June 2013 ("**preceding quarter**").

During the preceding quarter, an unrealised loss on foreign exchange arising mainly from the weaker AUD against the Ringgit of RM6.3 million was recognised, out of which RM3.3 million was reversed in the current quarter arising from the subsequent strengthening of the AUD.

In addition, the Group recorded a gain on dilution of interest of RM12.4 million in HIREX from 48.24% to 41.00% arising from the subscription of shares by Triax, as compared to RM1.1 million gain on dilution of interest in HIREX from 100% to 48.24% arising from the subscription of shares by Rex and HIREX management in the preceding quarter.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Proposed Acquisition of Participating Interests in 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 Norway to secure half of North Energy's interests in up to 6 concessions in the NCS.

Subsequently, on 3 September 2013, the Norwegian Ministry of Petroleum and Energy approved the acquisition of 4 production licenses in the NCS by Lime Norway from North Energy. On 14 November 2013, the Ministry approved Lime Norway's acquisition of a further 2 production licenses in the NCS from North Energy, with the acquisitions expected to be completed by end of November 2013.

Please refer to our announcements dated 3 September 2013 and 18 November 2013.

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

(ii) Private Placement of Existing CRPS

On 26 September 2012, our shareholders had approved our Company to undertake the private placement of existing CRPS of up to RM210 million ("**Private Placement of Existing CRPS**"). To-date, our Company has received RM100.93 million in Existing CRPS subscription monies from investors.

On 3 October 2013, our Company had entered into a Subscription Agreement with Pacific Meadow Sdn Bhd. The completion of this subscription agreement is subject to, among others, the approval of our shareholders at the forthcoming Extraordinary General Meeting ("**EGM**").

Accordingly, an application was submitted to Bursa Securities on 8 November 2013 for an extension of time to complete the Private Placement of Existing CRPS from 30 November 2013 to 28 February 2014.

In addition, the Company intends to extend the maturity date of the Existing CRPS from 30 April 2014 to 31 December 2014. This proposed variation and the required changes to the relevant articles of association of the Company to facilitate and accommodate this variation is subject to the approvals of the shareholders of Hibiscus Petroleum and the current CRPS holders being obtained.

Please refer to our Company's announcements dated 3 October 2013 and 8 November 2013.

(iii) Proposed Private Placement of New CRPS

With the full execution of the Private Placement of Existing CRPS, on 11 October 2013, the Company announced its proposal to undertake another new issuance of CRPS as follows:

- An issuance of up to 500,000,000 new CRPS ("New CRPS") at an issue price of RM1.00 per New CRPS through a private placement exercise without prospectus ("**Proposed Private Placement of New CRPS**");

- Reclassification of authorised share capital of Hibiscus Petroleum from RM50,000,000.00 comprising 4,690,000,000 Ordinary Shares of RM0.01 each ("**Hibiscus Petroleum Shares"**), 100,000,000 Redeemable Convertible Preference Shares of RM0.01 each ("**RCPS**") and 210,000,000 CRPS of RM0.01 each to RM50,000,000.00 comprising 4,190,000,000 Hibiscus Petroleum Shares,100,000,000 RCPS, 210,000,000 CRPS and 500,000,000 New CRPS; and

- Amendments to the Memorandum and Articles of Association of the Company in respect of the issuance of the New CRPS pursuant to the Proposed Private Placement of New CRPS and Proposed Reclassification of Authorised Share Capital.

The New CRPS is different from the Existing CRPS as it constitutes a different class of shares, amongst other altered terms.

On 12 November 2013, our Company submitted the following to Bursa Securities for its consideration:

- The additional listing application in respect of Hibiscus Petroleum Shares to be issued upon conversion of the New CRPS pursuant to the Proposed Private Placement of New CRPS, and

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

(iii) Proposed Private Placement of New CRPS (cont'd)

- The waiver application pursuant to Paragraph 2.06(2) of the MMLR to Bursa Securities for a waiver to complete the implementation of the Proposed Private Placement of New CRPS within 12 months of the receipt of approval from Bursa Securities instead of 6 months pursuant to Paragraph 6.62(1) of the MMLR.

The approvals required to implement the Proposed Private Placement of New CRPS are from the shareholders of Hibiscus Petroleum, Bursa Securities, Bank Negara Malaysia and RCPS holders.

