

# **HIBISCUS PETROLEUM BERHAD**

**(Company No : 798322-P)**

**(Incorporated in Malaysia)**

## **Unaudited Quarterly Financial Report 31 December 2014**

**HIBISCUS PETROLEUM BERHAD**  
**(Company No : 798322-P)**  
**(Incorporated in Malaysia)**  
**QUARTERLY REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	Note	INDIVIDUAL QUARTER QUARTER ENDED 31.12.2014 RM'000	INDIVIDUAL QUARTER QUARTER ENDED 31.12.2013 RM'000	CUMULATIVE QUARTER YEAR ENDED 31.12.2014 RM'000	CUMULATIVE QUARTER YEAR ENDED 31.12.2013 RM'000
<b>REVENUE</b>		2,379	6,780	13,038	15,657
Other income		10,077	12,693	14,625	19,895
Administrative expenses		(11,195)	(10,818)	(33,382)	(27,984)
Other expenses		(6,952)	648	(12,029)	(6,409)
Finance costs		-	(562)	(8)	(3,675)
Share of results of an associate:					
- Share of losses		(966)	(16)	(1,257)	(541)
- Negative goodwill arising from acquisition		-	-	-	7,447
Share of losses of joint ventures		(3,977)	(510)	(11,525)	(4,440)
Gain on dilution of interest in a joint venture		-	-	-	13,455
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	25	(10,634)	8,215	(30,538)	13,405
Taxation	26	(24)	1,121	1,637	1,091
<b>(LOSS)/PROFIT AFTER TAXATION</b>		(10,658)	9,336	(28,901)	14,496
<b>(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:</b>					
Owners of the Company		(10,658)	9,336	(28,901)	14,496
<b>(LOSS)/EARNINGS PER SHARE (SEN)</b>					
Basic	24	(1.20)	1.90	(4.16)	3.17
Diluted	24	(1.20)	1.15	(4.16)	1.86

*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.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>INDIVIDUAL QUARTER</b>	<b>QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>QUARTER</b>
	<b>ENDED</b>	<b>ENDED</b>	<b>ENDED</b>	<b>ENDED</b>
	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(LOSS)/PROFIT AFTER TAXATION</b>	(10,658)	9,336	(28,901)	14,496
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation*	11,870	3,311	8,745	12,074
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE QUARTER/YEAR</b>	<b>1,212</b>	<b>12,647</b>	<b>(20,156)</b>	<b>26,570</b>
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:</b>				
Owners of the Company	1,212	12,647	(20,156)	26,570

\* 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.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	UNAUDITED AS AT 31.12.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investment in an associate		7,796	13,758
Investments in joint ventures		237,872	209,156
Intangible assets		128,903	61,787
Equipment		61,078	31,124
		435,649	315,825
<b>CURRENT ASSETS</b>			
Other receivables, deposits and prepayments		48,664	2,239
Tax recoverable		-	1,241
Amounts owing by joint ventures		8,266	4,984
Amount owing by an associate		958	1,968
Fixed deposits with licensed banks		24,294	34,755
Cash and bank balances		27,363	27,650
		109,545	72,837
		545,194	388,662
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	8,916	5,099
Other reserves		526,027	363,187
(Accumulated losses)/Retained earnings		(26,629)	1,849
		508,314	370,135
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		14,212	16,242
Amount owing to an associate		21,990	1,018
Amount owing to a joint venture		29	-
Deferred revenue		389	-
Provision for taxation		41	40
Redeemable Convertible Preference Shares ("RCPS")		219	219
Convertible Redeemable Preference Shares ("CRPS")	10	-	1,008
		36,880	18,527
		36,880	18,527
<b>TOTAL LIABILITIES</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>			
		545,194	388,662
<b>NET ASSETS PER SHARE (RM)</b>			
		0.57	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.*

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**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
<b>12 months to 31.12.2014</b>							
As at 01.01.2014	5,099	265,465	87,753	-	9,969	1,849	370,135
Conversion of warrants	3,811	240,661	(87,330)	-	-	-	157,142
Conversion of CRPS	6	1,011	-	-	-	-	1,017
Share-based payment	-	-	-	176	-	-	176
Transfer of warrant reserve to retained earnings/ (accumulated losses)	-	-	(423)	-	-	423	-
Loss after taxation	-	-	-	-	-	(28,901)	(28,901)
Other comprehensive income, net of tax: Foreign currency translation	-	-	-	-	8,745	-	8,745
Total comprehensive income/ (expenses) for the year	-	-	-	-	8,745	(28,901)	(20,156)
As at 31.12.2014	8,916	507,137	-	176	18,714	(26,629)	508,314
<b>12 months to 31.12.2013</b>							
As at 01.01.2013	4,401	154,521	91,669	173	(2,105)	(12,647)	236,012
Conversion of warrants	134	10,456	(3,916)	-	-	-	6,674
Conversion of CRPS	564	100,488	-	(173)	-	-	100,879
Profit after taxation	-	-	-	-	-	14,496	14,496
Other comprehensive income, net of tax: Foreign currency translation	-	-	-	-	12,074	-	12,074
Total comprehensive income for the year	-	-	-	-	12,074	14,496	26,570
As at 31.12.2013	5,099	265,465	87,753	-	9,969	1,849	370,135

*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.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>YEAR ENDED 31.12.2014 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Loss before taxation	(30,538)
Adjustments for:	
Depreciation of equipment	2,107
Interest income	(925)
Unrealised gain on foreign exchange	(2,716)
Finance costs	8
Impairment of investment in an associate	3,300
Share of losses of an associate	1,257
Share of losses of joint ventures	11,525
Operating loss before working capital changes	(15,982)
Increase in other receivables, deposits and prepayments	(59)
Increase in other payables and accruals	3,738
Increase in amounts owing by joint ventures	(2,909)
Increase in amount owing to an associate	22,649
<b>Cash used in operating activities</b>	<b>7,437</b>
Tax refunds	2,798
<b>Net cash used in operating activities</b>	<b>10,235</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of equipment	(33,682)
Interest received	925
Investment in a joint venture	(28,199)
Deposit for an investment	(43,149)
Acquisition of intangible assets	(70,678)
<b>Net cash used in investing activities</b>	<b>(174,783)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from issuance of ordinary shares	157,143
Deposit refunded to a CRPS placee	(5,453)
<b>Net cash generated from financing activities</b>	<b>151,690</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(12,858)</b>
<b>Effects of foreign exchange rate changes</b>	<b>2,110</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>62,405</b>
	51,657
<b>Less: Cash restricted in use</b>	<b>(23,766)</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>27,891</b>

