HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
31 March 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31.03.2014 RM'000	QUARTER ENDED 31.03.2013 RM'000	PERIOD ENDED 31.03.2014 RM'000	PERIOD ENDED 31.03.2013 RM'000
REVENUE		5,980	2,313	5,980	2,313
Other income		3,368	1,705	3,368	1,705
Administrative expenses		(6,903)	(5,673)	(6,903)	(5,673)
Other expenses		(776)	(519)	(776)	(519)
Finance costs		(6)	(982)	(6)	(982)
Share of results of an associate:					
- Share of losses		(84)	(137)	(84)	(137)
- Negative goodwill arising from acquisition		-	7,447	-	7,447
Share of losses of joint ventures		(1,725)	(1,479)	(1,725)	(1,479)
(LOSS)/PROFIT BEFORE TAXATION	25	(146)	2,675	(146)	2,675
Taxation	26	(10)	(314)	(10)	(314)
(LOSS)/PROFIT AFTER TAXATION		(156)	2,361	(156)	2,361
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		(156)	2,361	(156)	2,361
(LOSS)/EARNINGS PER SHARE (SEN)					
Basic	24	(0.03)	0.54	(0.03)	0.54
Diluted	24	(0.03)	0.38	(0.03)	0.38

The Unaudited Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the audited financial statements for the financial period ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2014 RM'000	**QUARTER ENDED 31.03.2013 RM'000**	**PERIOD ENDED 31.03.2014 RM'000**	**PERIOD ENDED 31.03.2013 RM'000**
(LOSS)/PROFIT AFTER TAXATION	(156)	2,361	(156)	2,361
Other comprehensive (expenses)/income: Items that may be subsequently reclassified to profit and loss: Foreign currency translation*	(1,318)	2,761	(1,318)	2,761
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE QUARTER/PERIOD	(1,474)	5,122	(1,474)	5,122
TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:				
Owners of the Company	(1,474)	5,122	(1,474)	5,122

** 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 period ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 31.03.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		13,023	13,758
Investments in joint ventures		224,762	209,156
Intangible assets		65,895	61,787
Equipment		33,722	31,124
		337,402	315,825
CURRENT ASSETS			
Other receivables, deposits and prepayments		3,047	2,239
Tax recoverable		1,189	1,241
Amounts owing by joint ventures		8,480	4,984
Amount owing by an associate		5,261	1,968
Fixed deposits with licensed banks		19,190	34,755
Cash and bank balances		15,604	27,650
		52,771	72,837
TOTAL ASSETS		390,173	388,662
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	5,326	5,099
Other reserves		372,997	363,187
Retained earnings		1,693	1,849
		380,016	370,135
CURRENT LIABILITIES			
Other payables and accruals		7,785	16,242
Amount owing to an associate		1,129	1,018
Provision for taxation		10	40
Redeemable Convertible Preference Shares ("**RCPS**")		219	219
Convertible Redeemable Preference Shares ("**CRPS**")	10	1,014	1,008
		10,157	18,527
TOTAL LIABILITIES		10,157	18,527
TOTAL EQUITY AND LIABILITIES		390,173	388,662
NET ASSETS PER SHARE (RM)		0.71	0.73

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements.

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**	**RETAINED EARNINGS/ (ACCUMULATED LOSSES) RM'000**	**TOTAL RM'000**
3 months to 31.03.2014							
As at 01.01.2014	5,099	265,465	87,753	-	9,969	1,849	370,135
Conversion of warrants	227	17,793	(6,665)	-	-	-	11,355
Loss after taxation	-	-	-	-	-	(156)	(156)
Other comprehensive expenses, net of tax:							
Foreign currency translation	-	-	-	-	(1,318)	-	(1,318)
Total comprehensive expenses for the period	-	-	-	-	(1,318)	(156)	(1,474)
As at 31.03.2014	5,326	283,258	81,088	-	8,651	1,693	380,016
3 months to 31.03.2013							
As at 01.01.2013	4,401	154,521	91,669	173	(2,105)	(12,647)	236,012
Conversion of warrants	3	203	(76)	-	-	-	130
Equity component of CRPS	-	-	-	17	-	-	17
Profit after taxation	-	-	-	-	-	2,361	2,361
Other comprehensive income, net of tax:							
Foreign currency translation	-	-	-	-	2,761	-	2,761
Total comprehensive income for the period	-	-	-	-	2,761	2,361	5,122
As at 31.03.2013	4,404	154,724	91,593	190	656	(10,286)	241,281

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial period ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	QUARTER ENDED 31.03.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before taxation	(146)
Adjustments for:	
Depreciation of equipment	372
Interest income	(213)
Unrealised gain on foreign exchange	(2,797)
Finance costs	6
Share of losses of an associate	84
Share of losses of joint ventures	1,725
Operating loss before working capital changes	(969)
Increase in other receivables, deposits and prepayments	(788)
Decrease in other payables and accruals	(3,152)
Increase in amounts owing by joint ventures	(3,583)
Decrease in amount owing to an associate	(3,158)
Net cash used in operating activities	(11,650)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(2,091)
Interest received	213
Investment in a joint venture	(18,400)
Acquisition of intangible assets	(2,104)
Net cash used in investing activities	(22,382)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of ordinary shares	11,355
Deposit refunded to a CRPS placee	(5,453)
Net cash generated from financing activities	5,902
Net decrease in cash and cash equivalents	(28,130)
Effects of foreign exchange rate changes	519
Cash and cash equivalents at beginning of the financial quarter	62,405
	34,794
Less: Cash restricted in use	(4,241)
Cash and cash equivalents at end of the financial quarter	30,553

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial period ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements.