The proceeds from the issuance of the Existing CRPS and New CRPS have been, and will be utilised towards the investment / acquisition of development and/or producing assets and its associated transaction and other costs, with pre-defined minimum financial parameters.

Please refer to our announcements dated 11 October 2013 and 12 November 2013.

(iv) Proposed Private Placement of Shares

On 4 November 2013, our Company announced the proposal to undertake a private placement of up to 56,537,561 new Hibiscus Petroleum Shares, pursuant to the approval obtained from the shareholders of the Company at our last Annual General Meeting convened on 20 August 2013 for the Board to allot and issue new Hibiscus Petroleum Shares not exceeding 10% of the Company's issued share capital for the time being, pursuant to Section 132D of the Companies Act, 1965 ("**Private Placement of Shares**").

The Proposed Private Placement of Shares will enable the Company to raise funds for the Group's oil and gas exploration activities and channel them towards:

- funding additional exploration activities within permits and leases already acquired by the Group. These exploration activities include geological and geophysical studies, the acquisition of seismic surveys to establish the exact location of potential hydrocarbon accumulations within the permits and drilling of exploratory or appraisal wells to determine whether commercially producible hydrocarbons are present;

- acquiring interests in further exploration permits, particularly within the Group's focus areas in the Middle East, Norway and Asia Pacific regions; and

- providing additional working capital required for, amongst others, the continuing evaluation of strategic assets acquisition for further development of the Group.

Vide its letter dated 11 November 2013, Bursa Securities approved the listing and quotation of up to 56,537,561 new Hibiscus Petroleum Shares to be issued pursuant to the Proposed Private Placement of Shares.

It is expected that the Proposed Private Placement of Shares will be completed by the first half of 2014.

Please refer to our announcements dated 4, 6 and 13 November 2013.

18 PROSPECTS OF THE GROUP

Through our Group's initial strategy of investing in exploration assets to build early value and provide optimal upside to our shareholders, our Company acquired a 35% equity stake in Lime in 2012 and thereby obtained accumulated equity positions in 4 concessions in the Middle East and 6 concessions in the Norwegian Continental Shelf. Pursuant to intense work carried out to determine the most suitable prospects for our Group's initial drilling foray, drilling is expected to first commence at 2 wells identified in Oman this quarter with estimated prospective resources of between 160 and 200 million barrels.

In January 2013, our Group's investment in VIC/P57, Australia (which includes the West Seahorse field which is a proven discovery, as well as a few exploration prospects including Sea Lion and Felix) was completed. Securing such a development asset was an integral component of our Company's early portfolio balancing strategy as it significantly reduces the business risk profile of our Group. The estimated proven and probable reserves for the West Seahorse field are 9 million barrels, as certified by Gaffney Cline & Associates issued in 2011. Production from this field is targeted to commence in early 2015.

On the back of our Group's assets in the Middle East, Australia and Norway, our Company is focusing on two main additional strategies which are believed to secure the long term future of our Group. Firstly, the joint venture with Rex International Holdings Ltd to form HIREX which shall serve as the platform for the delivery of the leading edge Rex Virtual Drilling technology in exploration focused activities in the Asia Pacific region. Secondly and directly within our Company, is the aim to secure a production asset which shall strengthen our Group's business risk profile further and improve the prospects of business sustainability.

Towards this end, our Group is concentrating efforts on an opportunity to acquire part of a producing portfolio of oil assets thus accelerating our path to revenue generation. Securing a producing asset would immediately procure a stream of cashflows to ensure the long-term sustainability of our Group, as well as establish our Company as a premier independent oil company with a balanced portfolio of assets.

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 period ended 30 September 2013.

21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the financial period ended 30 September 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 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is calculated by dividing the Group's profit/(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 30.09.2013 RM'000	QUARTER ENDED 30.09.2012 RM'000	PERIOD ENDED 30.09.2013 RM'000	PERIOD ENDED 30.09.2012 RM'000
Profit/(loss) after taxation attributable to owners of the Company (RM'000)	(A)	12,642	(2,864)	2,799	(4,057)
Weighted average number of shares in issue ('000)	(B)	452,831	438,178	448,460	433,821
Basic earnings/(loss) per share (sen)	(A/B)	2.79	(0.65)	0.62	(0.94)
Diluted earnings/(loss) per share (sen)		1.70	(0.65)	0.52	(0.94)

