HIBISCUS PETROLEUM BERHAD

(Incorporated in Malaysia)
Company No : 798322-P

Unaudited Quarterly Financial Report
31 December 2012

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2012 RM'000	QUARTER ENDED 31.12.2011 RM'000	PERIOD ENDED 31.12.2012 RM'000	PERIOD ENDED 31.12.2011 RM'000
REVENUE	2,334	2,496	6,203	4,788
Other income	250	-	250	-
Administrative expenses	(3,258)	(1,526)	(9,670)	(3,618)
Other expenses	(56)	(3,623)	(201)	(5,001)
Other operating expenses	(724)	(1)	(728)	(1)
Finance cost	(993)	-	(1,601)	-
Share of losses in a jointly controlled entity	(65)	-	(858)	-
LOSS BEFORE TAXATION (Note 25)	(2,512)	(2,654)	(6,605)	(3,832)
Taxation **(Note 26)**	11	(249)	47	(346)
LOSS AFTER TAXATION	(2,501)	(2,903)	(6,558)	(4,178)
Other comprehensive expenses, net of tax:				
Foreign currency translation*	(706)	172	(791)	172
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(3,207)	(2,731)	(7,349)	(4,006)
LOSS AFTER TAXATION ATTRIBUTABLE TO:				
Owners of the Company	(2,501)	(2,903)	(6,558)	(4,178)
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:				
Owners of the Company	(3,207)	(2,731)	(7,349)	(4,006)
LOSS PER SHARE (sen) (Note 24)				
Basic	(0.57)	(0.69)	(1.50)	(1.56)
Diluted	Not Applicable	Not Applicable	Not Applicable	Not Applicable

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

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 31.12.2012 RM'000	AUDITED AS AT 31.3.2012 RM'000
ASSETS			
NON CURRENT ASSETS			
Investment in a jointly controlled entity		179,532	12,258
Equipment		2,967	660
		182,499	12,918
CURRENT ASSETS			
Other receivables, deposits and prepayments		14,065	217
Tax recoverable		90	-
Amount owing by a jointly controlled entity		618	1,855
Fixed deposits with licensed banks		111,958	50,016
Cash and bank balances		12,668	168,508
		139,399	220,596
TOTAL ASSETS		321,898	233,514
EQUITY AND LIABILITIES			
EQUITY			
Share capital		4,401	4,180
Other reserves		244,258	234,054
Accumulated losses		(12,647)	(6,089)
		236,012	232,145
NON CURRENT LIABILITIES			
Convertible Redeemable Preference Shares ("**CRPS**")	10	68,877	-
Discovery bonus payable		13,674	-
Deferred tax liabilities		-	41
		82,551	41
CURRENT LIABILITIES			
Other payables and accruals		3,109	628
Provision for taxation		7	481
Redeemable Convertible Preference Shares ("**RCPS**")	10	219	219
		3,335	1,328
TOTAL LIABILITIES		85,886	1,369
TOTAL EQUITY AND LIABILITIES		321,898	233,514
NET ASSETS PER SHARE (RM)		0.54	0.56

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<----- NON-DISTRIBUTABLE				----->		
	SHARE CAPITAL RM'000	**SHARE PREMIUM RM'000**	**WARRANT RESERVE RM'000**	**OTHER RESERVE RM'000**	**FOREIGN EXCHANGE RESERVE RM'000**	**ACCUMULATED LOSSES RM'000**	**TOTAL RM'000**
9 months to 31.12.2011							
At 1.4.2011	*	-	-	-	-	(1,205)	**(1,205)**
Conversion of RCPS	836	-	-	-	-	-	**836**
Capitalisation of initial investors' utilisation amount and subscription by initial investors	222	3,111	6,667	-	-	-	**10,000**
Public issue pursuant to the Company's listing ("**Public Issue**")	3,122	137,375	93,664	-	-	-	**234,161**
Share issuance costs	-	(3,269)	(2,180)	-	-	-	**(5,449)**
Loss after taxation	-	-	-	-	-	(4,178)	**(4,178)**
Other comprehensive expenses, net of tax:							
Foreign currency translation	-	-	-	-	172	-	**172**
Total comprehensive expenses for the period	-	-	-	-	172	(4,178)	**(4,006)**
At 31.12.2011	4,180	137,217	98,151	-	172	(5,383)	**234,337**
9 months to 31.12.2012							
At 1.4.2012	4,180	137,217	98,151	-	(1,314)	(6,089)	**232,145**
Conversion of warrants	221	17,304	(6,482)	-	-	-	**11,043**
Equity component of CRPS	-	-	-	173	-	-	**173**
Loss after taxation	-	-	-	-	-	(6,558)	**(6,558)**
Other comprehensive expenses, net of tax:							
Foreign currency translation	-	-	-	-	(791)	-	**(791)**
Total comprehensive expenses for the period	-	-	-	-	(791)	(6,558)	**(7,349)**
At 31.12.2012	4,401	154,521	91,669	173	(2,105)	(12,647)	**236,012**

