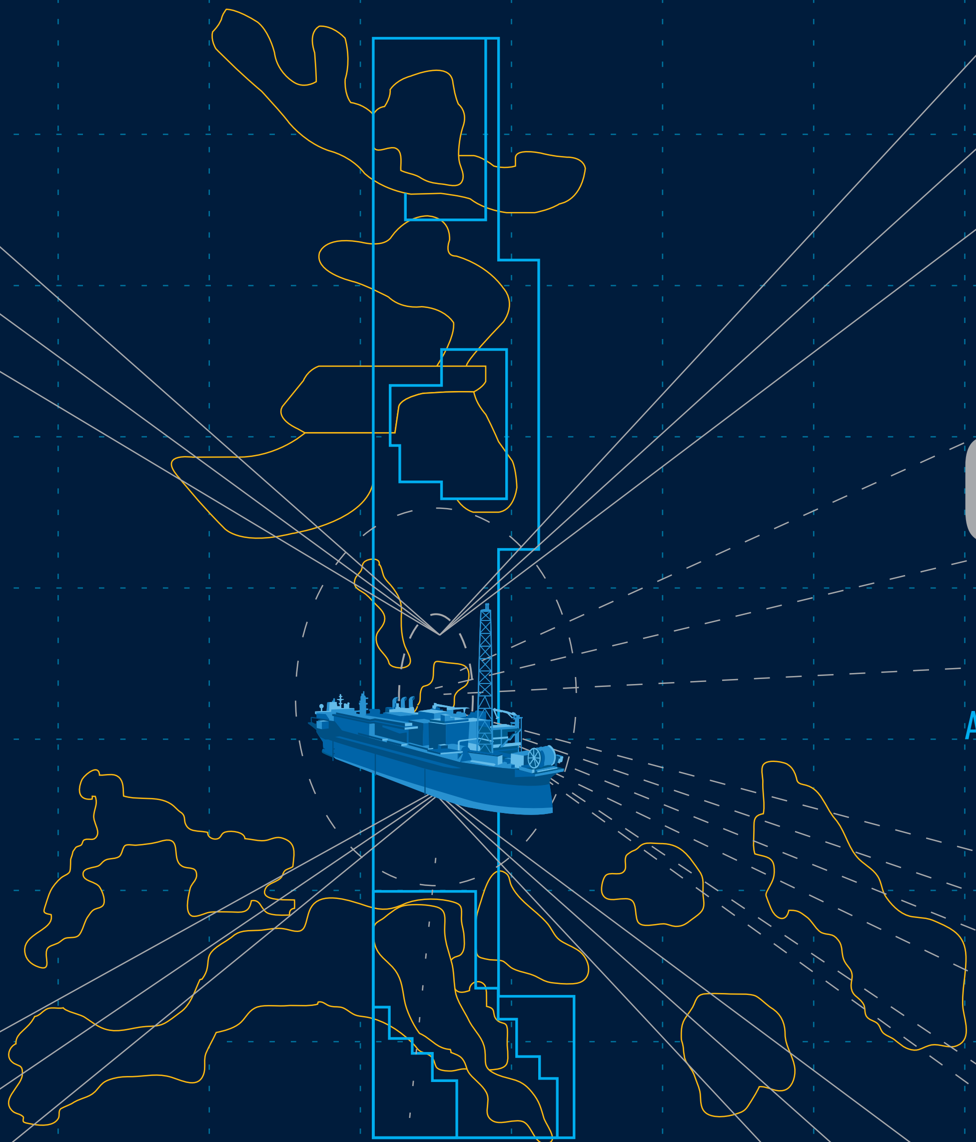
Hibiscus Petroleum



GROWING

ANNUAL REPORT 2016/2017

CONTENT

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ABOUT US

GROWING

The cover design shows the oil and gas fields of the Anasuria Cluster and FPSO, with radially projecting lines, which represent our journey of GROWING:

- Our profitability and the resilience of our Balance Sheet;
- Our capability;
- Our geographical footprint;
- A unique organisational culture; and
- The value we deliver to our stakeholders.

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LEADERSHIP

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GOVERNANCE

Growing

- Our profitability and the resilience of our Balance Sheet;
- Our capability;
- Our geographical footprint;
- A unique organisational culture; and
- The value we deliver to our stakeholders.

ABOUT US

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Hibiscus Petroleum Berhad (Hibiscus Petroleum) is Malaysia's first listed independent oil and gas exploration and production company. Our key activities are focused on monetising our oil producing fields and growing our portfolio of development and production assets in areas of our geographical focus: United Kingdom, Malaysia and Australia.

Our efforts are concentrated in enhancing operational efficiencies to safely deliver high-margin production of oil and gas from our assets. Our growth strategy in the current oil and gas market is to leverage on opportunities that are present within our existing assets and make quality acquisitions on a selective basis to achieve consistent earnings, thereby delivering sustainable returns to our shareholders.

We are committed towards upholding high standards of safety management and corporate governance, whilst expanding our business on strong technical and commercial foundations.

Hibiscus Petroleum is headquartered in Kuala Lumpur, and our shares are listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities).

Listed on Bursa Securities:
July 2011

Market Capitalisation[1]:
RM1.0 billion

Current 2P/2C Oil Reserves and Resources[2]:
32.4 MMbbls[3]

Average Daily Oil Equivalent Production Rate of Approximately:
3,500 boe/day[4]

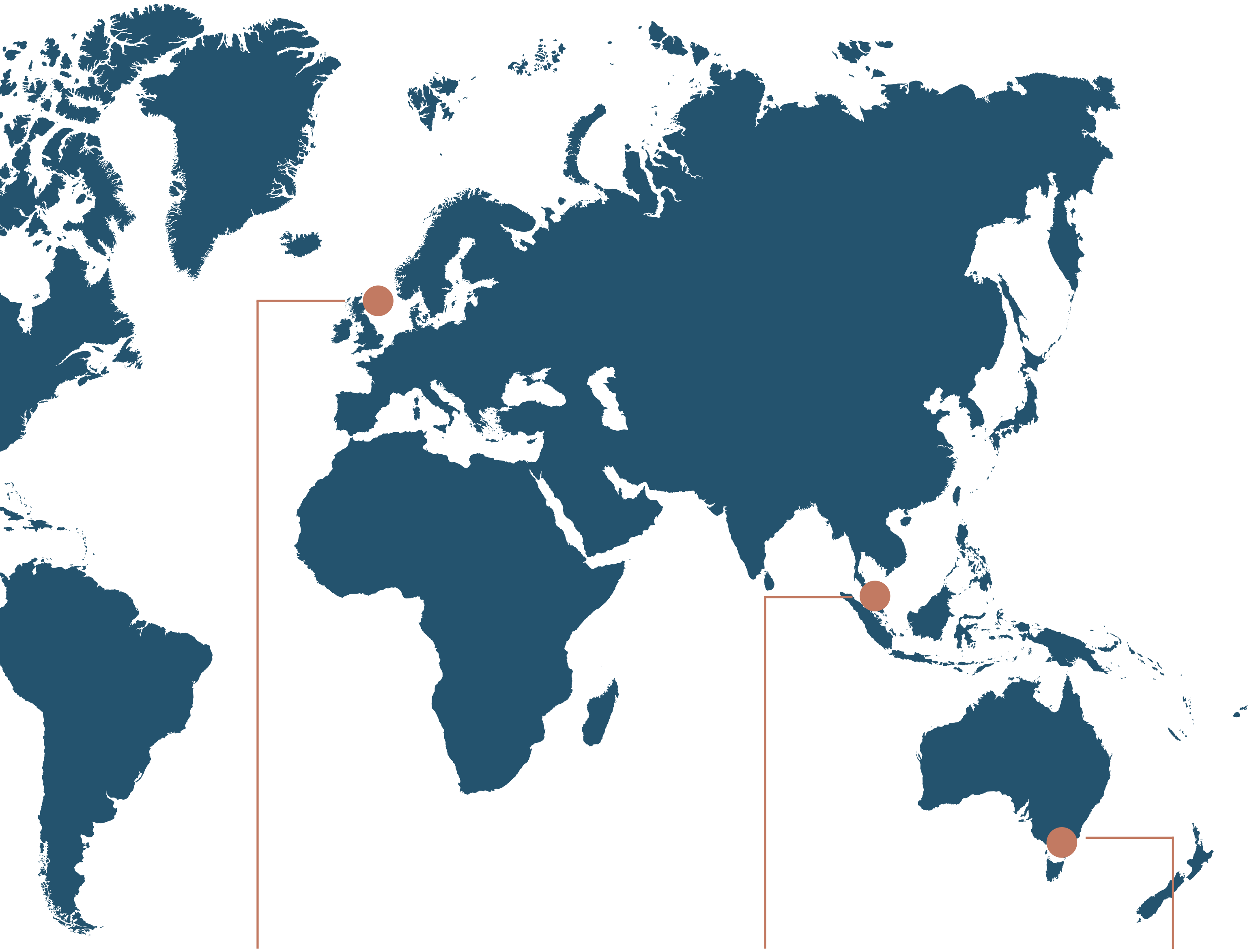
Notes:

[1] As of 5 October 2017.

[2] Reserves and resources certified by independent third parties, as of 1 January 2017.

[3] Million barrels.

[4] Barrels of oil equivalent per day.



United Kingdom

The United Kingdom continental shelf is the home of Hibiscus Petroleum's key asset-the Anasuria Cluster, a group of producing fields and associated infrastructure. Our jointly-controlled entity, Anasuria Operating Company is joint-operator of this revenue generating asset.

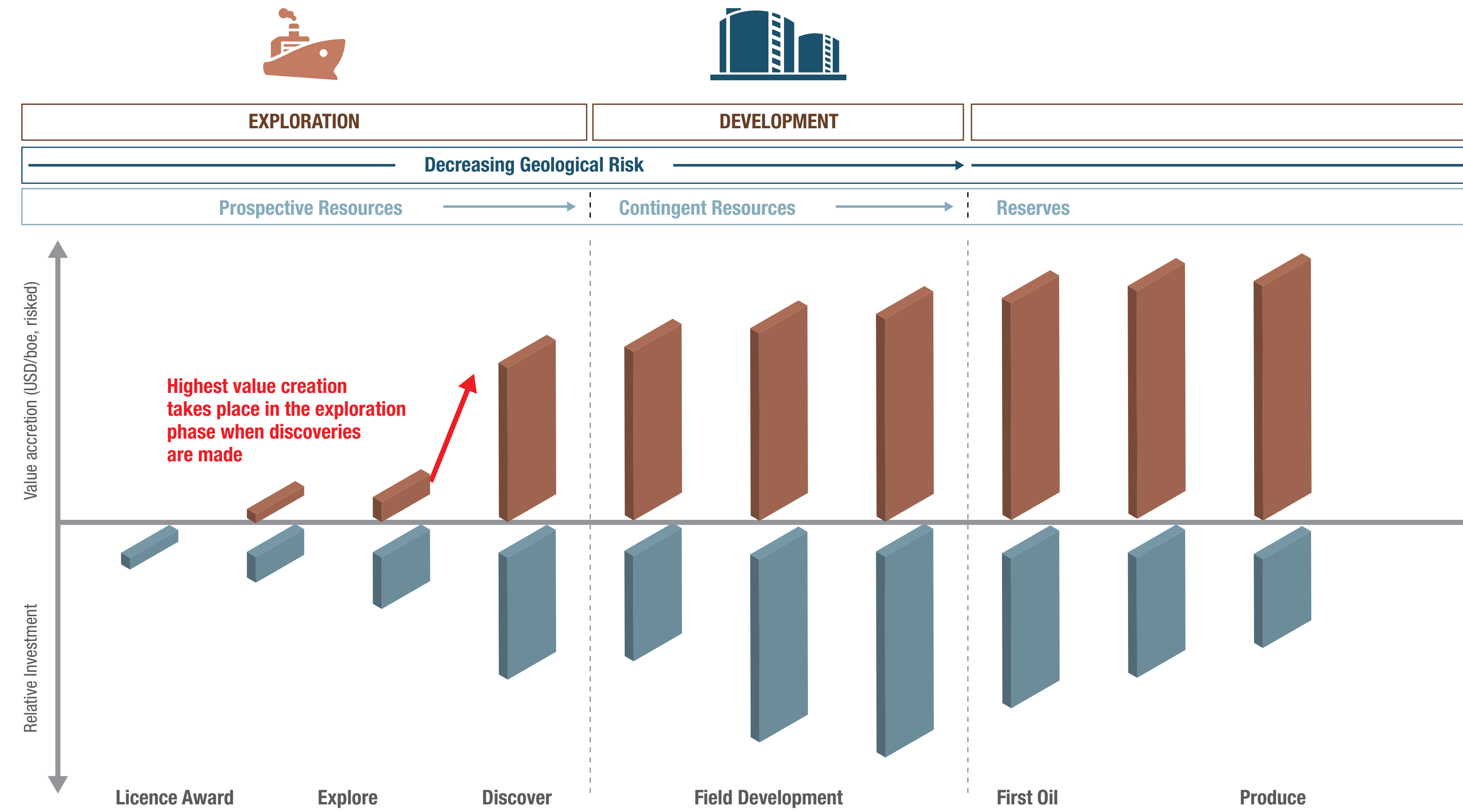
Malaysia

We are headquartered in Kuala Lumpur and our shares are listed on the Main Market of Bursa Securities. We have also recently signed a conditional Sale and Purchase Agreement to acquire interests in a producing shallow water asset offshore Sabah, East Malaysia.

Australia

As Operator of the West Seahorse field with proven and probable reserves under the VIC/L31 production licence, as well as the additional exploration opportunities under the VIC/P57 exploration licence, Australia is also a core area for Hibiscus Petroleum.

INVESTMENT AND VALUE CREATION



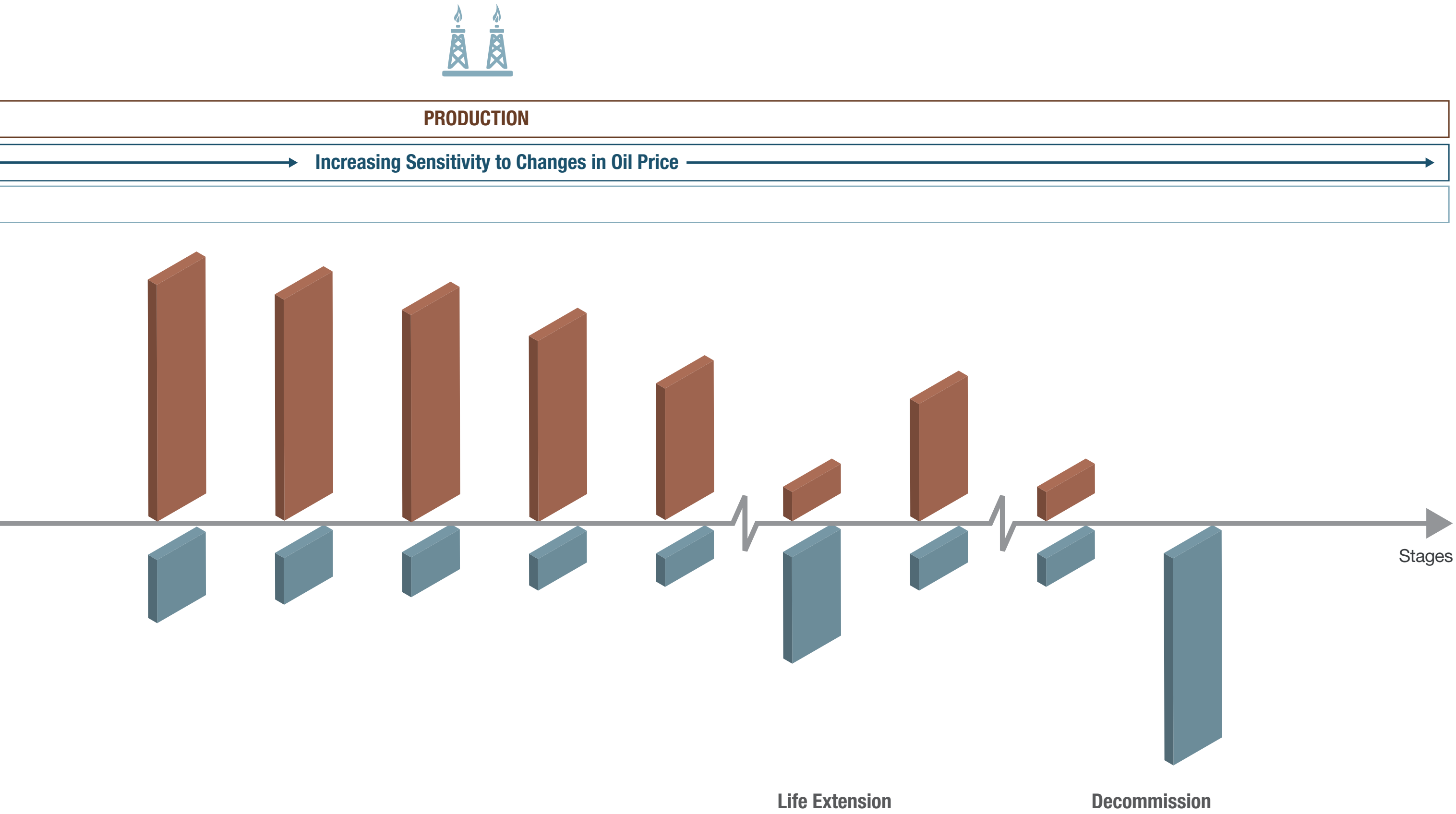
Stage	Licence Award	Explore	Discover	
Reserves/Resources	Prospective Resources			Contingent Resources
Investment/Activity	Bidding or direct negotiation with host countries	Seismic acquisition, processing and interpretation	Drill exploration well	Drill appraisal well/ extended well test
Risks	High geological risks	Geological risks	Geological risks	Decreased geological risks
Typical GCoS* range**	0 - 25%			25 - 55%
Value Creation	Secure right to explore acreage via the signing of a concession agreement	- Identify drillable prospects - Define GCoS and prospective resources	Discovery of hydrocarbons	Commercial discovery of hydrocarbons

Notes:

- The table above does not account for unconventional concepts and field development.
- Inherent operational risks are not included.
- Information presented is reflective of the Company's portfolio of assets.

* USD/boe United States Dollar per barrel of oil equivalent
** FID Final Investment Decision
*** GCoS Geological Chance of Success

IN THE OILFIELD LIFE CYCLE



Field Development		First Oil	Produce	Life Extension	Decommission
Proven Reserves		Start of oil production from the field	Proven Reserves		-
Pre-FID** - Field Development Plan - Plan optimal subsurface development (e.g. number of wells to drill, amount of oil production achievable) - Front-End Engineering and Design (FEED) for the surface facilities	**Post-FID**** Detail design, construction and installation		Maintenance of equipment and wells	Drilling of additional wells or implementing secondary oil recovery (e.g. waterflooding)	Facilities and well abandonment
Low geological risks; Oil price risks	Design risks; Oil price risks		Oil price risk	Oil price risk	-
55 - 85%			85 - 100%	60 - 80%	-
Confirm the economic feasibility of the project	Installation of the surface facilities and drilling of oil wells		Ensure optimal oil production from the field	Increased oil production and reserves from the field	Abandonment of the field in an environmentally safe manner

Growing

- Our profitability and the resilience of our Balance Sheet;
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- The value we deliver to our stakeholders.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Zainul Rahim bin Mohd Zain
Chairman

DEAR SHAREHOLDERS,

At the last Annual General Meeting, we presented a relatively optimistic view of the year ahead. We had just acquired a 50% interest and joint-operatorship of the Anasuria Cluster of oil and gas fields located in the British sector of the North Sea. Initial indications were that this asset would serve as a foundation upon which we could rebuild our Company within the context of a new business reality of oversupply facing the exploration and production (E&P) sector at that time. In addition, we had also announced the execution of conditional agreements to acquire interests in an offshore oil and gas asset in North Sabah. A year later, it is pleasing to be able to report that our optimism has been well founded. At the macro-economic level, oil prices are stabilising, mainly through the intervention of the Organization of Petroleum Exporting Countries (OPEC) and its business allies. There remains much debate as to when oil demand versus supply will rebalance but the consensus is that, in the near to medium-term, prices will more likely increase or remain where they are rather than fall drastically.

> **"OUR OPERATIONAL AND FINANCIAL PERFORMANCE HAVE ENHANCED OUR CREDIBILITY AS A SERIOUS PLAYER IN THE NORTH SEA AND ELSEWHERE."**

At the micro-economic level, the inevitable shake-out of companies that are unable to sustain their respective business models at current oil price levels, continues. For the E&P sector, high operational metrics (resulting in poor field economics at current oil price levels) have accelerated some abandonment activities or precipitated divestment initiatives. In the oilfield services sector, competition is intense and companies have had to transform and/or consider consolidation to remain in business.

Within this tough operating landscape, we have striven to build a stronger and more resilient company from the ground up. Our thrust has been to deliver an improved operational performance, with the goal that we strive for continuous improvement in everything that we do. This discipline has resulted in our achieving a higher average 'facilities uptime', which in turn has translated into tangible improved financial performance.

Our operational and financial performance have enhanced our credibility as a serious player in the North Sea and elsewhere. As a junior new entrant, this has been a big win and we hope that you are able to discern the progress that our Company has made in the past twelve months.

> **“OIL AND GAS ARE THE WORLD’S PRIMARY SOURCE OF ENERGY TODAY ... OIL AND GAS ARE EXPECTED TO CONTRIBUTE ABOUT 60% OF THE GLOBAL ENERGY MIX OVER THE NEXT TWENTY YEARS.”**

THE OUTLOOK FOR OIL AND GAS

As we grow our Company, we need to be aware of changes in the macro-environment that may threaten our long-term business continuity. Not a day goes by without media commentary on the impact of US shale on oil price. Indeed, a shareholder of an E&P company might wonder if there is much to be gained by holding an equity stake in a Company such as ours. We strongly believe that there is. The reality is that:

- Oil and gas are the world’s primary source of energy today;
- Over the next twenty years, the global population will increase (from about 7.3 billion today to just over 9 billion in 2040) and there will be a greater number of people relying on energy for basic living needs and transportation; and
- Over the next twenty years, global Gross Domestic Product (GDP) will effectively double, with high rates of growth being seen in non-OECD countries. Again, GDP growth requires a significant energy component and this economic expansion coupled with a growing human population base is expected to drive up energy demand by about 25% before 2040, making all sources of energy relevant. In this scenario, oil and gas are expected to contribute about 60% of the global energy mix.

So, a global E&P business will continue to be present but successful players will be forced to demonstrate certain organisational traits and capabilities. We believe these to be:

- A track record of working safely with certain responsibilities towards the protection of our environment;
- An operational efficiency and discipline that allows each barrel to be produced at the lowest cost levels;
- An agility to respond to changing market conditions; and
- A willingness to introduce or embrace new work methods that are enabled by evolving technologies.

To be a relevant future player in our chosen business segment, we will continue to put in place the building blocks that will deliver the company that is profiled above. It will be a testing journey, with an evolving destination, but we are motivated by this challenge.

OUR SAFETY PERFORMANCE

Host regulators require that we operate all our assets with the utmost attention towards Health, Security, Safety and Environment (HSSE) considerations. To meet this agenda, more significantly, our desire to ensure all our employees are safe and secure in their workplace, means that we have to diligently observe all the rules and guidelines of our HSSE Management System Standard (HSSE MSS).

On this note, I am pleased to report that for the year under review (1 July 2016 to 30 June 2017), there has not been a single reportable significant HSSE incident.