The comparative diluted loss per share for the Group 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 PROFIT/(LOSS) BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2013 RM'000	QUARTER ENDED 30.09.2012 RM'000	PERIOD ENDED 30.09.2013 RM'000	PERIOD ENDED 30.09.2012 RM'000
Profit/(loss) before taxation is arrived at after charging/(crediting):				
Depreciation on equipment	113	54	225	99
Interest income	(394)	(479)	(996)	(969)
Unrealised loss/(gain) on foreign exchange	(3,552)	528	2,761	4
Realised gain on foreign exchange	(154)	-	(154)	-
Qualifying acquisition expenses	-	-	-	46
Finance costs	1,117	367	2,131	608
Share of losses of an associate	194	-	388	-
Share of losses of joint ventures	421	495	2,451	793
Gain on dilution of interest in a joint venture	(12,352)	-	(13,455)	-

25 PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

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 period ended 30 September 2013.

26 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2013 RM'000	QUARTER ENDED 30.09.2012 RM'000	PERIOD ENDED 30.09.2013 RM'000	PERIOD ENDED 30.09.2012 RM'000
Income taxation	(5)	1	(10)	(5)
Deferred taxation	(1)	19	294	41
	(6)	20	284	36

27 REALISED AND UNREALISED ACCUMULATED LOSSES

	UNAUDITED AS AT 30.09.2013 RM'000	AUDITED AS AT 31.03.2013 RM'000
Analysis of accumulated losses:		
Realised	(4,580)	(10,884)
Unrealised	(2,761)	687
	(7,341)	(10,197)
Less: Consolidation adjustments	(146)	(89)
	(7,487)	(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 20 November 2013.

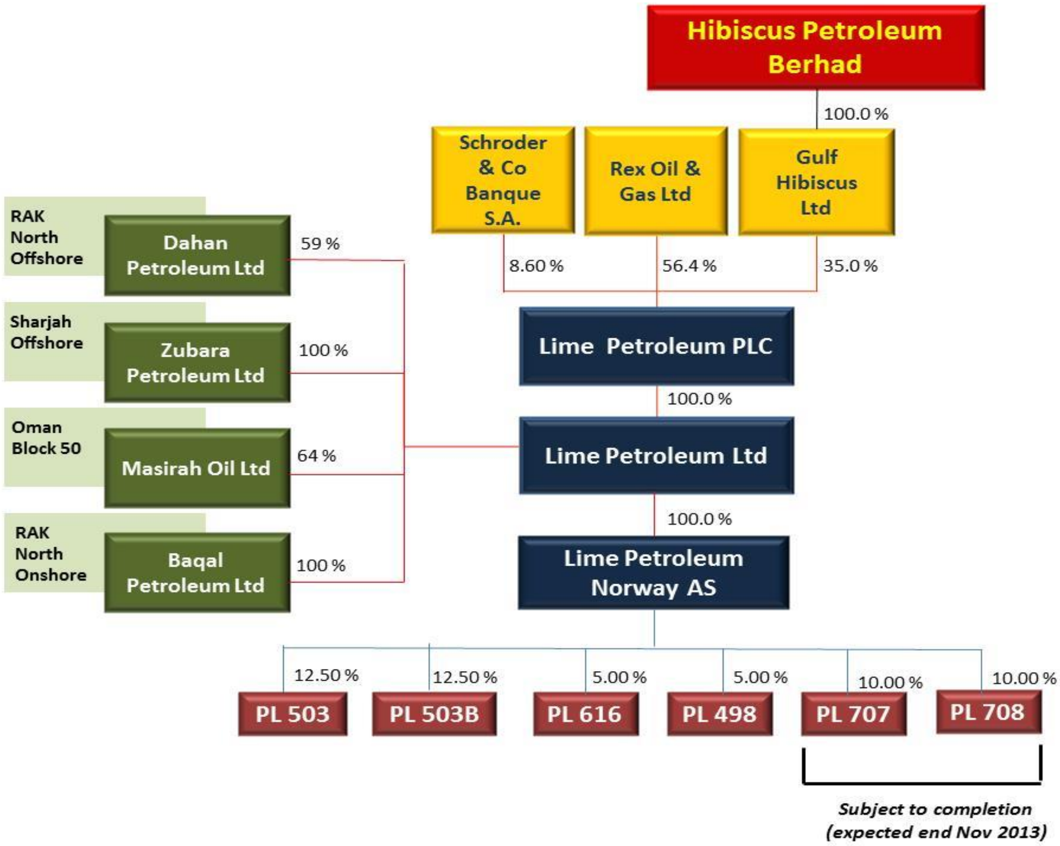
By Order of the Board of Directors
Hibiscus Petroleum Berhad

HIBISCUS PETROLEUM BERHAD
(Company No : 798322-P)
(Incorporated in Malaysia)

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

6 concessions (2 of which are expected to be completed at the end of November 2013).