*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	<i>Consolidated Financial Statements: Investment Entities</i>
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Investment Entities</i>
Amendments to MFRS 127	<i>Separate Financial Statements: Investment Entities</i>
Amendments to MFRS 132	<i>Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 139	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IC Interpretation 21	<i>Levies</i>
Amendments to MFRS 119 Annual Improvements to MFRSs 2010 - 2012 Cycle	<i>Defined Benefit Plans: Employee Contributions (Amendments to MFRS 2 Share-based Payment, MFRS 3 Business Combinations, MFRS 8 Operating Segments, MFRS 13 Fair Value Measurement, MFRS 116 Property, Plant and Equipment, MFRS 124 Related Party Disclosures and MFRS 138 Intangible Assets)</i>
Annual Improvements to MFRSs 2011 - 2013 Cycle	<i>(Amendments to MFRS 1 First-time Adoption of Financial Reporting Standards, MFRS 3 Business Combinations, MFRS 13 Fair Value Measurement and MFRS 140 Investment Property)</i>

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.1 Adoption of Amendments to Standards and IC Interpretations (Cont'd)**

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

**2.2 Standards issued but not yet effective**

At the date of authorisation of the Quarterly 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 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	Effective from 1 January 2016

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 year ended 31 December 2014:

- (i) Lime Petroleum Plc ("**Lime**") holds a 100% equity stake in Lime Petroleum Norway AS ("**Lime Norway**"), which has interests in 13 production licences 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.

As part of Lime's growth strategy with Norway taking an increasingly important focus, Lime's shareholders had injected USD16 million (RM52.5 million) into 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.



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**4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)**

- (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) In July 2014, Lime Norway surrendered PL509S, PL509BS and PL509CS following the deadline for a drill or drop decision by 23 July 2014. The decision was made pursuant to the assessment of results from reprocessed seismic data, the application of Rex Virtual Drilling<sup>1</sup> ("**RVD**") and electromagnetic surveys.

The write-off of costs relating to the relinquishment of these licences do not have a material impact on the results of the Group.

Please refer to our announcement dated 24 July 2014.

- (iv) Warrants-A and Warrants-B were both issued on 21 July 2011 in registered form and were exercisable anytime during the period commencing from 18 April 2012 up to 24 July 2014. Upon expiry on 24 July 2014, 99.6% of the total Warrants-A of 334,436,522 were exercised, leaving only 1,439,325 Warrants-A unexercised. All of the 83,611,200 Warrants-B were exercised. Total warrant proceeds received during the tenure of the warrants are RM174.9 million, out of which RM157.1 million was received in 2014.
- (v) Lime, through its wholly-owned subsidiary company, Lime Petroleum Ltd ("**Lime Ltd**"), has a 64% stake in Masirah Oil Limited ("**Masirah Oil**").

Masirah Oil issued two capital calls during the financial year ended 31 December 2014.

The shareholders of Lime subscribed for a total of 7.2 million ordinary shares in Lime on 21 July 2014 and 30 December 2014 following the capital calls for a total amount of USD7.2 million. Out of the total capital injection of USD7.2 million, Gulf Hibiscus subscribed for 2.5 million ordinary shares in Lime for USD2.5 million (RM8.5 million) to maintain its 35% equity interest in Lime.

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<sup>1</sup> An algorithmic software which analyses seismic datasets to identify the location of liquid hydrocarbons in the ground.

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**4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)**

- (vi) Lime, through Lime Ltd, has a 100% stake in Zubara Petroleum Limited ("**Zubara Petroleum**") and Baqal Petroleum Limited ("**Baqal Petroleum**").

Pursuant to the funds requirement of USD3.134 million for budgeted activities of Zubara Petroleum and to meet routine expenditure of Baqal Petroleum and Lime, the shareholders of Lime subscribed for 3.134 million ordinary shares in Lime on 16 September 2014. Out of the total capital injection of USD3.134 million, Gulf Hibiscus subscribed for 1.097 million ordinary shares in Lime for USD1.097 million (RM3.5 million) to maintain its 35% equity interest in Lime.

- (vii) On 17 November 2014, the Company announced the completion of the following transactions between Carnarvon Hibiscus Pty Ltd ("**CHPL**"), Althea Corporation Limited ("**Althea**") (both of which are Hibiscus Petroleum's wholly-owned subsidiaries via Oceania Hibiscus Sdn. Bhd. ("**Oceania Hibiscus**")), HiRex Petroleum Sdn. Bhd. ("**HIREX**") and 3D Oil Limited ("**3D Oil**"):

- acquisition of 49.9% interest in the Britannia Rig by CHPL from 3D Oil and the trust re-alignment for Althea to act as the bare trustee on bare trust for CHPL in its own capacity (rather than in the capacity as a joint operating agreement operator) and acquisition of 5% interest in the VIC/P57 Exploration Permit ("**VIC/P57**") by CHPL from 3D Oil for USD7.5 million, paid between May 2014 and August 2014;
- acquisition of 3D Oil's 49.9% interest in the VIC/L31 Production Licence ("**VIC/L31**") by CHPL for USD16 million, fully settled in October 2014; and
- exercise of option by HiRex (Australia) Pty Ltd, a wholly-owned subsidiary of HIREX, to acquire 3D Oil's 20% interest in VIC/P57.

Please refer to our announcements dated 12 May 2014, 23 June 2014, 7 July 2014, 11 August 2014, 12 August 2014, 15 August 2014, 21 October 2014 and 17 November 2014.