HSSE MANAGEMENT FRAMEWORK IS IN PLACE

For the year under review (1 July 2016 to 30 June 2017)	
Fatality Incidents	0
High Potential Incidents	0
Loss Time Incidents	0

>> CHAIRMAN'S STATEMENT

"OVER THE NEXT TWELVE MONTHS WE PLAN TO EXECUTE AT LEAST TWO WELL INTERVENTION PROJECTS TO ENHANCE DAILY PRODUCTION VOLUMES AT OUR ANASURIA ASSET."

We are pleased with our 2016/2017 HSSE performance but we recognise that it requires constant vigilance to continue to keep our workplace safe and secure. We also understand our responsibility towards the environment. Afterall, we should not forget that it is our planet that is our income source, and hence it is our reciprocal duty to look after that income source.

As the joint-operator of the Anasuria Cluster in the UK North Sea, it is possible for us to partly rely on the provisions of the HSSE MSS of our offshore duty holder (Petrofac). However, now that we aspire to operate the North Sabah asset in Malaysia, we need to develop our own HSSE MSS to ensure that we are independently able to manage all aspects of our business with the necessary HSSE management framework in place. This has been done and what remains is for our HSSE MSS to be implemented in Malaysia, once the North Sabah transaction is completed.

GOVERNANCE AND TRANSPARENCY

Embedding corporate governance and transparency in the way we conduct our business have been an integral part of the Board agenda since our Initial Public Offering (IPO). Several initiatives have been introduced in the past year that underline our commitment for continuous improvement in this area.

Firstly, the internal audit function, which was previously outsourced, has been reinforced by bringing it in-house. A senior member of staff, with many years of experience in the business has been appointed as our Internal Auditor, to oversee compliance to our internal processes and assist with recommendations for business improvements. The Internal Auditor reports directly to the Audit and Risk Management Committee of the Board.

Secondly, over the past year we have provided a virtual forum that allows shareholders to seek clarification (in writing) on any aspect of our business, thus enabling them to better understand the E&P sector, what we do and/or how things are done. To ensure simultaneous dissemination of information to all stakeholders, we upload our responses to these queries onto our website. The forum has attracted some excellent, detailed queries and we thank you for your input. We hope this forum has provided you with an avenue to enhance your knowledge of our industry and our Company.

Finally, we have also started supplementing the issuance of our quarterly financial report with a webcast which is uploaded onto our website on the day of the release of our quarterly results. This has also proved to be a popular feature with our stakeholders as a high-level appreciation of our quarterly numbers can be heard in less than twenty minutes. International investors have also provided positive feedback and it is now an objective to improve this component of our investor relations effort.

NEAR-TERM BUSINESS GOALS

Over the past eighteen months we have made good progress at improving the operational performance of the Anasuria asset. Together with our partners, Ping Petroleum, and our offshore duty holder, Petrofac, we have driven various cost reduction initiatives that have resulted in lower operating expenditure per barrel of oil equivalent (boe). This has been done whilst maintaining the safety and environmental standards expected of a North

ESTABLISHED INTERNAL AUDIT FUNCTION

LAUNCHED VIRTUAL SHAREHOLDER FORUM

NEW QUARTERLY FINANCIAL WEBCAST

LOWER OPERATING EXPENDITURE PER BOE

Sea operator. Over the next twelve months we plan to execute at least two well intervention projects to enhance daily production volumes at our Anasuria asset. Enhancement of production and efforts to bring down costs will both positively impact our operating expenditure per boe (OPEX/boe).

Another significant activity that is currently ongoing is the transition programme for the North Sabah transaction. This is a large asset that has been in production for nearly thirty years. Given that history, there is a great deal of information and data to be transferred to us by the current Operator so that all knowledge and experience that have been obtained over the years, may be properly stored for future reference. We are eager to complete the North Sabah transaction and commence operations but unless all conditions of the transaction are met and details are properly addressed, our activities cannot commence. In this regard, we hope that you will be patient as we take all the necessary steps to meet all conditions of the transaction and execute a smooth take-over of the North Sabah operations.

OUR THANKS

The past twelve months have been eventful. The duties for the Board have been increasing, as regulators raise their expectations in the area of corporate governance and transparency. It has been a pleasure to work with my fellow Board members who have discharged their duties with utmost dedication. Their work has been meticulous and of the highest quality. On behalf of the Board, I would also like to acknowledge the tireless work and the many positive contributions of Ms Sara Murtadha Jaffar Sulaiman, who has stepped down on 17 October 2017 as a Board member, after three years with us. Current work commitments make it difficult for Ms Sara Murtadha Jaffar Sulaiman to continue to deliver the necessary level of attention that is required of her as our Board member.

On a positive note, I am pleased to welcome YBhg Dato' Dr Zaha Rina Zahari, who joined our Board on 15 September 2017, bringing with her extensive experience and relationships in the areas of banking and the capital markets, both local and international. Subsequently on 17 October 2017, YBhg Dato' Dr Zaha Rina was appointed as a member of the Audit and Risk Management Committee, in place of Ms Sara Murtadha Jaffar Sulaiman.

On behalf of the Board, I would also like to extend our thanks to our stakeholders. Firstly, I would like to thank our loyal shareholders. Thank you for your continued trust and support. We hope that our improving performance will encourage you to retain your ownership of our Company for a long time to come. Secondly, I would like to thank the relevant regulators in Malaysia, namely the Securities Commission, Bursa Malaysia Securities Berhad and Bank Negara Malaysia. They have all assisted us with timely approvals for the various corporate exercises that we are implementing. Our industry-specific regulators also deserve special mention, namely Petroliam Nasional Berhad (PETRONAS) of Malaysia, the Oil and Gas Authority of the United Kingdom (OGA), the National Offshore Petroleum Safety Environmental Agency (NOPSEMA) and the National Offshore Petroleum Titles Administrator (NOPTA) of the Commonwealth of Australia. Your continuous support is very much appreciated, as without your support, we would not be where we are today.

Over the past year, we have engaged with several financial institutions in an effort to secure debt facilities that will enable us to leverage our Balance Sheet more efficiently. However, negative sentiment towards our industry still prevails, owing to a number of large debt and bond repayment defaults. Notwithstanding this negative sentiment, I am encouraged by the willingness of some financial institutions to consider the various proposals we have put forward. We will continue to engage with them with the hope that we may reach a positive conclusion in the near future.

Finally, I would like to extend my thanks to the Management Team and employees of Hibiscus Petroleum Berhad Group. Once again, your dedication towards delivering our vision and mission has been of the highest standard. The financial results that have been achieved are a tangible piece of evidence that reflects your hard work in a difficult market environment. I also feel that the initiatives you have implemented towards improving the level of corporate governance and transparency will, in the long-term, be also recognised and rewarded. In pursuing our business goals, it is of utmost importance that each and every employee continues to prioritise the objective of keeping everyone safe and secure at the workplace, while exercising the highest level of care for the environment, in our areas of operation.

In the past twelve months, we have built and achieved a strong business foundation around the Anasuria Cluster. I look forward to the next twelve months as we sweat and maximise value from our existing asset base, and keep GROWING to realise our growth ambition.

Thank you.

Zainul Rahim bin Mohd Zain
Chairman of the Board
19 October 2017

Growing

- Our profitability and the resilience of our Balance Sheet;
- Our capability;
- Our geographical footprint;
- A unique organisational culture; and
- The value we deliver to our stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Dr Kenneth Gerard Pereira
Managing Director

I. OUR BUSINESS AND OPERATIONS

Hibiscus Petroleum: The Big Picture

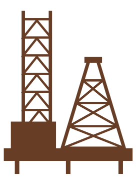
Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company or the Group) is a growing independent oil and gas exploration and production company (IOC). An IOC is an organisation that focuses its activities primarily in the front-end of the exploration and production (E&P) segment of the oil and gas industry.

We are relatively young as an organisation, having been established in 2011. However, our foundations run deep. Our Management team delivers value each day that originates from a base of knowledge, and a wide range of business relationships and experience that have been built through more than 300 years of combined exposure to our industry through upcycles and downcycles, working for a diverse mix of industry players in various international settings.

We have a clear vision. We strive to be a respected and valuable IOC. To be 'respected' has many interpretations. For the team at Hibiscus Petroleum, it simply means that we wish to be recognised as a serious and responsible participant in a truly global and competitive business landscape that requires:

- strict and continuous adherence to host-country laws and an implementation of internationally accepted safety, environmental and technical standards; and
- a deep understanding of petroleum related fiscal systems and general project and cost management skills.

We are also applying ourselves to being 'valuable'. We believe that if we are 'valuable', then we are delivering something desired by our stakeholders which we hope, incentivises them to further collaborate or invest in us.

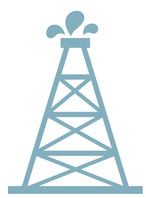


Independent Oil Company

A non-integrated company which is exclusively in the exploration and production segment of the industry, with no downstream marketing or refining activities within their operations.

National Oil Company

Fully or majority owned by a nation's government and is not generally publicly traded.



Integrated Oil Company

A company that engages in the exploration, production, refining and distribution of oil and gas.

The words 'respected' and 'valuable' are both subjective in nature. They denote that our vision is a journey with an undefined destination. Our challenge, each step of the way, is to ensure that we extract a maximum in returns in exchange for a minimal of resources, always keeping in mind that the delivery of our vision must be executed safely and responsibly.

Whilst our vision for the Company is long-term in nature, for the period 2017 to 2021 our goals are specific. Over the next four years certain growth objectives have been set, these being:

- securing a net entitlement of at least 100 MMbbls of proven and probable oil reserves/entitlement; and
- achieving an average of 20,000 barrels (bbls) of oil per day in production, net to the Company.

Our assets are spread across several jurisdictions, these being in the following areas:

- **United Kingdom:** A cluster of offshore oil and gas fields in United Kingdom sector of the North Sea which produce to the Anasuria floating, production, storage and offtake (FPSO) facility.

- **Australia**: A development stage production licence which covers the West Seahorse discovered oilfield located in the Bass Strait.
- **Australia**: An exploration stage permit covering multiple oil and gas prospects also located in the Bass Strait.

We have also executed a conditional Sale and Purchase Agreement (SPA) to acquire interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (North Sabah PSC). The North Sabah PSC covers four producing fields (Barton, St. Joseph, South Furious and SF30). These fields are all located offshore East Malaysia. This acquisition is currently pending completion.

As of 1 January 2017, our existing portfolio of assets in Australia and the United Kingdom, are believed to contain 25.7 million barrels (MMbbls) of proven and probable reserves net to our Company and over the course of the 2016/2017 financial year, our average daily production rate was approximately 3,500 bbls of oil equivalent per day.

Vision

To be a Respected and Valuable Independent Oil and Gas Exploration and Production Company

Mission

- **100 MMbbls** net proven and probable oil reserves/ entitlement in existing core asset areas.
- **20,000** bbls/day net production.

>> MANAGEMENT DISCUSSION AND ANALYSIS

Our Business Environment

Few industries could have survived the downturn that the oil and gas sector has experienced over the past three years. The industry sector has been in a state of flux and the rules and dimensions of a new playing field have yet to be properly defined.

Until the middle of 2016 we were living through the first, essentially free market in oil seen in modern times. Throughout that period, the industry was predicting a quicker rebound to much higher oil price levels than were realised. Today, we have finally reached an acceptance that oil prices will likely demonstrate a positive gradient of growth much shallower than previously anticipated. To get to current oil price levels, a degree of market management has been required. As rightly described by analysts, the great experiment that started at the end of 2014 with the Organization of Petroleum Exporting Countries' (OPEC) historic decision to pursue a market share strategy has ended and we are now coming to terms with the most comprehensive output reduction agreement seen since 2008.

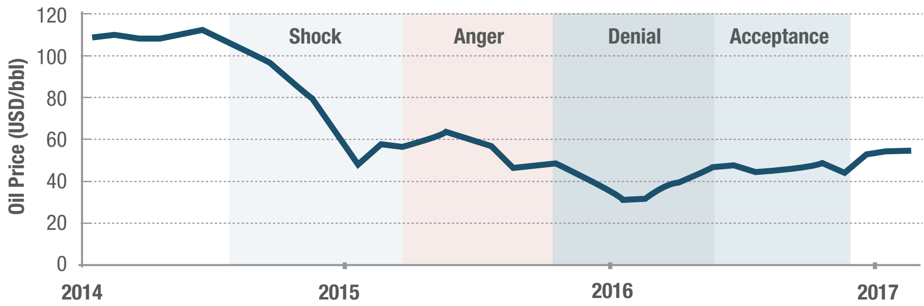


Figure 1 - Oil price stages of grief.[1]

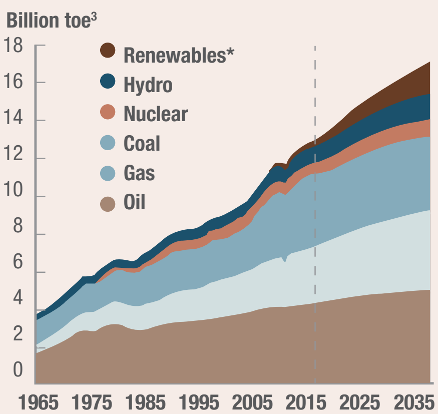
Uncertainty as to what would be reasonable oil price assumptions for informed investment related decision-making caused a virtual standstill in the sanctioning of exploration activity and a marked slowdown in the implementation of new developments. As a result, today as an industry, we are producing at four times the rate we are discovering new resources[2]. This is clearly unsustainable.

There has also been much focus on how the widespread implementation of renewable energy projects and the rollout of battery driven automobiles will have a negative impact on our industry. The reality however, is that whilst some components of the energy mix will grow faster than others, the fact is that long established industry players project that as a result of a growth in global population, there will be an overall demand for more energy as gross domestic product (GDP) increases.

The long-range forecast by BP (Figure 2) shows that oil continues to be the main source of primary energy until 2035 and this view is corroborated by estimates from ExxonMobil (Figure 3). These projections indicate that we have a reasonable basis, on a macroeconomic basis, to believe that we are in a sustainable business sector for the foreseeable future.

> **"TODAY, WE HAVE FINALLY REACHED AN ACCEPTANCE THAT OIL PRICES WILL LIKELY DEMONSTRATE A POSITIVE GRADIENT OF GROWTH MUCH SHALLOWER THAN PREVIOUSLY ANTICIPATED."**

Volume of oil demand is projected to increase over the next twenty years.



* Renewables includes wind, solar, geothermal, biomass, and biofuels

Figure 2 - Historical primary energy consumption by fuel and BP's forecast to 2035.[4]

ExxonMobil estimates that between 2015 and 2040, primary energy consumption will increase by 25% in absolute terms.

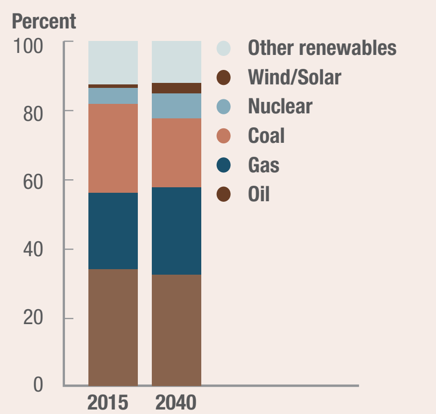


Figure 3 - ExxonMobil's forecast on primary energy consumption by fuel to 2040.[5]

Notes:

1 Source: Wood Mackenzie & Thomson Reuters Datastream
2 Source: Oil & Gas UK - Economic Report 2016.
3 Tonnes of oil equivalent
4 Source: BP 2017 Energy Outlook
5 Source: ExxonMobil, 2017 Outlook for Energy: A view to 2040

As a company, we also appear to be conducting our main revenue generating operations in a cost band that demonstrates that we have a long-term future. Figure 4 shows the volumes of oil currently produced at various cost bands. Against this, we have transposed our actual production costs. As long as we maintain our operating costs per barrel of oil produced at our current levels, we appear to have a sustainable business future as a participant in a reasonably long-term business sector.

Within the specific regions that we operate there are also significant opportunities. The sustained period of low oil prices resulted in the publication of the Wood Report – a comprehensive review of the state of the industry in the United Kingdom. As a consequence, the Oil and Gas Authority (OGA) was established as an independent authority with wide ranging responsibilities. Further, a strategy to maximise economic recovery (MER UK Strategy) has also been implemented with positive effect. Measures implemented through the United Kingdom Budget of 2016 have made the UKCS an attractive area for capital investment.

In respect of our assets located in the Bass Strait, we are less than 15 kilometres away from the coastline of South Australia. It is widely known that the eastern and south-eastern states of Australia are facing a gas supply shortage and whilst we have identified a potential (unexplored) gas accumulation in our VIC/P57 permit, we are mindful of our limited capital base and thus need to rigorously rank projects against a risked return on capital employed.

In conclusion, we participate in a global business arena dominated by National Oil Companies, large Integrated Oil Companies and a wide range of Independents, size-wise. Given oil price uncertainties that prevail and the nature of our competitors, the key to survival in our line of a commodity based business remains cost competitiveness, founded on a safe and environmentally conscious operational platform. We are currently delivering our barrels of oil at a cost base that predicts reasonably long-term future in the industry.

About 80-90 MMbbls/day of oil are currently produced at a cost below our operating cost per bbl.

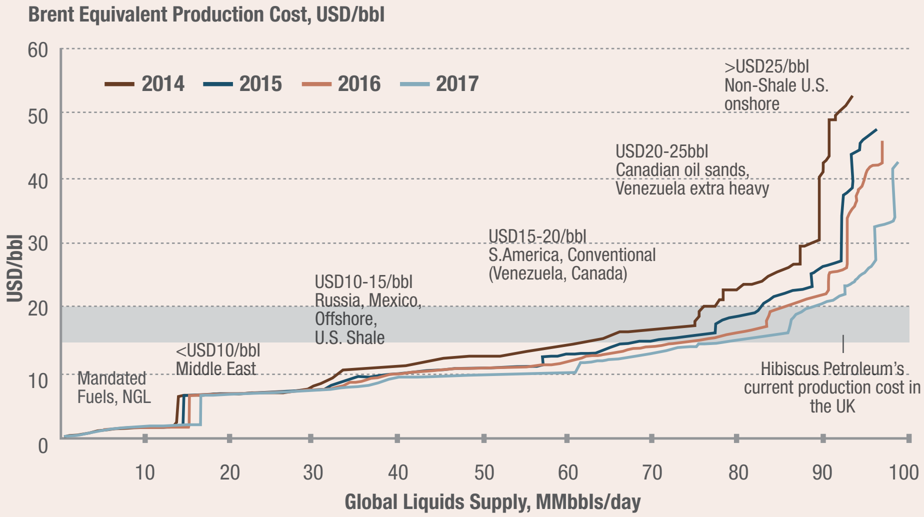
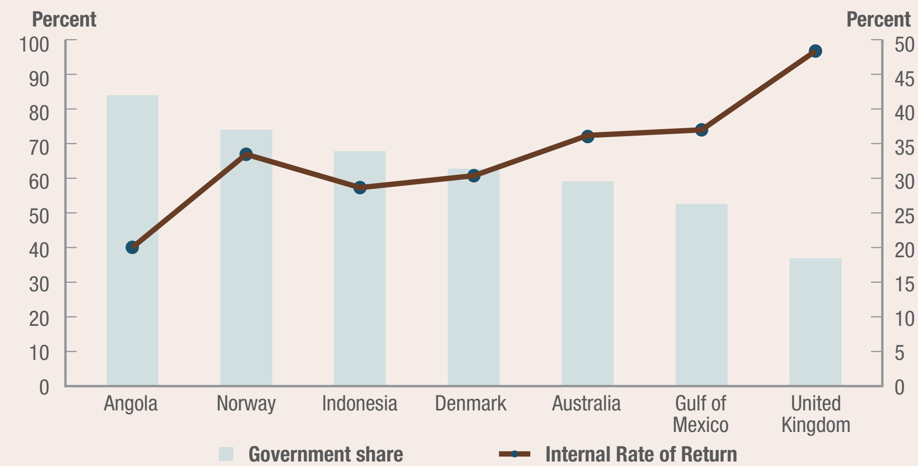


Figure 4 *- Cost to produce oil in key producing regions in the world (from 2014 to 2017) overlaid with the Company's UK unit operating cost.[1]*

Recent changes in the fiscal regime for the oil and gas industry in the United Kingdom makes it a competitive jurisdiction for further investment.



The light green bar in the chart show effective tax rates (using a 0% discount rate) for a model 20 million barrel medium cost oil field using a long-term Brent oil price assumption of USD65/bbl (real 2017 terms). The blue circle show project post-tax internal rates of return.

Figure 5 *- Comparison of some of the different fiscal systems in the world.[2]*

Notes:

[1] Source: S&P Global Platts and the Company

[2] Source: Wood Mackenzie

>> MANAGEMENT DISCUSSION AND ANALYSIS

Highlights Over the Past Five Years

Our financial and share price performance over the past five years, as tabulated in Tables 1 and 2 respectively, are reflective of several factors that have been driven by:

- Strategy implemented by the Company, i.e. were we pursuing an exploration centric or production biased approach;
- Oil price levels which not only determine our production revenue and profitability potential but also the sentiment enveloping the oil and gas sector within the capital markets;
- The cost of our general overheads;
- The efficiency and cost effectiveness of our exploration and production methods; and
- The fiscal systems which are applicable in the jurisdictions that we operate.

	Production Bias		Exploration Centric		
(RM million)	**Year ended 30 June 2017**	**Year ended 30 June 2016**	**18 months ended 30 June 2015**	**9 months ended 31 December 2013**	**Year ended 31 March 2013**
Revenue	261.3	81.7	15.6	13.3	8.5
Profit/(loss) before taxation	62.0	(56.3)	(75.8)	10.7	(3.9)
Profit/(loss) after taxation	106.1	(60.0)	(74.2)	12.1	(4.2)
Shareholders' equity	742.4	584.3	511.7	370.1	241.3
Total assets	1,319.6	1,269.2	551.0	388.7	370.2
Borrowings	–	–	–	–	–
Basic earnings/(loss) per share (sen)	7.51	(5.66)	(9.68)	2.63	(0.96)
Net assets per share (RM)	0.51	0.45	0.55	0.73	0.55

Table 1 *- Financial performance for the past five years.*

	Production Bias		Exploration Centric		
	Year ended 30 June 2017	**Year ended 30 June 2016**	**18 months ended 30 June 2015**	**9 months ended 31 December 2013**	**Year ended 31 March 2013**
Year/period high	RM0.540	RM0.880	RM2.210	RM2.680	RM2.100
Year/period low	RM0.175	RM0.140	RM0.675	RM1.370	RM1.410
Year/period close	RM0.410	RM0.180	RM0.745	RM1.750	RM1.490
Trading volume	7,805 million	2,703 million	303 million	214 million	219 million
Market capitalisation (as at the year/period end)	RM592 million	RM236 million	RM691 million	RM892 million	RM656 million
Oil price at year/period close	USD48/bbl	USD50/bbl	USD64/bbl	USD111/bbl	USD110/bbl

Table 2 *- Share performance for the past five years.*

An exploration based business approach was a successful strategy at high oil prices. Shareholders took bets on the potential outcomes of exploration drilling programmes and our share price soared on speculation. The strategy at USD100 per barrel was to secure exploration licences on a geographically opportunistic basis and spud a well. The statistics are that our Company was involved in seven exploration wells offshore Norway, the Sultanate of Oman and Australia but only one well yielded a discovery.

The fall in oil prices caused a rethink of our direction. The capital markets no longer rewarded exploration plays and cash generation was critical to survival. We invested in production at a time when most of our competitors for assets adopted a 'wait and see' approach and we secured the Anasuria Cluster of oil and gas fields because we persevered and worked with credible vendors at a time when merger and acquisition activities were at their lowest levels.