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

LIME GROUP STRUCTURE (Cont'd)

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

	QUARTER ENDED 30.09.2013 RM'000	PERIOD ENDED 30.09.2013 RM'000
Intangible assets	31,509	55,249
Administrative expenses	7,659	12,151
	39,168	67,400

All public announcements or press releases in relation to petroleum operations in the Middle East concessions require the prior approval of the relevant government authority as stipulated in the respective exploration and production sharing agreements.

1.1 BLOCK 50 OMAN CONCESSION

Drilling to commence in quarter ending 31 December 2013

After detailed evaluation of five different prospects within Block 50 Oman, including extensive analysis with the Rex Virtual Drilling[1] software tool, Masirah Oil Ltd ("**Masirah**"), the holder of the Block 50 Oman concession, has now elected to drill two promising prospects identified as Masirah North North and Masirah North East. A third prospect referred to as GA-South is also promising and is considered an alternate well during the first drilling campaign (refer to Figure 1 for the location of these three prospects). Geotechnical and geophysical site 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 the selected jack-up drilling rig.

Masirah North North # 1 and Masirah North East # 1 were selected as the top two drilling locations based on results from the Rex Virtual Drilling analysis which concluded 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 (estimated 160 million – 225 million barrels of oil depending on the discoveries that 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.

A brief description of the three prospects is as follows:

[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)

- Masirah North North is likely to be a structural/stratigraphic play which has a high GCOS as shown by consistent results from Virtual Drilling on nine 2D lines from three vintages of seismic (pre-20-13) and from pseudo 3D (100m line spacing) seismic captured and processed in 2013.

- Masirah North East is a stratigraphic play which has been confirmed through consistent results from Virtual Drilling on 2D lines (pre-2013), and also from pseudo 3D (100m line spacing) seismic survey captured and processed in 2013.

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

A drilling contract has been awarded to Aban 7 Pte Ltd ("**Aban**") for the execution of the two well drilling programme. The Jack-up Drilling rig Aban 7 is on location at our maiden well, Masirah North North # 1 and is expected to be spud late November 2013. The contract will be effective for a minimum period of 50 working days.

