HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
31 December 2013

HIBISCUS PETROLEUM BERHAD
(Company No : 798322-P)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER QUARTER ENDED 31.12.2013 RM'000	 QUARTER ENDED 31.12.2012 RM'000	CUMULATIVE QUARTER PERIOD ENDED 31.12.2013 RM'000	 PERIOD ENDED 31.12.2012 RM'000
REVENUE		6,779	2,334	13,343	6,203
Other income		16,258	250	18,049	250
Administrative expenses		(10,705)	(3,258)	(22,198)	(9,670)
Other expenses*		(1,878)	(780)	(4,710)	(929)
Finance costs		(562)	(993)	(2,693)	(1,601)
Share of losses of an associate		(16)	-	(404)	-
Share of losses of joint ventures		(510)	(65)	(2,961)	(858)
Gain on dilution of interest in a joint venture		-	-	13,455	-
PROFIT/(LOSS) BEFORE TAXATION	26	9,366	(2,512)	11,881	(6,605)
Taxation	27	(30)	11	254	47
PROFIT/(LOSS) AFTER TAXATION		9,336	(2,501)	12,135	(6,558)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		9,336	(2,501)	12,135	(6,558)
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic	25	1.90	(0.57)	2.62	(1.50)
Diluted	25	1.15	(0.57)	2.36	(1.50)

** Other expenses for the nine-month period ended 31.12.2013 include unrealised loss on foreign exchange of RM4.5 million (nine-month period ended 31.12.2012: RM0.7 million).*

The Unaudited Condensed Consolidated Statements of Profit or Loss 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 31.12.2013 RM'000	QUARTER ENDED 31.12.2012 RM'000	PERIOD ENDED 31.12.2013 RM'000	PERIOD ENDED 31.12.2012 RM'000
PROFIT/(LOSS) AFTER TAXATION	9,336	(2,501)	12,135	(6,558)
Other comprehensive income/(expenses), net of tax:				
Foreign currency translation*	3,296	(706)	9,298	(791)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE QUARTER/ PERIOD	12,632	(3,207)	21,433	(7,349)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:				
Owners of the Company	12,632	(3,207)	21,433	(7,349)

** 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 31.12.2013 RM'000	AUDITED AS AT 31.03.2013 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		13,758	14,161
Investments in joint ventures		209,156	180,770
Intangible assets		62,809	44,179
Equipment		31,124	3,831
		316,847	242,941
CURRENT ASSETS			
Other receivables, deposits and prepayments		2,668	656
Tax recoverable		90	90
Amounts owing by joint ventures		4,733	572
Amount owing by an associate		771	-
Fixed deposits with licensed banks		34,755	58,881
Cash and bank balances		22,197	67,108
		65,214	127,307
TOTAL ASSETS		382,061	370,248
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	5,099	4,404
Other reserves		363,170	247,163
Retained earnings/(accumulated losses)		1,849	(10,286)
		370,118	241,281
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	318
Convertible Redeemable Preference Shares ("**CRPS**")	11	-	79,369
		-	79,687
CURRENT LIABILITIES			
Other payables and accruals		10,676	5,117
Amount owing to an associate		-	29,677
Provision for taxation		40	6
Discovery bonus payable		-	14,261
Redeemable Convertible Preference Shares ("**RCPS**")		219	219
CRPS	11	1,008	-
		11,943	49,280
TOTAL LIABILITIES		11,943	128,967
TOTAL EQUITY AND LIABILITIES		382,061	370,248
NET ASSETS PER SHARE (RM)		0.73	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)/ RETAINED EARNINGS RM'000**	**TOTAL RM'000**
9 months to 31.12.2013							
As at 01.04.2013	4,404	154,724	91,593	190	656	(10,286)	241,281
Conversion of warrants	131	10,253	(3,841)	-	-	-	6,543
Conversion of CRPS	564	100,487	-	(190)	-	-	100,861
Profit after taxation	-	-	-	-	-	12,135	12,135
Other comprehensive income, net of tax:							
Foreign currency translation	-	-	-	-	9,298	-	9,298
Total comprehensive income for the period	-	-	-	-	9,298	12,135	21,433
As at 31.12.2013	5,099	265,464	87,752	-	9,954	1,849	370,118
9 months to 31.12.2012							
As at 01.04.2012	4,180	137,217	98,151	-	(1,314)	(6,089)	232,145
Conversion of warrants	221	17,304	(6,482)	-	-	-	11,043
Equity component of CRPS	-	-	-	173	-	-	173
Loss after taxation	-	-	-	-	-	(6,558)	(6,558)
Other comprehensive expenses, net of tax:							
Foreign currency translation	-	-	-	-	(791)	-	(791)
Total comprehensive expenses for the period	-	-	-	-	(791)	(6,558)	(7,349)
As at 31.12.2012	4,401	154,521	91,669	173	(2,105)	(12,647)	236,012