- (viii) Proposed acquisition of a 25% interest in the Kitan producing oilfield

Please refer to Part B, Item 17 (ii) of this Quarterly Report for further details.

**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 year ended 31 December 2014.

**6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER**

Save as disclosed in Note 17 of this Quarterly Report, there were no other material events subsequent to the end of the financial quarter ended 31 December 2014 up to the date of this report.

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**7 CHANGES IN THE COMPOSITION OF THE GROUP**

On 20 June 2014, the Company acquired Timor Hibiscus Limited (“**Timor Hibiscus**”), a company incorporated in Labuan under the Labuan Companies Act, 1990, with an issued and paid-up capital of USD1.00 comprising 1 ordinary share of USD1.00. On 2 July 2014, the paid-up capital of Timor Hibiscus increased to USD1 million. Timor Hibiscus is a wholly-owned subsidiary of the Company. The principal activity of Timor Hibiscus is investment holding.

On 27 June 2014, the Company acquired Hibiscus Technical Services Sdn Bhd (“**Hibiscus Technical Services**”), a company incorporated in Malaysia under the Companies Act, 1965, with an authorised share capital of 500,000 ordinary shares of RM1.00 each and a paid-up capital of RM2.00. On 3 July 2014, the paid-up capital of Hibiscus Technical Services increased to RM500,000. Hibiscus Technical Services is a wholly-owned subsidiary of the Company. Hibiscus Technical Services is an investment holding company which also provides project management, technical and other services relating to the oil and gas industry.

Save as disclosed above, there were no changes in the composition of the Group during the financial year ended 31 December 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 year ended 31 December 2014.

**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, Warrants-B and CRPS into ordinary shares during the financial year ended 31 December 2014 were as follows:

	Par value RM	Number of shares	YEAR ENDED 31.12.2014 Share capital RM'000
ORDINARY SHARES			
As at 01.01.2014	0.01	509,875,742	5,099
Conversion of Warrants-A	0.01	297,563,597	2,975
Conversion of Warrants-B	0.01	83,611,200	836
Conversion of CRPS	0.01	591,715	6
As at 31.12.2014	0.01	891,642,254	8,916

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

**(i) Warrants-A**

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

Upon expiry on 24 July 2014, 99.6% of the total Warrants-A was exercised. The unexercised Warrants-A of 1,439,325 have expired.

Total issued	:	334,436,522
Exercised during the financial year	:	297,563,597
Exercise price	:	RM0.50 per Warrant-A

**(ii) Warrants-B**

The Warrants-B were issued in registered form and were constituted by the Warrants-B Deed Poll. The Warrants-B were not listed and were exercisable anytime during the period commencing from 18 April 2012 up to 24 July 2014.

Total issued	:	83,611,200
Exercised during the financial year	:	83,611,200
Exercise price	:	RM0.10 per Warrant-B

*Note:*

*The Warrants-B were held by Hibiscus Upstream Sdn. Bhd. ("**Hibiscus Upstream**"), a company set up to hold ordinary shares of RM0.01 each and Warrants-B of the Company on behalf of the Company's Non-Independent Directors and management team.*

The ordinary shares issued from the exercise of warrants rank pari passu in all respects with the existing issued ordinary shares of the Company. There were no dividends, distributions, rights, allotments and/or any other forms of distribution where the entitlement date preceded the relevant date of the allotment and issuance of the new shares arising from the exercise of warrants.

**(iii) CRPS**

During the financial quarter ended 31 December 2014, the Company did not issue any further CRPS. Following full conversion of the balance 1.00 million CRPS and the subsequent listing of the ordinary shares on 9 May 2014, there was no further outstanding CRPS as at 31 December 2014.

Save for the above, there were no other issuances, cancellations, repurchases, resale and repayments of borrowings, debt and equity securities during the financial year ended 31 December 2014.

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**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 (including GA-South Oman discovery) 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 proven West Seahorse field within the VIC/L31 Production Licence and other exploration prospects within the VIC/P57 Exploration Permit, and investment in 3D Oil, located in Australia.
- (iv) HIREX Planned investments in exploration assets within the Asia Pacific region. There were no exploration assets secured during the financial year.

	Investment holding RM'000	Lime RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
<b>As at 31.12.2014</b>						
Non-current assets	2,664	230,769	195,113	7,103	-	435,649
<b>Year ended 31.12.2014</b>						
Revenue	12,889	-	149	-	-	13,038
Depreciation	(1,452)	-	(655)	-	-	(2,107)
Loss from operations	(4,888)	-	(12,860)	-	-	(17,748)
Share of results	-	(6,131)	(1,257)	(5,394)	-	(12,782)
Finance costs	(8)	-	(4,362)	-	4,362	(8)
Interest income	4,362	-	-	-	(4,362)	-
Taxation	(40)	-	1,677	-	-	1,637
Loss after taxation	(574)	(6,131)	(16,802)	(5,394)	-	(28,901)

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**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
<b>As at 31.12.2013</b>						
Non-current assets	4,020	198,285	102,649	10,871	-	315,825
<b>Year ended 31.12.2013</b>						
Revenue	15,212	-	445	-	-	15,657
Depreciation	(579)	-	(6)	-	-	(585)
Profit/(loss) from operations	2,540	-	(1,381)	-	-	1,159
Share of results	-	(3,447)	6,906	(993)	-	2,466
Gain on dilution of interest in a joint venture	-	-	-	13,455	-	13,455
Finance costs	(3,675)	-	(3,370)	-	3,370	(3,675)
Interest income	3,374	-	-	-	(3,374)	-
Taxation	(37)	-	1,128	-	-	1,091
Profit/(loss) after taxation	2,202	(3,447)	3,283	12,462	(4)	14,496

**12 SIGNIFICANT RELATED PARTY TRANSACTIONS**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	YEAR ENDED	YEAR ENDED
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Project management, technical and other services fees earned from joint ventures				
- Lime	2,144	6,163	11,026	12,487
- HIREX	87	278	1,087	1,282
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	100	395	516	2,073
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	580	487	1,903	1,418
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(127)	(824)	(825)	(2,635)

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**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 2014:

	<b>RM'000</b>
Approved and contracted for:	
Share of an associate's material commitments	3,427
Group's material commitments	133,348
	<hr/>
	136,775
	<hr/> <hr/>
Approved but not contracted for:	
Share of an associate's material commitments	4,084
Group's material commitments	328,129
Share of joint ventures' material commitments	30,093
	<hr/>
	362,306
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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MMLR OF BURSA  
SECURITIES**

**14 AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

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

**15 PERFORMANCE REVIEW**

**15.1 Material factors affecting financial year-to-date results**

Group revenue decreased by RM2.7 million from RM15.7 million in the previous corresponding twelve-month period (“**corresponding year**”) to RM13.0 million in the current twelve-month period (“**current year**”).