Note :
** - represents RM2*

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED 31.12.2012 RM'000	PERIOD ENDED 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(6,605)	(3,832)
Adjustments for:		
Interest income	(1,778)	(4,339)
Finance cost	1,601	-
Share of losses in a jointly controlled entity	858	-
Unrealised loss on foreign exchange	700	1
Depreciation of equipment	155	70
Qualifying acquisition expenses	46	4,714
Listing expenses	-	217
Operating loss before working capital changes	(5,023)	(3,169)
(Increase)/Decrease in other receivables, deposits and prepayments	(2,001)	376
Increase in other payables and accruals	1,073	178
Decrease /(Increase) in amount owing by a jointly controlled entity	1,301	(465)
Cash used in operations	(4,650)	(3,080)
Interest income received	1,778	4,339
Income tax paid	(557)	(4)
Net cash (used in)/generated from operating activities	(3,429)	1,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,462)	(746)
Qualifying acquisition expenses paid	(46)	(3,627)
Investment in a jointly controlled entity	(157,335)	(12,527)
Prepayment for subscription of shares in 3D Oil Limited and transaction expenses	(10,438)	-
Net cash used in investing activities	(170,281)	(16,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new ordinary shares	11,043	241,161
Listing expenses paid	-	(5,666)
Proceeds from issuance of CRPS	69,480	-
CRPS issuance expenses paid	(1,054)	-
Net cash generated from financing activities	79,469	235,495
Net change in cash and cash equivalents	(94,241)	219,850
Effects of foreign exchange rate changes	343	(1)
Cash and cash equivalents at beginning of the period	218,524	2,517
Cash and cash equivalents at end of the period	124,626	222,366

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012.

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 audited financial statements for the financial year ended 31 March 2012 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The explanatory notes attached to the unaudited condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Hibiscus Petroleum Berhad (the "**Company**") and its subsidiaries (the "**Group**") since the financial year ended 31 March 2012.

2. CHANGES IN ACCOUNTING POLICIES

(i) The new MFRS Framework issued by the MASB with effect from 1 January 2012 has been adopted by the Group. This MFRS Framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("**FRS**") with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**").

(ii) Save for the required presentation of the three statements of financial position in the first MFRS financial statements, there is no other significant impact on the Group's financial results and position, and changes to the accounting policies of the Group arising from the adoption of this MFRS Framework as the requirements under the previous FRS Framework were equivalent to the MFRS Framework, although there are some differences in relation to the transitional provisions and effective dates contained in certain of the MFRSs.

(iii) At the date of this report, the following MFRSs, Amendments to MFRSs and IC Interpretations were issued, but not yet effective, and have not been applied by the Group:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)*
MFRS 10	Consolidated Financial Statements**
MFRS 11	Joint Arrangements**
MFRS 12	Disclosure of Interests in Other Entities**
MFRS 13	Fair Value Measurement**
MFRS 119	Employee Benefits**
MFRS 127	Separate Financial Statements**
MFRS 128	Investments in Associates and Joint Ventures**
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities**
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income^^
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities^

* Applicable for annual periods beginning on or after 1 January 2015
** Applicable for annual periods beginning on or after 1 January 2013
^ Applicable for annual periods beginning on or after 1 January 2014
^^ Applicable for annual periods beginning on or after 1 July 2012

3. SEASONAL OR CYCLICAL FACTORS

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

4. UNUSUAL ITEMS

Other than payment of USD51.00 million as settlement for acquisition of interest in Lime Petroleum Plc, a jointly controlled entity, prepayment of AUD2.04 million as consideration for subscription shares of 3D Oil Limited ("**3D Oil**") and receipt of CRPS proceeds amounting to RM69.48 million, (refer to Note 17 of this Quarterly Report), there were no unusual items affecting assets, liabilities, equity, net income and cash flows during the financial period ended 31 December 2012.

5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years and quarters that have a material effect in the financial period ended 31 December 2012.

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

Save as disclosed in Note 17 of this Quarterly Report, there were no other material events subsequent to the end of the financial period ended 31 December 2012.

7. CHANGES IN THE COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the financial period ended 31 December 2012, other than the following and as disclosed in Note 17 of this Quarterly Report :-

<u>Changes in the composition of the Group subsequent to 31 December 2012</u>

On 19 February 2013, Orient Hibiscus Sdn Bhd, the wholly-owned subsidiary of the Company, had acquired a shelf company, HiRex Petroleum Sdn Bhd (1033124-H) (formerly known as Revenue Sphere Sdn Bhd), with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and a paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

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 net assets value of the Group.