Today, we are pursuing a production biased business strategy that has resulted in a share price performance which is derived from financial fundamentals. Our profitability is a result of oil price behaviour and a discipline to constantly challenge ourselves to reduce our operating costs without compromising on safety or environmental considerations.

" TODAY, WE ARE PURSUING A PRODUCTION BIASED BUSINESS STRATEGY THAT HAS RESULTED IN A SHARE PRICE PERFORMANCE WHICH IS DERIVED FROM FINANCIAL FUNDAMENTALS. "

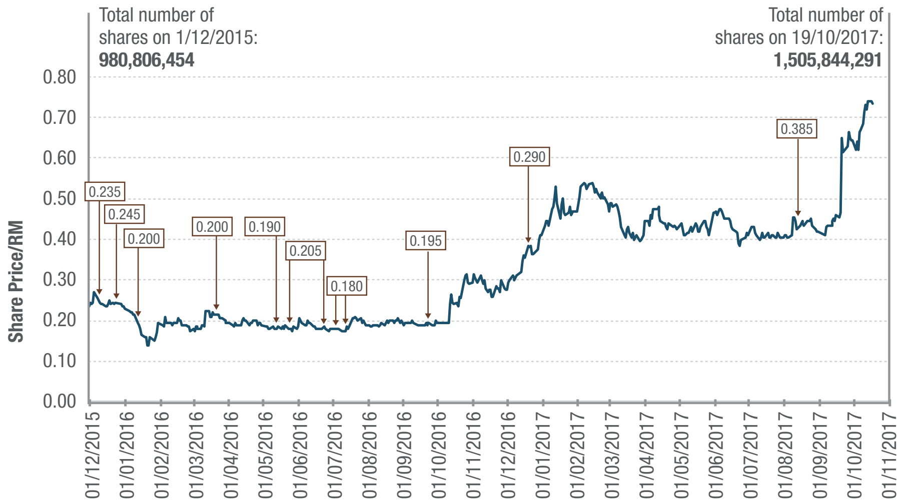


Figure 6 *- Share price of the Company since December 2015, with issue price of new placements during this period.*

> **“ OUR RELIANCE ON EQUITY RATHER THAN DEBT HAS BEEN A KEYSTONE IN OUR BUSINESS TRANSFORMATION. ”**

Strategies in Creating Value

Prioritising the Utilisation of Equity Over Debt

Tables 1 and 2 coupled with the data shown in Figure 6 demonstrate a story of re-invention executed during one of the toughest periods that has been experienced by our industry. Our shareholders have been instrumental in this effort. During a time when it was near impossible as an industry to raise equity in the capital markets, we were always successful in placing out new shares, thus being able to address our commitments and make new investments.

Our reliance on equity rather than debt has been a keystone in our business transformation. Most companies that relied on debt have had much of their spending curtailed by lenders and have lost out on opportunities to acquire good assets that have come onto the market.

Since December 2015, the Company has issued approximately 525 million new shares. Corporate finance theory would suggest that during a period of weak market sentiment, the issuance of a large number of shares, albeit in multiple tranches would precipitate a drop in share price. As can be seen in Figure 6, the net effect has been for the share price of Hibiscus Petroleum to increase within a few months of an issuance, indicative that funds raised have delivered results. Thus, loyal shareholders have seen the value of their holdings either increase or recover to previous levels.

>> MANAGEMENT DISCUSSION AND ANALYSIS

Acquiring Assets at the Right Stage of Their Life Cycle

Another strategy has been to identify assets that are 'mature' and acquire these from vendors who leave some 'meat on the bone' when divesting their interest in a licence. Mature assets possess a great deal of historical production data and thorough interpretation of this data substantially reduces future risks associated with subsurface performance.

Recruiting the Right People and Creating a Valuable Organisational Work Culture

The backbone of our business has been developed by recruiting carefully and building a motivated team. As a value-conscious company, we keep our headcount at minimal levels. Hence, we require a deep level of knowledge coupled with a wide base of experience and business relationships amongst a small number of people. We also require the ability to work in a team as a mandatory personal trait. These requirements may seem simple and straightforward enough but the building of our team, particularly at the leadership level is an evolving process, particularly with the Group also growing in parallel. It is important that our team members:

- Understand our common vision and are ready to contribute to its delivery;
- Are willing to learn from each other and to share knowledge with each other;
- Are ready and willing to challenge the norms and be game-changers; and
- Benefit holistically (financially, psychologically and intellectually) as employees of the Group.

To achieve the organisational culture and the results that we desire, we recruit those who are academically sound and show a willingness to broaden the breath of their experiences. We also involve our people in multiple projects and engage them in certain activities to expose them to new horizons outside their areas of expertise. Finally, we run a flat organisation with the minimal of bureaucracy and hierarchies.

The team in Hibiscus Petroleum is growing. Our recruitment policies prohibit gender (or any form of) bias. We require a positive attitude, competence and confidence. Those are the criteria to succeed in our Company.

We realise that there will always be roadblocks. We are interested in the people who see the route through to the other side.

The development of an organisational culture is an evolving and continuous activity. Nevertheless, it is an important area of focus for us as we grow. It is our people, their beliefs and work ethic that have carried us this far. We need to maintain those elements of organisational culture that work for us whilst developing it to further improve us as an organisation that delivers on its promises.

Securing Operatorship

Today, we have rid ourselves of most of our exploration commitments and we are focussed on maximising economic recovery in the mature assets that we operate, are soon to operate or currently jointly operate. For a relatively small company, having a degree of operational control is imperative

> "WE REALISE THAT THERE WILL ALWAYS BE ROADBLOCKS. WE ARE INTERESTED IN THE PEOPLE WHO SEE THE ROUTE THROUGH TO THE OTHER SIDE."

as we have a significant say in the nature and timing of the execution of activities. This has allowed us to plan our investment timetable in accordance with the capacity of our Balance Sheet.

A Focus on Health, Safety, Security and Care for the Environment

Our workplace is inherently an unsafe environment. Flammable fluids, sometimes with corrosive elements are present and are transported at high pressure. Heavy, moving machinery also operate and noise levels are generally high in our place of work. In such an environment, operating to internationally accepted technical standards and maintaining a continuously proactive approach to health and safety are the only routes to being accepted as a respected participant in our industry sector.

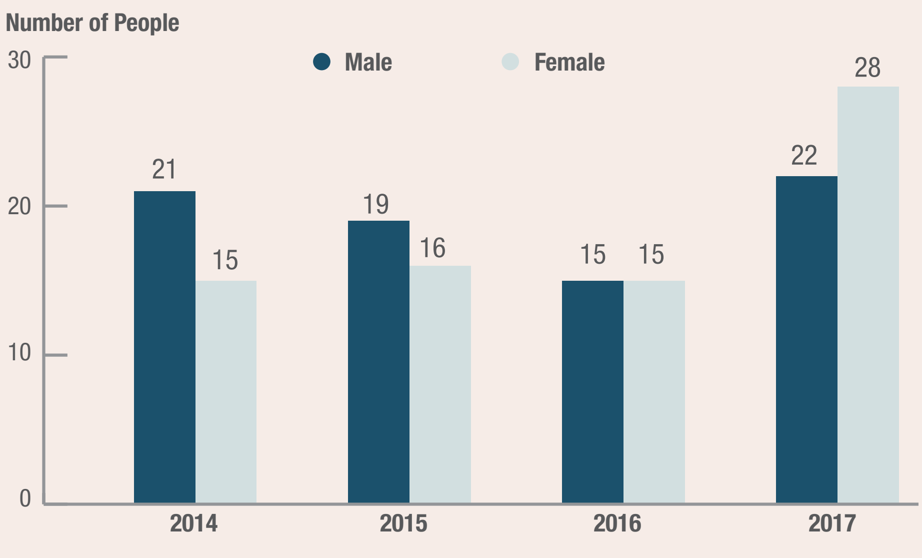
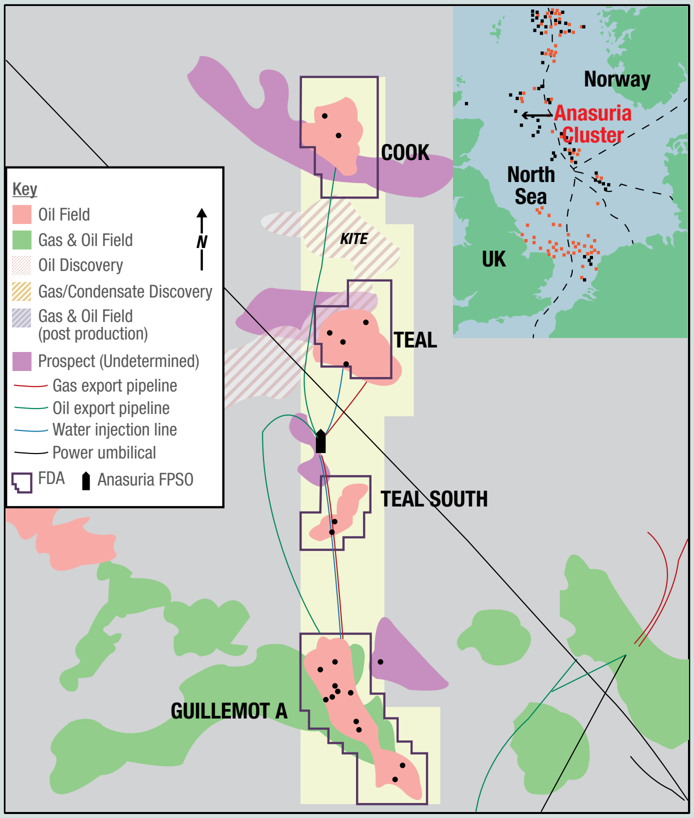


Figure 7 *- Breakdown of the workforce in Hibiscus Petroleum by gender.*

II. REVIEW OF OPERATING ACTIVITIES

Production in the UK Sector of the North Sea



Asset Name:
Anasuria Cluster, comprising:

- Cook (19.3%) — Producing Field
- Teal (50%) — Producing Field
- Teal South (50%) — Producing Field
- Guillemot A (50%) — Producing Field
- Kite (50%) — Discovered Field
- Anasuria FPSO (50%)

Location
~ 175 km
east of Aberdeen,
UK North Sea

Oil Equivalent Production Rate of Approximately
3,500 boe/day[1]

Water depth
~ 94 m

Production Life:
Producing since 1996.
Potential to extend production life[2]

Acquisition Completion Date:
10 March 2016

2P Oil Reserves [3]
19.2 MMbbls

2C Oil Resources [3]
5.2 MMbbls

Notes:
[1] Daily average for the financial year ended (FYE) 30 June 2017 (FYE2017)
[2] Subject to investment, OPEX, oil price and 2P Reserves
[3] As of 1 January 2017
2P Oil Reserves - Proven and probable oil reserves
2C Oil Resources - Contingent resources

Introduction to the Anasuria Cluster

The story of the Anasuria Cluster begins in 1964, when Shell and Esso companies in the United Kingdom secured interests in licences P013 and P185 in the United Kingdom Continental Shelf (UKCS). Exploration activities proved the blocks to be oil and gas resource prone and subsequent appraisal activities, coupled with the advent of viable subsea and floating production systems, transformed the discovery into a commercially exploitable opportunity.

The Anasuria Cluster consists of the following producing fields:

- Guillemot A;
- Teal;
- Teal South; and
- Cook.

Eight wells on these fields are hooked up to the necessary, installed subsea infrastructure and have been producing to the Anasuria Floating, Production, Storage and Offloading facility (FPSO) since the late 1990s. The Kite discovered field, also located within the Anasuria Cluster, remains an unlocked potential which requires the setup and installation of additional infrastructure to bring it into production for its value to be realised.

On 10 March 2016, approximately fifty-two years after the Anasuria licences were granted, and twenty years since 'First Oil' from the Anasuria Cluster, Hibiscus Petroleum, jointly with Ping Petroleum, through United Kingdom (UK) incorporated subsidiaries completed the acquisition of interests in the Anasuria Cluster from UK incorporated Shell and Esso companies. Based on our (internal and independent third party) assessment of these assets, we believe that (subject to oil price, capital investment and careful management of operating expenditure) the Anasuria asset can remain economic for another fifteen to twenty years.

The components of the total purchase consideration for our interest in the Anasuria Cluster are shown in Figure 8. Hibiscus Petroleum has fulfilled its purchase and deferred consideration components of the Anasuria transaction which amounted to USD52.5 million in total.

>> MANAGEMENT DISCUSSION AND ANALYSIS

Anasuria Hibiscus has fulfilled initial and deferred purchase consideration components for the Anasuria Cluster.

Initial Consideration

USD30.0 million (Fully Paid)

6 August 2015
SPA Signing Date
Paid in Cash: **USD4.0 million**

10 March 2016
Completion Date
Paid in Cash: **USD1.2 million**
Paid via working capital adjustments and accrued benefits: **USD24.8 million**

Total Purchase Consideration: **USD52.2 million**

Deferred Consideration

USD22.5 million
(Fully Paid)

March 2017
First Tranche
Paid in Cash: **USD15.0 million**

September 2017
Second Tranche
Paid in Cash: **USD7.5 million**

After applying certain working capital adjustments considering the economic benefits accruing from the Economic Date of 1 January 2015 (totalling USD24.8 million) the actual net cash outlay upon completion for payment of the Initial Consideration was USD5.2 million.

Figure 8 *- Initial and deferred purchase consideration payment terms: Anasuria Transaction.*

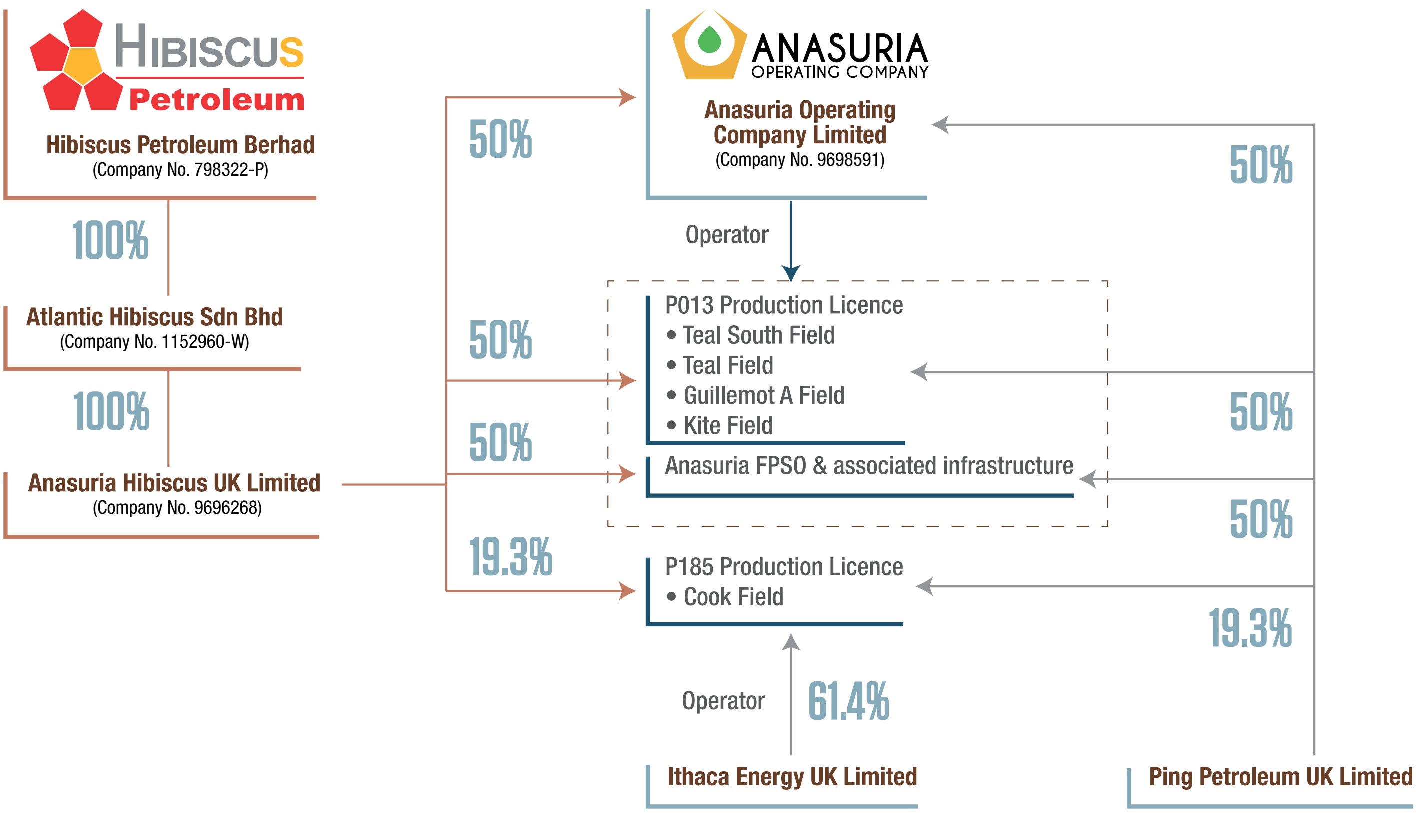


Figure 9 *- Ownership structure of the Anasuria Cluster.*

Legal and Operating Structure

The Company's interest in the licences, P013 and P185, and the Anasuria FPSO are held through its wholly owned subsidiary, Anasuria Hibiscus UK Limited (Anasuria Hibiscus).

Given that all partners of the various fields within the Anasuria Cluster have strong technical and operational skills and experience to offer, operatorship responsibilities were split between Anasuria Operating Company Limited (AOC) and Ithaca Energy UK Limited (Ithaca).

AOC is equally owned by both Anasuria Hibiscus and Ping Petroleum UK Limited (PPUK), and operates all the fields under the production licence P013 (or Anasuria) and the Anasuria FPSO on behalf of the concessionaires, Anasuria Hibiscus and PPUK. As a new production operator entering one of the most technically demanding operating environments in the world, AOC is supported by Petrofac Services Limited (Petrofac), as the Duty Holder. Petrofac, a reputable oil and gas services company that employs over 1000 professionals in Aberdeen, provides substantial depth to AOC's overall operating capability. As Duty Holder for the Anasuria Cluster, Petrofac is responsible for day-to-day management of the Anasuria FPSO, pipelines and wells in a safe and environmentally responsible manner. In our operating model, the Duty Holder is also the owner of the Safety Case.

Ithaca, operates the Cook field which falls under the production licence P185. Oil and gas produced from the Cook field are flowed to the Anasuria FPSO which then operationally falls under the purview of AOC.

Sale of Crude Oil

Anasuria Hibiscus has entered into a long-term marketing and offtake agreement for the sale of crude oil with BP Oil International Limited (BPOI). BPOI is a subsidiary of BP p.l.c. Whilst we produce oil daily, we only sell our oil in cargoes of approximately 250,000 barrels. Using their global marketing network, BPOI identifies a potential customer for our oil, locks in a competitive price for the cargo and arranges the 'lifting' of the oil via tanker to the client refinery. Our commercial arrangements with BPOI are formulated to incentivise them to secure best possible pricing from the crude oil market on our behalf.

Over the course of the past financial year, we have developed a smooth working relationship with BPOI.

"OUR COMMERCIAL ARRANGEMENTS WITH BPOI ARE FORMULATED TO INCENTIVISE THEM TO SECURE BEST POSSIBLE PRICING FROM THE CRUDE OIL MARKET ON OUR BEHALF."

AOC management and team.

>> MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance of the Anasuria Cluster

The financial performance of the Anasuria Cluster is subject to several macro factors beyond our control such as the movement of:

- oil and gas prices; and
- foreign exchange rates.

Hence, as a joint-operator we focus our efforts at managing controllable, operational factors such as:

- The production performance of our wells;
- Facilities uptime;
- Operational costs of the Anasuria Cluster; and
- General and administrative overheads of Anasuria Hibiscus.

Table 4 below represents the operational performance of the Anasuria Cluster since Anasuria Hibiscus and PPUK jointly took over operatorship via AOC, its joint operating company.

Production Performance

The daily oil and gas production rate for the FYE2017 averaged 3,552 boe. For a mature asset with an expected natural decline in production, we have focused our efforts on ensuring that production volumes have been sustained. To minimise deferment of production arising from operational execution issues and to manage cashflows cautiously during these early stages of operating the asset, we initially executed production enhancement projects of low technical and business risk exposure.

PRODUCTION ENHANCEMENT PROJECTS	COMPLETION DATE
GUA-P1 Souring	January 2017
TLS-P1 Souring	July 2017
GUA-P2 Restart	August 2017

Table 3 *- Production enhancement projects completed in Anasuria.*

> **"AS A JOINT OPERATOR WE FOCUS OUR EFFORTS AT MANAGING CONTROLLABLE, OPERATIONAL FACTORS."**

During the FYE2017, we successfully completed the above-mentioned production enhancement projects. The "Souring Projects" to reinstate the TLS-P1 and GUA-P1 wells back online have been effectively completed. These wells were previously shut-in (by the previous Operator) due to production of hydrogen sulphide gas (H_2S) at high concentrations. We have been able to manage the high H_2S concentration levels by increasing the use of H_2S scavenger pumped into the production facilities through an increased number of chemical injection points. As a result, there are 7 (potentially) producing wells in our well stock today, which is an improvement from the 5 wells that were capable of production when we took over joint-operatorship of Anasuria.

	Units	March* - June 2016	July - September 2016	October - December 2016	January - March 2017	April - June 2017	July 2016 - June 2017
Average daily oil production rate	bbl/day	2,971	3,032	3,934	2,617	3,204	3,197
Average daily gas export rate[1]	boe/day	236	374	474	257	317	356
Average daily oil equivalent production rate	boe/day	3,206	3,406	4,408	2,873	3,522	3,552
Total oil sold	bbl	460,000^	271,576	298,909	273,419	284,963	1,128,867
Total gas exported (sold)	mmscf	172	206	262	138	173	779
Average realised oil price	USD/bbl	40.1	45.2	41.7	52.95	50.46	–
Average gas price	USD/mmbtu	1.2[2] / 3.1[3]	1.3[2] / 3.3[3]	1.7[2] / 4.2[3]	2.1[2]/4.9[3]	1.6[2]/3.9[3]	–
Average OPEX per boe	USD/boe	23.1	18.4	13.0	15.1	13.98	15.1
Average uptime/availability of Anasuria facilities	%	88	82	98	76	84	85

Notes:
All figures are net to Anasuria Hibiscus.
* Anasuria Hibiscus took over joint-operatorship from 10 March 2016.
^ Two offtakes in the period March – June 2016.

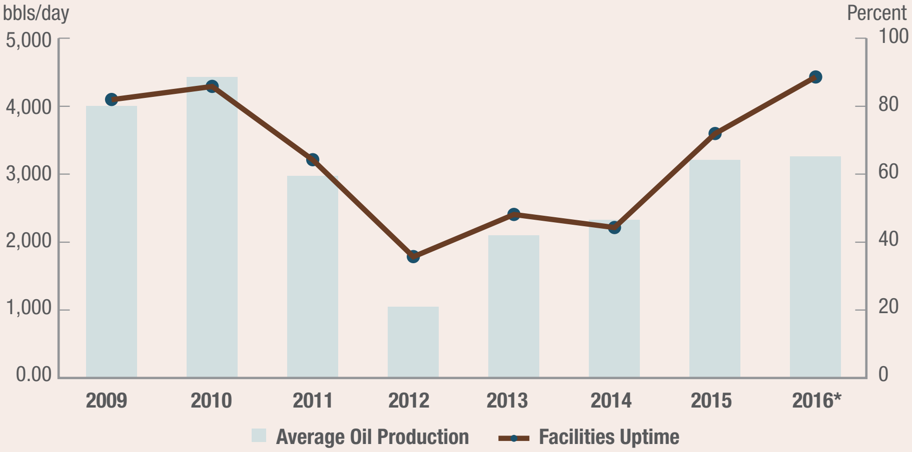
[1] Conversion rate of 6,000 scf/boe.
[2] For Cook Field.
[3] For Guillemot A, Teal and Teal South Fields.
[4] Source: Anasuria Operating Company Limited.
Numbers may be subject to rounding adjustments.