Revenue comprises fees for project management, technical and other services, and interest income from fixed deposits. The decrease in revenue in the current year is largely due to lower fees for project management, technical and other services from Lime arising from the completion of the drilling and testing programme in Block 50 Oman in March 2014.

The Group loss before taxation for the current year amounted to RM30.5 million as compared to a profit before taxation of RM13.4 million in the corresponding year. The profit before taxation in the corresponding year was mainly due to the reversal of discovery bonus payable and its related finance costs to Rex Middle East Ltd of RM15.8 million (“**Reversal of Discovery Bonus**”) arising from non-discovery of commercially viable hydrocarbons within the existing concessions in the Middle East held by Lime by 31 December 2013. In addition, the Group recognised a gain on the dilution of interest in HIREX from 100% to 41.00% of RM13.5 million and negative goodwill arising from subscription of shares in 3D Oil of RM7.4 million in the corresponding year.

In the current year, the increase in share of losses of joint ventures by RM7.1 million was mainly due to higher share of HIREX’s losses by RM4.4 million subsequent to HIREX becoming a joint venture in May 2013. Share of losses in the Lime Group were also higher by RM2.7 million largely due to increased level of operations and general expenditure. In addition, following the Group’s assessment of its carrying value of investment in an associate, the Group has recognised an impairment of RM3.3 million.

These were partially offset by higher net gain on foreign exchange of RM7.1 million due to appreciation of the USD against the Ringgit, which positively impacted the Group’s available USD-denominated funds.



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**15 PERFORMANCE REVIEW (CONT'D)**

**15.2 Material factors affecting current quarter's results**

During the current quarter, the Group recorded revenue of RM2.4 million, a decrease of RM4.4 million as compared to RM6.8 million in the corresponding three-month period in the prior year ("**corresponding quarter**"). Such decrease is mainly due to lower revenue earned from project management, technical and other services fees from Lime. In the corresponding quarter, there was increased project management activity relating to the 2-well drilling programme in Block 50 Oman which commenced in November 2013.

The Group recorded a loss before taxation for the current quarter of RM10.6 million as compared to a profit before taxation of RM8.2 million in the corresponding quarter. The corresponding quarter's profit before taxation was primarily due to the Reversal of Discovery Bonus of RM15.8 million.

In the current quarter, the Group recognised an impairment of RM3.3 million following its assessment of its carrying value of investment in an associate. In addition, there were higher share of losses in joint ventures by RM3.5 million largely due to increased level of operations and general expenditure in the current quarter as well as higher tax refunds on expenditure incurred for approved Norwegian licences recognised during the corresponding quarter.

These were partially offset by higher net gain on foreign exchange of RM5.6 million due a net positive impact on the Group's available USD-denominated funds arising from the appreciation of the USD against the Ringgit.

**16 MATERIAL CHANGE IN LOSS BEFORE TAXATION IN COMPARISON TO THE PRECEDING QUARTER**

During the current quarter, the Group recorded a loss before taxation of RM10.6 million as compared to a loss of RM10.0 million in the quarter ended 30 September 2014 ("**preceding quarter**").

There was a higher net positive impact in foreign exchange arising from a stronger USD against the Ringgit amounting to RM6.6 million in the current quarter. This was mainly offset by higher losses arising from the impairment of investment in an associate, and share of losses of an associate and joint ventures.

**17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED**

**(i) Proposed Private Placement of Shares**

On 17 November 2014, Bursa Securities approved the Company's proposal to undertake a private placement of up to 89,164,225 new Hibiscus Petroleum shares, pursuant to the approval obtained from the shareholders of the Company at its Annual General Meeting 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.

The Company had on 18 February 2015 fixed the issue price for the first tranche of the Proposed Private Placement of Shares at RM0.88 per share. As at the date of this Quarterly Report, no new Hibiscus Petroleum shares have been issued under this proposal.

Please refer to our announcements dated 14 October 2014, 14 November 2014, 17 November 2014 and 18 February 2015.

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

**(ii) Proposed Acquisition of the Entire Equity Interest in Talisman Resources (JPDA 06-105) Pty Limited ("Talisman Resources JPDA")**

On 23 June 2014, the Company announced that its wholly-owned subsidiary, Timor Hibiscus, had entered into a conditional share sale agreement ("**SSA**") with Talisman Oil & Gas (Australia) Pty Limited and the Company (as Timor Hibiscus' guarantor) to acquire the entire equity interest in Talisman Resources JPDA, which in turn holds a 25% interest in the Kitan producing oilfield for a purchase price of USD18 million ("**Proposed Transaction**").

A sum of USD13.0 million (RM41.4 million) has been remitted into a joint escrow account in accordance with the terms of the SSA.

Approval from the FIRB was obtained on 21 August 2014, whilst other conditions precedent to complete the Proposed Transaction, including the approval of the relevant authority in Timor Leste, are still pending.

Due to the recent decline in oil prices since this transaction was negotiated (coupled with cost overruns in the recently completed drilling programme), the Company is of the view that there may be an adverse financial impact on the economics of the Proposed Transaction and thus, to the Company, if and when the Proposed Transaction is completed and depending on the timing of the same.

Please refer to the announcements dated 23 June 2014 and 21 August 2014.