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 period ended 31 December 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 period ended 31 December 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the financial period ended 31 December 2013, except for the adoption of Amendments to Standards and Issue Committee ("**IC**") Interpretations effective as of 1 January 2014.

2.1 Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2014:

Amendments to MFRS 10	*Consolidated Financial Statements: Investment Entities*
Amendments to MFRS 12	*Disclosure of Interests in Other Entities: Investment Entities*
Amendments to MFRS 127	*Separate Financial Statements: Investment Entities*
Amendments to MFRS 132	*Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 136	*Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to MFRS 139	*Novation of Derivatives and Continuation of Hedge Accounting*
IC Interpretation 21	*Levies*

The adoption of the above amendments and interpretation did not have any impact on the financial statements of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards issued but not yet effective

At the date of authorisation of the Condensed Report, the following Standards were issued but not yet effective and have not been adopted by the Group:

Description		**Effective for financial periods beginning on or after**
MFRS 9	*Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("**IASB**") in November 2009)*	To be announced by MASB
MFRS 9	*Financial Instruments (IFRS 9 issued by IASB in October 2010)*	To be announced by MASB
MFRS 9	*Financial Instruments: Mandatory Effective date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 and MFRS 7)*	To be announced by MASB
MFRS 9	*Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)*	To be announced by MASB
Amendments to MFRS 119	*Defined Benefit Plans: Employee Contributions*	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle		1 July 2014

The Group will adopt the above standards and amendments when they become effective in the respective financial periods. The Group is in the process of making an assessment of the impact of the adoption of these standards and amendments to existing standards.

3 SEASONAL OR CYCLICAL FACTORS

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

4 SIGNIFICANT / UNUSUAL ITEMS

Save as disclosed below, there were no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 31 March 2014:

(i) Lime Petroleum Plc ("**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**"). Hibiscus Petroleum, via its wholly-owned subsidiary company, Gulf Hibiscus Limited ("**Gulf Hibiscus**"), holds a 35% equity stake in Lime.

4 SIGNIFICANT / UNUSUAL ITEMS (CONT'D)

As part of Lime's growth strategy with Norway taking an increasingly important focus, Lime's shareholders had advanced USD16 million (RM52.5 million) to Lime in January 2014 to facilitate the drawdown of a Norwegian Kroner ("**NOK**") 300 million (USD48.6 million / RM159.5 million) government-backed loan from Skandinaviska Enskilda Banken AB ("**SEB**"), a 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 (RM18.4 million), to maintain its 35% indirect equity interest in Lime Norway.

Please refer to our announcement dated 9 January 2014.

(ii) On 27 February 2014, the Company and Pacific Meadow Sdn. Bhd. ("**Pacific Meadow**") had mutually agreed to terminate the conditional subscription agreement dated 3 October 2013 for Pacific Meadow's proposed subscription of RM109.07 million existing CRPS ("**Termination**"). The Termination was made to, among others, ensure that there would be no unnecessary dilutive effect to the shareholders' equity holding in the Company, as the conversion price of the CRPS of RM1.85 (based on the 5-day volume weighted average market price of the Company's shares immediately prior to the price fixing date) was approximately 13.1% below RM2.13, based on the last transacted price of the Company's shares on the Main Market of Bursa Securities on 26 February 2014, prior to the Termination.

On 18 March 2014, following the Termination, the proposed variation to extend the maturity date of the existing CRPS from 30 April 2014 to 31 December 2014, was not proceeded with. Thus, the maturity date of the existing CRPS remained as 30 April 2014.

Please refer to our announcements dated 27 February 2014 and 18 March 2014.

(iii) Lime, through its wholly-owned subsidiary company, Lime Petroleum Ltd ("**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 its 2-well drilling programme in the concession. Drilling at MNN #1 was subsequently suspended on 19 December 2013 for safety reasons. Data analysis indicated presence of non-commercial hydrocarbons.

At its second exploration well, GA-South #1 ("**GAS #1**") which is also located in Block 50 Oman concession, Masirah Oil successfully reached the well target depth of more than 3,000 metres into the Cambrian formation. Hydrocarbons were discovered in several formations with good oil sample extracted. On 6 March 2014, the Company announced that during a 48-hour test, hydrocarbons were flowed to the surface and the well achieved light oil flow rate of up to 3,000 stock tank barrels per day (stb/d) with no water production.

Please refer to our announcements dated 25 November 2013, 24 December 2013, 6 January 2014, 4 February 2014 and 6 March 2014.