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 31.12.2013 RM'000	PERIOD ENDED 31.12.2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	11,881	(6,605)
Adjustments for:		
Depreciation on equipment	511	155
Interest income	(1,334)	(1,778)
Unrealised loss on foreign exchange	4,519	700
Qualifying acquisition expenses	-	46
Finance costs	2,693	1,601
Share of losses of an associate	404	-
Share of losses of joint ventures	2,961	858
Gain on dilution of interest in a joint venture	(13,455)	-
Reversal of discovery bonus payable	(15,793)	-
Operating loss before working capital changes	(7,613)	(5,023)
Increase in other receivables, deposits and prepayments	(1,714)	(2,001)
Increase in other payables and accruals	5,815	1,073
(Increase)/decrease in amounts owing by joint ventures	(4,161)	1,301
Decrease in amount owing to an associate	(27,651)	-
Cash used in operations	(35,324)	(4,650)
Income tax paid	-	(557)
Net cash used in operating activities	(35,324)	(5,207)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(27,798)	(2,462)
Interest received	1,334	1,778
Qualifying acquisition expenses paid	-	(46)
Investment in a joint venture	(7,947)	(157,335)
Subscription of shares in an associate and related expenses paid	-	(10,438)
Acquisition of intangible assets	(22,793)	-
Net cash used in investing activities	(57,204)	(168,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	6,543	11,043
Proceeds from issuance of CRPS and related expenses paid	20,918	68,426
Net cash generated from financing activities	27,461	79,469
Net change in cash and cash equivalents	(65,067)	(94,241)
Effects of foreign exchange rate changes	(3,970)	343
Cash and cash equivalents at beginning of the financial period	125,989	218,524
Cash and cash equivalents at end of the financial period	56,952	124,626

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 CHANGE IN FINANCIAL YEAR END

The Board of Directors of Hibiscus Petroleum Berhad ("**Hibiscus Petroleum**" or the "**Company**") has changed the financial year end date of the Company from 31 March to 31 December effective 24 February 2014. Accordingly, the financial period end date of the Company and its subsidiaries (the "**Group**") under review is for the nine-month period ended 31 December 2013. The next audited financial statements of the Company shall be for a period of 9 months, made up from 1 April 2013 to 31 December 2013.

Thereafter, the subsequent financial years of the Company shall end on 31 December every year.

2 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 the Group since the financial year ended 31 March 2013.

3 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 11	Joint Arrangements (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)
MFRS 128	Investments in Associates and Joint Ventures (effective from 1 January 2013)
Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities (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)

3 CHANGES IN ACCOUNTING POLICIES (CONT'D)

Amendments to MFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective from 1 January 2013)

The Group has early adopted Amendments to MFRS 136: *Recoverable Amounts Disclosures for Non-Financial Assets*.

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 MFRSs 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 139	Novation of Derivatives and Continuation of Hedge Accounting (effective from 1 January 2014)
IC Interpretation 21	Levies (effective from 1 January 2014)

4 SEASONAL OR CYCLICAL FACTORS

The Group's operations were not significantly affected by any seasonal or cyclical factors.

5 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 31 December 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 ended 30 June 2013.

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 ended 30 September 2013.

5 UNUSUAL ITEMS (CONT'D)

(ii) During the financial period ended 31 December 2013, 21.45 million CRPS were issued according to the terms of the CRPS Subscription Agreements executed earlier, as disclosed in Note 11 (ii) of this Quarterly Report. Out of the total CRPS issued of 100.93 million, 99.93 million CRPS have been converted into 56,394,220 ordinary shares of the Company during the financial period ended 31 December 2013. As at 31 December 2013, the remaining CRPS in issuance amounted to 1.00 million.

(iii) Hibiscus Petroleum, via Gulf Hibiscus Ltd ("**Gulf Hibiscus**"), holds a 35% stake in Lime Petroleum Plc ("**Lime**"), which through Lime Petroleum Limited ("**Lime BVI**"), has a 64% stake in Masirah Oil Limited ("**Masirah Oil**"). Masirah Oil began drilling an exploration well in Masirah North North #1 ("**MNN #1**"), located in the Block 50 Oman concession, on 25 November 2013 as part of a 2-well drilling programme in the concession. The drilling was subsequently suspended on 19 December 2013. Data analysis indicated presence of non-commercial hydrocarbons. Please refer to our announcements dated 25 November 2013 and 24 December 2013.