**18 PROSPECTS OF THE GROUP**

With the current volatility in oil prices, the Group has revisited its overall business strategy and has made the following changes:-

- Deferral of the development of the discovered West Seahorse field. Previously, our plan was to reach a Final Investment Decision by the 4<sup>th</sup> Quarter of 2014 and achieve First Oil by the 1<sup>st</sup> Quarter of 2016. As a result of the volatility in oil prices, and the ensuing difficulty in raising debt funding for the development, the Company has elected to:
  - Initially proceed with the drilling of the Sea Lion exploration well in June 2015. A commercial discovery would substantially improve the economics of the West Seahorse development as capital and operating expenses would be reduced through a tie of both the two fields;
  - Re-tender the West Seahorse contracts in the 2<sup>nd</sup> Quarter of 2015 to capitalize on lower oil and gas services costs; and
  - Reach a Final Investment Decision on West Seahorse in the 4<sup>th</sup> Quarter of 2015 (in the event of anticipated increases in oil prices) and First Oil by the 1<sup>st</sup> Quarter of 2017.
- Capitalize on present lower oil & gas services costs by embarking on an aggressive drilling programme in 2015, which includes 3-5 exploration wells in Australia and Norway.
- Continue to assess acquisition opportunities, which become more affordable under the current low oil price environment.

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**18 PROSPECTS OF THE GROUP (CONT'D)**

The Group does not have debt at this time. The Group's activities for the next 1 year are expected to be funded through a combination of internally available funds, as well as debt and equity financing.

**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 year ended 31 December 2014.

**21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

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

		<b>INDIVIDUAL QUARTER</b>	<b>QUARTER</b>	<b>CUMULATIVE QUARTER</b>	
		<b>QUARTER</b>	<b>QUARTER</b>	<b>YEAR</b>	<b>YEAR</b>
		<b>ENDED</b>	<b>ENDED</b>	<b>ENDED</b>	<b>ENDED</b>
		<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(Loss)/profit after taxation attributable to owners of the Company (RM'000)	(A)	(10,658)	9,336	(28,901)	14,496
Weighted average number of shares in issue ('000)	(B)	891,642	491,428	694,276	457,229
Basic (loss)/earnings per share (sen)	(A/B)	(1.20)	1.90	(4.16)	3.17
Diluted (loss)/earnings per share (sen)		(1.20)	1.15	(4.16)	1.86

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**25 (LOSS)/PROFIT BEFORE TAXATION**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	YEAR ENDED	YEAR ENDED
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation is arrived at after charging/(crediting):				
Depreciation of equipment	1,003	286	2,107	585
Interest income	(148)	(338)	(925)	(1,888)
Unrealised (gain)/loss on foreign exchange	(2,345)	1,758	(2,716)	2,814
Realised (gain)/loss on foreign exchange	(1,684)	(166)	(1,403)	125
Impairment of investment in an associate	3,300	-	3,300	-
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 year ended 31 December 2014.

**26 TAXATION**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	YEAR ENDED	YEAR ENDED
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Income taxation	(24)	1,123	1,637	1,114
Deferred taxation	-	(2)	-	(23)

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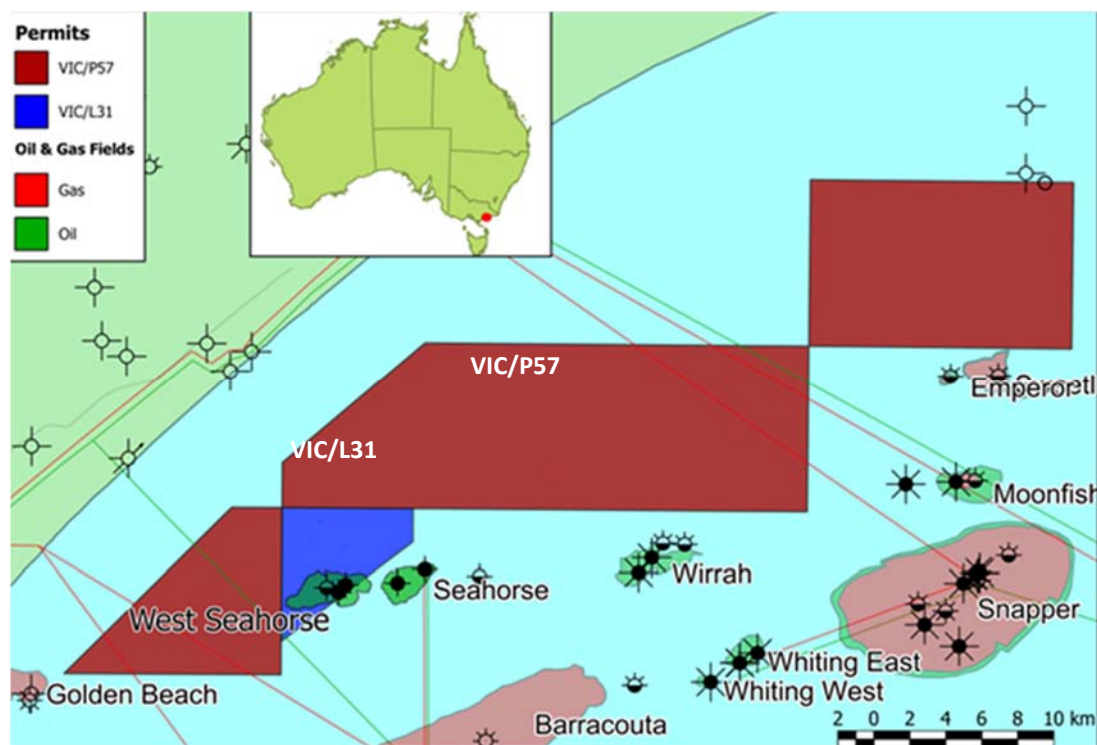
**27 REALISED AND UNREALISED (ACCUMULATED LOSSES)/RETAINED EARNINGS**

	<b>UNAUDITED AS AT 31.12.2014 RM'000</b>	<b>AUDITED AS AT 31.12.2013 RM'000</b>
Analysis of (accumulated losses)/retained earnings:		
Realised	(27,885)	6,549
Unrealised	2,716	(4,519)
	<hr/>	<hr/>
	(25,169)	2,030
Less: Consolidation adjustments	(1,460)	(181)
	<hr/>	<hr/>
	(26,629)	1,849
	<hr/>	<hr/>

**By Order of the Board of Directors**  
**Hibiscus Petroleum Berhad**  
**27 February 2015**

## **PART C – STATUS OF DEVELOPMENT AND EXPLORATION ACTIVITIES**

### **1 EXPLORATION AND DEVELOPMENT ACTIVITIES IN RELATION TO THE PRODUCTION LICENSE VIC/L31 AND EXPLORATION PERMIT VIC/P57, GIPPSLAND BASIN, AUSTRALIA**



Hibiscus Petroleum’s 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 these concessions.