4 SIGNIFICANT / UNUSUAL ITEMS (CONT'D)

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 capitalised (and not expensed) to the extent certain conditions are satisfied[1].

5 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the prior financial periods that have a material effect in the financial quarter ended 31 March 2014.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

Other than the item below, there were no other material events subsequent to the end of the financial quarter ended 31 March 2014 up to the date of this report:-

- On 12 May 2014, Hibiscus Petroleum's wholly-owned subsidiary, Carnarvon Hibiscus Pty Ltd ("**CHPL**"), Althea Corporation Limited ("**Althea**"), HiRex Petroleum Sdn. Bhd. ("**HIREX**") and 3D Oil Limited ("**3D Oil**") entered into a heads of agreement ("**HOA**") to undertake various proposed transactions. Please refer to Part B, Item 17 (v) of this Quarterly Report and our announcements dated 12 May 2014 for further details.

  Pursuant to the signing of the HOA, CHPL had, on 14 May 2014, paid USD0.6 million (RM2.0 million) to 3D Oil as down payment for the total USD7.5 million (RM24.5 million) consideration to be paid for 3D Oil's 49.9% interest in the Britannia Rig and a 5% interest in the VIC/P57 exploration permit.

7 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial quarter ended 31 March 2014.

8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

9 DIVIDENDS PAID/PAYABLE

There were no dividends declared or paid during the financial quarter ended 31 March 2014.

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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.*

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 into ordinary shares during the financial quarter ended 31 March 2014 were as follows:

		PERIOD ENDED 31.03.2014	
	Par value RM	**Number of shares**	**Share capital RM'000**
ORDINARY SHARES			
As at 01.01.2014	0.01	509,875,742	5,099
Conversion of Warrants-A	0.01	22,711,000	227
As at 31.03.2014	0.01	532,586,742	5,326

(i) Warrants-A

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

Total issued	:	334,436,522
Exercised during the financial quarter	:	22,711,000
Exercise price	:	RM0.50 per Warrant-A

(ii) CRPS

During the financial quarter ended 31 March 2014, the Company did not issue any further CRPS. Out of the total CRPS issued of 100.93 million, 99.93 million CRPS had been converted into 56,394,220 ordinary shares of the Company. As at 31 March 2014, the remaining CRPS in issuance amounted to 1.00 million, which was subsequently converted into ordinary shares of the Company and listed on 9 May 2014.

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. As at 31 March 2014, the Company's unutilised proceeds were less than 20% of the total proceeds raised, and as such, there is no obligation to redeem these CRPS.

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 was 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 quarter ended 31 March 2014.

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, and provision of project management, technical and other services relating to the oil and gas exploration and production industry.
(ii)	Lime	Group's investments and operations in the exploration assets of Lime and its concession companies ("**Lime Group**"), located in the Middle East and Norway.
(iii)	3D Oil, VIC/L31 & VIC/P57	Group's operations in the production licence VIC/L31 for the West Seahorse field and other exploration prospects in Australia within exploration permit VIC/P57, and investment in 3D Oil.
(iv)	HIREX	Planned investments in exploration assets within the Asia Pacific region. There was no exploration assets secured during the financial quarter.

	Investment holding RM'000	Lime RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
As at 31.03.2014						
Non-current assets	3,675	214,116	108,965	10,646	-	337,402
Quarter ended 31.03.2014						
Revenue	5,968	-	12	-	-	5,980
Depreciation	(371)	-	(1)	-	-	(372)
Profit from operations	1,167	-	502	-	-	1,669
Share of results	-	(1,004)	(84)	(721)	-	(1,809)
Finance costs	(6)	-	(1,000)	-	1,000	(6)
Interest income	1,000	-	-	-	(1,000)	-
Taxation	(10)	-	-	-	-	(10)
Profit/(Loss) after taxation	2,151	(1,004)	(582)	(721)	-	(156)

11 OPERATING SEGMENTS (CONT'D)

	Investment holding RM'000	Lime RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
As at 31.03.2013						
Non-current assets	3,823	180,770	58,348	-	-	242,941
Quarter ended 31.03.2013						
Revenue	2,186	-	127	-	-	2,313
Depreciation	74	-	-	-	-	74
Loss from operations	(743)	-	(1,431)	-	-	(2,174)
Share of results	-	(1,479)	7,310	-	-	5,831
Finance costs	(982)	-	(737)	-	737	(982)
Interest income	681	-	-	-	(681)	-
Taxation	1	-	(315)	-	-	(314)
(Loss)/Profit after taxation	(1,043)	(1,479)	4,827	-	56	2,361

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 31 March 2014:

	RM'000
Approved and contracted for:	
Share of an associate's material commitments (3D Oil)	6,174
Share of a joint operation's material commitments (VIC/P57 and VIC/L31)	7,705
Share of a joint venture's material commitments (Lime)	3,690
	17,569
Approved but not contracted for:	
Share of an associate's material commitments (3D Oil)	20,645
Share of a joint operation's material commitments (VIC/P57 and VIC/L31)	158,955
Share of a joint venture's material commitments (Lime)	160,457
	340,057

13 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2014 RM'000	QUARTER ENDED 31.03.2013 RM'000	PERIOD ENDED 31.03.2014 RM'000	PERIOD ENDED 31.03.2013 RM'000
Project management, technical and other services fees earned from joint ventures				
- Lime	5,648	1,760	5,648	1,760
- HIREX	119	-	119	-
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	210	-	210	-
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	582	938	582	938
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(506)	(1,573)	(506)	(1,573)

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

In the current financial quarter ("**current quarter**"), Group revenue increased by RM3.7 million from RM2.3 million in the previous corresponding financial quarter ("**corresponding quarter**") to RM6.0 million.