Hibiscus Petroleum has adopted MFRS 6: *Exploration for and Evaluation of Mineral Resources*, wherein oil and gas expenditure incurred is accumulated in respect of each identifiable area of interest and capitalized (and not expensed) to the extent certain conditions are satisfied[1].

In addition, exploration and evaluation ("**E & E**") assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an E & E asset may exceed its recoverable amount. For Lime/Masirah Oil, with the discovery in the GA-South prospect, for which testing is still ongoing, coupled with the existence of other prospects within the Block 50 Oman concession, at this stage, we believe that it is too premature to conclude on potential impairment, if any. The impact of the MNN #1 and GA-South well results on the impairment assessment will be fully evaluated by Lime/Masirah Oil and the results will be disclosed in Lime's audited consolidated financial statements for the financial year ended 31 December 2013. Hibiscus Petroleum would then account for impairment losses as part of its share of Lime's profit or loss, if any.

In relation to its investment in Lime, based on currently available information, Hibiscus Petroleum has assessed the carrying value of its investment with its recoverable amount as at 31 December 2013, in accordance with its accounting policy and have found no indication for impairment.

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1 These conditions include:

- *the rights to tenure of the area of interest are current; and*
- *at least one of the following conditions are also met:*
  - *i. the E & E expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and*
  - *ii. E & E activities in the area of interest have not at the reporting date reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.*

5 UNUSUAL ITEMS (CONT'D)

(iv) As part of the terms of the acquisition of Hibiscus Petroleum's 35% stake in Lime (through Gulf Hibiscus), it was agreed that USD5 million would be payable to Rex Middle East Ltd after receipt of a written confirmation from an independent third party approved by both parties after the first commercial discovery under any of the existing Middle East concessions provided that such written confirmation is received by Gulf Hibiscus no later than 31 December 2013. As commercially viable hydrocarbons were not discovered by 31 December 2013, the discovery bonus payable and its related finance costs (which were previously provided for in the financial statements) amounting to RM15.8 million, were reversed to other income during the current quarter.

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

(v) Lime holds a 100% equity stake in Lime Petroleum Norway AS ("**Lime Norway**"), which has interests in 14 production licenses in the Norwegian Continental Shelf ("**NCS**"), 4 of which is still pending regulatory approval.

As part of Lime Group's growth strategy with Norway taking an increasingly important focus, Lime's shareholders had advanced USD7 million (RM22.59 million) to Lime in November 2013. Gulf Hibiscus had proportionately contributed USD2.45 million (RM7.91 million) of such funds.

Please refer to our announcement dated 9 January 2014.

6 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 31 December 2013.

7 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Other than the items below and save as disclosed in Note 18 (Part B) and Part C of this Quarterly Report, there were no other material events subsequent to the end of the financial period ended 31 December 2013 up to the date of this report :-

(i) In its second exploration well, GA-South also located in Block 50, Oman, Masirah Oil successfully reached the well target depth of more than 3,000 metres drilling into the Cambrian formation. Hydrocarbons were discovered in several formations with good oil sample extracted. The well is currently undergoing testing. The well was drilled using an independent leg cantilever jack-up drilling rig Aban VII. Please refer to our announcements dated 6 January 2014 and 4 February 2014.

(ii) Lime had advanced USD16 million (RM52.45 million) in January 2014 to facilitate the drawdown of a Norwegian Kroner ("**NOK**") 300 million (USD48.62 million[2] / RM159.48 million) government-backed loan from Skandinaviska Enskilda Banken AB ("**SEB**"), a leading Nordic corporate bank to fund the drilling of at least 2 exploration wells in the NCS and fully finance Lime Norway's activities into 2015. The loan facility agreement with SEB was executed in December 2013. Out of the total advance of USD16 million, Gulf Hibiscus' contributed USD5.6 million (RM18.36 million), consistent with its 35 % equity holding of Lime Norway.

[2] *Converted at an assumed exchange rate of NOK6.17 to USD1.00.*

8 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.

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 5 (i), there were no other changes in the composition of the Group during the financial period ended 31 December 2013.

9 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.

10 DIVIDENDS PAID/PAYABLE

There were no dividends declared or paid during the financial period ended 31 December 2013.

11 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 nine-month financial period ended 31 December 2013 were as follows:

			PERIOD ENDED 31.12.2013
	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	13,086,800	131
Conversion of CRPS	0.01	56,394,220	564
As at 31.12.2013	0.01	509,875,742	5,099

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

(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	:	13,086,800
Exercise price	:	RM0.50 per Warrant-A

(ii) CRPS

During the financial period ended 31 December 2013, the Company issued 21.45 million CRPS. Out of the total CRPS issued of 100.93 million, 99.93 million CRPS have been converted into 56,394,220 ordinary shares of the Company during the period ended 31 December 2013. As at 31 December 2013, the remaining CRPS in issuance amounted to 1.00 million.