9. DIVIDENDS PAID/PAYABLE

There were no dividends declared or paid during the financial period ended 31 December 2012.

10. BORROWINGS, DEBT AND EQUITY SECURITIES

(i) Conversion of Warrants-A

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 period were as follows:

		Period Ended 31.12.2012	
	Par Value RM	Number Of Shares	Share Capital RM'000
ORDINARY SHARES			
At 1.4.2012	0.01	418,047,922	4,180
Conversion of Warrants-A	0.01	22,086,800	221
At 31.12.2012	0.01	440,134,722	4,401

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

Total issued	:	334,436,522
Exercised during the financial period	:	22,086,800
Exercise price	:	RM0.50 per Warrant-A

(ii) RCPS

The RCPS, which are denominated in Ringgit Malaysia, are classified as current liabilities as the RCPS are redeemable at the option of the RCPS holders. The RCPS holders are not entitled to convert the remaining RCPS into ordinary shares of the Company. There were no movements in the RCPS during the financial period ended 31 December 2012.

(iii) CRPS

During the quarter under review, the Company issued CRPS amounting to RM69,480,000 at an issue price of RM1.00 per CRPS.

Details of the CRPS are as follows:

(a) 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 interest and principal to the holders of the CRPS if they choose to redeem the CRPS in the event the balance proceeds are more than 20% of the total proceeds raised. The Company does not have an unconditional right to avoid the redemption as it does not have 100% control on the final outcome of the utilisation of the proceeds. The equity component represents the option available to the holders for the following:

(i) to redeem or convert the CRPS into new ordinary shares in the Company should less than 80% of the proceeds raised be utilised as permitted; or

(ii) to convert all or part of the CRPS into new ordinary shares in the Company at the earlier of 1 May 2013 or when the market price of the ordinary shares is transacted at RM3.00 per share or more at any point in time and day after the date of issuance of the CRPS.

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

(iii) CRPS (Cont'd)

(b) 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% was 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 transaction costs for the issuance of 69,480,000 CRPS of approximately RM1.0 million, comprise professional fees and miscellaneous expenses, and have been allocated to the liability and equity components in proportion to their initial carrying amounts.

The maturity date of the CRPS is on 30 April 2014.

There were no other issuances, cancellations, repurchases, resale and repayments of borrowings, debt and equity securities during the financial period ended 31 December 2012.

11. SEGMENTAL INFORMATION

Segmental reporting is not separately presented as the Group's sole business is joint ownership and operation of oil and gas concessions within the Lime Petroleum Plc ("**Lime**") Group, which are within a single business segment. The Group's operations in the oil and gas concessions are primarily in the Middle East. Accordingly, no segmental information is considered necessary for analysis by industry segment or by geographical segment.

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 net assets value of the Group as at 31 December 2012:

	RM'000
Authorised and contracted for :-	
Farm-In Investment for VIC/P57 *(Please refer to Note 17(iii))*	86,100
Share of a jointly controlled entity's material commitments	10,776
Capital commitment for purchase of equipment	1,404
	98,280

13. SIGNIFICANT RELATED PARTY TRANSACTION

The recurrent related party transaction within the Group is as follows:

	3 months ended		9 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Project management, technical and other services fees from a jointly controlled entity				
- Lime	1,523	449	4,424	449

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 increased by RM1.4 million from RM4.8 million in the corresponding nine-month period in the previous year ("**corresponding period**") to RM6.2 million in the current nine-month period in this financial year ("**current period**").

The Company was listed in July 2011, and the revenue for the corresponding period primarily represents interest income from proceeds raised from its Initial Public Offering placed in fixed deposits. Hibiscus Oilfield Services Limited, the Company's wholly-owned subsidiary company, was subsequently appointed as the Project Manager for the Middle East concessions under the Lime Group pursuant to its acquisition of the 35% equity interest in Lime ("**Lime Acquisition**")**.** Accordingly, the revenue for the current period comprises project management, technical and other services fees from the Lime Group and interest income received.

Group loss before taxation for the current period amounted to RM6.6 million which represents an increase of RM2.8 million as compared to loss before taxation of RM3.8 million in the corresponding period.

The corresponding period's results included a non–recurring expense of RM4.7 million in respect of the Lime Acquisition mainly comprising fees for legal, technical, financial, corporate and valuation advisory services.

Excluding the effects of the RM4.7 million non–recurring item above, the increase in loss before taxation is mainly due to the increase in personnel remuneration by RM3.3 million, the share of losses in the Lime Group by RM0.9 million and costs related to prospecting for acquisition opportunities by RM0.8 million.