Revenue comprises fees for project management, technical and other services, and interest income from fixed deposits. The increase in revenue in the current quarter is due to the increased project management activities relating to the 2-well drilling programme in Block 50 Oman which commenced in November 2013 and continued to March 2014, as well as business development, technical and financial services provided to HIREX.

The higher other income in the current quarter by RM1.7 million is mainly due to the increase in unrealised gain on foreign exchange of RM1.2 million. This is as a result of a stronger Australian Dollar ("**AUD**") against the Ringgit, which positively impacted the AUD-denominated intercompany securities, Convertible Mandatory Redeemable Preference Shares ("**CMRPS**") issued by CHPL and held by Oceania Hibiscus Sdn. Bhd. ("**Oceania Hibiscus**"), both of which are wholly-owned subsidiaries of Hibiscus Petroleum.

However, the Group recorded a loss before taxation for the current quarter of RM0.1 million as compared to a profit before taxation of RM2.7 million in the corresponding quarter. The profit before taxation in the corresponding quarter arose mainly from the Group's recognition of negative goodwill arising from subscription of shares in 3D Oil, amounting to RM7.4 million. In addition, the Group recognised its share of HIREX's losses of RM0.7 million during the current quarter subsequent to HIREX becoming a joint venture in July 2013.

These are partially offset by lower finance costs by RM1.0 million in the current quarter due to the nearly full conversion of the CRPS and no accretion of finance costs arising from the reversal of discovery bonus payable in the quarter ended 31 December 2013 ("**preceding quarter**"). The reversal of discovery bonus payable in the preceding quarter is due to the non-discovery of commercially viable hydrocarbons within the existing concessions in the Middle East held by Lime by 31 December 2013.

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

The Group recorded a loss before taxation for the current quarter of RM0.1 million as compared to a profit before taxation of RM8.2 million in the preceding quarter.

The preceding quarter's profit before taxation was mainly due to the reversal of discovery bonus payable and its related finance costs to Rex Middle East Ltd of RM15.8 million.

This is partly offset by a net positive impact in unrealised foreign exchange arising from the stronger AUD against the Ringgit relating to the CMRPS between the current quarter and the preceding quarter amounting to RM3.9 million. Consultancy and professional fees incurred mainly in relation to projects and business development activities were also lower in the current quarter by RM3.5 million.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Acquisition of Participating Interests in Concessions in Norway

Lime Norway has secured interests in 14 concessions in the Norwegian Continental Shelf. To-date, all of these concessions have obtained regulatory approval.

Please refer to our announcement dated 21 February 2014.

(ii) Private Placement of Existing CRPS

On 26 September 2012, our shareholders had approved the Company to undertake the private placement of existing CRPS of up to RM210 million ("**Private Placement of Existing CRPS**").

Following the conversion of the remaining CRPS of RM1.0 million, 591,715 new Hibiscus Petroleum Shares were listed on 9 May 2014, marking the completion of the Private Placement of Existing CRPS. The Existing CRPS has lapsed pursuant to its maturity date of 30 April 2014.

To-date, a total of 100,930,000 Existing CRPS had been issued and fully converted into 56,985,935 new ordinary shares of the Company pursuant to the Private Placement of Existing CRPS.

Please refer to our announcements dated 26 September 2012 and 9 May 2014.

(iii) Proposed Private Placement of CRPS-2013

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 CRPS-2013**").

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

On 3 April 2014, the Company announced the submission of an application to Bursa Securities for an extension of time of up to 30 June 2014 to issue the circular to shareholders and to obtain and fulfil the necessary approvals and conditions for the implementation of the Proposed Private Placement of CRPS-2013 ("**EOT Application**"). The EOT Application will allow the Company additional time to solidify its strategy, which include amongst others, potential investments and total resources required, following the positive results from the drilling programme in Oman. In addition, the EOT Application was also made to enable the Company to coincide the Extraordinary General Meeting to be held to obtain shareholders' approval together with the Company's AGM, which will be held no later than 30 June 2014.

Following discussions pursuant to the EOT Application, Bursa Securities had via its letter dated 22 April 2014, granted the Company the following:

(i) An extension of time until 6 June 2014 to issue the circular to the shareholders of the Company on the Proposed Private Placement of CRPS-2013; and

(ii) An extension of time until 28 November 2014 to complete the implementation of the Proposed Private Placement of CRPS-2013.