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.

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 31 December 2013.

12 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 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**").

12 OPERATING SEGMENTS (CONT'D)

(iv) HIREX — Planned investments in exploration assets within the Asia Pacific region. There were no exploration assets secured during the financial period ended 31 December 2013.

	Investment holding RM'000	Lime RM'000	3D Oil & VIC/P57 RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
As at 31.12.2013						
Non-current assets	4,020	198,285	103,671	10,871	-	316,847
Period ended 31.12.2013						
Revenue	13,026	-	317	-	-	13,343
Depreciation	(505)	-	(6)	-	-	(511)
Profit from operations	3,283	-	1,201	-	-	4,484
Share of results	-	(1,968)	(404)	(993)	-	(3,365)
Gain on dilution of interest in a joint venture	-	-	-	13,455	-	13,455
Finance costs	(2,693)	-	(2,633)	-	2,633	(2,693)
Interest income	2,693	-	-	-	(2,693)	-
Taxation	(38)	-	292	-	-	254
Profit/(loss) after taxation	3,245	(1,968)	(1,544)	12,462	(60)	12,135
As at 31.12.2012						
Non-current assets	2,967	179,532	-	-	-	182,499
Period ended 31.12.2012						
Revenue	6,203	-	-	-	-	6,203
Depreciation	(155)	-	-	-	-	(155)
Loss from operations	(4,146)	-	-	-	-	(4,146)
Share of results	-	(858)	-	-	-	(858)
Finance costs	(1,601)	-	-	-	-	(1,601)
Taxation	47	-	-	-	-	47
Loss after taxation	(5,700)	(858)	-	-	-	(6,558)

13 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 31 December 2013:

	RM'000
Approved and contracted for:	
Share of an associate's material commitments (3D Oil)	5,011
Share of a joint venture's material commitments (Lime)	4,141
	9,152
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)	145,945
	345,077

14 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	QUARTER ENDED 31.12.2013 RM'000	**QUARTER ENDED 31.12.2012 RM'000**	**PERIOD ENDED 31.12.2013 RM'000**	**PERIOD ENDED 31.12.2012 RM'000**
Project management, technical and other services fees earned from joint ventures				
- Lime	6,163	1,523	10,728	4,424
- HIREX	278	-	1,282	-
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	200	-	1,035	-
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	487	-	1,166	-
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(824)	-	(2,335)	-

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

15 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

16 PERFORMANCE REVIEW

16.1 Material factors affecting financial period-to-date results

In the current nine-month period ("**current period**"), the Group revenue increased by RM7.1 million from RM6.2 million in the corresponding nine-month period in the previous financial year ("**corresponding period**") to RM13.3 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 relating to the 2-well drilling programme in Block 50 Oman which commenced during the quarter ended December 2013, as well as business development, technical and financial services provided to HIREX.

Included in other income is the reversal of discovery bonus payable and its related finance costs to Rex Middle East Ltd of RM15.8 million ("**Reversal of Discovery Bonus**"), due to non-discovery of commercially viable hydrocarbons within the existing concessions in the Middle East held by Lime by 31 December 2013.

The Group recorded a profit before taxation for the current period of RM11.9 million as compared to a loss before taxation of RM6.6 million in the corresponding period.

This profit is mainly due to the Reversal of Discovery Bonus of RM15.8 million, and 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, HIREX management and Triax.

These gains are partially offset by an increase in unrealised loss on foreign exchange of RM3.8 million, increase in personnel remuneration by RM3.8 million, share of losses of joint ventures by RM2.1 million, and consultancy and professional fees incurred mainly in relation to projects and business development activities by RM7.4 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 RM14.1 million through the provision of project management, technical and other services and indirect overheads recovery from the VIC/P57 joint venture during the current period.

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 increased level of business development activities in Norway and the Middle East.

16 PERFORMANCE REVIEW (CONT'D)

16.2 Material factors affecting current quarter's results

During the current quarter, the Group recorded revenue of RM6.8 million, an increase of RM4.5 million as compared to RM2.3 million in the corresponding three-month period in the prior financial year ("**corresponding quarter**"). Such increase is mainly due to higher revenue earned from project management, technical and other services fees from Lime and HIREX.

The Group recorded a profit before taxation for the current quarter of RM9.4 million as compared to a loss before taxation of RM2.5 million in the corresponding quarter. This increase is primarily due to the Reversal of Discovery Bonus of RM15.8 million during the current quarter.

Key increases in costs in the current quarter include consultancy and professional fees incurred mainly in relation to projects and business development activities by RM5.3 million, unrealised foreign exchange losses by RM1.1 million, and personnel remuneration by RM1.0 million.