The Group's share of losses in the Lime Group amounting to RM0.9 million has been recognised since the completion of the Lime Acquisition in April 2012. The Lime Group is currently carrying out various activities within its work programme in preparation of its multi-well drilling programme targeted to commence mid-2013. The finance cost includes RM1.0 million arising from changes in the fair value of the discovery bonus payable to Rex Oil & Gas Ltd ("**Rex**"). As part of the terms of the Lime Acquisition, it was agreed that USD5 million would be paid to Rex if a discovery of hydrocarbons is made, and declared to be commercial by 31 December 2013 by an independent competent expert.

The increase in personnel remuneration is due to the expansion of corporate personnel as well as the project management and technical team required to provide services to the concession companies within the Lime Group and in preparation for the development of the West Seahorse prospect in VIC/P57. Accordingly, part of the Group's remuneration expenses totalling RM3.0 million was recovered from the Lime Group through the provision of project management, technical and other services.

15. PERFORMANCE REVIEW (CONT'D)

15.2. Material Factors Affecting Current Quarter's Results

Group revenue for the current quarter was lower by RM0.2 million at RM2.3 million as compared to RM2.5 million in the corresponding three-month period in the prior year ("**corresponding quarter**") due to lower interest income earned during the current quarter from lower placement balances arising from the consideration paid for the Lime Acquisition and prepayment for the subscription of 3D Oil shares.

Group loss before taxation for the current quarter of RM2.5 million was slightly lower than the corresponding quarter of RM2.7 million. The corresponding quarter's results included the non-recurring expense relating to the Lime Acquisition of RM3.6 million.

The key increases in costs in the current quarter include personnel remuneration by RM0.9 million and finance cost by RM1.0 million comprising RM0.6 million interest expense on the liability portion of CRPS issued and RM0.4 million arising from changes in the fair value of the discovery bonus. The current quarter also included unrealised foreign exchange loss of RM0.7 million arising from the translation of Australia Dollar placements into Ringgit Malaysia as at 31 December 2012.

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

The current quarter's loss before taxation of RM2.5 million is lower than the preceding quarter (three-month period ended 30 September 2012) of RM2.9 million primarily due to higher interest income earned from the inflow of CRPS funds amounting to RM69.48 million during the quarter and improved share of results in the Lime Group by RM0.4 million mainly due to the gain arising from the 10% acquisition in Masirah Oil Limited, a jointly controlled entity of the Lime Group, for USD1.83 million by Petroci Holding.

17. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Proposed Acquisition of Participating Interests in Four Concessions in Norway

The Company had made earlier announcements in respect of transaction agreements executed on 2 May 2012 between Lime and North Energy ASA("**North Energy**") to secure 50% of North Energy's interests in four concessions in the Norwegian Continental Shelf ("**NCS**") in Norway ("**Proposed Transfer of Norwegian Interests to Lime Norway**").

In February 2013, Lime Petroleum Norway AS ("**Lime Norway**"), a wholly-owned subsidiary of Lime, which is a jointly controlled entity of the Company, was pre-qualified as a licensee in the NCS by the Norwegian Ministry of Petroleum and Energy. Passing the pre-qualification process is a key step towards Lime Norway's completion of the Proposed Transfer of Norwegian Interests to Lime Norway.

Save for the above, since the Company's last Quarterly Report, announced on 23 November 2012, there has been no change in the status of the Proposed Transfer of Norwegian Interests to Lime Norway.

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

(ii) Proposed Private Placement of CRPS

The Company had announced on 2 August 2012 that it proposed to undertake an issuance of up to 210,000,000 new CRPS in the Company at an issue price of RM1.00 per CRPS through a private placement exercise without prospectus ("**Private Placement of CRPS**").

Since the last Quarterly Report, the Company has executed two additional subscription agreements with a combined value of RM20 million, thereby increasing the funds raised to RM89.48 million out of the total maximum of RM210 million which may be raised under the Private Placement of CRPS.

One of the recently executed subscription agreements for the proposed subscription of RM10 million CRPS is with Sri Inderajaya (Far East) Sdn Bhd ("**Sri Inderajaya**"), an entity in which Tan Sri Dato' Seri Arumugam A/L A Packiri and Puan Sri Datin Seri Letchimy @ Suguna Devi A/P RJ Naidu, the parents of the Company's director (Mr Roushan Arumugam), are the shareholders and directors. Therefore, as Sri Inderajaya is an entity connected to the Company's director, its subscription is subject to the following approvals being obtained:

- Approval from the shareholders of the Company at an Extraordinary General Meeting to be held in relation to the specific allotment to be made to Sri Inderajaya;
- Bursa Securities approval for the extension of the implementation timeframe for the Private Placement of CRPS, which was received via its letter dated 20 February 2013; and
- any other relevant authorities, if required.