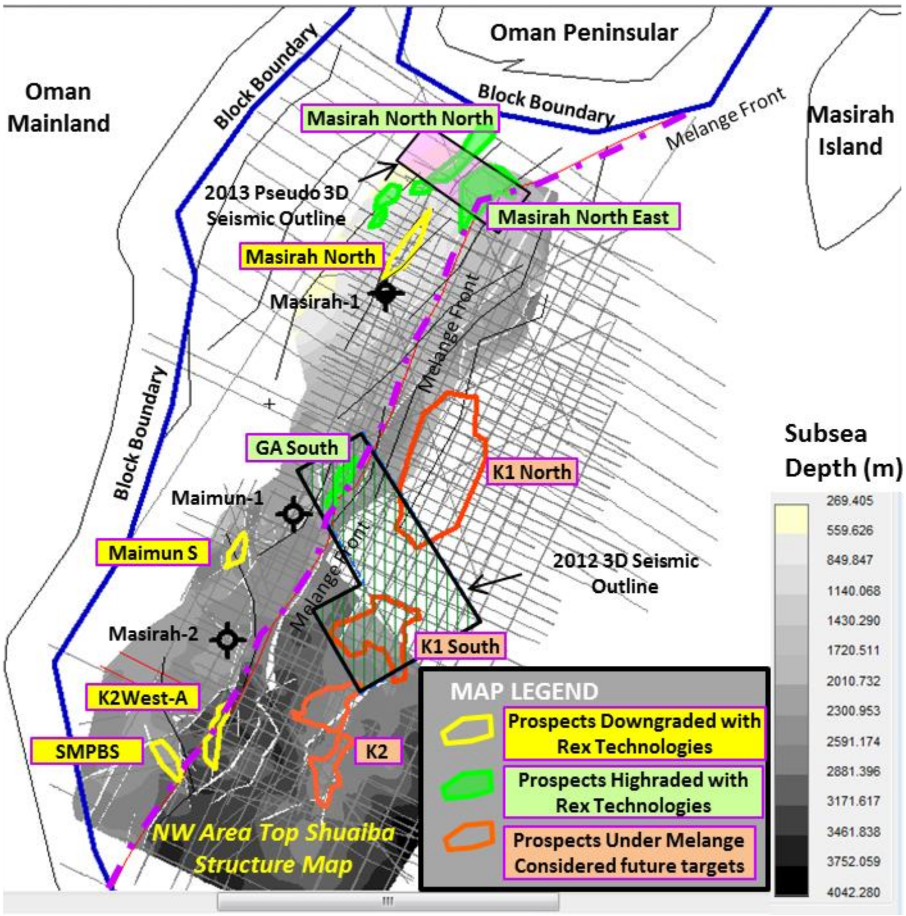


Figure 1: Well Locations for Block 50 Oman

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

1.1 BLOCK 50 OMAN CONCESSION (Cont'd)

Ongoing Activities

Other groundwork for conducting our drilling operations has progressed satisfactorily. The procurement process for material and services is now complete and we anticipate drilling operations to cost between USD33 million and USD44 million (in total) for a two-well programme (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 UAE 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 and is now ready to support the drilling operations that are about to commence.

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 have been 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. We have been mindful that our operations will involve a number of third party contractors conducting simultaneous operations on or around the drill site so a major part of our role will be to act as the focal point for initiating and integrating 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. As drilling operations approach, these HSSE initiatives will intensify.

The company currently has active operations in the port of Duqm together with a growing project team and we are pleased to report 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.

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

1.1 BLOCK 50 OMAN CONCESSION (Cont'd)

Extended Well-Testing Strategy

Should our drilling programme deliver positive results and the wells test at rates above certain economic thresholds, an Extended Well Testing ("**EWT**") strategy will be implemented, subject to the relevant regulatory approvals and negotiation of acceptable commercial terms with the Omani government. The objectives for the EWT programme include the following:

- to test the reservoir performance over a six to twelve-month period prior to investing significant capital in further appraisal and/or development activities,
- to develop a working commercial model with the Omani government for EWT activities which can be replicated on other discoveries within Block 50 Oman, and,
- achieving first oil from Block 50, Oman within 9 months of a successful well test.

Extensive planning is underway for the EWT including a competitive tender process for the major EWT components. This 'plan for success' strategy will allow major contracts to be awarded immediately after well test results from the wells drilled indicate commercial viability of the EWT project.

In an effort to reduce commercial risk associated with the EWT programme, Masirah has proposed special commercial terms to the Omani government that assist in an early recovery of the capital cost of the EWT. Omani government approval of the proposed terms is critical for Masirah to move forward with the proposed EWT program. MOG's approval remains outstanding at this time.

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.

Sub-Surface Evaluation

The team had received (from the operator of the field) 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. Based on conventional evaluation, sequence stratigraphy and the application of the Rex Virtual Drilling technology on 3D seismic acquired and processed by Lime in 2012 a prospect has been identified and a detailed well plan is being developed.

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

1.2 RAK NORTH OFFSHORE CONCESSION (Cont'd)

Well-Engineering

The technical work continues in preparation for the drilling of the exploration well in the RAK North Offshore Concession. A well management contract will be awarded by December 2013 to manage well design and engineering. The team has also engaged a consultant to identify available and technically appropriate drilling rigs which can drill in a safe and efficient manner. The water depth of 95 meters at the identified prospect will require a 375 – 400 foot Jack-up drilling rig. It is expected that the well drilled will be approximately 4,500 meters depth and consequently have high temperature characteristics. It may also possibly contain some toxic gases. Therefore the specification of the Jack-up drilling rig will include the capacity to manage high pressures and high temperatures (HPHT) and the potential presence of toxic gases.

An EIA, and, geotechnical and geophysical site surveys will be required before drilling commences. Tenders for both scopes of work are being evaluated with a target to award these contracts in December 2013. Site work is planned for early 2014 in preparation for drilling in the quarter ending June 2014.

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 acquisition and processing contract have been completed and submissions are being evaluated. Award of a contract for this work is targeted by December 2013 for the work to be performed in the first half of 2014.