Prices are quoted in United States Dollars.
bbl barrel
boe barrels of oil equivalent
mmscf million standard cubic feet
mmbtu million British thermal units

Table 4 *- Operational metrics which depict the operational performance of the Anasuria Cluster.[4]*

Facilities Uptime

In 2016, we surpassed the performance for both production and average facilities uptime when compared to each of the previous five years.



* Anasuria Hibiscus took over joint-operatorship from 10 March 2016.

***Figure 10** - Historical facilities uptime and average oil production rate in Anasuria (net to Anasuria Hibiscus).*[1]

The Anasuria Cluster is a mature asset and such assets naturally decline over time. To compensate for the production decline without intervening at the sub-surface level, we have worked at improving the uptime of our surface facilities. The Company targeted that facilities uptime would remain at a level above 80% and have devised our maintenance plan to attain this goal. The average uptime for FYE2017 was 85%, which is an outcome that has been a contributing factor to the improved production performance of Anasuria.

As can be seen from the bar chart in Figure 10, during the calendar year 2016, both production and average facilities uptime levels surpassed the performance of each of the previous five years (when Anasuria was operated by its previous Operator). We are particularly pleased by this particular achievement.

As part of our efforts to ensure our uptime targets continue to be met, a 31-day planned shutdown of the Anasuria FPSO facilities commenced in mid-September 2017. The main objective of the shutdown is to ensure that maintenance activities, especially those that are compliance related in nature, are addressed. In addition, through a risk based analysis, several other work scopes were also identified which were thought to require pre-emptive maintenance action. Finally, some work is being undertaken to ensure that in the future, certain categories of maintenance related problems can be addressed without there being a total shut-down of operations.

Note:

[1] Source: Anasuria Operating Company Limited.




>> MANAGEMENT DISCUSSION AND ANALYSIS

The Anasuria Offshore Team celebrating 3 years without any Loss Time Incident (LTI).

Operational Cost Reduction

Since assuming operatorship of the Anasuria Cluster, the leadership team has continued to foster a work culture that prioritises the safe reduction of costs mainly through the elimination of wasteful practices. We also promote a care for the environment in our journey to be an Operator that is both respected and responsible. Our work culture and our work ethic requires that accepted ways of doing things are routinely challenged with the rigour expected of much larger industry participants but with a sense of practicality and agility to be found mostly in the smaller companies.

Our key partners in the relentless pursuit of operational cost reduction are PPUK and our Duty Holder, Petrofac. Annually agreed key performance indicators (KPIs) have become a basis of an incentive programme designed to challenge established work practices. We collectively recognise that it is in our interest to pursue a cost reduction agenda but AOC, as Operator, also independently works on several high impact initiatives which are now demonstrating results.

Health, Safety, Security and the Environment

Whilst HSSE policies may be captured on paper, it is the vigilance, actions, practices and attitudes of those who work for us and with us that make a difference where it matters. On our main offshore operating facility in the UKCS, we are pleased to be able to report that on 6 October 2017, the team working on the Anasuria FPSO achieved three years without a lost time incident (LTI). LTI is a globally accepted indicator for safety performance and this performance at the Anasuria FPSO has been achieved taking into account a challenging transition of operations from Shell to AOC/Petrofac.

During the transition process in particular, offshore crews had to quickly become familiar with different practices and a new operating culture. Since the completion of the transition process and the commencement of the joint operations of AOC, there have also been several projects undertaken; these being:

> **“ON 6 OCTOBER 2017, THE TEAM WORKING ON THE ANASURIA FPSO ACHIEVED THREE YEARS WITHOUT A LOST TIME INCIDENT.”**

- Cargo tank inspections;
- Nakakita pipework replacement,
- Re-instatement of H_2S production wells;
- Uninterrupted power supply replacement;
- Installation of multi-phase flowmeter;
- Turret swivel seal replacement; and
- A major planned shut-down, which has just been completed.

Whilst this is an outstanding achievement, we cannot let down our guard and will continue to be vigilant to keep our environment safe and secure whilst also demonstrating care for the environment.

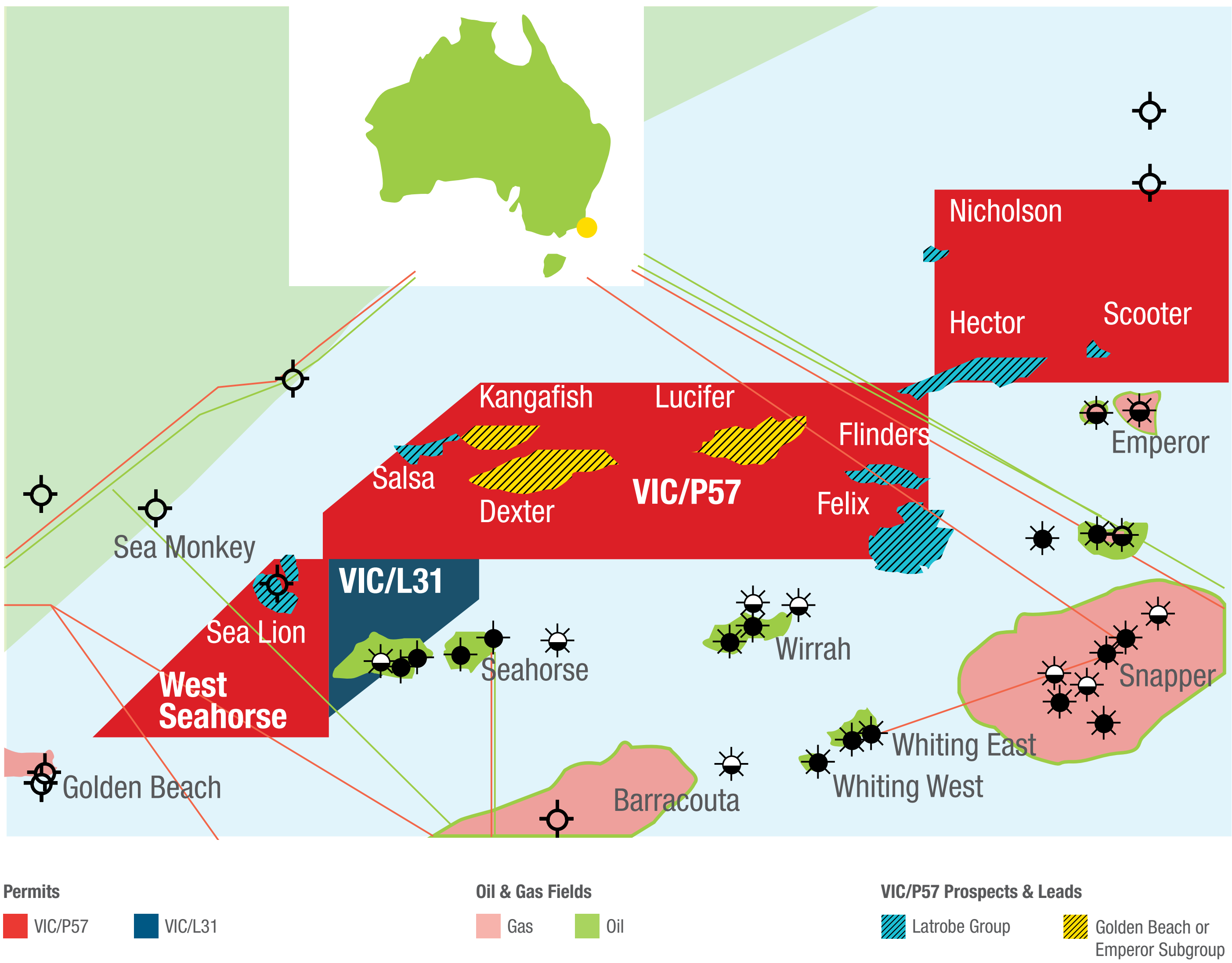
Exploration and Development in the Bass Strait of Australia

Introduction

Our Group holds 78.3% interest in the VIC/P57 exploration permit and a 100% interest in the VIC/L31 production licence. These assets are located in the Gippsland Basin of Australia. The Gippsland Basin, with initial reserves estimated at 4 billion barrels of oil and 11.5 trillion cubic feet of gas, has been Australia's most prolific oil and gas producing basin. Twenty-one oil and gas fields are on production with most of the hydrocarbons contained in the reservoirs within the world-class sandstones of the Latrobe Group.

Much of the historical success in the basin was based on the interpretation of 2D seismic data. The dominant acreage position of the Esso-BHPB joint venture, with a focus on large-scale projects, has to some extent hindered the impact that 3D seismic-based exploration has had on similar basins elsewhere, where smaller but lower risk targets are also pursued. Approximately 88% of VIC/P57 is covered by 3D seismic data of which approximately 65% is covered by seismic data reprocessed in 2010/11 by 3D Oil Ltd, the owner of the remaining 21.7% interest in the permit.

The planned sale of a portion of Esso-BHPB's Gippsland Basin assets and infrastructure is potentially a watershed event in the exploration and development history of this world class petroleum province. New owners of these facilities may bring new approaches to exploration as well as infrastructure access. As a relatively small player in this area, we are optimistic that this sale may help to re-invigorate Gippsland Basin activity as has been the case in other areas around the world when smaller, nimble companies have taken over from large incumbent operators in mature areas.



>> MANAGEMENT DISCUSSION AND ANALYSIS

VIC/L31 Production Licence

In 2013, Carnarvon Hibiscus Pty Ltd (CHPL) secured approval from the Australian authorities to develop the VIC/L31 Production Licence. Financing was secured but the downturn in oil prices in 2014 caused us to halt investment before the commencement of the development phase. Oil prices have now stabilised but given our portfolio of assets has potentially increased through the acquisition of interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract, as a Company, we may have to prioritise allocation of our limited capital and rank projects in accordance with the associated risks and potential returns.

VIC/P57 Exploration Permit

VIC/P57 is located in the northwest part of the offshore Gippsland Basin. The permit is close to shore, in shallow water depths, is approximately 450 square kilometres in size and proximal to infrastructure.

As the Company has been more focused securing and operating production assets and that our joint venture partners have asset related local knowledge in-house, we have established an arrangement with 3D Oil Ltd to carry out subsurface technical work in VIC/P57 on behalf of CHPL. As technical advisor to the VIC/P57 Joint Venture, 3D Oil Ltd undertook a comprehensive prospectivity review to identify potential drill targets to ultimately provide an inventory of prospects and leads. These studies not only resulted in de-risking the previously identified Felix Prospect but also uncovered a new gas prospect, Pointer, within the high-quality reservoirs of the Latrobe Group. A Type II AVO anomaly was also identified associated with the Pointer Prospect.

The Felix Prospect is currently the lowest risk target with volumetric estimates for the entire structure resulting in a Best Estimate Prospective Resource of 24 MMbbls oil recoverable (16MMbbls within VIC/P57). The Pointer prospect has been determined as the lowest risk gas target with volumetric calculations conducted for the entire feature resulting in a Best Estimate of 250 Bcf Recoverable gas (235 Bcf within VIC/P57).

Volumetric estimates made by our in-house geoscience team detailing the Prospective Resources for VIC/P57 area are shown in the table below. These estimates confirm that the permit continues to hold significant value to the Joint Venture.

In the original permit award, the VIC/P57 Joint Venture was under an obligation to drill an exploration well within this permit as part of the Year 5 work programme. However, as the Sea Lion exploration well, drilled in late 2014 did not encounter expected hydrocarbons, we sought time to re-evaluate the data collected from Sea Lion to obtain a better geological understanding of the area. The Australian authorities were sympathetic of our position and we were granted a variation of the Year 5 work programme (ending January 2018) from one mandatory exploration well to geological and geophysical studies.

Based on studies conducted, the identification of a new gas prospect coupled with the upgrading of several oil prospects, the VIC/P57 Joint Venture has agreed to renew the permit for a further five-year period following discussions with the National Offshore Petroleum Authority (NOPTA). The current permit expires in January 2018 but a renewal application has already been lodged.

The proposed work programme in the primary term of the renewal period (the first 3 years), will be designed to de-risk and high grade the prospect inventory to ultimately mature drill-ready prospects.

Location	Status	Low	Best	High
Felix	Prospect	6.84	15.94	26.94
Salsa	Lead	10.65	15.09	20.57
Nicholson	Lead	3.4	7.86	14.68
Scooter	Lead	0.54	1.24	2.27
VIC/P57 Total		**21.43**	**40.13**	**64.46**

Table 5 *- Gross prospective resource estimate (MMbbls) for recoverable oil within VIC/P57.*

Location	Status	Low	Best	High
Pointer	Prospect	140.1	235.26	364.91
Dexter	Lead	36.96	131.98	259.14
VIC/P57 Total		**177.06**	**367.24**	**624.05**

Table 6 *- Gross prospective resource estimate (Bcf) for recoverable gas within VIC/P57.*

Note:

Bcf Billion cubic feet

Ning Zhang, CEO (left) and Roy Phillips, Director (right) of AOC. Both are part of the leadership team of PPUK.

III. REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

Statements of Profit or Loss

The Group recorded a profit before taxation of RM62.0 million in the current twelve-month period, i.e. from 1 July 2016 to 30 June 2017 (Current Year) as compared to a loss before taxation of RM56.3 million in the corresponding twelve-month period in the previous year, i.e. from 1 July 2015 to 30 June 2016 (Preceding Year).

Profits in the Current Year were derived from oil and gas production activities. Whilst the Group recorded its first lifting of crude oil in the financial quarter ended 31 March 2016 (i.e. in the Preceding Year) subsequent to completing the acquisition of a 50% interest in the Anasuria Cluster on 10 March 2016, in the Current Year, the Group sold four cargoes of crude oil compared to the two parcels of crude oil sold in the Preceding Year.

Loss before taxation in the Preceding Year was largely attributed to several one-off charges, all of which did not recur in the Current Year. Details of these one-off charges are provided in the following paragraphs:

- In the Preceding Year, the Group accounted for its share of a purported dilution of its investment in Lime Petroleum Plc and its concession companies (Lime Group) amounting to RM53.6 million. The Group also recognised an impairment of RM224.4 million in the Lime Group following an assessment of its carrying value of the investment. *(Note: Such impairment and accounting treatment to the Lime Group is without prejudice to the Group's legal position and rights (all of which are fully reserved)).* In addition, the Group fully impaired its investment in HiRex Petroleum Sdn Bhd amounting to RM4.6 million. As a result of the Group writing-off its investments in these two joint ventures, the share of losses in these investments recorded in the Preceding Year of RM9.9 million did not recur in the Current Year.

- The Company announced on 11 November 2015 that its wholly-owned subsidiary, CHPL had advised that wireline evaluation and sampling of formation fluids over 6 zones of interest identified on preliminary Sea Lion #1 data was complete and that no zones with commercial volumes of hydrocarbons were encountered in the Sea Lion #1 well subsequent to commencement of drilling operations on 26 October 2015. Following that, the Group performed an assessment of the carrying value of VIC/P57 and had during the Preceding Year recognised an impairment of RM17.5 million.

- One-off and non-recurring expenses in the form of introducer fees, transition costs and professional fees relating to the acquisition of the Anasuria Cluster incurred in the Preceding Year amounting to RM34.5 million did not recur. Also in the Preceding Year, the Group wrote off business development expenditure amounting to RM31.1 million.

	Preceding Year		Current Year			
Cargo Number	AOC1	AOC2	AOC3	AOC4	AOC5	AOC6
Date (Bill of Lading)	Mar-16	May-16	Sep-16	Nov-16	Feb-17	May-17
Volume (barrels)	185,178	274,963	271,576	298,909	273,419	284,963
Revenue (oil and gas)	RM78.7 million		RM256.8 million			
Gross Profit	RM37.9 million		RM163.7 million			

***Table 7** - Volume of oil sold in FYE2016 (Preceding Year) and FYE2017 (Current Year).*

Note:
Two cargoes were sold in the Preceding Year because the purchase of the Anasuria asset, which contributed to these cargo sales was only completed three months prior to the end of the Preceding Year.

>> MANAGEMENT DISCUSSION AND ANALYSIS

The losses mentioned above in respect of the Preceding Year were partially off-set by negative goodwill recognised upon the completion of the Anasuria acquisition of RM364.1 million.

The net tax credit recognised in the Current Year is due to the impact of a reduction in the rate of the supplementary charge in the United Kingdom on the deferred tax liabilities relating to the fair value of identifiable assets and liabilities recorded on acquisition of the Anasuria Cluster.

Statements of Financial Position

Non-current Assets

The Group's non-current assets amounted to RM1,236 million as at 30 June 2017 compared to RM1,211 million as at 30 June 2016. This increase was mainly due to a favourable foreign exchange impact from the retranslation of the Group's intangible assets caused by appreciation in both the United States Dollar (USD) and Australian Dollar (AUD) when compared to the Malaysian Ringgit (RM).

Current Assets

Current assets increased from RM58.6 million as at 30 June 2016 to RM83.6 million as at 30 June 2017, mainly due to higher cash and bank balances of RM25.8 million. Furthermore, trade receivables increased from RM2.0 million as at 30 June 2016 to RM7.4 million as at 30 June 2017 attributable to project management fees relating to the Anasuria Cluster being charged by the Group.

Total Liabilities

The Group's total liabilities amounted to RM577.2 million as at 30 June 2017, a decrease of RM107.7 million from RM684.9 million as at 30 June 2016.

The base consideration for the acquisition of the Anasuria Cluster was USD52.5 million (USD30.0 million being settled on completion and a remaining USD22.5 million being deferred). As at 30 June 2017, USD15.0 million had been settled, per the agreed deferred consideration payment schedule. As a result, total outstanding deferred consideration as at 30 June 2017 was RM31.4 million (equivalent to the net present value of USD7.5 million) as compared to RM82.4 million (equivalent to the net present value of USD22.5 million) that was outstanding on 30 June 2016. The outstanding portion of the deferred consideration was also settled on 8 September 2017, prior to the final settlement date.

Other payables and accruals decreased by RM34.0 million from 30 June 2016 to 30 June 2017 due to payment of liabilities incurred through the:

- acquisition of the Anasuria Cluster; and
- drilling of the Sea Lion #1 well.

In addition, net taxation liabilities reduced by RM27.3 million. This was due to the reversal of deferred tax liabilities relating to the Anasuria Cluster.

Equity

The increase in equity during the financial year by RM158.1 million was attributable mainly to net earnings generated from the Anasuria Cluster and gross proceeds from the placement of new ordinary shares of the Company amounting to RM129.8 million and RM28.8 million respectively.

Statements of Cash Flows

Cash Flows from Operating Activities

The Group's net cash inflow for the Current Year from operating activities was RM85.2 million. This was mainly due to net cash generated from the sale of oil and gas produced from the Anasuria Cluster.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to RM83.4 million. An outflow of RM71.4 million was recorded for payables related to the acquisition of the Anasuria Cluster (mainly, deferred consideration of USD15.0 million and completion adjustments).

In addition, the Group paid a RM10.4 million (equivalent to USD2.5 million) deposit, upon execution of the conditional sale and purchase agreement relating to the proposed acquisition of a 50% participating interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract.

Cash Flows from Financing Activities

Net cash generated by the Group from financing activities was RM42.0 million. It was derived from proceeds of the placement of new ordinary shares in the Company and advances received from a third party during the Current Year.

Listing date	Number of ordinary shares issued	Issue price (RM)	Amount raised (RM'000)
13 July 2016	48,900,000	0.180	8,802
21 September 2016	41,000,000	0.195	7,995
20 December 2016	41,305,300	0.290	11,979
Total	**131,205,300**	**–**	**28,776**

Table 8 - Placement of new ordinary shares in FYE2017.

IV. IDENTIFIED ANTICIPATED AND KNOWN RISKS

The Group is exposed to both operational and business risks. An Executive Risk Management Committee (ERMC) monitors the various risk factors that may impact the Group and proposes measures to mitigate these risks where this is possible. The table below is a summary of five key risk factors, their potential impact and the mitigating measures that are being implemented by the Group.

Risk Factor	Potential Impact	Mitigation Measures
Loss of Key Personnel	Our human resources are the key asset of the Group. We maintain a lean, multi-skilled team as a means to manage overheads. Hence, the unexpected loss of a key member of the team could impact more than one area of our business.	The Nominating Committee of the Board has identified this risk factor and has made it an objective to ensure adequate succession planning is undertaken as a Human Resource Management initiative for 2018.
Oil Price Fluctuations	Our revenues are directly related to the volumes of oil that we sell and the oil price that is secured at the time of a lifting. Hence, if a relatively low oil price prevails at the time of a lifting, it could reduce cash flow generation and revenue recognition for the period. A prolonged low oil price scenario could negatively impact future cash flow projections and thereby potentially hinder certain planned business initiatives.	When oil prices stabilise, an appropriate hedging programme that is confirmed as being Syariah compliant may be implemented after consideration of prevailing market conditions by the Audit and Risk Management Committee and the Board of Directors.
Single Cash Generating Asset	Currently, our sole revenue stream is derived from the four producing fields of the Anasuria Cluster. Any reduction in production from Anasuria could negatively impact our revenue generation capacity.	The Company has executed a conditional Sale and Purchase Agreement for a second, material asset (2011 North Sabah Enhanced Oil Recovery Production Sharing Contract).
Unplanned Extended Shutdown of Anasuria Operations	Any stoppage of production from Anasuria could negatively impact our revenue generation capacity.	The Company has put in place some Business Interruption Insurance for the Anasuria asset that will mitigate a major portion of our operating expenditure if any unplanned major shutdown exceeds 60 days (continuous) duration. The Company has also embarked on a Risk-Based Inspection regime for our offshore facilities at Anasuria to ensure a relatively high level of 'Uptime'.
Heath, Safety, Security & Environmental (HSSE) Issues	Our capability to manage our assets safely, securely and with consideration towards the health of our employees and business partners and care for the environment is a primary consideration of a host government when allowing us to operate in a jurisdiction. Non-performance in the area of HSSE could result in loss and liability to our Company.	For Anasuria, we work with our Duty Holder, Petrofac to ensure a healthy, safe and secure environment for our employees and business partners. In addition, we also conduct drills to check our readiness and undertake simulations to practice our response in the event of an emergency or crisis.

>> MANAGEMENT DISCUSSION AND ANALYSIS

V. OUR FUTURE

At a macro level, our future as a player in the oil and gas industry will depend on our ability to:

- grow production;
- replace reserves; and
- remain cost effective yet operate without compromise to HSSE considerations.

Many activities will contribute towards the achievement of the above-mentioned objectives but we believe them to be realistic as the opportunity to grow production and replace reserves already exist within the Anasuria Cluster and the North Sabah asset (transaction is conditional and pending completion).

Adding Value to the Anasuria Cluster

Table 9 provides an overview of activities (at various stages of planning) that are expected to add value to our business in the UKCS.

Each of these activities will need a certain amount of capital investment.

In order that we are able to fund these projects with minimal reliance on our shareholders (for further capital injection), we are working closely with our joint venture partners to ensure phasing and scheduling of projects that are intended to dovetail with the timing of our access to internally generated funds, as far as possible.