As at the date of this Quarterly Report, the Company has allotted and issued a total of 79,480,000 CRPS to six CRPS placees.

(iii) Proposed Subscription of Shares in 3D Oil Limited ("3D Oil") and Proposed Acquisition of a 50.1% Unencumbered Legal and Beneficial Right, Title and Interest in VIC/P57

On 14 August 2012, the Company had announced that :

(a) Oceania Hibiscus Sdn Bhd ("**OHSB**"), a wholly-owned subsidiary of the Company, had entered into a conditional subscription agreement to subscribe approximately 13.04% of the enlarged total issued share capital of 3D Oil for a subscription amount of AUD2,043,588; and

(b) Carnarvon Hibiscus Pty Ltd ("**CHPL**"), a wholly-owned subsidiary of OHSB had entered into a conditional farm-in agreement to acquire a 50.1% interest in the VIC/P57 permit in the Gippsland Basin, Australia ("**Farm-In of VIC/P57**") for a purchase consideration of AUD13,473,000 and a contribution of AUD13,527,000 towards the joint operating activities of the project ("**Farm-In Investment**");

collectively referred to as "**the Proposals**".

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

(iii) Proposed Subscription of Shares in 3D Oil Limited ("3D Oil") and Proposed Acquisition of a 50.1% Unencumbered Legal and Beneficial Right, Title and Interest in VIC/P57 (Cont'd)

Since the last Quarterly Report, the Company has received its shareholders' approval for the Proposals at an Extraordinary General Meeting held on 19 December 2012. On 2 January 2013, the Company remitted AUD20,250,000 as part of the Farm-In Investment, while the balance of AUD6,750,000 of the Farm-In Investment will be remitted at a later date in accordance with the terms of the farm-in agreement.

Following the completion of the Proposals on 8 January 2013, CHPL became the Operator of VIC/P57.

18. PROSPECTS OF THE GROUP FOR THE FINANCIAL YEAR ENDING 31 MARCH 2013

Through our interest in Lime, our Group currently has access to 4 oil and gas concessions in the Middle East and potentially another 4 concessions in Norway (after completion of the Proposed Transfer of Norwegian Interests to Lime Norway). All the Middle East and Norwegian concessions are currently at early to advanced exploration stages.

Under our initial strategy, our Company had focused on exploration assets to build early value and provide optimal upside to the shareholders of our Company. Our Group's next phase of growth strategy is two-pronged:

- **Continue progressing the work programme on the existing assets under Lime Group**

  The Company has been focusing on its work as Project Manager in the Middle East concessions within the Lime Group since the fourth quarter of 2011.

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

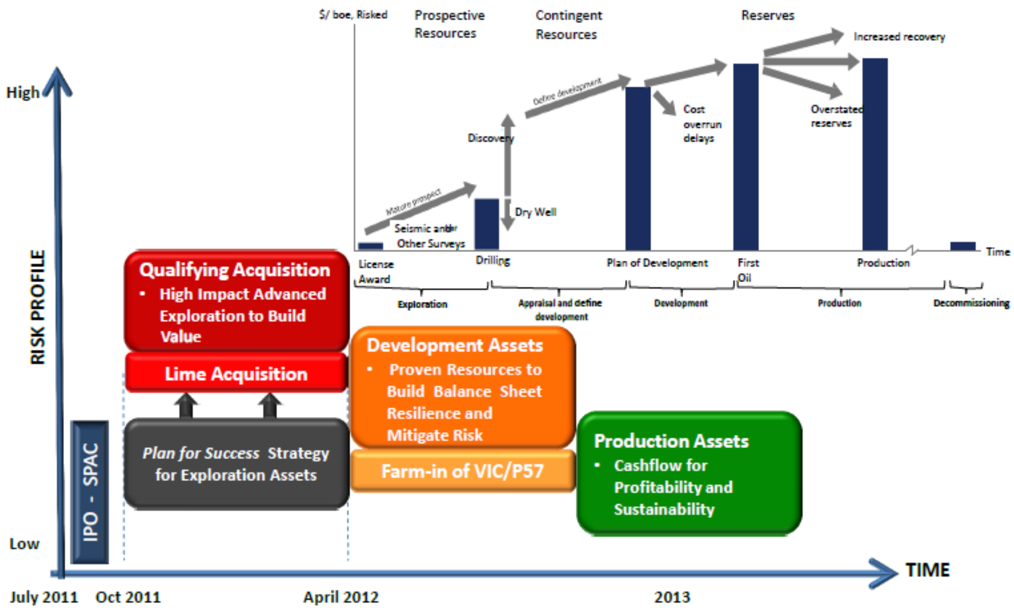
- **Balancing the portfolio of assets through the future acquisitions of development and/or producing assets**

  Our Board believes that current uncertainty in the global markets and a softening of oil prices provide an ideal opportunity to acquire development and/or producing oil assets as part of our efforts to balance our portfolio with more moderate and low risk assets.