In the VIC/P57 concession, CHPL currently has a direct interest of 55.1%. In addition to this, Hibiscus Petroleum, through HiRex (Australia) Pty Ltd (“**HiRex (Australia)**”) has a further 8.2% interest in this permit. CHPL also had recently acquired additional interest in VIC/L31, bringing its total interest held in VIC/L31 to 100%.

In the near term, the VIC/P57 joint venture has an obligation to drill an exploration well by August 2015 as required by the terms of the permit.

In October 2014, CHPL signed a rig sharing agreement with Australia’s Origin Energy Resources (“**Origin**”) to assume the services of the Seadrill West Telesto drilling rig, an independent leg cantilever jack-up rig, to spud and drill the Sea Lion exploration well after Origin’s drilling activities. The drilling of the Sea Lion exploration well is estimated to take up to 30 days.

The rig sharing agreement with Origin was chosen as a means of fulfilling the drilling obligations of CHPL in the VIC/P57 permit as it provided savings in mobilization and demobilization costs, and this arrangement provided certainty that the well would be drilled within timelines required in our permit. The West Telesto rig also has strong past operating performance, crew competence and good health, safety and environment records.

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

In January 2015, the West Telesto rig arrived at Port Phillip Bay in Melbourne on a Heavy Lift Vessel (“HLV”) in anticipation of the start of Origin’s drilling activities in its Yolla field. Origin intends to drill two wells prior to handing over the rig to CHPL.

Hibiscus Petroleum further announced on 11 February 2015 that CHPL had progressed the plan to commence drilling operations of the Sea Lion exploration well in June 2015.

The Sea Lion exploration prospect has been selected as a viable drilling location after in-depth technical and economic evaluation, with estimated prospective resources of between 11 million barrels on a P50 case to 15.3 million barrels on an upside P10 case. It is important to note that a commercial discovery at Sea Lion would improve the economics of CHPL’s West Seahorse development as a tie-in of the two fields would be possible thereby materially reducing development and operating expenditure.



West Telesto being towed on a Heavy Lift Vessel into Port Phillip Bay, Melbourne

To oversee CHPL’s activities in Australia, a project team had been 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 the wider West Seahorse field development programme. 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 same project team also manages all Sea Lion exploration drilling programme activities.

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

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.

Final negotiations with the preferred MOPU contractor have been put on hold due to the recent drop in oil prices. While waiting for the Sea Lion exploration results, the project team will perform a value engineering effort on the current West Seahorse design in an effort to reduce capital and operating costs. All contracts will then be re-tendered in order to achieve the reduced pricing that should be available from the industry in 2015. The award of the MOPU contract and all other West Seahorse project contracts will likely be revised to the dates reflected in the summary below:

<b>Contract</b>	<b>Contract Award</b>
<b>Operations &amp; Maintenance</b> – the Duty Holder of the field responsible for safe operation of the West Seahorse Project	Q4 2015
<b>MOPU</b> – purchase of the Britannia, refurbishment, reactivate class, supply of equipment, integration and installation	Q4 2015
<b>FSO</b> – purchase or charter of vessel that will store produced oil before selling to the market	Q1 2016
<b>Export System</b> – includes the supply of submarine pipeline and offloading hose	Q1 2016
<b>Drilling</b> – the supply of a Modular Platform drilling rig to drill and complete the wells from the Britannia in the second quarter of 2016	Q2 2016

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. The updated assessment is being used to secure financing for the project.