Production Enhancement Projects	Project Description	Target Completion (Calendar Year)	Estimated Additional 2P Reserves (MMbbls net to Hibiscus)
GUA-P4 Gas Lift Installation	Re-entry into an existing well using a Light Well Intervention Vessel (LWIV). Install a gas lift system to enhance production.	4th Quarter – 2017	0.50
GUA-P2 Sidetrack	Well is currently a producer. Opportunity to re-enter this well and drain additional volumes by side-tracking the existing well.	2nd Quarter – 2018	1.01
Cook Water Injector	To increase reservoir pressure and extract additional reserves from the Cook field.	2018	3.29
Infill Wells at Guillemot A	Opportunity to drill 2 additional infill wells in Guillemot field, either as a sidetrack or a new-drill well.	2019	1.90

Table 9 *- Overview of future production enhancement projects at the Anasuria Cluster.*

Securing a Second Income Stream

Introduction to the North Sabah PSC

On 12 October 2016, the Company announced that its wholly-owned subsidiary, SEA Hibiscus Sdn Bhd had entered into a conditional sale and purchase agreement (SPA) with Sabah Shell Petroleum Company Limited (SSPC) and Shell Sabah Selatan Sdn Bhd (SSS) (collectively the Sellers) to acquire the entire participating interests of the Sellers in the:

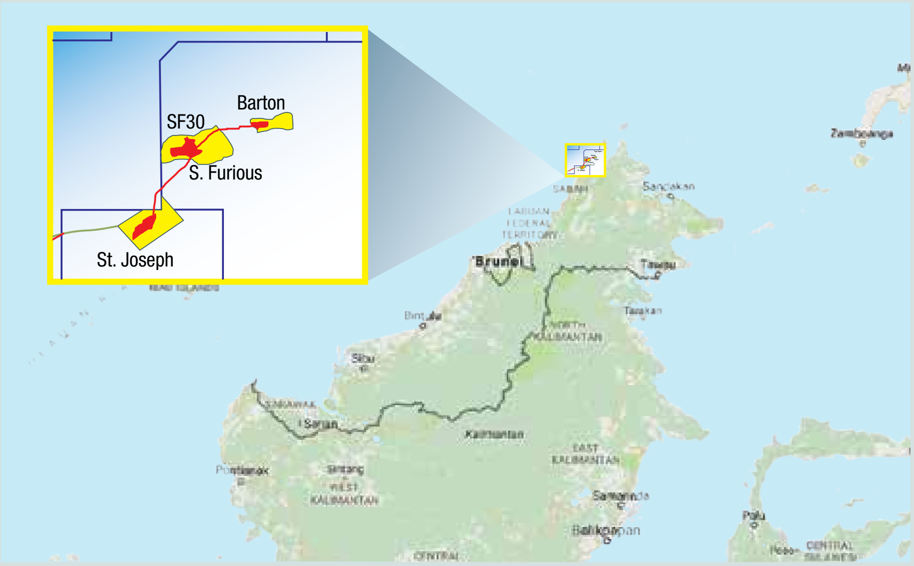
i. 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract entered into between Petroliam Nasional Berhad (PETRONAS), the Sellers and Petronas Carigali Sdn Bhd (PCSB) (North Sabah PSC); and
ii. The joint operating agreement between the Sellers and PCSB in relation to the North Sabah PSC (JOA) (collectively the Interest).

SSPC and SSS each hold a 25% participating interest in the North Sabah PSC and the JOA, with SSPC being the Operator of the North Sabah PSC and under the JOA. The Proposed Acquisition is in relation to SEA Hibiscus acquiring the Interest and assuming the role of Operator of the North Sabah PSC and under the JOA, via the Transfer of Operatorship Agreement between SSPC and the Purchaser (TOA).

The other 50% participating interest in the North Sabah PSC and the JOA is held by PCSB. The responsibilities of the Purchaser as the Operator of the North Sabah PSC and under the JOA are the management of the operations of:

i. Production of petroleum from 4 existing oil fields, namely St Joseph, South Furious, SF30 and Barton; and
ii. Existing pipeline infrastructure, the Labuan Crude Oil Terminal (LCOT), and all other equipment and assets relating to the North Sabah PSC.

The four producing fields are located in the South China Sea, off the coast of Sabah. Each field is operated from its respective main platform/complex and is connected via trunk lines to transport hydrocarbons to the LCOT, an onshore processing plant and oil export terminal.



	Units	Total
Average Daily Production 2015[1]	kstb/d[3]	18
Remaining Reserves (2P)[2]	MMstb[4]	62
Contingent Resources (2C)[2]	MMstb	79
Platform/Structures[1]		19
Wells		135
Opex Cost/bbl[1]	RM/bbl	55.10

Asset Name:
50% participating interest and Operatorship in the 2011 North Sabah EOR PSC:

- St Joseph Producing Field
- South Furious Producing Field
- SF30 Producing Field
- Barton Producing Field
- All associated equipment and assets related to the PSC including the Labuan Crude Oil Terminal

Location
Offshore Sabah, Malaysia

SPA Date:
12 October 2016

Effective Date:
1 January 2017

Production Life:
Producing since 1979 with production rights up to 2040

Notes:
[1] Actuals. Sources: Sellers' Information
[2] Figures derived by independent technical valuer, RISC Operations Pty Ltd, based on 100% interest in the PSC, as of 1 January 2016
[3] Thousand stock tank barrels per day
[4] Million stock tank barrels
[5] Post Completion of the transaction

Deal Rationale

We are excited by the proposed acquisition of the participating interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract for the following reasons:

- This transaction is aligned with our over-arching growth strategy. In the first instance, it provides us with a producing asset, located in a safe jurisdiction that is cashflow positive at current oil prices;
- We secure a second, independent cash flow stream;
- We have been able to lock-in the purchase consideration of this proposed transaction at a price that is affordable to us;
- There are multiple production enhancement opportunities that have been identified which have the potential to convert a large proven and probable contingent (2C) resources base into a proven and probable (2P) reserves base; and
- The proposed transaction comes with Operatorship and a partnership with a reputable global player (Petronas Carigali Sdn Bhd).

Transaction Status

We are currently working on fulfilling all conditions imposed on us by the Sellers and the Malaysian regulators and we continue to work towards making this transaction unconditional.

An Opportunity to Shape Organisational Culture

Many of the strategies and tools that we apply in the conduct of our business can be replicated by competitors. The element that will set us apart will be our organisational culture, i.e. the way we do what we do.

The best performing organisations in every industry are very deliberate about the way they shape their work culture. As we scale up in size, we need to ensure that the work culture that develops and evolves within our operations results in behaviours that deliver our goals reliably.

>> MANAGEMENT DISCUSSION AND ANALYSIS

Elements of the Work Culture We are Embedding in Our Organisations

We are clear that we want a work culture that demands rigour in our processes but simultaneously retains the entrepreneurial spirit that has allowed us to be agile. This is our number one priority.

To be true to our vision of creating a valuable organisation, our work culture promotes learning and open sharing of knowledge. If we are faster and better than our peers at learning and apply those lessons toward achieving a multitude of goals that collectively deliver our shared vision, we will always be a preferred partner to host governments in the exploitation of their oil and gas assets. To learn faster and better, we must carefully recruit at all levels and not compromise in this area.

We must also be ready to challenge the norms. There is a valuable prize for those who can think 'out of the box' from both safety and commercial standpoints.

Finally, we see meritocracy as being a fundamental component of motivating our people.

We are trying to put in place a work behaviour in which our people are doing the right thing, the right way each and every time they do it, regardless of whether or not they are explicitly told to do so. This must be the norm.

This is a high bar to clear but we strive for this goal as a key organisational initiative.

VI. CLOSING STATEMENT

The Anasuria asset has allowed us to transform as an organisation. In the past twelve months, we have grown our:

- Balance Sheet, levels of profitability and our cash reserves;
- Operational capability;
- Our market capitalisation; and
- Institutional shareholder base.

We hope that our performance over the past year encourages each of you, as a shareholder, to remain invested in us as we create value from our inventory of opportunities. We are also pleased that we have managed to secure Syariah compliance as a listed organisation and attracted the coverage of prominent analysts. The next twelve months will be that of execution and consolidation. We will remain open to further acquisitions but with the prospect of two independent income streams underpinning our Balance Sheet in the near future, we will be selective about expanding our asset portfolio. With oil prices stabilising, we will evaluate the merits of developing our Bass Strait portfolio and formulate a mini mid-term strategy for our Australian assets.

On behalf of the Management team at Hibiscus Petroleum Berhad, thank you for your continued support and patience.

Dr Kenneth Gerard Pereira
Managing Director
19 October 2017

SPECIAL FEATURE

Offshore Operations at Anasuria
"Out of the Box Thinking and Execution"

THE PROBLEM

It was discovered that the Production Choke Insert on the Teal South TLS-P1 Subsea Christmas Tree was washed out (i.e. severely worn out). It was imperative that a new Choke Insert be fitted.

PROPOSED SOLUTION

After a detailed analysis of various options, AOC decided that the change-out of the Choke Insert could be done using a Remotely Operated Vehicle (ROV) instead of the more conventional method of using subsea divers working from a Diving Support Vessel (DSV). Benefits included:

- enhanced safety from diverless operations; and
- a potential saving of GBP300,000.

Condition of Existing TLS-P1 Choke Insert

Siem Barracuda, the ROV vessel used in this project

ONSHORE PREPARATION AND TESTING

Fabrication of the Choke Insert Lift Frame and Parking Stand

System Integration Tests on the Choke Lift Frame

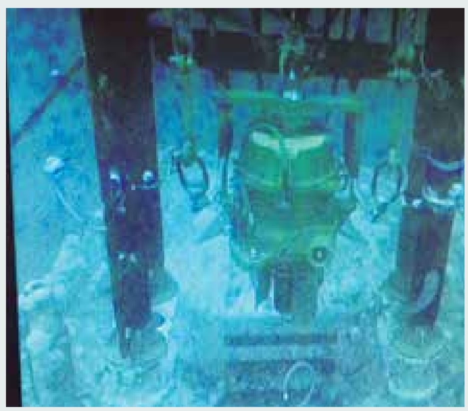
MOBILISATION

Lift Frame complete with Subsea winch on deck of Siem Barracuda

EXECUTION

Replacement Choke Insert prior to deployment

ACHIEVEMENT



Replacement Choke Insert being deployed

CALENDAR OF EVENTS

2016

25 November

Hibiscus Petroleum Berhad (Hibiscus Petroleum) reported that it closed its first financial quarter with profitable results on the back of steady recurring revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) from Anasuria operations which contributed RM53.69 million and RM27.12 million respectively. The value of the Group's Net Assets per Share increased to RM0.50 as of 30 September 2016. In this quarter, operational expenditure (OPEX) per barrel of oil equivalent (boe) of Anasuria was recorded at USD18.39/boe in this quarter.

20 December

Hibiscus Petroleum announced the completion of a Private Placement exercise of up to 82,305,362 ordinary shares of RM0.01 each in the Company.

2017

22 February

Hibiscus Petroleum closed its second financial quarter with an improved operational and financial performance from Anasuria operations. Anasuria Hibiscus UK Limited (Anasuria) contributed RM61.8 million to revenue and RM38.1 million to EBITDA; with Group profits after tax (PAT) for the first 6 months of the financial year exceeding RM90 million. Group's Net Assets per Share increased to RM0.52 as at 31 December 2016.

24 May

For the nine month period ending 31 March 2017, Hibiscus Petroleum Group's PAT was reported at RM97.4 million, with Anasuria operations contributing RM68.1 million to revenue and RM40.0 million to EBITDA.

29 May

Hibiscus Petroleum announced that Petronas Carigali Sdn Bhd (PCSB) had waived its pre-emption rights under the Joint Operating Agreement (JOA) between PCSB, Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd (collectively Shell) in relation to the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (PSC).

Additionally, Petroliam Nasional Berhad (PETRONAS) had also provided its approval

2017

to Shell for the assignment of Shell's entire participating interest in the PSC and the JOA pursuant to the PSC in favour of SEA Hibiscus Sdn Bhd (SEA Hibiscus). The PETRONAS approval is subject to certain conditions which are currently being reviewed by Shell and SEA Hibiscus.

31 May

Hibiscus Petroleum announced its proposal to undertake a proposed private placement of up to 144,384,429 ordinary shares in the Company representing up to 10% of the existing issued ordinary share capital of Hibiscus Petroleum (Proposed Private Placement).

10 July

Bursa Malaysia Securities Berhad vide its letter dated 7 July 2017, approved the listing and quotation of up to 144,384,429 placement shares to be issued pursuant to the Proposed Private Placement, subject to certain conditions.

4 August

In relation to the Proposed Private Placement, the Company had fixed the issue price at RM0.385 per placement share. Subsequently, 62 million shares were alloted and issued, and then listed on 15 August 2017.

17 October

The Company also fixed the issue price of the second tranche placement shares at RM0.6950 per placement share.

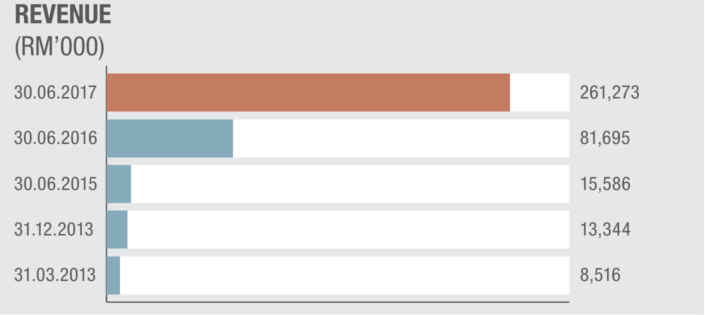
Growing

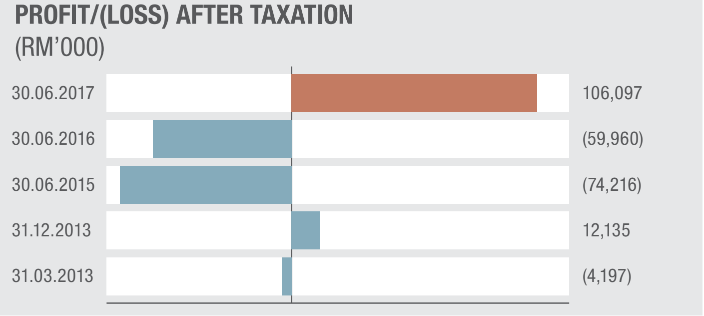
- Our profitability and the resilience of our Balance Sheet;
- Our capability;
- Our geographical footprint;
- A unique organisational culture; and
- The value we deliver to our stakeholders.

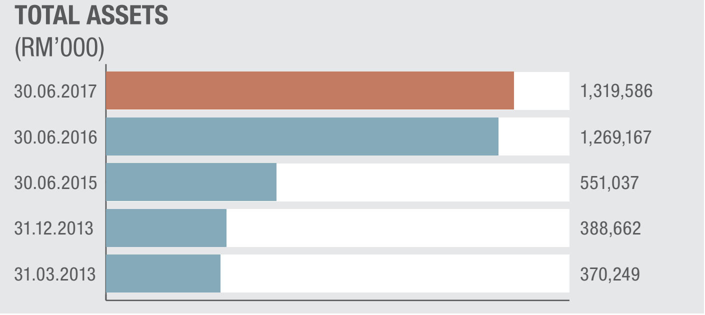
FINANCIAL HIGHLIGHTS

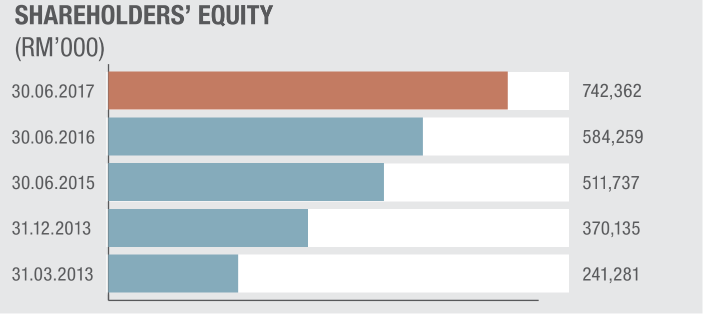
FINANCIAL HIGHLIGHTS

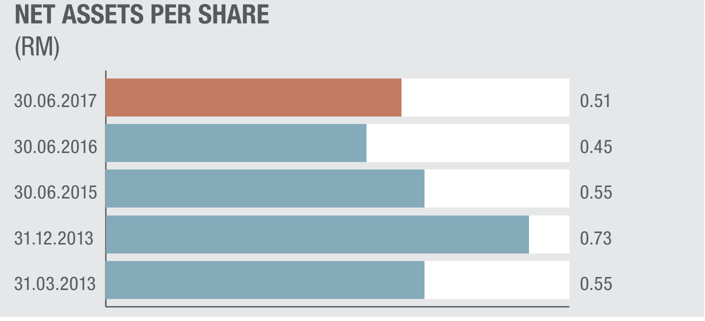
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2015 RM'000	31.12.2013 RM'000	31.03.2013 RM'000
Revenue	261,273	81,695	15,586	13,344	8,516
Profit/(loss) after taxation	106,097	(59,960)	(74,216)	12,135	(4,197)
Total assets	1,319,586	1,269,167	551,037	388,662	370,249
Shareholders' equity	742,362	584,259	511,737	370,135	241,281
Net assets per share	RM0.51	RM0.45	RM0.55	RM0.73	RM0.55
Earnings/(loss) per share	7.51 sen	(5.66 sen)	(9.68 sen)	2.63 sen	(0.96 sen)

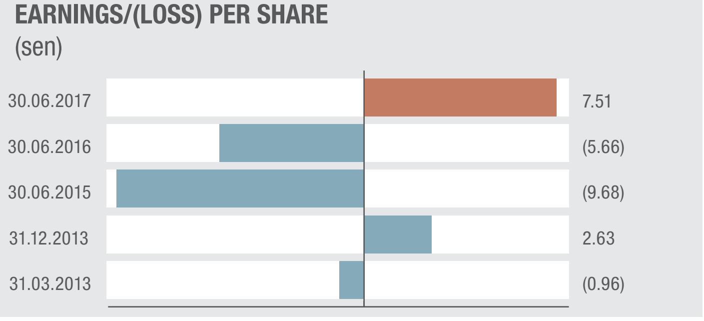












CORPORATE INFORMATION
(AS AT 10 OCTOBER 2017)

BOARD OF DIRECTORS

Zainul Rahim bin Mohd Zain
Non-Independent Non-Executive Chairman

Dr Kenneth Gerard Pereira
Managing Director

Dato' Roushan Arumugam
Independent Non-Executive Director

Sara Murtadha Jaffar Sulaiman
Independent Non-Executive Director

Thomas Michael Taylor
Senior Independent Non-Executive Director

Dato' Dr Zaha Rina Zahari
Independent Non-Executive Director

REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7720 1188
Fax : +603-7720 1111

STOCK EXCHANGE LISTING

The Main Market of Bursa
Malaysia Securities Berhad
Stock Name: HIBISCS
Stock Code: 5199

PRINCIPAL PLACE OF BUSINESS

2nd Floor
Syed Kechik Foundation Building
Jalan Kapas, Bangsar
59100 Kuala Lumpur
Tel : +603-2092 1300
Fax : +603-2092 1301
Website : www.hibiscuspetroleum.com

SHARE REGISTRAR

Tricor Investor & Issuing House
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Unit 32-01, Level 32, Tower A
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No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222

AUDIT AND RISK MANAGEMENT COMMITTEE

Thomas Michael Taylor
Chairman

Zainul Rahim bin Mohd Zain
Member

Sara Murtadha Jaffar Sulaiman
Member

NOMINATING COMMITTEE

Zainul Rahim bin Mohd Zain
Member

Dato' Roushan Arumugam
Member

Thomas Michael Taylor
Member

REMUNERATION COMMITTEE

Dato' Roushan Arumugam
Chairman

Zainul Rahim bin Mohd Zain
Member

Thomas Michael Taylor
Member

AUDITORS

PricewaterhouseCoopers
(AF 1146)
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Tel : +603-2173 1188
Fax : +603-2173 1288

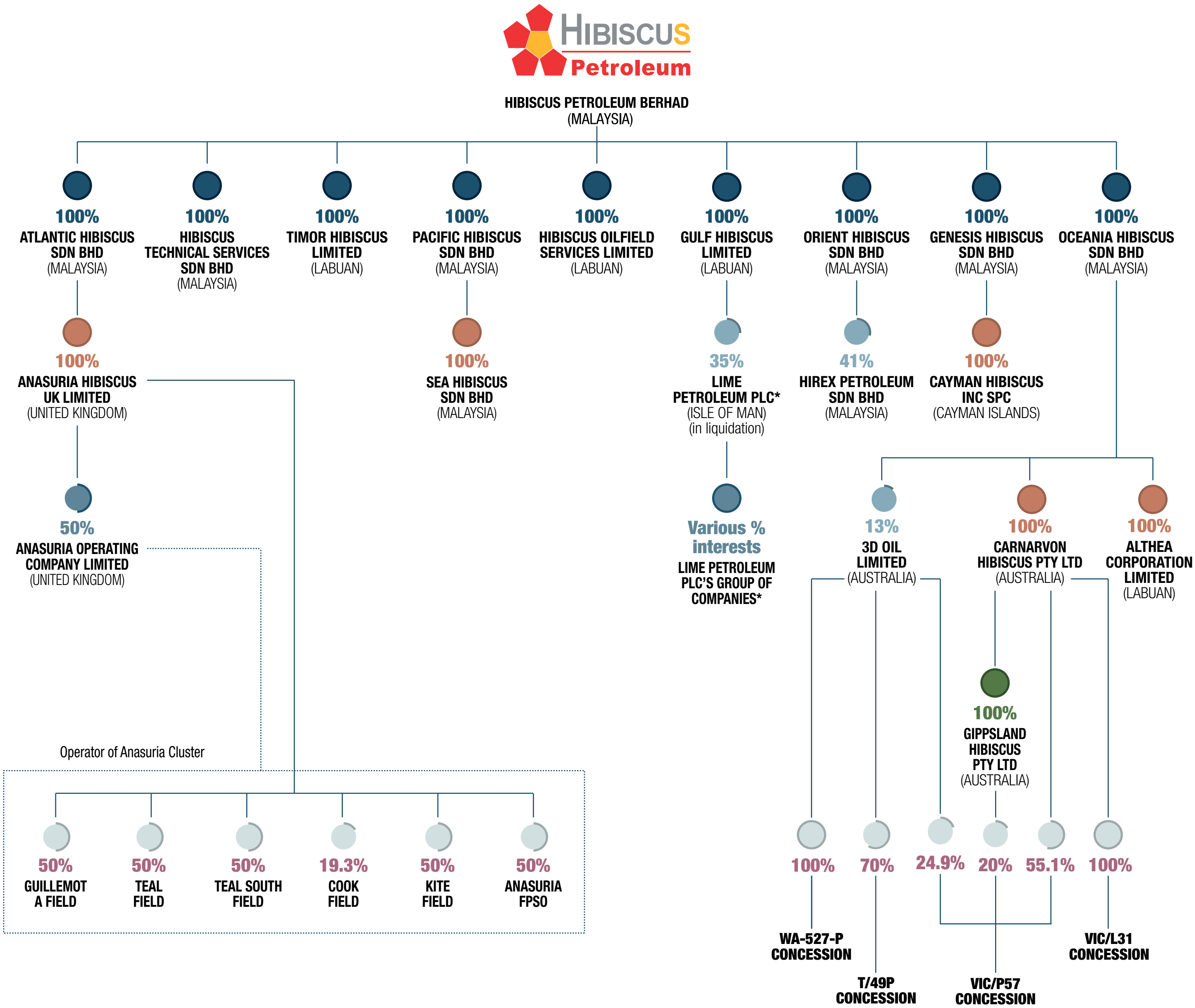
COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Tan Ai Ning (MAICSA 7015852)