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 confirm the results obtained from 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.

Two prospects have been identified and further Virtual Drilling analysis will be performed to select the best prospect for the exploration well planned in quarter ending September 2014.

An EIA, and, geotechnical and geophysical site surveys will also be required before drilling commences. This work will be included in the contracts for the similar work discussed above for RAK. The site work is expected to be performed as part of an integrated program with the RAK offshore work in early 2014.

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.

In September 2013, the Norwegian Ministry of Petroleum and Energy approved the acquisition of four concessions (namely PL 503, PL 503B, PL 616 and PL 498) by Lime Norway from North Energy ASA ("**North Energy**").

In November 2013, two new production licenses comprising 10% interest each in PL 707 (Seiland West) and PL 708 (Seiland East) located in the Barents Sea in the NCS, were acquired for a nominal purchase consideration of NOK 1 (USD0.16). This nominal purchase consideration is the result of the mutually beneficial relationship with North Energy and the latter's confidence in the Rex Virtual Drilling[2] technology which has shown encouraging accuracy in multiple blind tests[3] carried out by North Energy.

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.

In order to fund the anticipated and increasing level of exploration commitments to be undertaken by Lime Norway, the company is finalising a debt facility backed by Norwegian government incentives (offered to companies participating in oil and gas exploration activities in Norway). The funding package will be put in place in the coming months to ensure Lime Norway is financially equipped to grow and meet its work program commitments over the coming years.

1.6 FARMING OUT MIDDLE EAST CONCESSIONS

Efforts are also underway to farm out a portion of Lime's interests in the Sharjah, RAK South Onshore and RAK North Offshore concessions. This will allow Lime to mitigate the risks borne by it 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] *A software tool that uses seismic datasets to predict whether a field is dry, has traces of oil or contains commercial quantities of hydrocarbons.*

[3] *A "blind" test refers to a test that was conducted in which Rex was provided with seismic data (either a 2D seismic line or a 3D seismic cube) with all references to location and all identifying headers removed. The results from wells that were drilled on these seismic lines or within the seismic cube were also not communicated to Rex until after Rex had analysed the data using the Virtual Drilling and provided an indication as to the presence or absence of oil in the area.*

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 Limited as well as other specialists to carry out Concept and Front-End Engineering Design ("**FEED**") studies. As part of this effort, the project team has selected an all-offshore solution consisting of a Mobile Offshore Production Unit ("**MOPU**"), a Catenary Anchor Leg Mooring ("**CALM**") Buoy and a Floating Storage and Offloading ("**FSO**") vessel for the West Seahorse development.

Whilst drilling rigs for conversion to a MOPU 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 timeline 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.
Final agreements were reached with the owner and a Sale and Purchase Agreement to acquire the GSP Britannia, on behalf of the VIC/P57 joint venture was signed by both parties in 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.

A contracting strategy involving the sale and lease back of the GSP Britannia was agreed with the Joint Venture. A Request for Tender was issued in August 2013 and tenders were received from six contractors in September. Evaluation of the two preferred contractors is ongoing and final selection of the contractor is scheduled for November 2013.

A summary of the current plan for tendering and award of the major contracts required for West Seahorse 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	December 2013
MOPU – sale of the GSP Britannia and award contract for refurbishment, reactivate class, supply of equipment, integration and installation	August 2013	December 2013
FSO – vessel that will store produced oil before selling to the market	September 2013	January 2014
Export System – includes the submarine pipeline, CALM buoy and offloading hose	September 2013	January 2014
Drilling – the supply of a Modular Platform drilling rig including the drilling operations	October 2013	January 2014

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

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. An independent assessment is currently being performed and results are due in November 2013.

In October 2013, the Department of Sustainability, Environment, Water, Population and Communities of the Australian government (SEWPaC) approved our EPBC ("Environment Protection and Biodiversity Conservation Act") referral as a non-controlled action (no threat to items of national significance and further on 13 November 2013, the Australian National Offshore Petroleum Titles Administrator ("**NOPTA**") approved the Field Development Plan for West Seahorse. On the same day NOPTA also offered CHPL (on behalf of the VIC/P57 Joint Venture) a Production License over the West Seahorse oilfield.

First volumes of commercial production ("First Oil") from VIC/P57 is expected in early 2015 subject to a timely receipt of the relevant regulatory approvals.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
20 November 2013