17 MATERIAL CHANGE IN PROFIT BEFORE TAXATION IN COMPARISON TO THE PRECEDING QUARTER

The Group recorded a RM9.4 million profit before taxation for the current quarter as compared to RM12.6 million in the quarter ended 30 September 2013 ("**preceding quarter**").

The current quarter's profit before taxation is mainly due to the Reversal of Discovery Bonus of RM15.8 million, whilst during the preceding quarter, 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, and reversal of RM3.3 million of unrealised loss on foreign exchange due to strengthening of the AUD.

18 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Acquisition of Participating Interests in Concessions in Norway

Based on previous announcements, Lime Norway has secured interests in 14 concessions in the Norwegian Continental Shelf, of which 4 are pending regulatory approval.

Please refer to our announcements dated 3 September 2013, 18 November 2013, 5 December 2013, 22 January 2014 and 21 February 2014.

(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.

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

(ii) Private Placement of Existing CRPS (Cont'd)

On 3 October 2013, a Subscription Agreement was executed with Pacific Meadow Sdn Bhd for the proposed subscription of RM109.07 million ("**Proposed Subscription**"), with some variations proposed to the terms of the Private Placement of Existing CRPS. Such variations are subject to, amongst others, the approval of our shareholders. In order to have more time to address the relevant conditions to the Proposed Subscription, the Company requested for an extension of time from 30 November 2013 to 31 May 2014 to complete the implementation of the Private Placement of Existing CRPS. On 29 January 2014, Bursa Securities granted the requested extension.

Please refer to our Company's announcements dated 3 October 2013, 8 November 2013, 20 December 2013 and 29 January 2014.

(iii) Proposed Private Placement of New CRPS

With the full execution of subscription agreements pertaining to the Private Placement of Existing CRPS, the Company had announced its proposal to undertake another new issuance of CRPS of up to RM500 million on 11 October 2013 ("**Proposed Private Placement of New CRPS**").

Subsequent to the previous quarter's Quarterly Report:

- On 29 November 2013, Bursa Securities approved the listing and quotation for up to 277,777,777 new ordinary shares of RM0.01 each in the Company to be issued upon the conversion of the New CRPS, subject to certain conditions.

- Bank Negara Malaysia approved the issuance of New CRPS by Hibiscus Petroleum for the amount of up to RM500 million to non-resident investors, subject to certain conditions to be observed, via its letter dated 23 December 2013.

- On 7 January 2014, Bursa Securities granted Hibiscus Petroleum an extension of time until 19 April 2014 to issue the circular to the shareholders of the Company.

The remaining approvals required to implement the Proposed Private Placement of New CRPS are from the shareholders of Hibiscus Petroleum and RCPS holders.

To-date, the Company has not executed any subscription agreement in relation to the Proposed Private Placement of New CRPS.

Please refer to our announcements dated 11 October 2013, 12 November 2013, 2 December 2013, 27 December 2013 and 7 January 2014.

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

(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 ("**Proposed Private Placement of Shares**").

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 via its letter dated 11 November 2013.

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 November 2013, 6 November 2013 and 13 November 2013.

19 PROSPECTS OF THE GROUP

In order to build early value and provide optimal upside to our shareholders, the Group currently has interests in 4 exploration concessions in the Middle East and up to 14 exploration concessions in Norway through its 35% equity stake in Lime. As part of the 2-well drilling program in Block 50 Oman (one of the Middle East concessions) which commenced on 25 November 2013, the Company announced that on 19 December 2013, it had suspended its first exploration well, MNN #1 in Block 50 Oman concession.

On 4 February 2014, the Company announced the successful reach of the well target depth in the second exploration well, GA-South, to its final depth of more than 3,000 metres into the Cambrian formation. Hydrocarbons were discovered in several formations with good oil sample extracted. The results of testing will be announced upon completion of testing and after clearance of the announcement by the regulatory authorities in Oman.

The Group also has a 50.1% interest in VIC/P57, Australia (which includes the West Seahorse field which is a proven discovery, as well as a few identified exploration prospects including Sea Lion and Felix). Securing such a development asset was an integral component of the Group's early portfolio balancing strategy as it significantly reduces the business risk profile of the Group. The estimated proven and probable reserves (2P) for the West Seahorse field are 6.5 million barrels, as certified by Gaffney Cline & Associates in 2014. Production from this field is targeted to commence in 2015.

On the back of our Group's assets in the Middle East, Australia and Norway, the Company is focusing on 2 main additional strategies which are believed to secure the long term future of our Group. Firstly, the joint venture with Rex International Holding Ltd, a company listed on the Singapore Stock Exchange, to form HIREX which shall serve as the platform for exploration focused activities in the Asia Pacific region. Secondly and directly within our Company, is the aim to secure a production or near-to-production asset which shall strengthen the Group's business risk profile further and improve the prospects of business sustainability.