PRINCIPAL BANKERS

CIMB Islamic Bank Berhad
CIMB Bank Berhad, London Branch
Commonwealth Bank of Australia

CORPORATE STRUCTURE
(AS AT 10 OCTOBER 2017)



Note:

* Subject to claims and ongoing legal proceedings by Hibiscus Petroleum Berhad Group

BOARD OF DIRECTORS
(AS AT 10 OCTOBER 2017)

ZAINUL RAHIM BIN MOHD ZAIN
Non-Independent Non-Executive Chairman

Nationality	Age/Gender	Date appointed to Board
Malaysian	64/Male	14 December 2010

Academic/Professional Qualification(s):

B.Eng majoring in Mechanical Engineering, University of Western Australia, Australia

Membership on the Board Committees:

- Member, Audit and Risk Management Committee
- Member, Nominating Committee
- Member, Remuneration Committee

Present Directorship(s) in other companies:

Listed Entity: Nil
Other Public Companies: Nil

Present Appointment(s):

- Director, UKM Holdings Sdn Bhd
- Chairman, Cenergi SEA Sdn Bhd
- Chairman, Malaysian Dutch Business Council

Working Experience and/or Past Directorship(s) and/or Appointment(s):

- 39 years of experience in the oil & gas exploration and production (E&P) industry
- Director, Bank Pembangunan Malaysia Berhad
- Director, Petronas Carigali Sdn Bhd
- Director, redT Energy Plc
- Deputy Chairman, Shell Malaysia
- Chairman, Shell companies in Egypt
- Managing Director, Shell Egypt N.V

DR KENNETH GERARD PEREIRA
Managing Director

Nationality	Age/Gender	Date appointed to Board
Malaysian	59/Male	13 September 2010

Academic/Professional Qualification(s):

- Doctorate in Business Administration, University of South Australia, Australia
- Masters in Business Administration (MBA), Cranfield University, United Kingdom
- B.Sc (Honours) in Engineering, Bath University, United Kingdom

Present Directorship(s) in other companies:

Listed Entity: Nil
Other Public Companies: Nil

Working Experience and/or Past Directorship(s) and/or Appointment(s):

- 29 years of experience in the oil & gas industry (both in services and E&P)
- Managing Director, Interlink Petroleum Ltd, an oil & gas exploration & production company listed on the Mumbai Stock Exchange
- Chief Operating Officer, SapuraCrest Petroleum Berhad (now part of Sapura Energy Berhad Group)
- Vice President, Energy Sector Projects of Sapura Energy Sdn Bhd
- Various positions at Sapura Group of companies
- Previously worked for Schlumberger Overseas (as a Field Engineer in North Africa, Asia and Europe)

DATO' ROUSHAN ARUMUGAM

Independent Non-Executive Director

Nationality	Age/Gender	Date appointed to Board
Malaysian	45/Male	25 July 2011

Academic/Professional Qualification(s):

- MBA, Imperial College Business School, Imperial College, London
- MA in Law, University of Bristol, United Kingdom
- MA in English Language and Literature, St. Catherine's College, Oxford University, United Kingdom

Membership on the Board Committees:

- Chairman, Remuneration Committee
- Member, Nominating Committee

Present Directorship(s) in other companies:

Listed Entity: Nil

Other Public Companies: Nil

Present Appointment(s):

- Director, Littleton Holdings Pte Ltd
- Director, Sri Inderajaya Holdings Sdn Bhd
- Director, Pneumacare Ltd
- Director, South Pickenham Estate Company Ltd
- Member of the LP Advisory Board of Oakhouse Partners

Working Experience and/or Past Directorship(s) and/or Appointment(s):

- Investment Banker, Deutsche Bank, London
- Investment Banker, Nomura Advisory Services, Malaysia
- Analyst, Emerging Markets Equity Research, Caspian Securities Ltd, London
- Consultant, Price Waterhouse, London
- Domus Fellow, St. Catherine's College, Oxford University
- Trustee, East West Trust, St. Catherine's College

SARA MURTADHA JAFFAR SULAIMAN

Independent Non-Executive Director

Nationality	Age/Gender	Date appointed to Board
Omani	39/Female	27 August 2014

Academic/Professional Qualification(s):

- MPhil in Economics, University of Cambridge, United Kingdom
- BA in Economics, Yale University, USA
- Member of the Chartered Institute of Management Accountants

Membership on the Board Committee:

- Member, Audit and Risk Management Committee

Present Directorship(s) in other companies:

Listed Entity: Nil

Other Public Companies: Nil

Present Appointment(s):

- Investment Principal, Infrastructure Investments Group, J.P. Morgan Asset Management
- Non-Executive Director, NorteGas Energia Distribucion S.A.U. and Nature Investments S.A.R.L
- Non-Executive Director, Southern Water Services Limited

Working Experience and/or Past Directorship(s) and/or Appointment(s):

- Investment Director, Arle Capital Partners an energy focused, London Based private equity firm
- Advised on several merger and acquisition (M&A) transactions within oilfield services at Simmons and Company International, a specialist energy investment bank
- Was involved in several project finance and M&A in the oil and gas at KPMG's Energy and Natural Resource corporate finance team in London
- Previously with Petroleum Development Oman in Muscat and subsequently with Shell Chemicals in the United Kingdom in a variety of finance and planning roles

THOMAS MICHAEL TAYLOR

Senior Independent Non-Executive Director

Nationality	Age/Gender	Date appointed to Board
British	61/Male	1 August 2016

Academic/Professional Qualification(s):

- MA, Engineering, University of Cambridge, United Kingdom
- Member of the Chartered Institute of Management Accountants

Membership on the Board Committee:

- Chairman, Audit and Risk Management Committee
- Member, Nominating Committee
- Member, Remuneration Committee

Present Directorship(s) in other companies:

Listed Entity: Nil

Other Public Companies: Nil

Working Experience and/or Past Directorship(s) and/or Appointment(s):

- 29 years of oil and gas industry experience
- Finance Director, Sakhalin Energy Investment Company
- Finance Director, Shell Malaysia
- Finance Director, Brunei Shell Petroleum
- Held board memberships in oil and gas companies, in all sectors of the industry in Malaysia, Brunei, Russia, Hungary and France

Declaration:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Directors has any family relationship with any Director and/or major shareholder of Hibiscus Petroleum Berhad
2. **Conflict of Interest**
   None of the Directors has any conflict of interest with Hibiscus Petroleum Berhad
3. **Conviction of Offences**
   None of the Directors has been convicted for offences within the past 5 years other than traffic offences, if any.
4. **Public Sanction/Penalty**
   None of the Directors has any public sanction or penalty imposed on them by any regulatory bodies during the financial year ended 30 June 2017.
5. **Attendance at Board Meetings**
   The details of attendance of each Director at Board Meetings are set out on page 63 of this Annual Report 2016/2017.

DATO' DR ZAHA RINA ZAHARI

Independent Non-Executive Director

Nationality	Age/Gender	Date appointed to Board
Malaysian	55/Female	15 September 2017

Academic/Professional Qualification(s):

- Doctorate in Business Administration, Hull University, United Kingdom focusing on capital markets research and specialising in derivatives
- MBA, Hull University, United Kingdom
- BA (Hons) Accounting and Finance, Leeds, United Kingdom

Present Directorship(s) in other companies:

Listed Entity:

- Chairman, Manulife Holdings Berhad
- Director, Hong Leong Industries Berhad
- Director, Pacific & Orient Berhad

Other Public Companies:

- Director, Pacific & Orient Insurance Co Bhd

Present Appointment(s):

- Director, Sage 3 Capital Sdn Bhd
- Director, FWU Malaysia Sdn Bhd
- Director, L'Oreal Malaysia Sdn Bhd
- Director, Sri Communications Sdn Bhd
- Director, Pacific & Orient Properties Limited
- Market Participants Committee (MPC) of Bursa Malaysia Bhd

Working Experience and/or Past Directorship(s) and/or Appointment(s)

- 25 years of experience in financial (including Islamic), commodities and securities industry and the developing of the Malaysian Financial Market, M&A in insurance and Takaful companies
- Licensed by Securities Commission of Malaysia for corporate advisory services
- CEO, RHB Securities Bhd
- COO, Kuala Lumpur Options and Financial Futures Exchange
- Head of Exchanges, KLSE, MESDAQ, MDEX, Labuan Offshore Financial Exchange
- Consultant, Financial Technologies Middle East based in Bahrain (BFX)
- SV President, Royal Bank of Scotland Group, Singapore
- Member, Global Board of Adviser for XBRL
- Board Member, Commodity and Monetary Exchange of Malaysia
- Director, Tanah Makmur Bhd
- Director, MyCreative Ventures Sdn Bhd
- Director, Zurich Insurance Malaysia Bhd
- Director, MIMB Investment Bank Bhd
- Director, EON Capital Bhd
- Director, EON Bank Bhd
- Director, MAA Takaful Bhd
- Director, Malaysian Assurance Alliance Bhd
- Director, MAA Holdings Bhd
- Director, MAA International Assurance Ltd
- Board Member, Trustee for Malaysia AIDS Foundation

Growing

- Our profitability and the resilience of our Balance Sheet;
- Our capability;
- Our geographical footprint;
- A unique organisational culture; and
- The value we deliver to our stakeholders.

LEADERSHIP TEAM AND TECHNICAL EXPERTS

LEADERSHIP TEAM AND TECHNICAL EXPERTS

DR KENNETH GERARD PEREIRA

Managing Director

Please refer to page 45 of this Annual Report 2016/2017.

DR PASCAL HOS

Chief Executive Officer, SEA Hibiscus Sdn Bhd

Age: 46

Gender: Male

Nationality: Dutch

Date appointed to the current designation: 28 September 2017

Qualifications:

- PhD in Mechanical Engineering, Rice University, Texas, USA
- B.Sc in Mechanical Engineering

Working Experience:

- Joined Hibiscus Petroleum Berhad (Hibiscus Petroleum) on 14 February 2011 as Head of Petroleum Engineering and was redesignated as Chief Operating Officer of HiRex Petroleum Sdn Bhd in October 2014
- Has over 17 years of experience in general management, field development, reservoir engineering, production technology and rock mechanics in major local and foreign companies. Includes experience in project management, field development planning, development project execution, well and reservoir management and reserves reporting
- Previously worked at Sarawak Shell Berhad (SSB) as Senior Reservoir Engineer

MARK JOHN PATON

VP Production and Operations

Age: 58

Gender: Male

Nationality: British and Australian

Date appointed to the current designation: 1 May 2016

Qualifications:

- B.Sc (Honours) in Chemical Engineering, University of Leeds, United Kingdom

Working Experience:

- Joined Hibiscus Petroleum in March 2013
- Has over 37 years of experience in the oil and gas industry in both the services of exploration and production
- Began his career with BP Exploration in 1980, as Production and Commissioning Engineer
- Joined BHP in 1989 and held positions including Well Services Supervisor, Production Manager and as General Manager for BHP Petroleum's Northern Australia Operations
- Was the founder of Upstream Petroleum, a dominant provider of operations, maintenance services and marginal field development solutions to the Australian Oil & Gas Industries. Upon the company's acquisition by the AGR Group ASA of Norway he acted as Managing Director for the Asia Pacific region. He was previously the Chief Executive Officer for the ASX-listed, Cue Energy Resource Ltd

LIM KOCK HOOI

Group General Counsel

Age: 60
Gender: Male
Nationality: Malaysian
Date appointed to the current designation: 7 March 2017

Qualifications:

- Fellow of the London-based Chartered Institute of Arbitrators
- LLB (Honours), University of London, United Kingdom
- B.Sc (Honours) in Applied Geology, University of Malaya, Malaysia

Working Experience:

- Joined Hibiscus Petroleum in October 2014
- Over 27 years of experience in oil and gas law practice, project documentation, and management and resolution of project execution issues, claims & disputes
- Other related practices include construction, insurance, capital market and private equity financing
- Previously, was with the management team of Caelus Energy Asia, a USA-based E&P start-up, as the Senior Vice President for Legal for the Asia-Pacific region

DAVID JAYAKUMAR RICHARDS

VP Geoscience

Age: 54
Gender: Male
Nationality: Malaysian
Date appointed to the current designation:15 September 2015

Qualifications:

- B.Sc (Honours) in Earth Science, Universiti Kebangsaan Malaysia (National University of Malaysia)

Working Experience:

- Joined Hibiscus Petroleum in October 2011
- Has over 28 years of experience as petroleum geoscientist in the exploration, development and production and planning phases of the oil and gas industry
- Position prior to joining Hibiscus Petroleum was as Senior Geologist with Newfield Sarawak Malaysia Inc

DEVARAJAN INDRAN

VP Petroleum Engineering

Age: 51
Gender: Male
Nationality: Malaysian
Date appointed to the current designation:15 September 2015

Qualifications:

- B. Petroleum Engineering, Universiti Teknologi Malaysia

Working Experience:

- Joined Hibiscus Petroleum in November 2014
- Has over 26 years of experience in the upstream oil and gas industry with specific expertise in Production Technology and Production Optimization
- Has worked for Petronas Carigali, Shell, PTTEP and Petrofac prior to joining Hibiscus Petroleum

>> LEADERSHIP TEAM AND TECHNICAL EXPERTS

YIP CHEE YEONG

VP Finance and Group Controller

Age: 43
Gender: Male
Nationality: Malaysian
Date appointed to the current designation: 1 March 2017

Qualifications:

- Member of the Malaysian Institute of Accountants, Malaysia and Fellow Member of the Association of Chartered Certified Accountants, United Kingdom
- Association of Chartered Certified Accountants qualification, United Kingdom
- Bachelor of Arts (Honours) in Accounting and Finance, Middlesex University, London, United Kingdom

Working Experience:

- Joined Hibiscus Petroleum in November 2013
- Has over 23 years of accounting and finance experience in various industries, namely oil and gas, manufacturing, technology, services, risk consulting, audit and taxation
- Was previously the Chief Financial Officer at Microsoft Malaysia, where he was responsible for company-wide financial management and was a key member of the top management team

CATHERINE CHOW

VP Treasury

Age: 54
Gender: Female
Nationality: Malaysian
Date appointed to the current designation: 6 March 2017

Qualifications:

- MBA (Finance and Islamic Banking), International Islamic University of Malaysia
- Bachelor of Economics, National University of Malaysia

Working Experience:

- Joined Hibiscus Petroleum in March 2017
- Has 27 years of working experience in the financial industry including treasury management, cashflow management, hedging programmes, credit management, and capital management initiatives
- Previously the Senior Manager of Group Treasury at Usaha Tegas Sdn Bhd (UTSB), overseeing treasury management and financing activities of certain operating companies within the group

VIVIAN PHANG MUN YEE

Senior General Manager, HR and Administration

Age: 48
Gender: Female
Nationality: Malaysian
Date appointed to the current designation: 7 March 2017

Qualifications:

- MBA, University of Dubuque, USA
- B.Sc in Business Administration (Human Resources), San Francisco State University, USA

Working Experience:

- Has 24 years of experience in the field of Human Resources Management across various industries
- Has been responsible for the entire gamut of HR management encompassing the areas of HR strategy, policy management, compensation and benefits, resource planning as well as reorganising and right sizing
- Prior to joining Hibiscus Petroleum in January 2015, was with Johnson Controls as HR Director covering the South-East Asia region

JOEL SHENG

Senior General Manager, IT and IM

Age: 46
Gender: Male
Nationality: Malaysian
Date appointed to the current designation: 7 March 2017

Qualifications:

- Diploma from National Computing Centre (UK), Systematic College

Working Experience:

- Joined Hibiscus Petroleum in July 2012
- Has 25 years of experience in Information Technology and Information Management
- Previously worked at SapuraAcergy Sdn Bhd as Project Document Control Manager

SYARIFAH ALIZA SYED AZAUDDIN

Senior General Manager, Corporate Finance

Age: 42
Gender: Female
Nationality: Malaysian
Date appointed to the current designation: 7 March 2017

Qualifications:

- MBA, International Islamic University of Malaysia
- B.Arts (Hons) in Accountancy and Finance, Lancaster University, United Kingdom

Working Experience:

- Joined Hibiscus Petroleum in September 2011
- Has 21 years of experience in various areas of corporate finance, asset management, private equity and general management
- Previously the Deputy Head, Alternative Investment Group at KFH Asset Management Sdn Bhd, a subsidiary of Kuwait Finance House (Malaysia) Berhad (KFHMB)
- Prior to that, was with the International Business team of KFHMB, and also in Artisan Encipta (M) Sdn Bhd (the venture capital arm of MIMOS Berhad)
- Career commenced in the Renong Berhad Group of companies, instrumental in the Commercial & Marketing Department's efforts in its transportation unit, after having an initial stint in internal audit

DEEPAK THAKUR, CFA

General Manager, Budgeting and Planning

Age: 35
Gender: Male
Nationality: Indian
Date appointed to the current designation: 7 March 2017

Qualifications:

- Chartered Financial Analyst (CFA), CFA Institute, Charlottesville, Virginia, USA
- MBA (Major in Finance), Indian Institute of Management (IIM), Bangalore, India
- B. Tech in Petroleum Engineering, Indian Institute of Technology (IIT), Dhanbad, India

Working Experience:

- Joined Hibiscus Petroleum in March 2012
- Over 10 years of experience in oil & gas industry in a career dedicated to developing financial models & cash flows, performing valuation & sensitivity analysis, financial due diligence and reservoir engineering
- Previously worked with Essar Group - Business Leadership Program (BLP), Morgan Stanley and Prize Petroleum Ltd in India on multiple oil and gas opportunities based in Africa and the Indian subcontinent

>> LEADERSHIP TEAM AND TECHNICAL EXPERTS

JENNY POH

Deputy General Manager, Corporate Secretarial

Age: 45
Gender: Female
Nationality: Malaysian
Date appointed to the current designation: 7 March 2017

Qualifications:

- Institute of Chartered Secretaries and Administrator
- Associate, Malaysian Institute of Chartered Secretaries and Administrators (ACIS)

Working Experience:

- Joined Hibiscus Petroleum in December 2012
- Has 21 years of experience in corporate secretarial matters. She was previously with SapuraKencana Petroleum Berhad (now known as Sapura Energy Berhad) as Manager, Corporate Secretarial

MEERA SURIN DERPALL

Internal Auditor

Age: 43
Gender: Female
Nationality: Malaysian
Date appointed to the current designation:1 March 2017

Qualifications:

- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Associate Member of The Institute of Internal Auditors Malaysia (IIA)
- B.Acc in Accounting, University of Malaya, Malaysia
- Gold medalist in Financial Accounting and Reporting, Examinations PEII (Module 5) for the MACPA Professional Accounting Degree
- Silver medalist for Management Accounting, London Chamber of Commerce and Industry (LCCI) (Higher Level) Diploma

Working Experience:

- Joined Hibiscus Petroleum in February 2012
- Has 20 years of experience in various areas of audit and finance including in exploration and production accounting
- Started career as an auditor with PricewaterhouseCoopers, Malaysia for 6 years
- Prior to joining the Company, worked at General Electric Inc. (Malaysia) as a Finance Manager responsible for the entire Finance function for the healthcare division in Malaysia

Declaration:

1. **Directorship**

   None of the Leadership Team and Technical Experts has any present directorship in listed entities and other public companies

2. **Family Relationship with Director and/ or Major Shareholder**

   None of the Leadership Team and Technical Experts has any family relationship with any Director and/or major shareholder of Hibiscus Petroleum Berhad

3. **Conflict of Interest**

   None of the Leadership Team and Technical Experts has any conflict of interest with Hibiscus Petroleum Berhad

4. **Conviction of Offences**

   None of the Leadership Team and Technical Experts has been convicted for offences within the past 5 years other than traffic offences, if any

5. **Public Sanction/Penalty**

   None of the Leadership Team and Technical Experts has any public sanction or penalty imposed on them by any regulatory bodies during the financial year ended 30 June 2017

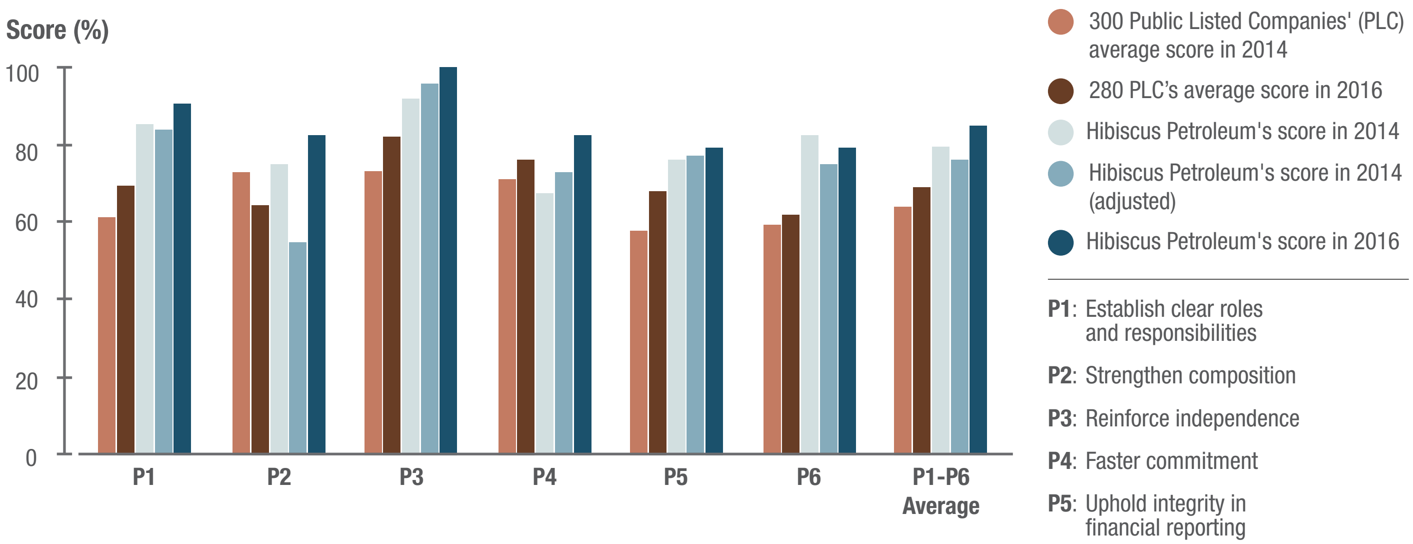
STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) is entrusted with the responsibility of safeguarding the Hibiscus Petroleum Group's (Group) resources in the interests of its shareholders by exercising due and reasonable care in its oversight of the Group.

The Board recognises that its primary role is to protect and promote the interests of its shareholders, with the overriding objective of enhancing the long-term value of the Group. In this regard, the Board remains focused and committed to maintaining high standards of corporate governance whilst ensuring that the appropriate management of risks is undertaken - by leveraging on the Management's knowledge and experience.

The Company has continuously strived to fulfil its obligations as an organisation listed on Bursa Malaysia Securities Berhad (Bursa Securities) in respect of implementing the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (CG Code). We believe that good governance is a pillar of shareholder value enhancement.