  The Farm-In of VIC/P57 which contains a development asset, namely the discovered West Seahorse field combined with two identified exploration prospects, enables the Group to progress along the exploration and production value chain as depicted in the chart below.

18. PROSPECTS OF THE GROUP FOR THE FINANCIAL YEAR ENDING 31 MARCH 2013

- **Balancing the portfolio of assets through the future acquisitions of development and/or producing assets (Cont'd)**



The Farm-In of VIC/P57 may not deliver large returns (relative to exploration assets) but it should serve to mitigate the Group's exploration related investment risks. The successful development of the asset is also expected to enhance the market value of OHSB's 13.04% equity interest in 3D Oil.

Please refer to the accompanying report (Part C) to this Quarterly Report for further details of the activities conducted to progress the development of the West Seahorse field.

19. PROFIT FORECAST AND PROFIT GUARANTEE

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

20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the financial period ended 31 December 2012.

21. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the financial period ended 31 December 2012.

22. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

23. MATERIAL LITIGATION

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

24. LOSS PER SHARE

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

		3 months ended		9 months ended	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
Loss after taxation attributable to owners of the Company (RM'000)	(A)	(2,501)	(2,903)	(6,558)	(4,178)
Weighted average number of shares in issue ('000)	(B)	439,596	418,048	435,757	267,437
Basic loss per share (sen)	(A/B)	(0.57)	(0.69)	(1.50)	(1.56)

The weighted average number of ordinary shares in issue for the corresponding financial quarter/period for the computation of loss per share has been recalculated and the related basic loss per share restated. The loss after taxation remains the same.

The fully diluted loss per share for the Group was not presented as the assumed conversion from the exercise of Warrants-A and Warrants-B would be anti-dilutive.

25. LOSS BEFORE TAXATION

	3 months ended		9 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):				
Interest income	(809)	(2,047)	(1,778)	(4,339)
Other income	(250)	-	(250)	-
Finance cost	993	-	1,601	-
Unrealised loss on foreign exchange	696	1	700	1
Depreciation of equipment	56	33	155	70
Qualifying acquisition expenses	-	3,590	46	4,714
Realised loss on foreign exchange	28	-	28	-
Listing expenses	-	-	-	217

25. LOSS BEFORE TAXATION (CONT'D)

Other than as presented in the Unaudited Condensed Consolidated Statements of Comprehensive Income and as disclosed above, there were no other income, interest expense, provision for and write off of receivables or inventories, gain/loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain/loss on derivatives, and other exceptional items for the financial period ended 31 December 2012.

26. TAXATION

	3 months ended		9 months ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Income taxation	11	(249)	6	(346)
Deferred taxation	-	-	41	-
	11	(249)	47	(346)

The Group's taxation for the period ended 31 December 2012 relates to reversals of provision for deferred taxation and previous year's income tax provision.

27. REALISED AND UNREALISED ACCUMULATED LOSSES

	UNAUDITED As at 31.12.2012 RM'000	AUDITED As at 31.3.2012 RM'000
Analysis of accumulated losses:		
Realised	(11,947)	(6,036)
Unrealised	(700)	(53)
	(12,647)	(6,089)

AUTHORISED FOR ISSUE

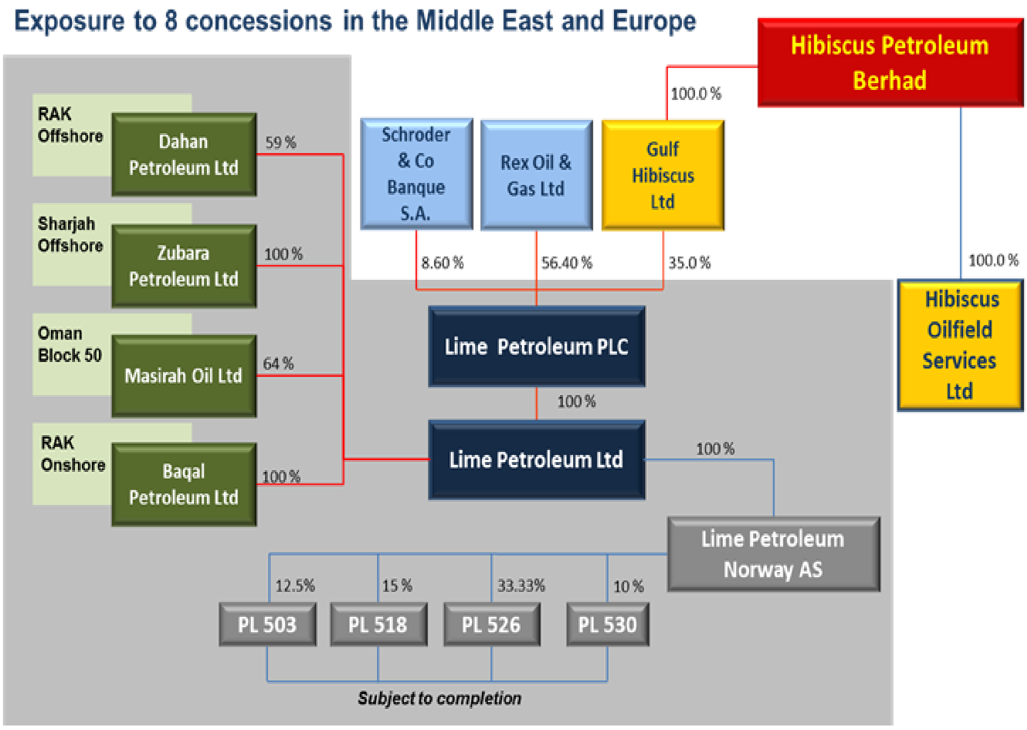
The Quarterly Report is authorised for issue by the Board in accordance with a resolution of the Board of Directors dated 25 February 2013.