Towards this end, the 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 the Group, as well as establish the Company as a premier independent oil company with a balanced portfolio of assets.

20 PROFIT FORECAST AND PROFIT GUARANTEE

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

21 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the financial period ended 31 December 2013.

22 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the financial period ended 31 December 2013.

23 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.

24 MATERIAL LITIGATION

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

25 EARNINGS/(LOSS) PER SHARE

Earnings/(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 31.12.2013 RM'000	QUARTER ENDED 31.12.2012 RM'000	PERIOD ENDED 31.12.2013 RM'000	PERIOD ENDED 31.12.2012 RM'000
Profit/(loss) after taxation attributable to owners of the Company (RM'000)	(A)	9,336	(2,501)	12,135	(6,558)
Weighted average number of shares in issue ('000)	(B)	491,383	439,596	462,656	435,757
Basic earnings/(loss) per share (sen)	(A/B)	1.90	(0.57)	2.62	(1.50)
Diluted earnings/(loss) per share (sen)		1.15	(0.57)	2.36	(1.50)

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.

26 PROFIT/(LOSS) BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2013 RM'000	QUARTER ENDED 31.12.2012 RM'000	PERIOD ENDED 31.12.2013 RM'000	PERIOD ENDED 31.12.2012 RM'000
Profit/(loss) before taxation is arrived at after charging/(crediting):				
Depreciation on equipment	286	56	511	155
Interest income	(338)	(809)	(1,334)	(1,778)
Unrealised loss on foreign exchange	1,758	696	4,519	700
Realised (gain)/loss on foreign exchange	(166)	28	(320)	28
Qualifying acquisition expenses	-	-	-	46
Finance costs	562	993	2,693	1,601
Share of losses of an associate	16	-	404	-
Share of losses of joint ventures	510	65	2,961	858
Gain on dilution of interest in a joint venture	-	-	(13,455)	-
Reversal of discovery bonus payable	(15,793)	-	(15,793)	-

Other than as presented in the Condensed Consolidated Statements of Profit or Loss, 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 31 December 2013.

27 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2013 RM'000	QUARTER ENDED 31.12.2012 RM'000	PERIOD ENDED 31.12.2013 RM'000	PERIOD ENDED 31.12.2012 RM'000
Income taxation	(28)	11	(38)	6
Deferred taxation	(2)	-	292	41
	(30)	11	254	47

28 REALISED AND UNREALISED RETAINED EARNINGS/(ACCUMULATED LOSSES)

	UNAUDITED AS AT 31.12.2013 RM'000	AUDITED AS AT 31.03.2013 RM'000
Analysis of retained earnings/(accumulated losses):		
Realised	6,549	(10,884)
Unrealised	(4,519)	687
	2,030	(10,197)
Less: Consolidation adjustments	(181)	(89)
	1,849	(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 24 February 2014.