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

(iii) Proposed Private Placement of CRPS-2013 (Cont'd)

The remaining approvals required to implement the Proposed Private Placement of CRPS-2013 are from the shareholders of the Company and the RCPS holder.

To-date, the Company has not executed any subscription agreement in relation to the Proposed Private Placement of CRPS-2013.

Please refer to our announcements dated 11 October 2013, 7 January 2014, 3 April 2014 and 22 April 2014.

(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.

On 25 April 2014, the Company had submitted an application for an extension of time of six months from the implementation deadline of 11 May 2014 up to 10 November 2014 for the Company to complete the Proposed Private Placement of Shares. Subsequently, Bursa Securities had provided the approval for the extension of time, vide their letter dated 6 May 2014.

Please refer to our announcements dated 4 November 2013, 13 November 2013, 25 April 2014 and 7 May 2014.

(v) Proposed Further Interests in VIC/P57 Exploration Permit, VIC/L31 Production Licence and Britannia Rig

On 12 May 2014, CHPL, Althea, HIREX and 3D Oil (collectively referred to as the "**Parties**") had entered into a HOA to undertake the following proposed transactions:

- HIREX to receive an option from 3D Oil for a 20% interest in VIC/P57 in consideration for the provision of the Rex Virtual Drilling ("**RVD**") technology services in respect of VIC/P57 and an option exercise price of USD1.00;

- CHPL to receive a percentage of 3D Oil's interest in VIC/L31 in consideration for the conversion of all outstanding debts of 3D Oil as at the date of the HOA, with 3D Oil's interest being valued at a fair market value to be determined by an independent valuer;

- CHPL to receive an option from 3D Oil to acquire 3D Oil's remaining interest in VIC/L31 at a fair market value to be determined by an independent valuer; and

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

(v) Proposed Further Interests in VIC/P57 Exploration Permit, VIC/L31 Production Licence and Britannia Rig (Cont'd)

- For a consideration of USD7.5 million (RM24.5 million), CHPL to acquire the following:

  - 5% interest in VIC/P57 from 3D Oil; and

  - 49.9% interest in the Britannia Rig from 3D Oil and the re-alignment of the trust arrangement with Althea who acts as the bare trustee on bare trust for CHPL on its own capacity (rather than in the capacity as a joint operating agreement operator).

The Parties to the largely non-binding HOA are targeting to sign a set of binding agreements within 40 days of the date of the HOA.

Please refer to our announcements dated 12 May 2014.

18 PROSPECTS OF THE GROUP

Hibiscus Petroleum's vision is to become a respected regional independent oil and gas company with a focus on conventional upstream oil and gas resources. Our five-year mission is to build a rapidly growing exploration and production company with a balanced portfolio of oil and gas assets including:

- Promising exploration permits that have a significant inventory of drillable prospects with a view to participating in at least three transformational drilling activities per year. We will harness RVD to provide us with a significant competitive advantage in building our oil and gas reserves through exploration drilling by focusing on activities in the Middle East, Norway and Asia Pacific region;

- Development assets where discovered oil and gas reserves are monetised through field development and where we can execute our projects in a timely and cost effective manner. Currently, we have the West Seahorse field and our oil discovery in GAS #1 in Oman as part of our field development inventory; and

- Producing assets which generate sufficient cash to fund our future exploration and development activities while creating a sustainable and growing company without having to seek additional funding from shareholders.

Successful exploration and production companies continue to build reserves where the sum of the finding, development and production costs on a per barrel basis is less than the prevailing oil price. Our access to RVD, our innovative approach to development projects and our cost effective and disciplined approach to the operation of producing assets is what would ultimately differentiate us from our peers and create a thriving business for the benefit of our shareholders.

18 PROSPECTS OF THE GROUP (CONT'D)

In 2013, we embarked on a mission to achieve first cash flow from offshore operations for the Company by 2015 at the latest, in addition to possessing about 100 million barrels of oil equivalent ("**boe**") of 2P/2C reserves / resources and production levels of 10,000 to 15,000 boe/day. We are working hard to achieve these objectives in several ways; through the development of West Seahorse, the appraisal through to production of our Oman GAS #1 discovery and by screening and bidding for producing assets where we believe we can extract more value from an asset than the current owner. We have developed our processes for screening opportunities and valuing assets and have competed to acquire a number of assets across a broad range of geographies. We are also resolute in our vision of becoming a respected independent oil company in the region and in 2014, we will continue to develop and screen for opportunities that will allow us to achieve solid cash flows by 2015.

19 PROFIT FORECAST AND PROFIT GUARANTEE

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

20 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the financial quarter ended 31 March 2014.

21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the financial quarter ended 31 March 2014.