By Order of the Board of Directors
Hibiscus Petroleum Berhad

PART C – STATUS OF DEVELOPMENT AND EXPLORATION ACTIVITIES

1. EXPLORATION ACTIVITIES UNDER THE LIME GROUP

1.1 Lime Group Structure



During the period ended 31 December 2012, the total expenditure incurred by the Lime Group is set out below:

	Quarter ended 31.12.2012 RM'000	Period ended 31.12.2012 RM'000
Intangible exploration and evaluation assets	4,516	46,728
Administrative expenses	5,264	7,214
	9,780	53,942
Loan to North Energy ASA ("**North Energy**")*	319	15,095

* *The loan to North Energy of NOK27.5 million is essentially a prepayment for the Proposed Transfer of Norwegian Interests to Lime Norway, for which an interest at the rate of 4.00% per annum is earned.*

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

1.1 Lime Group Structure (Cont'd)

Hibiscus Petroleum Group has a 35% equity stake in the Lime Group 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

- PL 503/Valberget
- PL 518/Zapffe
- PL 526/Vågar
- PL 530/Heilo

collectively referred to as "**Firm Assigned Interests**".

Please refer to Part B, Section 17(i) of the Quarterly Report for an update on Lime Petroleum Norway AS' pre-qualification as an oil and gas exploration company in Norway.

Subject to agreement between North Energy and Lime, one or several of the following three optional interests ("**Optional Assigned Interests**") or any interest in any other production license held by North Energy may be added to the Firm Assigned Interests:

- PL 536/Elbrus
- PL 562/Lepus
- PL 564/Alta/Kvitunge

In addition, should one or several of the Firm Assigned Interests not be available for transfer to Lime due to specified reasons, Lime will have the right to replace such unavailable assigned interests with an equal number of the Optional Assigned Interests.

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

1.2 Middle East Activities

The thrust for the 2012/2013 work programme comprises seismic data acquisition, processing and interpretation, various geological studies and well engineering/drilling preparation activities.

(i) Seismic activities

A 2D and 3D seismic data acquisition programme was conducted from 18 February 2012 until 1 July 2012 for the Block 50 Oman Concession, RAK North Offshore Concession and Sharjah East Coast Concession.

(a) Block 50 Oman Concession

Both the 2D and 3D seismic data for Block 50 Oman Concession have now been processed and have been interpreted using both conventional analysis and Rex Virtual Drilling[1].

Through the use of Rex Virtual Drilling, applied on new and vintage seismic data, two new prospects have been identified and high-graded. These prospects were not identified or included in the original Aker Geo AS (**"Aker Geo"**)/Pareto Securities Asia Pte Ltd (**"Pareto"**) reports (which were used in 2011 as a basis of valuing the Lime concessions). Currently, three viable prospects (which include the two new recently identified prospects mentioned above) are being surveyed for drill site suitability ahead of drilling. The two new prospects are expected to be less costly to drill compared to prospects which were included in the Aker Geo/Pareto valuation reports and if successful, will significantly reduce exploration risks associated with the acreage whilst also increasing the commercial potential.

All other previously identified prospects recorded in the 2011 Aker Geo report at time of preparation still remain as viable conventional prospects.

(b) RAK North Offshore Concession

Preliminary Rex Virtual Drilling studies are nearing conclusion with several very positive prospects identified. The additional 3D seismic data acquired by others in 1984 has now been interpreted and confirms the virtual drilling anomalies found in the 2D data. Some additional studies are ongoing with the objective of finalising possible drilling locations in Q1 2013.