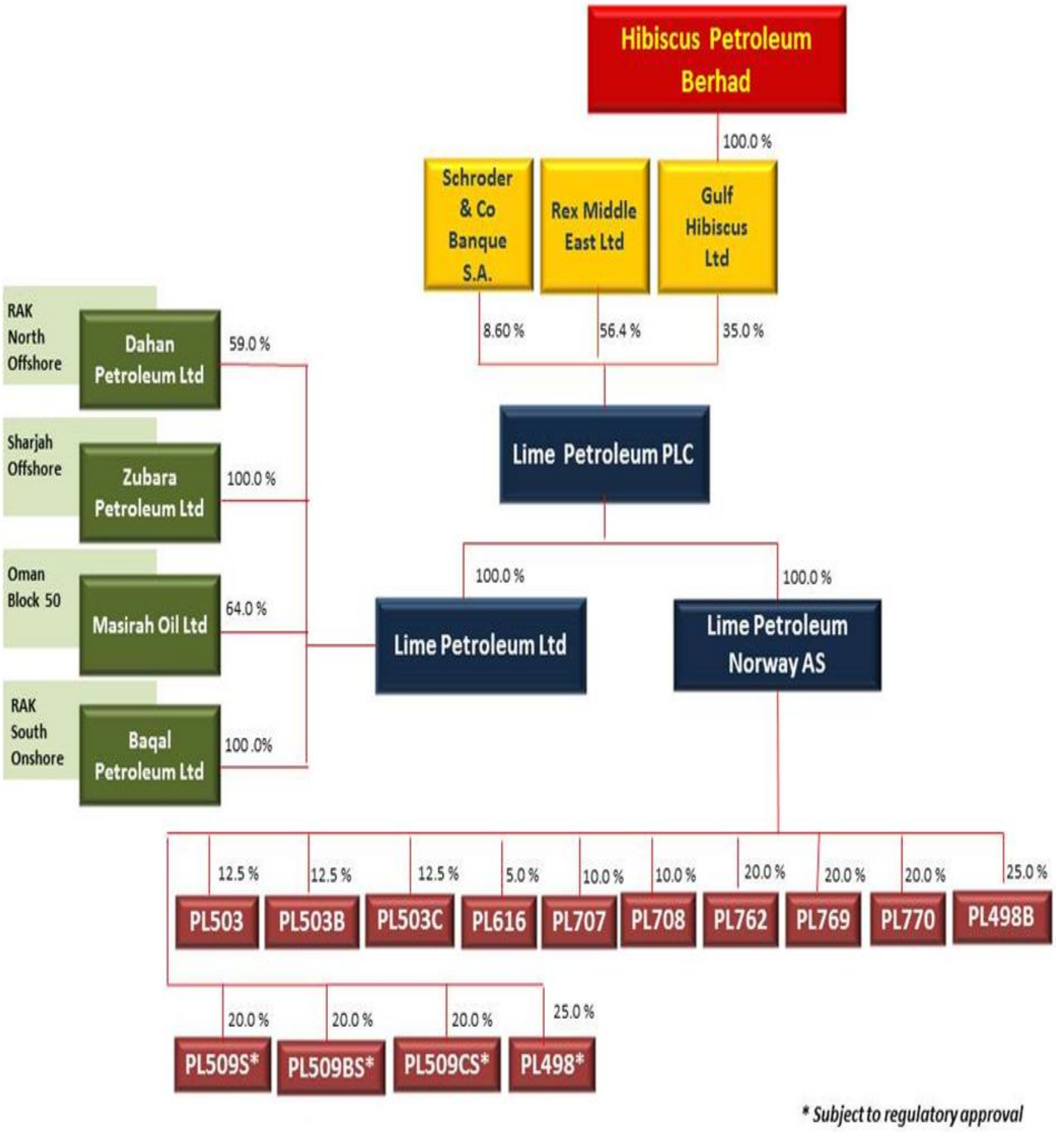
By Order of the Board of Directors
Hibiscus Petroleum Berhad

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



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

LIME GROUP STRUCTURE (Cont'd)

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

9 concessions from the acquisition of participating interests from North Energy ASA (for which regulatory approval is pending for PL498, PL509S, PL509BS and PL509CS), and 5 new offshore licenses issued by the Norwegian Ministry of Petroleum and Energy during the Awards in Predefined Areas ("**APA 2013**") in January 2014.

During the financial quarter/period ended 31 December 2013, the total expenditure incurred by Lime and its concession companies is set out below:

	QUARTER ENDED 31.12.2013 RM'000	**PERIOD ENDED 31.12.2013 RM'000**
Intangible assets	47,636	78,242
Administrative expenses	13,316	16,248
	60,952	94,490

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 EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)

1.1 BLOCK 50 OMAN CONCESSION

Ongoing Activities

The key operations of Masirah Oil Ltd ("**Masirah**") are being managed mainly by Hibiscus Petroleum. The Hibiscus Petroleum well-engineering team is located in Dubai in the UAE whilst Masirah's supply base for the Block 50 Oman drilling project is at Duqm Port, Oman.

In August 2013, Masirah awarded a drilling rig contract to Aban 7 Pte Ltd for the execution of its drilling programme in Block 50 Oman concession. After an international tender exercise and careful evaluation of available rigs in the region, the Aban VII drilling rig was chosen for several reasons including certainty of the rig's delivery schedule, strong past operating performance, crew competence and good health, safety and environment record alongside good regional support. Aban 7 Pte Ltd is an international drilling contractor that owns and operates a fleet of 18 drilling rigs.

Masirah began drilling its 1st exploration well in Masirah North North #1 ("**MNN #1**") on 25 November 2013, which is part of its 2-well drilling programme in the Block 50 Oman concession. The prospect MNN #1 was selected for drilling after in-depth technical evaluation and verification using the proprietary Rex Virtual Drilling technology, in addition to confirmations provided via conventional methodologies. The prospect is located in the northern area of the Block 50 Oman concession which is about 17,000 square kilometres in size.

For safety reason, on 19 December 2013, Masirah suspended its 1st exploration well, MNN #1 for further evaluation. The MNN #1 well was drilled to a total depth of approximately 1,000 metres below mean sea level. Mud losses in two carbonate sections of the well prevented Masirah from reaching its planned target depth. A comprehensive data acquisition, coring and logging programme of the formations that were drilled was completed on 21 December 2013. Data analysis indicated presence of non-commercial hydrocarbons. Datasets acquired from the coring and logging programmes are being utilized to refine the geological understanding of the area.