22 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

23 MATERIAL LITIGATION

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

24 (LOSS)/EARNINGS PER SHARE

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

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31.03.2014 RM'000	QUARTER ENDED 31.03.2013 RM'000	PERIOD ENDED 31.03.2014 RM'000	PERIOD ENDED 31.03.2013 RM'000
(Loss)/Profit after taxation attributable to owners of the Company (RM'000)	(A)	(156)	2,361	(156)	2,361
Weighted average number of shares in issue ('000)	(B)	519,554	440,344	519,554	440,344
Basic (loss)/earnings per share (sen)	(A/B)	(0.03)	0.54	(0.03)	0.54
Diluted (loss)/earnings per share (sen)		(0.03)	0.38	(0.03)	0.38

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

The diluted earnings per share in the previous corresponding financial quarter is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

25 (LOSS)/PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2014 RM'000	QUARTER ENDED 31.03.2013 RM'000	PERIOD ENDED 31.03.2014 RM'000	PERIOD ENDED 31.03.2013 RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):				
Depreciation of equipment	372	74	372	74
Interest income	(213)	(553)	(213)	(553)
Unrealised gain on foreign exchange	(2,797)	(1,705)	(2,797)	(1,705)
Realised loss on foreign exchange	78	445	78	445
Finance costs	6	982	6	982
Share of losses of an associate	84	137	84	137
Share of losses of joint ventures	1,725	1,479	1,725	1,479
Negative goodwill arising from acquisition of an associate	-	(7,447)	-	(7,447)

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

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 quarter ended 31 March 2014.

26 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2014 RM'000	QUARTER ENDED 31.03.2013 RM'000	PERIOD ENDED 31.03.2014 RM'000	PERIOD ENDED 31.03.2013 RM'000
Income taxation	(10)	1	(10)	1
Deferred taxation	-	(315)	-	(315)
	(10)	(314)	(10)	(314)

27 REALISED AND UNREALISED RETAINED EARNINGS

	UNAUDITED AS AT 31.03.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
Analysis of retained earnings:		
Realised	(425)	6,549
Unrealised	2,797	(4,519)
	2,372	2,030
Less: Consolidation adjustments	(679)	(181)
	1,693	1,849

AUTHORISED FOR ISSUE

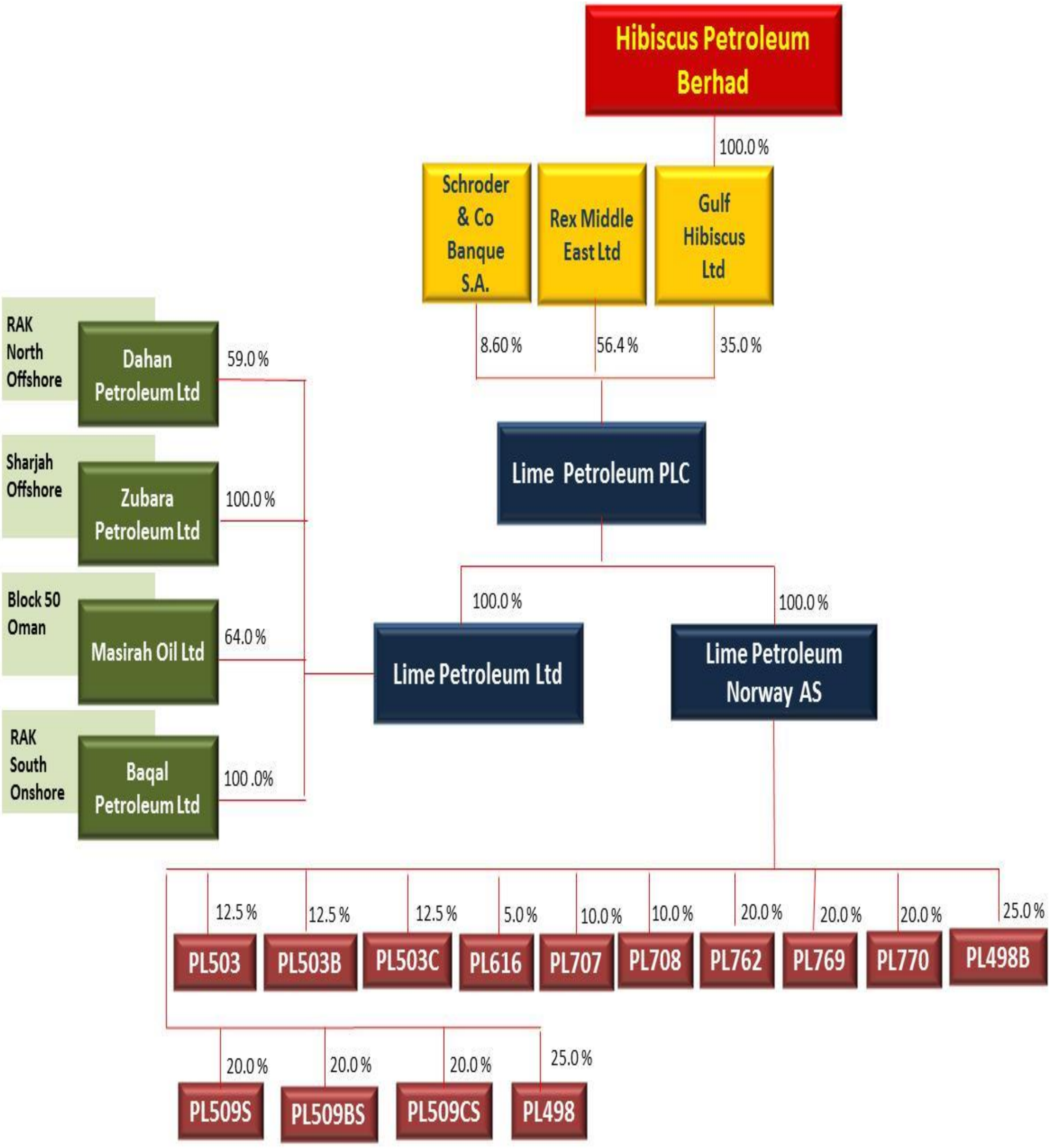
The Quarterly Report is authorised for issue by the Board in accordance with a resolution of the Board of Directors dated 26 May 2014.