Such efforts have been recognised by Bursa Securities. In a survey of 280 listed issuers conducted in 2016, the Company was ranked in the top 9% of all listed issuers surveyed for corporate governance disclosures in Annual Reports 2015/2016. The analysis carried out by Bursa Securities was based on the six principles of the CG Code. The Company scored an average of 84.73%, which is significantly higher than the overall mean score of 68.70%. Our current position of being in the top 9% of listed issuers surveyed is a marked improvement from the initial review carried out by Bursa Securities in 2014, where the Company was ranked in the top 20% of the listed issuers that were assessed.



In 2014, 300 annual reports were reviewed. In 2016, 280 of these were reviewed, as 15 entities were subsequently de-listed, while the other 5 changed their financial years and their annual reports had not been issued at the time of the review.

P1: Establish clear roles and responsibilities

P2: Strengthen composition

P3: Reinforce independence

P4: Faster commitment

P5: Uphold integrity in financial reporting

P6: Recognise and manage risks

Note: P denotes Principle

>> STATEMENT OF CORPORATE GOVERNANCE

The Board has approved this statement and is satisfied that throughout the financial year ended 30 June 2017 and up to 10 October 2017, the Group has applied the principles and recommendations outlined in the CG Code, where necessary and appropriate.

SUMMARY OF KEY ACTIVITIES OF THE BOARD DURING FINANCIAL YEAR ENDED 30 JUNE 2017

A summary of key matters deliberated by the Board during the course of the financial year ended 30 June 2017 is provided herewith:

(a) One of the key roles and responsibilities of the Board is to define and set the strategic direction of the Company. In December 2016 and as in previous years, the Board reviewed the strategies, budgets and targets developed by the Management team. The Company remains focused in delivering sustainable returns to our shareholders. In a challenging economic environment, the Board also focused on expenditure optimisation strategies whilst prioritising expansion strategies, working in tandem with current and potential market changes, particularly oil price fluctuation.

The Board believes that an effective company should be forward looking, especially in this challenging and volatile oil and gas environment. Companies must be nimble and quick to make decisions in order to seize appropriate opportunities. Therefore, the Board allocated more time during the year at the quarterly and Board meetings for discussions in relation to operations, strategy and performance of the Group, with respect to the key risks faced.

(b) As part of the oversight responsibility, the Board reviewed the Group's operating results on a quarterly basis.

(c) During the financial year ended 30 June 2017, the Company entered into a conditional sale and purchase agreement (SPA) with Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd (collectively Shell) to acquire Shell's entire 50% participating interest in:

- 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract entered into between Petroliam Nasional Berhad (PETRONAS), Shell and Petronas Carigali Sdn Bhd (PCSB) (PSC); and
- the joint operating agreement between Shell and PCSB in relation to the PSC (JOA) (collectively the Interest).

(collectively Proposed Acquisition).

In May 2017, the Company announced that PCSB has waived their pre-emption rights under the JOA. Additionally, PETRONAS has provided its approval (subject to certain conditions) to Shell for the assignment of the interest pursuant to the PSC in favour of SEA Hibiscus Sdn Bhd, a wholly-owned subsidiary of the Company. The Company expects the Proposed Acquisition to be completed as soon as conditions pertaining to the transaction are met and we are ready to take over operations.

The Board was constantly engaged with the Management team, providing guidance and advice throughout the period prior to signing of the SPA and post-signing of the SPA.

(d) The Board together with the Management constantly reviewed the Group's cash requirements and identified financing options that are appropriate to the Group's circumstances and are in the Group's best interest.

(e) The Board also reviewed the adequacy of the Group's controls and risk management plans throughout the year. The Audit and Risk Management Committee (ARMC) assisted Management team in reviewing the status of risk management activities of the respective business segments on a quarterly basis.

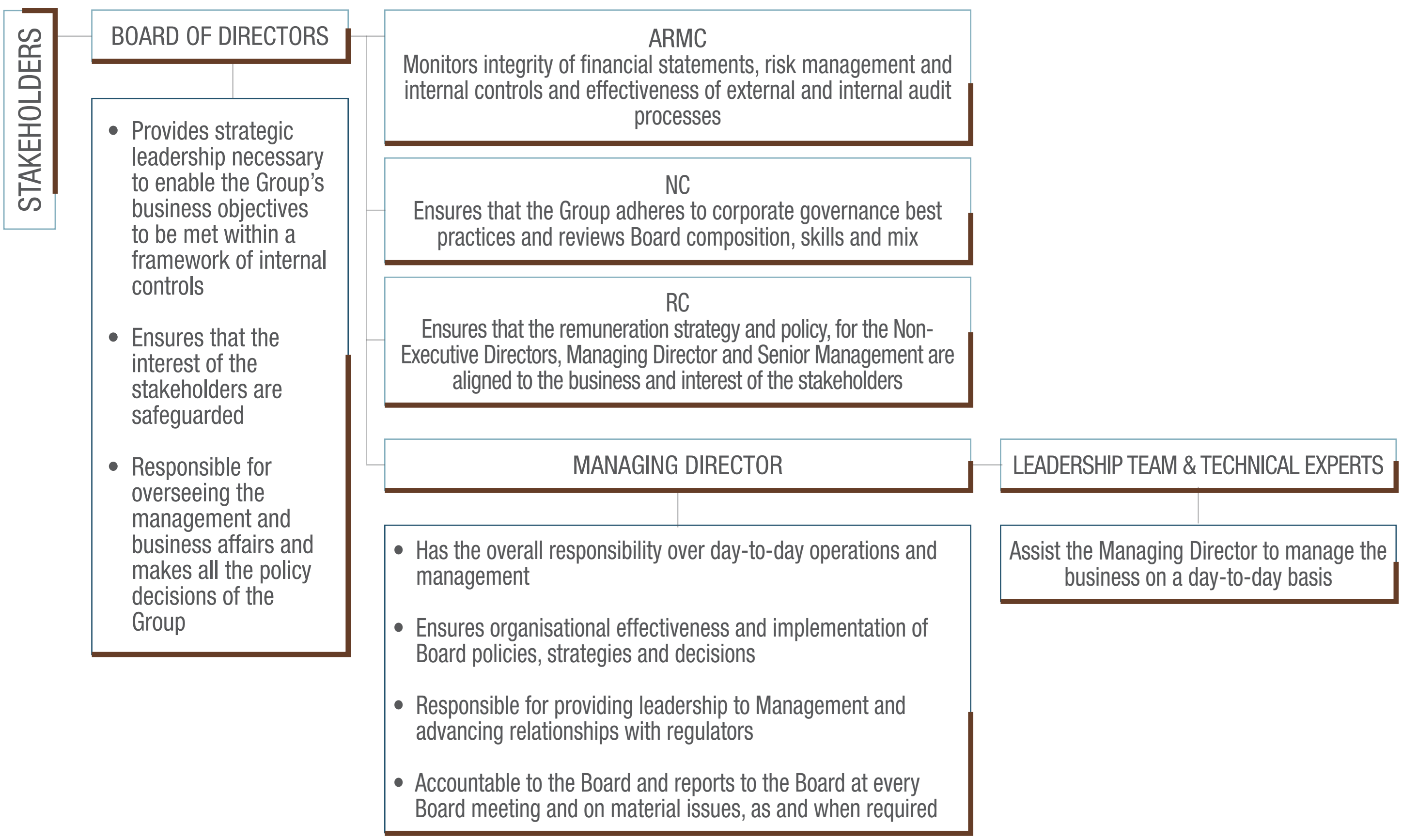
(f) The Board also reviewed the progress of legal proceedings against various parties with respect to the investments in Lime Group (without prejudice to our legal claims and on an all rights reserved basis).

(g) The effectiveness of the Board, Board committees and their respective charters/terms of reference to bring the provisions in line with best practices, were assessed. Through the ARMC, the Board also assessed the efficiency of external and internal auditors in discharging their duties.

(h) The Board also met with the external auditors and the internal auditor without the presence of Management to confirm that there was no undue influence or interference applied by Management to the external and internal audit teams.

1. OVERALL GOVERNANCE STRUCTURE

The Board has established three Board Committees namely, the ARMC, the Nominating Committee (NC) and the Remuneration Committee (RC). The Board Committees review in-depth matters within their Terms of Reference (TOR) and make the necessary recommendations to the Board, which retains full responsibility for approval of these recommendations. The Board is kept apprised of the activities of the Board Committees through circulation of the minutes of the Board committee meetings and also by the Chairman of the respective Board Committees who will address the Board on key matters discussed.

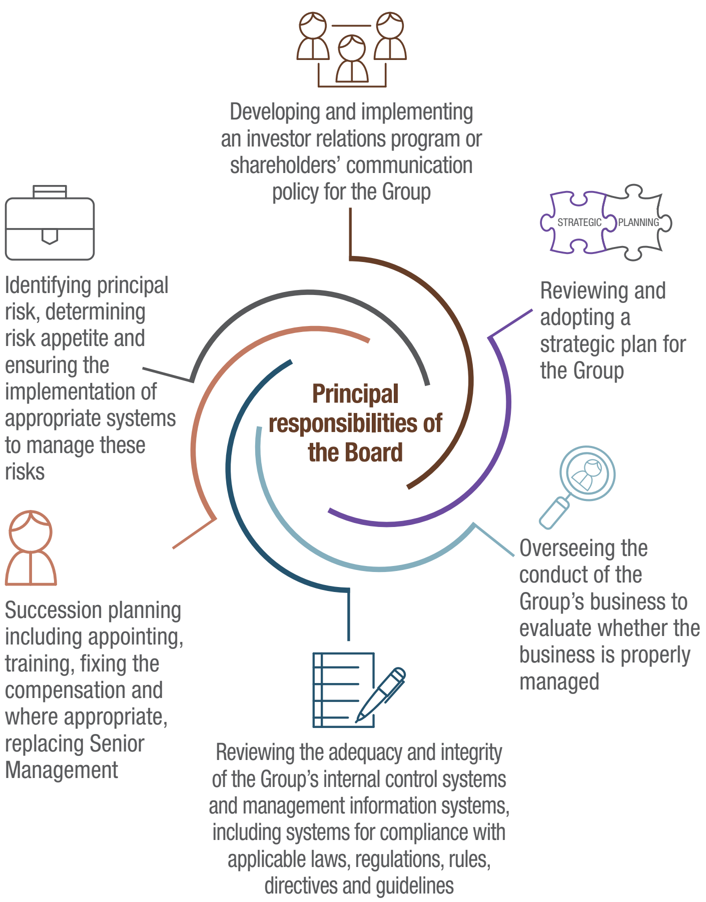


>> STATEMENT OF CORPORATE GOVERNANCE

The Board has a wide range of responsibilities, which are discharged in the best interest of the Company in pursuance of its commercial objectives. The Board plays an active role guiding the strategic direction, supervising Management, reviewing performance and determining business risk parameters. The Board's TOR contains specific guidance for the Directors on, inter alia, the key values, principles and ethos of the Group, the Board's principal responsibilities, specific delineated key matters which are reserved for the Board's approval (Reserved Matters), Directors' qualification standards, orientation and training, compensation, code of conduct and annual performance.

The Board Charter, the division of responsibilities, Board meeting procedures, list of Reserved Matters and TOR of the Board Committees are published on Hibiscus Petroleum's website, http://www.hibiscuspetroleum.com and are reviewed periodically.

The principal responsibilities of the Board are mapped out in the diagram below:



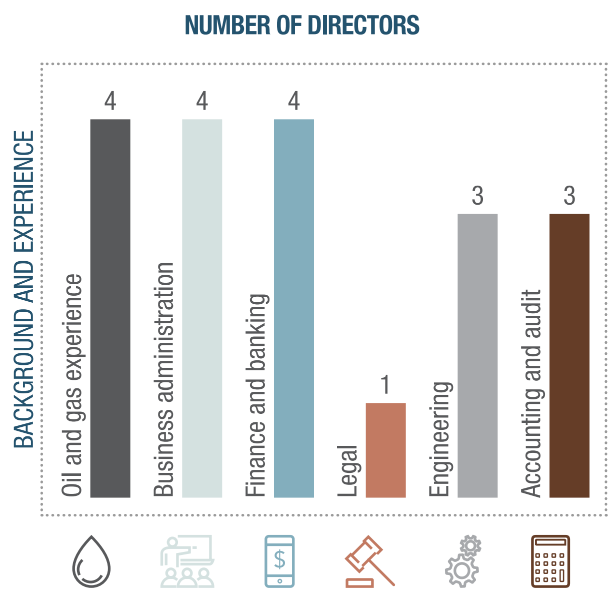
2. BOARD STRUCTURE AND COMPOSITION

Article 97 of the Company's Articles of Association (AA) stipulate that the number of Directors shall neither be less than two nor more than twelve, unless determined otherwise by a general meeting. The Board, as of the date of this statement, comprises of six members including the Managing Director and five Non-Executive Directors. We have four Independent Non-Executive Directors who make up 66.67% of the Board.

There were several changes to the Board composition during the financial year ended 30 June 2017 and up to the date of this statement. Mr Thomas Michael Taylor joined the Board as an Independent Non-Executive Director on 1 August 2016. On the same day, the Board accepted the resignation of Datin Sunita Mei-Lin Rajakumar from the Board.

On 15 September 2017, Dato' Dr Zaha Rina Zahari was appointed to the Board.

The background and experience of the Directors are shown below:



2.1 Tenure of Independent Directors

As of 10 October 2017, the tenure of the Independent Non-Executive Directors are as follows:

Independent Non-Executive Director	Appointment Date	Tenure
Datin Sunita Mei-Lin Rajakumar[1]	14 December 2010	5 years and 7 months
Dato' Roushan Arumugam	25 July 2011	6 years and 2 months
Sara Murtadha Jaffar Sulaiman	27 August 2014	3 years and 1 month
Thomas Michael Taylor	1 August 2016	1 year and 2 months
Dato' Dr Zaha Rina Zahari	15 September 2017	Less than 1 year

Note:

[1] Resigned on 1 August 2016

The Independent Non-Executive Directors are assessed annually based on the criteria which the Board has established. In assessing independence, we have considered the CG Code's recommendation for the tenure of Independent Directors to be limited to nine years, and hence, we shall not encourage a Director whose term of appointment has exceeded a cumulative period of nine years to be retained as an Independent Director. At this juncture, there is no such Director who has served for such an extended period of time. However, in the event such an occasion arises, the experience and knowledge of a long-service director would be taken into consideration, and the Board has authorised the NC to conduct an assessment of the independence of such a director prior to seeking shareholders' approval to retain such Independent Non-Executive Director on the Board.

2.2 Clear Functions Reserved for the Board and Delegated to Management

The Board functions on the principle that all significant and material matters are addressed by the Board as it is accountable under the law for the Group's activities, strategies and financial performance. The Board plays an active role in reviewing and adopting the strategic business plans of the Group, by ensuring that the strategies proposed by the Management are discussed at length and critically examined by the Directors, who are provided with sufficient information to enable their discharge of duties with reasonable care, skill and diligence.

To ensure the effective discharge of its responsibilities, the Board has delineated Reserved Matters, from those delegated to the Board Committees and the Managing Director. The delegation of authority to the Board Committees and the Managing Director are set out in the TOR of the respective committees and the Limits of Authority (LOA), respectively.

Reserved Matters are expressly set out in the Board Charter and LOA, which include but are not limited to the review and approval of transactions with threshold amounts exceeding the LOA of the Managing Director, strategic business plan and annual budget, audited and quarterly financial statements, and major capital expenditure; such considerations are always subject to compliance with the applicable laws and regulations governing the Group.

The LOA matrix sets out the specific approval thresholds for management decisions and the authorised persons for various scopes/business activities to be undertaken.

Separation of Roles of the Board Chairman and the Managing Director

The roles of the Board Chairman and the Managing Director are clearly defined in the Board Charter to ensure accountability and division of responsibilities, with a high level of interaction and interdependency between them, which is necessary to ensure coherent leadership as the Group expands and overcomes challenges over the years.

The Board Chairman, who is a Non-Independent Non-Executive Director, is an engineer with more than 39 years of experience in the oil & gas exploration and production industry, a respected professional and maintains a good balanced position in leading/moderating discussions during the Board and/or Board Committee meetings with Management. The Managing Director, an engineer with a doctorate in business administration, has more than 29 years of experience in the oil and gas industry, both in the services and exploration and production segments of the business.

>> STATEMENT OF CORPORATE GOVERNANCE

The Managing Director is entrusted with implementation of the strategies adopted by the Board and is thus accountable to the Board.

Board Chairman	Managing Director
• Responsible for the leadership, operations and governance of the Board and Board Committees	• Has overall responsibilities over day-to-day operations and Management
• Ensures Board effectiveness and conduct	• Ensures organisational effectiveness and implementation of Board policies, strategies and decisions
• Chairs Board and shareholders' meetings	• Responsible for providing leadership to Management and advancing relationships with regulators and stakeholders • Accountable to the Board and reports to the Board at every Board meeting and on all material issues, as and when required.

3. STRENGTHENING COMPOSITION

3.1 Criteria for Recruitment and Annual Assessment of Directors

Appointment of Directors and Board Diversity

An effective Board should have a diverse suite of relevant knowledge and experience, and it is equally important for Directors to complement each other in respect of personality and background to have a more cohesive Board. The selection criteria for new board members which is more particularly set out on pages 69 to 70, takes into account feedback obtained via the Board's and Board Committees' assessment, undertaken by the NC annually. The Board will ultimately make an appointment based on merit and perceived contribution to the overall working of the Board.

In relation to gender diversity, the Board members include two female Directors (33.33% of Board composition) who have been appointed to the Board based on their knowledge, skills and relevant experience.

3.2 Annual Assessment of Directors

The Board annually assesses the effectiveness of the Board as a whole, with the Board Committees and Directors evaluated individually through the NC. Further details are shared in the report of the NC on pages 69 to 70.

In August 2017, the NC conducted an assessment of the Board's effectiveness and recommended the re-election of Dato' Roushan Arumugam, the Director who is retiring by rotation in accordance with Article 123 of the Company's AA, and Dr Kenneth Gerard Pereira, the Managing Director who is seeking re-election (in accordance with Article 115 of the Company's AA) at the forthcoming AGM in December 2017 (7th AGM).

In October 2017, the Board approved the recommendation of the NC for Dato' Dr Zaha Rina Zahari who was appointed as a Director on 15 September 2017 and is due to retire by rotation in accordance with Article 101 of the Company's AA to stand for re-election at the 7th AGM, as Dato' Dr Zaha Rina has expressed her intention to seek re-election.

The Board (save for the interested parties who have abstained from deliberations) is satisfied that all the above-named Directors who are seeking re-election have continued to contribute to the Board's effectiveness and have discharged their responsibilities as Directors. Therefore, their re-election to the Board is recommended for the shareholders' approval.

3.3 Formalised and Transparent Remuneration Policies for Directors

The Board has implemented the Directors' Remuneration Policy, which prescribes the fundamental principles of remuneration and acknowledges the various phases that the Company will undergo in its evolution and growth process. As such, the Directors' remuneration package shall evolve as the Company evolves. The main business phases of the Company which the Company has undergone are the Special Purpose Acquisition (SPAC) phase and the post-qualifying acquisition (non-profitable) phase. The policy states that during the SPAC and the post-qualifying acquisition (non-producing) phases, minimal remuneration is to be paid to the Directors of the Company. The Company is currently in the post-qualifying acquisition (profitable) phase and hence the Directors' remuneration package is being evolved to be more in line with market accepted rates.

Furthermore, it is also a policy of the Company that Executive Directors who are appointed to the Boards of associate and/or subsidiary companies of the Company which attract directors' remuneration, fees, expenses or benefits, shall surrender to the Company such remuneration, fees, expenses or benefits as soon as practically possible after receipt, provided that such individual is fully and adequately protected and indemnified from all claims and liabilities that may be incurred by the individual concerned in discharging his or her duties in a lawful manner in the interest of the company on whose board he or she is serving.

The Board recommends payments to the Non-Executive Directors and reviews their remuneration annually primarily based on the fundamental principles of the Remuneration Policy of the Company, the nature and size of the Company's operations and market practices, duties and accountability.

Pursuant to Section 230 of the Companies Act 2016, the Company is seeking shareholders' approval for the payment of Directors' fees to the Non-Executive Directors for the financial year ending 30 June 2018 and up to the date of the next AGM of the Company to be held in 2018, to be paid quarterly in arrears, and the meeting allowances to the Non-Executive Directors for the period commencing 1 February 2017 up till the next AGM of the Company to be held in 2018, to be paid quarterly in arrears. Individual directors do not participate in the discussions and determination of their own remuneration.

The Directors are also, inter alia, reimbursed for expenses reasonably incurred in the course of their duties. This includes, but is not limited to, travel and accommodation.

3.4 Remuneration of Managing Director

The Managing Director is remunerated in accordance with the terms of his employment contract. His remuneration is aligned with the scope of his duties and responsibilities, pre-requisite qualifications and experience, strategic targets of the Group, his performance and that of the Group, and the current competitive remuneration package for the same position in comparable companies.

The breakdown of the Managing Director's remuneration can also be referred to in the Audited Financial Statements on page 169.

3.5 Analysis of Total Non-Executive Directors' Fees and Meeting Allowances with Respect to Financial Year Ended 30 June 2017

Details regarding the Directors' fees and meeting allowances paid by the Company to the Non-Executive Directors individually for the financial year ended 30 June 2017 are set out below. The Managing Director's remuneration is provided on page 169 of the Audited Financial Statements.

Non-Executive Directors	Fee	Meeting Allowance	Salary	Bonus	Other Emoluments	Benefits in Kind	Total
Zainul Rahim bin Mohd Zain	RM48,000.00	RM72,000.00	-	-	-	-	RM120,000.00
Datin' Sunita Mei-Lin Rajakumar[1]	RM4,129.03	-	-	-	-	-	RM4,129.03
Dato' Roushan Arumugam	RM48,000.00	RM42,000.00	-	-	-	-	RM90,000.00
Sara Murtadha Jaffar Sulaiman	RM48,000.00	RM33,000.00	-	-	-	-	RM81,000.00
Thomas Michael Taylor[2]	RM44,000.00	RM65,000.00	-	-	-	-	RM109,000.00
							RM404,129.03

Notes:

[1] Resigned on 1 August 2016

[2] Appointed on 1 August 2016

>> STATEMENT OF CORPORATE GOVERNANCE

ANALYSIS OF TOTAL DIRECTORS' FEES AND MEETING ALLOWANCES IN RESPECT OF THE FINANCIAL YEAR ENDED 30 JUNE 2017

The following are the rates for Directors' fees and Meeting allowances rate for the financial years ended 30 June 2016 and 2017 respectively. (Note: The fees and allowances payable for the financial year ended 2016 has been provided for comparison purposes only).

Description	Financial Year Ended 30 June 2016	Financial Year Ended 30 June 2017
Directors' Fees Non-Executive Directors' (NED) fees	RM3,000.00	RM4,000.00
Meeting Allowances For each meeting of the Board and of the Board Committee that a NED attends as Chairman of the meeting	RM2,000.00	RM4,000.00
Meeting Allowances For each meeting of the Board and of the Board Committee that a NED attends as member of the meeting	RM2,000.00	RM3,000.00

Directors' fees and meeting allowances paid by the Company in respect of financial year ended 30 June 2017 amounted to RM404,129 compared to the sum of RM270,226 that was paid in the financial year ended 30 June 2016.

The increase in total fees and meeting allowances paid amounting to RM133,903 is believed to be justified as the Company:

- has completed the acquisition of the Anasuria Cluster of oil and gas fields. The guidance and contribution of the Board has been instrumental in securing the Anasuria asset and this fact should be recognised. The acquisition of the Anasuria Cluster of oil and gas fields into the asset portfolio of the Company has resulted in Non-Executive Directors having to devote more time to provide an even greater degree of technical, operational and general business oversight;
- is now in a business growth phase and wishes to expand the breath of the existing skill sets available on the Board. A more competitive fee and allowance structure will assist the Company to attract a potential Board member with valuable experience and business relationships to the Board; and
- it should be recalled that in the formation years of the Company, the Company was not revenue generating and Non-Executive Directors received fees and allowance which were considerably below the market benchmark for Directors of companies in a similar line of business.