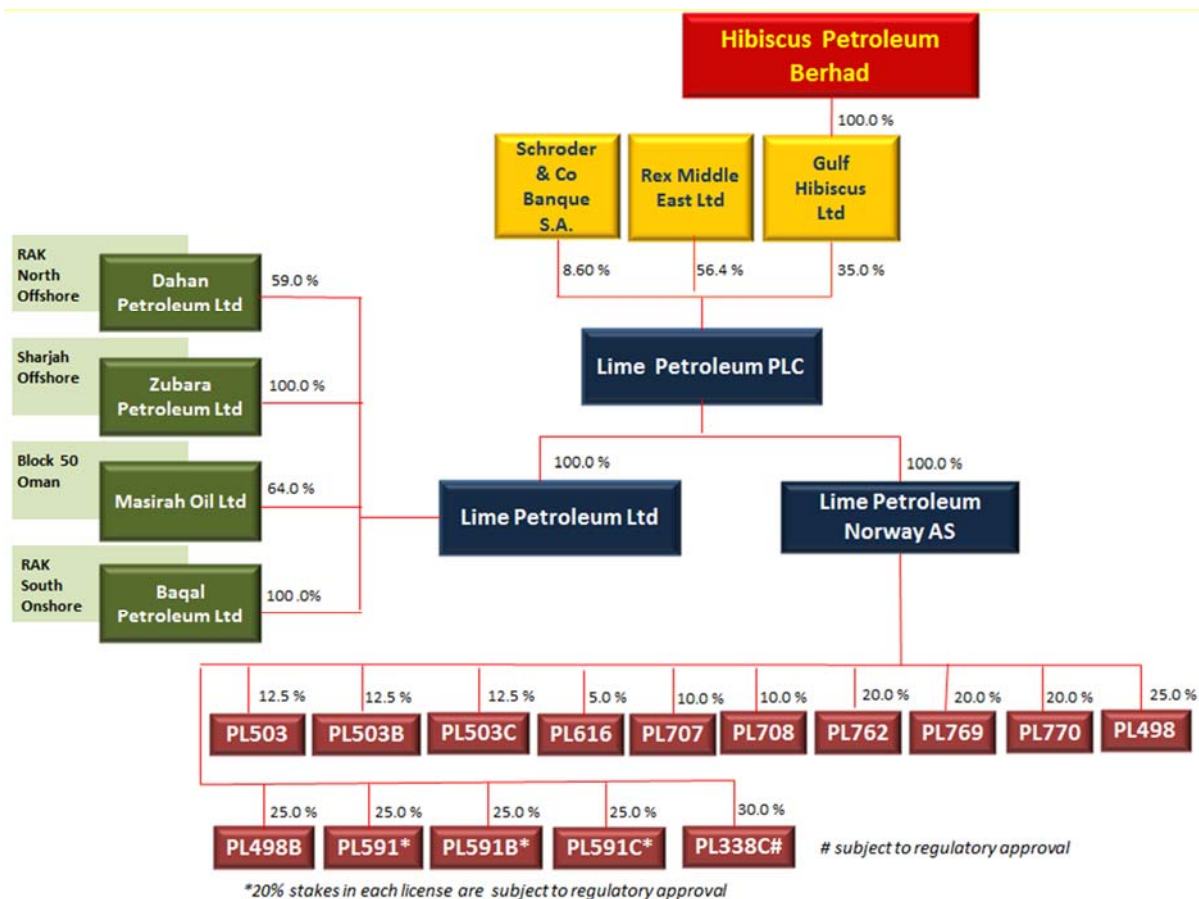
From a regulatory perspective, we believe the West Seahorse project is well-positioned. In October 2013, the Department of Sustainability, Environment, Water, Population and Communities of the Australian government approved our Environment Protection and Biodiversity Conservation Act referral as a non-controlled action (no threat to items of national significance). In November 2013, 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 first quarter of 2017, subject to the declaration of FID in the fourth quarter of 2015.



**2 EXPLORATION ACTIVITIES UNDER THE LIME GROUP**

**LIME GROUP STRUCTURE**



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

**(i) Norway**

8 licences from the acquisition of participating interests from North Energy ASA, 6 offshore licenses issued by the Norwegian Ministry of Petroleum and Energy as part of the Awards in Predefined Areas (“**APA**”) process held in 2014 and 2015, and 1 licence from the acquisition of participating interest from Lundin Norway AS <sup>1</sup> (“**Lundin**”).

<sup>1</sup> Lundin Petroleum has exploration and production assets mainly in Europe and South East Asia.

**2 EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

**LIME GROUP STRUCTURE (Cont'd)**

**(ii) 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**”)

**(iii) Summary of expenditure incurred**

During the financial quarter/year ended 31 December 2014, the total expenditure incurred by Lime and its concession companies is set out below:

	<b>QUARTER ENDED 31.12.2014 RM'000</b>	<b>YEAR ENDED 31.12.2014 RM'000</b>
Intangible assets	37,756	184,381
Administrative expenses	8,951	25,192
	46,707	209,573

**2.1 NORWAY**

Our entry into Norway was part of a strategy to diversify the geopolitical risk of our asset portfolio. 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 discovery or production is achieved.

As published in the Norwegian Ministry of Petroleum and Energy’s press release dated 20 January 2015, Lime Norway was awarded a licence, PL591C, an extension of its current licences (PL591 and PL591B) in the 2014 APA licensing round.

On 17 February 2015, Lime Norway acquired an additional 20% stake each in PL591, PL591B and PL591C, which is subject to regulatory approval.

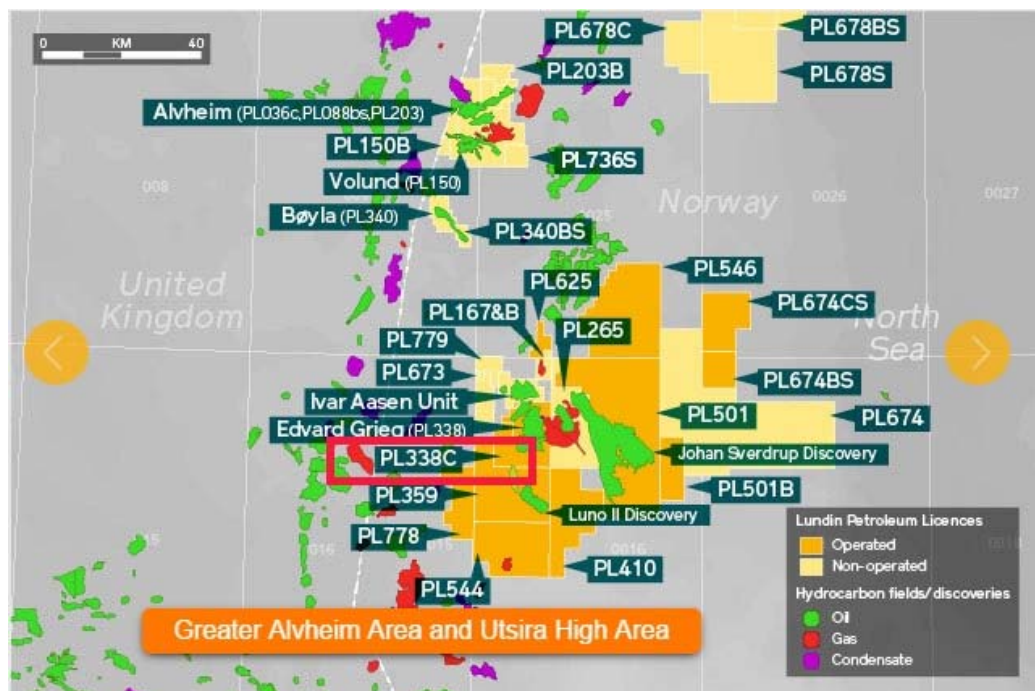
On 24 February 2015, Hibiscus Petroleum announced the execution of an agreement between Lime Norway and Lundin to acquire the latter’s 30% stake in PL338C, located in the North Sea. This acquisition is contingent on regulatory approval being received. An exploration well at PL338C was spudded by the semi-submersible Island Innovator on 15 February 2015. The drilling operation is expected to take approximately 40 days. Lundin is the operator at PL338C.