By Order of the Board of Directors
Hibiscus Petroleum Berhad

PART C – STATUS OF DEVELOPMENT AND EXPLORATION ACTIVITIES

1 EXPLORATION ACTIVITIES UNDER THE LIME GROUP

LIME GROUP STRUCTURE



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 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 ended 31 March 2014, the total expenditure incurred by Lime and its concession companies is set out below:

	QUARTER ENDED 31.03.2014 RM'000	**PERIOD ENDED 31.03.2014 RM'000**
Intangible assets	109,561	109,561
Administrative expenses	1,603	1,603
	111,164	111,164

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

1.1 BLOCK 50 OMAN CONCESSION

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.

Our agreements with the regulatory authorities in the Sultanate of Oman require all public disclosures to be approved by the Omani government. Hence the information that is disclosed herewith is only information that has been previously approved for release by the authorities. Below are extracts from approved press releases issued regarding our drilling campaign.

Masirah began drilling its 1st exploration well in Masirah North North #1 ("**MNN #1**") on 25 November 2013 as 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 ("**RVD**") 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.

On 19 December 2013, Masirah suspended, its 1st exploration well, MNN #1 for safety reasons, 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 utilised to refine the geological understanding of the area.

On 30 December 2013, Masirah began drilling its second exploration well in GA–South #1 ("**GAS #1**"), located in 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.

On 6 March 2014, Masirah announced that during a 48-hour test, hydrocarbons were flowed to the surface and the well achieved light oil flow rate of up to 3,000 stock tank barrels per day (stb/d) with no water production. This is the first offshore oil discovery in the east of Oman after more than 30 years of exploration activities.

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

1.2 RAK NORTH OFFSHORE CONCESSION

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. Whilst a preliminary prospect was identified last year in RAK North Offshore based on conventional evaluation, sequence stratigraphy and the application of RVD on 3D seismic, there is currently a need to review the results of the analysis as there are certain similarities between the sequence stratigraphy of our recently drilled MNN #1 well in Oman and the geology observed in the RAK North Offshore Concession area. Hence, as part of a risk mitigation plan, the drilling schedule in RAK North Offshore has been postponed temporarily pending careful study of all available data.

1.3 RAK SOUTH ONSHORE CONCESSION

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

The available seismic, gravity and magnetic survey datasets have been integrated and certain areas have been identified for future 3D seismic acquisition activities. Tenders for the seismic acquisition, interpretation and processing contract have been completed and submissions have been evaluated. Award of the contract for this work is targeted for the second half of 2014.

1.4 SHARJAH EAST COAST CONCESSION

Preliminary RVD 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. These studies have identified several conventional prospective features. Further RVD analysis has been carried out over these areas to confirm the results obtained from conventional analysis where initial anomalies were identified. The results have been encouraging thus far.

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

Two drilling locations have been identified and further Virtual Drilling analysis will be performed to select the best prospect for an exploration well to be drilled in the next 12 to 18 months, depending on rig availability and the relevant government approvals.

In the meantime, an Environmental Impact Assessment ("**EIA**"), and, the necessary geotechnical and geophysical site surveys will be carried out in preparation for drilling operations, again subject to the necessary government approvals.

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

1.5 NORWAY

Our entry into Norway was part of a strategy to diversify the geopolitical risk of our asset portfolio. Indeed, the fiscal terms available to qualified young explorers operating in Norway are attractive and allow for a risk-managed approach in a business sector where high risk profiles and costly operations are usually unavoidable. The attractive fiscal terms offered under the Norwegian Petroleum Tax Act give Lime Petroleum Norway AS ("**Lime Norway**") the opportunity to recover approximately 78% of eligible exploration expenditure, irrespective of whether production is achieved.

Lime Norway has secured interests in 14 concessions in the Norwegian Continental Shelf ("**NCS**").

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Currently, Lime Norway is expected to have sufficient funds from equity injections and a Norwegian Kroner ("**NOK**") 300 million (USD48.62 million[1] / 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.

All concessions are currently undergoing seismic acquisition or processing work as part of the geological evaluation phase. Partners are also expected to make 'drill or drop' decisions on PL708, PL509 and PL616 by the third quarter of 2014.