[1] *Rex Virtual Drilling, a proprietary technology of Rex (a shareholder of Lime), seeks to reduce early risks associated with the discovery of oil and gas (and its commercial impact) and the time required to commercialise viable fields by conducting an evaluation to infer the content of accumulations (fluid identification) through a complex seismic evaluation scheme based on resonance.*

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

1.2 Middle East Activities (Cont'd)

(i) Seismic activities

(c) RAK South Onshore Concession

Work has continued in developing a seismic acquisition programme that can be tendered in Q2 2013 with work commencing later in the year. New data has become available in the form of a British Geological Survey of the UAE and two (2) other separate previously acquired seismic data sets. These are now being used to assist in studying the block and in defining acquisition methodology.

(d) Sharjah East Coast Concession

The preliminary Rex Virtual Drilling performed on the raw seismic data acquired during the 2012 acquisition programme has been followed up by detailed studies of 2D and 3D data, undertaken by a third party consultancy. This has been successful in identifying several prospective features. Further Rex Virtual Drilling will be carried out on these areas to align the conventional analysis with virtual drilling anomalies.

(ii) Drilling programme

In early 2012, Lime outsourced the engineering related activities for its drilling programme. Following a tendering exercise and technical and commercial evaluation of several proposals by international drilling project management service companies, SPD LLC ("**SPD**"), a division of Petrofac Production Solutions, was selected as the drilling project management service company to assist Lime with various detailed aspects of the drilling programme. Hibiscus Petroleum's representatives have been assigned to the SPD office in Dubai to oversee the work of developing the drilling strategy, in addition to other well engineering activities. The team has also been overseeing the tender process related to the procurement of various other services that will be required as part of the drilling programme.

Following the issue and submission of tenders, the majority of evaluations are at the commercial stage. Purchasing of long lead time items has commenced and the remaining orders for other equipment and drilling related services is targeted to take place in Q1 and Q2, 2013. Marine survey work in Block 50 Oman is planned to commence in March 2013 in order to finalise the Environmental Impact Assessment (EIA) and obtain the environmental permission for drilling.

Preliminary technical work is continuing with SPD in preparation for the drilling of a well in the RAK North Offshore Concession.

As reported previously, the team is continuously monitoring the market to identify available rigs suitable for the RAK North Offshore Concession taking into account the anticipated technical challenges.

Concluding Remarks

The work programme for the Middle East activities to-date has been performed without any safety related incidents occurring.

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

1.3 Norway Activities

Subsequent to the last quarter, Lime Norway has been pre-qualified as a licensee in the Norwegian Continental Shelf ("**NCS**") by the Norwegian Ministry of Petroleum and Energy.

This approval endorses Lime Norway as a qualified oil and gas player in Norway, thus allowing the company to directly assume participating interests in partner-operated licenses in the NCS.

The pre-qualification process, which usually takes several months and requires new entrants to demonstrate sufficient technical expertise such as in geological and geophysical areas and sound financial ability, is part of the Norwegian Government's efforts to attract both established and new oil and gas players who can contribute to efficient and safe domestic exploration activities.

Pursuant to in-depth technical evaluations which included Rex Virtual Drilling, Lime Norway has finalised its selection of production licenses which shall be acquired from North Energy, and efforts are being undertaken to execute a supplemental agreement to the transaction agreements in due course.

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

The Farm-In to VIC/P57 was completed on 8 January 2013. A project team has been established in Melbourne, Australia using an integrated approach, led by the Company's personnel, with team members from 3D Oil and Worley Parsons, the selected Front-End Engineering Design ("FEED") Contractor. The current focus of the team is the selection of a final development concept. Two concepts remain including (a) the current Base Case, namely an onshore solution that exports the oil to a local refinery via trucks and (b) an offshore solution which exports the oil to international markets via crude oil tankers. Both concepts have their advantages. The offshore solution requires lower capital cost and has an earlier First Oil date but the onshore solution carries significantly lower operating cost. Final concept selection is expected in Q1 2013. Tender Packages for all major contracts will then be prepared during Q2 2013 leading to the formal Tender Process during the second half of 2013 and contract award in Q1 2014.

The preliminary Field Development Plan was submitted to National Offshore Petroleum Titles Administrator, Australia ("**NOPTA**") in early January 2013 as planned. Feedback from NOPTA has been received in February 2013 and a Final Field Development Plan will be submitted in April 2013 following selection of the final development concept. The onshore and offshore pipeline License Applications will also be submitted at that time.

Other focus areas at this time include evaluation of Crude Oil Marketing and Sales alternatives, Australian Regulatory Compliance and update of Project Economics for use in final concept selection.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
25 February 2013