On 30 December 2013, Masirah began drilling its 2nd exploration well in GA–South ("**GAS #1**"), a prospect located in the central area of the Block 50 Oman concession. On 3 February 2014, Masirah announced the successful reach of the well target depth in its 2nd exploration well to its final depth of more than 3,000 metres into the Cambrian formation. Hydrocarbons were discovered in several formations with good oil sample extracted. The GAS #1 well is currently undergoing testing.

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, had decided to relinquish an area defined contractually as Area C within the concession area, where neither conventional analysis nor Rex Virtual Drilling[1] 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.

*[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)

1.2 RAK NORTH OFFSHORE CONCESSION (Cont'd)

Sub-Surface Evaluation

The team had received (from the previous 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.

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 is expected to be awarded in quarter ending 31 March 2014 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 in 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 have been evaluated with a target to award these contracts in quarter ending 31 March 2014. Site work is planned for early 2014 in preparation for a drilling program in 2015.

Engineering will commence in quarter ending 31 March 2014, working within the government guidelines but drawing on lessons learnt from the similar Block 50 Oman Concession procurement exercise.

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 have been evaluated. Award of a contract for this work is targeted by quarter ending 31 March 2014 for the work to be performed in the first half of 2014.

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

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 December 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 quarter ending June 2014.

1.5 NORWAY

Lime Norway has secured interests in 14 concessions in the Norwegian Continental Shelf ("**NCS**"), of which 4 are pending regulatory approval.

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As part of Lime Group's growth strategy with Norway taking an increasingly important focus, Lime's shareholders had:

- Earlier advanced USD7 million (RM22.59 million[2]) to Lime in November 2013. Gulf Hibiscus had proportionately contributed USD2.45 million (RM7.91 million) of such funds; and

- Advanced a further USD16 million (RM52.48 million) in January 2014 to facilitate the drawdown of a Norwegian Kroner ("**NOK**") 300 million (USD48.62 million[3] / RM159.48 million) government-backed loan from Skandinaviska Enskilda Banken AB ("**SEB**"), a leading Nordic corporate bank to fund the drilling of at least 2 exploration wells in the NCS and fully finance Lime Norway's activities into 2015. The loan facility agreement with SEB was executed in December 2013. Out of the total of USD16 million, Gulf Hibiscus' portion amounts to USD5.6 million (RM18.37 million).

[2] *Converted at an assumed exchange rate of RM3.22 to USD1.00.*
[3] *Converted at an assumed exchange rate of NOK6.17 to USD1.00.*

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

1.5 NORWAY (Cont'd)

The rationale for the further sum invested includes the objective of maintaining Gulf Hibiscus' 35% equity stake in Lime in view of the encouraging future prospects of Lime, to further mitigate any potential political or security risk arising from the Middle East region where Lime has oil & gas concessions in Oman and the United Arab Emirates, and to leverage on the attractive Norwegian Petroleum fiscal system which reimburses 78% of eligible exploration expenditure at the end of each year, irrespective of whether production is achieved.

1.6 FARMING OUT MIDDLE EAST CONCESSIONS

Efforts are also underway to farm out and/or complete the farm out of 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 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 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.

The GSP Britannia was procured on behalf of the VIC/P57 joint venture for conversion to a MOPU in July 2013. A small site team has 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. However, award of this contract and all other West Seahorse Project contracts have been delayed due to the delays in receiving the Certified Reserves report. This has then delayed finalizing terms for bank financing and reaching the project Final Investment Decision, a pre-requisite to awarding major contracts.

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

A summary of the current plan for tendering and award of the major contracts required for West Seahorse is as follows. Note that these forecasted dates have been delayed for the reasons identified above:

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

From a sub-surface perspective, an independent assessment was performed by a third party expert, Gaffney Cline, and delivered in early January 2014. This is now being used to finalize bank financing for the project.

From a regulatory perspective, the project is well positioned. In October 2013, the Department of Sustainability, Environment, Water, Population and Communities of the Australian government approved our Environment Protection and Biodiversity Conservation Act referral as a non-controlled action (no threat to items of national significance). On 13 November 2013, the Australian National Offshore Petroleum Titles Administrator ("**NOPTA**") approved the Field Development Plan for West Seahorse. On 5 December 2013, NOPTA awarded CHPL (on behalf of the VIC/P57 Joint Venture) a Production License VIC/L31 over the West Seahorse oilfield.

First volumes of commercial production from West Seahorse are now expected in the second quarter or third quarter of 2015.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
24 February 2014