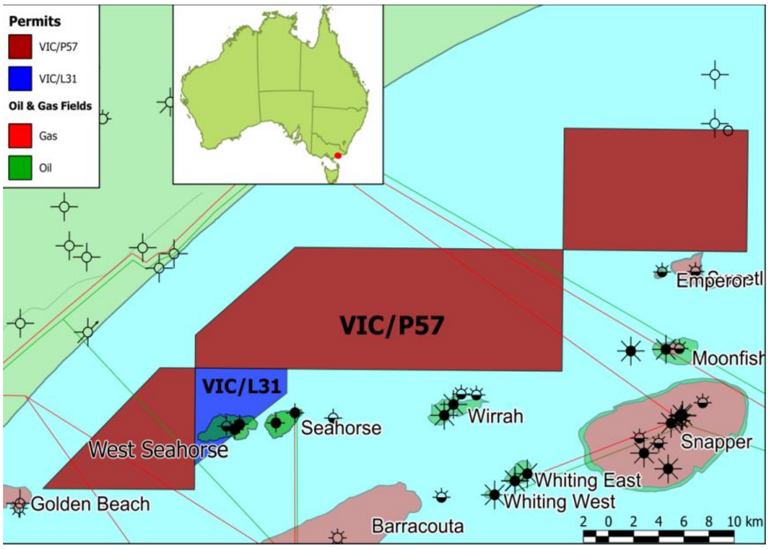
Contingent upon a viable prospect being identified, Lime Norway is expected to drill one well in PL708 (operated by Lundin) by the second quarter of 2015.

1.6 FARMING OUT MIDDLE EAST CONCESSIONS

Our business strategy is founded on a risk-managed approach to exploration drilling. Therefore, our preference is for the Company to participate in exploration wells where some of the risks are shared with other parties. Consistent with this strategy, efforts are underway to farm-out a portion of Lime's interests in the Sharjah and RAK South Onshore concessions. Additionally, in view of the costs associated with drilling a well in the RAK North Offshore concession, an equity farm-out on this block may also be considered.

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

2 EXPLORATION AND DEVELOPMENT ACTIVITIES IN RELATION TO THE PRODUCTION LICENSE VIC/L31 AND EXPLORATION PERMIT 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 and VIC/L31, 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 subsea pipeline and a Floating Storage and Offloading ("**FSO**") vessel for the West Seahorse development.

The Britannia, a jack-up rig, was procured on behalf of the VIC/P57 joint venture for conversion into a MOPU in July 2013. A small site team was set up in Tuzla, Turkey (where the rig is currently located) to define the work required to (a) reactivate the rig's ABS class and (b) enable long term use of the rig as a MOPU for the West Seahorse project.

The responses to competitive tenders have been received from the various MOPU contractors and final negotiations are currently ongoing with an effort to award the MOPU contract in Q3 2014. Our contracting strategy involving the sale and lease back of the Britannia had been agreed with the West Seahorse Joint Venture and is the basis for the ongoing negotiations. However, award of this contract and all other West Seahorse Project contracts have been delayed due to a variety of commercial issues. We anticipate that Final Investment Decision ("**FID**") shall be reached in late Q2 2014 / early Q3 2014, paving the way for the award of major contracts in Q3 2014.

2 EXPLORATION AND DEVELOPMENT ACTIVITIES IN RELATION TO THE PRODUCTION LICENSE VIC/L31 AND EXPLORATION PERMIT VIC/P57, GIPPSLAND BASIN, AUSTRALIA (CONT'D)

A summary of the current plan for award of the major contracts required for West Seahorse is as follows:

Contract	Contract Award
Operations & Maintenance – the Duty Holder of the field responsible for safe operation of the West Seahorse Project	Q3 2014
MOPU – purchase of the Britannia, refurbishment, reactivate class, supply of equipment, integration and installation	Q3 2014
FSO – purchase or charter of vessel that will store produced oil before selling to the market	Q3 2014
Export System – includes the supply of submarine pipeline and offloading hose	Q3 2014
Drilling – the supply of a Modular Platform drilling rig including the drilling operations or alternatively the utilisation of a rig of opportunity that will be used for the VIC/P57 exploration well	Q3 2014

From a sub-surface perspective, a further independent assessment was performed by a third party expert, Gaffney, Cline & Associates ("**GCA**") and delivered in early January 2014. This is now being used to finalise financing for the project.

From a regulatory perspective, we believe 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). In November 2013, the Australian National Offshore Petroleum Titles Administrator ("**NOPTA**") approved the Field Development Plan for West Seahorse. In 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 the VIC/L31 West Seahorse field are now expected in the fourth quarter of 2015.

In the near term, the VIC/P57 joint venture has an obligation to drill an exploration well in the concession as required by the terms of the concession agreement. Several geologically exciting targets have been identified, amongst them Sea Lion and Felix. A firm commitment that will lead us to drilling an exploration well in the VIC/P57 permit in the second quarter of 2015 shall be made in the near future subject to drilling rig availability.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
26 May 2014