**2 EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

**2.1 NORWAY (Cont'd)**



The Gemini prospect in PL338C has been spudded using the semi-submersible Island Innovator



The PL338C license contains the Gemini prospect which is located about 10 kms from the Edvard Grieg production platform. According to Lundin’s presentation of February 2015, the estimated gross unrisks prospective resources is 93 million barrels of oil equivalent (mmboe) (P50) with a chance of geological success of 24%, in Paleocene aged sandstones in a stratigraphic pinch-out trap.

Additionally, the license contains proven oil in the Rolvsnes oil discovery made in weathered basement, scheduled for further appraisal.

This acquisition was made after Rex Virtual Drilling (“RVD”) demonstrated strong anomalies, indicative of hydrocarbon presence, which is also consistent with conventional geological findings.

**2 EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

**2.1 NORWAY (Cont'd)**

Subsequent to the above announcements and upon completion of PL338C, Lime Norway has interests in 15 licences in the Norwegian Continental Shelf (“NCS”).

Following the above, the 2015 drilling plans of Lime Norway is as follows:

License	Rig	Spud Date/ Estimated Spud Date	Operator
PL338C	Island Innovator	February 2015	Lundin
PL591	Leiv Eriksson	June 2015	Tullow Oil Norge AS <sup>2</sup>
PL616	Transocean Searcher	June 2015	Edison International Norway Branch <sup>3</sup>
PL708	Transocean Arctic	November 2015	Lundin

Lime Norway is expected to have sufficient funds from equity injections together with a financing facility secured from Skandinaviska Enskilda Banken AB (“SEB”), to fulfil its work commitments.

At this juncture, Lime Norway has advised that decisions to drill wells or relinquish licences are expected to be made for PL 498 and PL498B in Q1 2016, while a similar determination is expected for PL503, PL503B and PL503C in the first quarter of 2015 (an extension has been sought to defer the decision to Q3 2015, subject to regulatory approval).

For the remaining licences in the Lime Norway portfolio, ‘drill or drop’ decisions are expected in 2016 and beyond.

In July 2014, Lime Norway surrendered its interests in PL509S, PL509BS and PL509CS in accordance with the timing of a deadline for drill or drop decisions imposed by the Norwegian regulator. The decision to drop our interests in these licences was made pursuant to the assessment of results from reprocessed seismic data, the application of the proprietary RVD technology and electromagnetic surveys. Comprehensive analysis of the available data was not able to define prospects with acceptable risk-reward profiles.

Lime Norway is continuously on the look-out for viable farm-in opportunities with the objective of achieving a meaningful participation in more firm wells in the short term, should positive results from RVD and conventional analysis be attained, in addition to acceptable commercial terms being offered.

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<sup>2</sup> Tullow Oil Norge AS is part of the Tullow Oil Plc Group which is a leading independent oil company with over 140 licenses in over 20 countries.

<sup>3</sup> Edison International is Europe’s oldest energy company.

## **2 EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

### **2.2 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.

Masirah's 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 1<sup>st</sup> 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 RVD, 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 operations on its 1<sup>st</sup> 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 2<sup>nd</sup> 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 in that area.

On 2 December 2014, Masirah announced that it had commissioned a new 3D seismic survey in Block 50 Oman. The seismic survey commenced data acquisition activities in November 2014 and this is now completed. Data processing of the seismic data, including analysis with RVD is underway.

On 9 December 2014, Masirah and Hibiscus Petroleum delivered several presentations at the Offshore Development Oman 2014 Conference. Over 200 international and regional offshore oil and gas sector experts participated in this conference. Hibiscus Petroleum delivered a presentation regarding the execution of the Block 50 Oman offshore exploration project.

## **2 EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

### **2.3 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 the 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. The preliminary results of various studies are mixed in their conclusions and given current uncertainties relating to oil price, the possibility of relinquishing this license is being discussed between partners and the host government.

### **2.4 RAK SOUTH ONSHORE CONCESSION**

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 was deferred pending results of a potential farm-out of a portion of Lime's interests in the RAK South Onshore concession. However, given the recent downturn in global oil prices, it has been difficult to secure a farm-in partner. It should also be noted that the terms of the license agreement with the host government requires that the seismic work program commences before the expiry of the existing license agreement (April 2015). Given the current economic conditions affecting the oil and gas industry, it is highly probable that the seismic contract will not be awarded before the expiry of the license tenure. We intend to conduct discussions with the host government to examine the various options that will then be open to Lime.

### **2.5 SHARJAH EAST COAST CONCESSION**

Zubara Petroleum Ltd ("**Zubara**"), a wholly-owned subsidiary of Lime, has received the necessary extension to its Concession Agreement from the government of Sharjah to commence engineering and procurement activities leading to the drilling of an exploration well by the third quarter of 2015.

Zubara, which owns 100% of the Sharjah East Coast Concession, finalized the award of a well management services contract on 31 July 2014. Additionally, an Environmental Impact Assessment ("**EIA**") as well as a site survey are scheduled for completion in the first quarter of 2015. It has always been the intention of Lime to share risks associated with the drilling of this concession. Several efforts are being made to farm-out interests in this concession and it is hoped that a farm-in partner will be found to participate in an exploration well.

**2 EXPLORATION ACTIVITIES UNDER THE LIME GROUP (CONT'D)**

**2.5 SHARJAH EAST COAST CONCESSION (Cont'd)**

Procurement activities for the long lead equipment required for the exploration well is well advanced and award of major components is scheduled for the first quarter of 2015 pending results of a potential farm-out of a portion of Lime's interests in the Sharjah concession.

**By Order of the Board of Directors**  
**Hibiscus Petroleum Berhad**  
**27 February 2015**