For the avoidance of doubt, the Non-Executive Directors do not receive fees and other remunerations from the subsidiary companies.

The fee rate of RM48,000 per annum was payable to the Non-Executive Directors for the financial year ended 30 June 2017. This sum was approved by our shareholders at the 6th AGM held on 6 December 2016. The meeting allowances rate of RM3,000 for each meeting of the Board and of a Board Committee that the Non-Executive Director attends as a member of the Board and of a Board Committee, or RM4,000 for each meeting of the Board and of a Board Committee, that a Non-Executive Director attends as Chairman of the Board or the Board Committee, as applicable, were approved by the Board in 2016.

The number of Directors whose total remuneration during the financial year ended 30 June 2017 falls within the required disclosure band are as follows:

Non-Executive Director	Number of Directors
Below RM50,000.00	1[1]
RM50,001.00 – RM100,000.00	2
RM100,001.00 – RM150,000.00	2

Managing Director	Number of Directors
RM2,700,000.00 – RM2,750,000.00	1

Note

[1] Datin Sunita Mei-Lin Rajakumar resigned on 1 August 2016

4. FOSTERING COMMITMENT

The Directors are aware of the time commitment expected from each of them to attend to matters of the Group, including attendance at Board meetings, Board Committee meetings and other types of meetings. Therefore, the annual Board meeting calendar is planned and agreed by the Directors prior to the commencement of each new financial year.

We have enhanced procedures for acceptance of external directorships. The Directors are required to provide immediate notification to the Chairman of the Board when accepting any new directorships to ensure that there are no potential conflicts of interest. Any change to their directorships will be tabled at the quarterly Board meetings. Currently, none of the Directors are directors of more than five public listed companies and we are satisfied that the present directorships in external organisations held by the Directors do not give rise to any conflicts of interests nor impair their ability to discharge their responsibilities to the Group.

A total of eight Board meetings and five ARMC meetings were held during financial year ended 30 June 2017.

The NC and the RC meet at least once annually. The Managing Director and Senior Management have also attended Board Committee meetings by invitation, where required.

The attendance record of individual Directors at duly convened Board and Board Committee meetings are as follows:

NAME	BOARD	ARMC	NC	RC
Number of meetings held during the financial year ended 30 June 2017	8	5	4	3
Zainul Rahim bin Mohd Zain	8/8	5/5	4/4	3/3
Dr Kenneth Gerard Pereira	8/8	n/a	n/a	n/a
Datin Sunita Mei-Lin Rajakumar[1]	n/a	n/a	n/a	n/a
Dato' Roushan Arumugam	7/8	n/a	3/4	3/3
Sara Murtadha Jaffar Sulaiman	6/8	5/5	n/a	n/a
Thomas Michael Taylor[2]	8/8	5/5	4/4	3/3
Dato' Dr Zaha Rina Zahari[3]	n/a	n/a	n/a	n/a

Notes:

1 Resigned on 1 August 2016

2 Appointed as an Independent and Non-Executive Director and as the Chairman of the ARMC on 1 August 2016. He was subsequently appointed as a member of the NC and the RC on 16 August 2016 and elected as a Senior Independent Director on 11 October 2016

3 Appointed on 15 September 2017

4.3 Training and Development of Directors

The Board refers to the findings from the annual Board assessment to determine the training needs of the Board. Training on appropriate topics are organised for the Directors, whether conducted in-house or by external speakers, in conjunction with the Board meetings, where practical. In addition, the Directors are kept informed of available external training programmes which come to the attention of the Company.

An induction programme was organised during the financial year ended 30 June 2017 for our newly appointed Director, namely Mr Thomas Michael Taylor, which included Management briefings and a visit to the Company's head office in Kuala Lumpur. All the Directors of the Company have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Directors regularly attend briefings on matters relating to the Group.

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During the financial year ended 30 June 2017 and up to 10 October 2017, the Directors attended various seminars and/or training programmes and/or professional/industry networking as delegates/invitees and/or speaker/presenter as follows:

Description
Floaters in Operation - Organised by DNV GL Oil & Gas
Annual Human Resource Forum 2016 - Organised by Malaysian Dutch Business Council (MDBC)
Board Chairman Series Part 2: Leadership Excellence from the Chair - Organised by Bursa Securities
I Am Ready to Manage Risks - Organised by Bursa Securities
Technology-based Innovation that Counts - Organised by Financial Institutions Directors' Education (FIDE) FORUM
KPMG 2017 Budget briefing - Organised by MDBC
Strategy to Leverage Technology for Business Solutions - Organised by FIDE FORUM
Bursa Securities' Sustainability Forum 2017: The Velocity of Global Change & Sustainability - The New Business Model - Organised by Bursa Securities
Driving Transformation - Different Perspectives - Organised by Performance Management and Delivery Unit (PEMANDU)
Tackling Sustainability Together - Organised by World Bank & 30% Club Malaysia Chapter
The Challenges and Future of Oil & Gas - Organised by DNV GL Oil & Gas
Release of the Malaysian Code on Corporate Governance - Organised by Securities Commission Malaysia
Efficient Inefficiency: Making Boards Effective in a Changing World - Organised by FIDE FORUM
Risk and Reward: What Must Boards Know About a Sustainable Financial Institution Remuneration System for Senior Management and Material Risk Takers?- Organised by FIDE FORUM
Cryptocurrency and Blockchain Technology - Organised by FIDE FORUM
Malaysian Dutch Business Council (MDBC)/Malaysia Australian Business Council (MABC) Interchamber Networking & Talk - Organised by MDBC & MABC.
Annual Human Resource Forum 2017 - Organised by MDBC
Khazanah Megatrends 2017: Building True Value in a Post Truth World - Organised by Khazanah Nasional Berhad
18th Annual Energy Dinner - Lloyds Bank
11th Annual Luncheon - The Jefferies Oil & Gas Team
Oil & Gas Council's Asia-Pacific Assembly 2017
2017: Another Black Swan Year? - Libra Invest
Invest ASEAN "ASEAN Reset Perspectives Like Never Before" 2017 Edition
Lunch hosted by the Australian High Commissioner, His Excellency Rod Smith PSM for Mr Mark Thirlwell, Chief Economist of the Australian Trade & Investment Commission (Austrade)
Presentation to the Vistage Management Network: Schlumberger, Sapura, A Start-Up SPAC and Sport - 35 years of Leadership Lessons and Experience
Presentation to the Association of International Petroleum Negotiators: Growth of a Start-Up E&P Company
FPSO World Congress 2017
Malaysian Code on Corporate Governance: Roadshow
Understanding Global Oil Markets
Asia Pacific Petroleum Conference (APPEC 2017)
Petroleum Hedging & Price Risk Management Workshop
Financial Master Class: A Simple Yet Practical Financial Plan Tool

4.4 Formalised Ethical Standards

(a) Code of Conduct and Ethics (CCE)

The Board has formally adopted a CCE which governs the way in which the Directors and employees of the Group conduct themselves. The CCE is available on the Company's website. On an annual basis, each employee of the Company individually acknowledges and confirms that he or she has read the CCE and will abide by the provisions contained therein.

(b) Whistle Blower Policy

The Board has also formally adopted a Whistle Blower Policy which is applicable to all Directors and employees of the Group. The policy provides an avenue to report any improper conduct occurring in the course of dealings with the Company and its business operations. Under the policy, confidentiality of the matter raised is maintained and the identity of the whistle blower is protected.

The Whistle Blower Policy is posted on the Company's website at www.hibiscuspetroleum.com. Any improper conduct may be reported in writing directly to whistleblower@hibiscuspetroleum.com, which is accessible by the Chairman of the ARMC who is also the Senior Independent Director.

(c) Policy With Regard To Insider Dealing

The Board and Management hold a stringent view of the personal duty and obligations of each of its Directors, officers and employees within the Company and the Group to comply with the relevant insider trading laws and restrictions. Efforts taken by the Company include periodic reminders to all employees on the requirement to safeguard confidential information received and the obligations and duties of care required to protect such information, prohibition of trading in the Company's securities during price sensitive periods and notifications on closed periods to Directors and relevant employees.

(d) Workforce Diversity

The Group is committed to creating and sustaining a working environment in which all individuals are treated fairly and respectfully and have equal access to opportunities. Decisions related to recruitment selection, development or promotion are based upon merit and ability to adequately meet the requirements of the job, and are not in influenced by factors such as gender, marital status, race, ethnic origin, colour, nationality, religion, sexual orientation, age, or disability.

We are proud to employ 4 nationalities within the Group. Women continue to make up 56% of the total workforce as of 10 October 2017. In addition, 44.44% of the Senior Management are female.

(e) Access to Information and Advice

The Directors have full and unrestricted access to information pertaining to the businesses and affairs of the Group, and may obtain independent professional advice at the expense of the Company as entrenched in the Board charter.

The Board is supported by the services of qualified Company Secretaries. Their responsibilities include advising the Board and Management on matters relating to the constitution of companies and facilitating compliance with the listing requirements and the relevant companies' legislations. The Company Secretaries provide support in the execution of corporate proposals and act as the secretary to the Board Committees. In addition to their statutory duties, the Company Secretaries also facilitate communication between the Board and Management.

The Company Secretaries electronically issue formal notices of upcoming Board meetings and their agenda together with a comprehensive set of meeting papers ahead of each Board meeting. This has enabled the Directors to have immediate access to the meeting materials as they become ready for distribution.

>> STATEMENT OF CORPORATE GOVERNANCE

5. STRATEGIES PROMOTING SUSTAINABILITY

The Board ensures that the Group's strategies promote sustainability with specific attention to health, safety, security and environmental, social and economic attributes of the Group's business.

(a) Health, Safety, Security and Environment (HSSE) policy

The Board is committed to ensuring that the health and safety of the employees and those affected by the business and the environment the Group operates in are protected, together with the Group's physical assets and reputation. While the Board recognises that HSSE is the responsibility of everyone, policies and protocols are designed and implemented for the well-being of employees, with the goal being to attain zero injuries by encouraging a sense of duty amongst employees to immediately stop the practice of any observed unsafe action. Additionally, the Group ensures that the work environment provided is a healthy, safe and secure place for everyone. It is the firm belief of the Board that the safe delivery of projects and operation facilities is a critical success factor.

All Management decisions have, and will continue to reflect the intentions of the HSSE policy. Proper direction, education, training and supervision is provided to ensure employees understand the required behaviours and the subsequent consequences of non-compliance towards the policy. The Group strives to achieve this by regularly reviewing the HSSE policy and making refinements to ensure compliance with internationally accepted best practices. We strongly believe that it is our responsibility to adhere to the stipulated regulations and guidelines of the relevant government agencies in the jurisdictions in which the Group operates.

(b) Corporate Social Responsibility

The Board strongly believes in its responsibility towards the community and looks forward to the opportunity to make a positive social impact.

For the time being, the Group has put in place a Young Engineers & Executives initiative to provide on-the-job training to talented young engineers and executives, to develop and mentor the next generation of industry professionals. The Group regards this effort as a contribution back to society.

(c) Sustainability Policy

The Board has formalised and adopted a Sustainability Policy. The Sustainability Policy sets out the manner in which the Company carries out its business, which is undertaken in a socially responsible, trustworthy and ethical manner whilst accepting accountability for impact on environmental, social and governance fronts. Key aspects of the policy focus on social awareness and betterment, environmental preservation, as well as sound and effective corporate governance.

(d) Economic Sustainability

The Board oversees the practice of effective governance and controls, as it believes this can improve operational performance whilst maintaining economic sustainability. The Board also ensures that the Group's assets and resources are being utilised responsibly towards promoting growth and creating value for the benefit of shareholders. The Board is committed towards developing the Group's present discoveries and finding new, quality producing assets to ensure not only the near-term generation of revenue but its sustainability in the long-term.

6. UPHOLD INTEGRITY IN FINANCIAL REPORTING

6.1 Compliance with Applicable Financial Reporting Standards

In addition to the duties and responsibilities set out under its TOR, the ARMC assists the Board in the review of the financial statements of the Group to ensure that they are prepared in compliance with the provisions of the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2016 in Malaysia (Act).

The ARMC members, chaired by Mr Thomas Michael Taylor, reviewed the Company's quarterly financial reports and audited financial statements in the presence of external auditors prior to recommending them for approval by the Board. The Vice President of Finance & Group Controller formally presented the quarterly financial reports to the ARMC and the Board, detailing the performance review of the current quarter against the previous corresponding quarter results, the current year/ period against the previous corresponding year/period results and the current quarter against the preceding quarter results. The external auditor's reports are also considered by the ARMC in reviewing the financial statements of the Group.

The Board is ultimately responsible for presenting a clear, balanced and comprehensive assessment of the Group's financial position, performance and prospects each time it releases its quarterly and annual financial statements to its shareholders, as well as ensuring that the financial statements give a true and fair view of the results of operations and the financial state of affairs of the Group.

6.2 Assessment of External Auditors

The ARMC has received an annual written confirmation of the Company's external auditors, Messrs PricewaterhouseCoopers' (PwC) independence in accordance with PwC's requirements and the provisions of the By-laws on Professional Independence of the Malaysian Institute of Accountants. With respect to financial year ended 30 June 2017, PwC has re-affirmed their independence to act as the Company's external auditors in accordance with the relevant professional and regulatory requirements.

An assessment of their performance was undertaken by the ARMC.

The areas of assessment were:

(i) the quality and rigour of the audit performed;
(ii) the quality of service provided; and
(iii) the audit firm's reputation.

Based on the abovementioned confirmation by PwC and the assessment undertaken, the ARMC believes that the independence of PwC has been maintained. The ARMC is satisfied that PwC has performed satisfactorily throughout the financial year ended 30 June 2017.

Accordingly, the ARMC supports the resolution for their re-appointment and remuneration at the forthcoming AGM on 5 December 2017.

6.3 Provision of Non-Audit Services

To safeguard the independence and objectivity of the external auditors, the Board has adopted the External Auditor Independence Policy which sets out the types of prohibited services and the requisite approval process for the provision of non-audit services by the external auditors. During the financial year ended 30 June 2017, the Group incurred approximately RM79,620 in non-audit fees representing 11% of the total audit fees to the external auditors.

PwC had reviewed the non-audit services provided to the Group during the financial year in accordance with the independence requirements, and are not aware of any non-audit services that have compromised their independence as the external auditor of the Group. The ARMC did not note any non-compliance with the External Auditor Independence Policy by the external auditors.

7. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established a comprehensive and holistic framework for risk management and a sound internal control system. The Board's statement on risk management and internal control, which was reviewed by the external auditors, is set out on pages 74 to 79 of this report.

The Board has established an internal audit function within the Company, which is headed by the Head of Internal Audit who reports directly to the ARMC.

8. TIMELY AND HIGH QUALITY DISCLOSURE

The Company is guided by the corporate disclosure guide for directors issued by Bursa Securities to promote timely and high quality disclosure of material information to the public. We have enhanced a process for the preparation of announcements to Bursa Securities, which is coordinated between the Corporate Finance, Company Secretary, Investor Relations, Finance, and Legal teams to ensure that the information to be disclosed is properly verified before it is disseminated. Depending on the type of information to be released, prior approval of the Board may be obtained; otherwise, the approval of the Managing Director is obtained.

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As a responsible corporate citizen, the Group's spokespersons adhere to the Corporate Disclosure Policies and Procedures in their interaction with the Group's stakeholders.

The Group leverages on information technology to disseminate vital information to the public. From the website (www.hibiscuspetroleum.com), the stakeholders can access information such as annual reports, notice of general meetings, investor briefing slides, press releases, public announcements and frequently asked questions, amongst others.

There are also dedicated sections on corporate governance and financial results.

9. STRENGTHENING RELATIONSHIP BETWEEN SHAREHOLDERS AND INVESTORS

We recognise the importance of shareholder engagement, which is reflective of the Board's fiduciary duties to the shareholders. The Board believes that clear and consistent communication encourages a better appreciation of the business and activities, and allows the business and its prospects to be better understood and evaluated properly by the shareholders.

Press conferences are initiated at regular intervals to keep the media abreast on the Group's performance and recent developments, amongst others. Webcasts are also used by the Management of the Group as a communications tool to ensure that critical information (e.g. quarterly financial updates) is released with a degree of explanation. In addition, the Group has also been providing answers to various questions posed by shareholders vide an open forum on our website.

Annual General Meeting

The notice convening the 2017 AGM was issued to shareholders on 31 October 2017, in compliance with the terms of the listing requirements to provide sufficient notice to the shareholders.

All Directors and Senior Management of the Company together with the key corporate advisors, attended the 2016 AGM. The 2016 AGM lasted approximately 3 hours, with presentations from the Managing Director on operational and financial performance for the past financial year. The shareholders were then given the opportunity to raise questions on the agenda items to the Board and Management.

The Chairman highlighted the voting procedures to the shareholders. Voting was carried out by poll. The outcome of each resolution was announced when the AGM concluded.

In accordance with the revision of the Main Market Listing Requirement, the minutes of the AGM, which included a summary of the key decisions and the discussion arising from the agenda in December 2016, was posted on the Company's website at www.hibiscuspetroleum.com.

The Board also encourages other channels of communication with the stakeholders.

If required, queries or concerns may be directed to the Board through the Chairman or the Senior Independent Non-Executive Director:

Encik Zainul Rahim bin Mohd Zain
(Chairman)
Email: zainulrahim@hibiscuspetroleum.com
Tel: +603 2092 1300
Fax: +603 2092 1301

Mr Thomas Michael Taylor
(Senior Independent Non-Executive Director)
Email: tmiketaylor@hibiscuspetroleum.com
Tel: +603 2092 1300
Fax: +603 2092 1301

This statement was approved by the Board on 10 October 2017.

NOMINATING COMMITTEE REPORT

This report has been reviewed by the Nominating Committee (NC) and approved by the Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) for inclusion in this Annual Report.

1. COMPOSITION

The NC was established on 26 February 2011 and comprises exclusively of Non-Executive Directors, in compliance with the Malaysian Code on Corporate Governance 2012.

The NC understands the importance of a diverse Board, and the members have been chosen to reflect that, by including members that have a wide variety of skills and experiences, yet knowledgeable on the matters at hand. Such a composition enables the Board to be more effective in executing its duties and responsibilities.

The members of the NC are as follows:

Name of NC Member	Appointment Date	Designation
Thomas Michael Taylor	15 August 2016	Member/Senior Independent Non-Executive Director
Zainul Rahim bin Mohd Zain	26 February 2011	Member/Non-Independent Non-Executive Director
Dato' Roushan Arumugam	28 March 2013	Member/Independent Non-Executive Director

During the financial year ended 30 June 2017, there were changes to the composition of the NC. Datin Sunita Mei-Lin Rajakumar ceased to be a member of the NC as a result of her resignation as a Director on 1 August 2016. Subsequently, Mr Thomas Michael Taylor was appointed as a member of the NC on 15 August 2016 and elected as the Senior Independent Non-Executive Director of the Company on 11 October 2016.

2. TERMS OF REFERENCE (TOR)

The TOR of the NC is published on the Company's website: www.hibiscuspetroleum.com.

(i) Nomination, Election and Selection of Directors

The Company Secretaries monitor the Directors' retirement by rotation at each Annual General Meeting (AGM) and submit the proposal to the NC in accordance with the Articles of Association (AA) of the Company, which requires one-third of the total number of Directors, or if the number is not a multiple of three, the number nearest to one-third, to retire by rotation at the AGM each year. The NC will review the performance of the said Director(s) who are retiring by rotation as part of the annual Board assessment and make the appropriate recommendation to the Board.

With respect to new Board appointees, the NC evaluates a potential Board candidate based on established selection criteria, which includes among others:

- Academic qualification and experience in areas that are relevant to the Group's strategies and business plan
- Character of the individual to ensure that there will be a right fit
- Ability to dedicate sufficient time to discharge his/her responsibilities
- Unblemished reputation for integrity and ability to exercise good business judgement

Where possible, each Director will also be given the opportunity to meet the proposed candidate before appointment. The NC will then recommend the candidate to the Board for its final decision.

(ii) Board Effectiveness Evaluation

The Board Effectiveness Evaluation is facilitated by the NC annually with the support of the Company Secretaries and the findings are then presented to the Board.

A self-assessment questionnaire is distributed to all the Board members, and is used to assess the Board as a whole, the Board Committees, as well as the Directors individually. There are a variety of parameters used in the assessment in order to ensure a holistic evaluation. The assessment covers areas which include, inter alia, the responsibilities of the Board in relation to its role and function, strategic planning, succession

>> NOMINATING COMMITTEE REPORT

plans for the Board and Senior Management, sustainability strategies, corporate governance, and monitoring the Company's performance. Other areas being assessed include composition and size of the Board and Board Committees, Board remuneration, contribution of each and every member of the Board and Board Committee at meetings, the Board's decision-making and output, information, the overall perception of the Board and support rendered to the Board.

The NC also assess the contributions of every member of the Board, his/her knowledge and abilities, integrity, collaboration with others, as well as his/her personal commitment to Board responsibilities. Non-Executive Directors are further assessed on their ability to exercise independent judgement, in addition to their ability to demonstrate the values and principles associated with independence such as impartially, objectivity and consideration of all stakeholders' interests, including taking an unpopular stand at times, where deemed necessary.

3. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE NC IN RESPECT OF THE FINANCIAL YEAR ENDED 30 JUNE 2017 AND UP TO 10 OCTOBER 2017

A total of 7 meetings were held during the above mentioned period.

The activities undertaken by the NC include the following:

- Reviewed the proposed appointment of Mr Thomas Michael Taylor as a member of the NC and Remuneration Committee (RC). Based on the NC's recommendation, the Board approved the appointment of Mr Taylor effective 15 August 2016;

- Reviewed the proposed election of Mr Thomas Michael Taylor as the Senior Independent Non-Executive Director of the Company. Based on the NC's recommendation, the Board approved the appointment of Mr Taylor as Senior Independent Non-Executive Director effective 11 October 2016;

- Reviewed the candidates shortlisted for the appointment as Independent Non-Executive Directors;

- Reviewed the performance of the Managing Director, the Chief Financial Officer/VP Finance and the VP Exploration & Development;

- Administered the annual Board assessment for the period from 1 July 2016 to 30 June 2017 in October 2017 on the mix of skills, professionalism, competency, integrity, diversity and gender. Based on the results, the Board is satisfied that the Board as whole, Board Committees, Board Chairman and Chairman of the respective Board Committees, as well as the Directors individually have performed well and continued to discharge their responsibilities as expected of them. The Directors believe that the effectiveness of the Board can be further enhanced by appointing additional members to the Board who possess upstream oil and gas operations experience, particularly in late life assets, to add more diversity of thought;

- Reviewed the terms of office and performance of the Audit and Risk Management Committee (ARMC) and each of its members in accordance with the TOR of the ARMC;

- Reviewed and recommended the re-election of Encik Zainul Rahim bin Mohd Zain and Mr Thomas Michael Taylor who were due for retirement pursuant to Articles 123 and 101 of the AA of the Company respectively for the shareholders' approval at the 6th AGM of the Company held on 6 December 2016;

- Assessed candidates for the position of Vice President, Finance and Group Controller and Vice President, Corporate Finance & Treasury Management taking into consideration the experience, qualifications and character of the candidates. Based on the NC's recommendation, the Board appointed the identified candidates;

- Assessed the independence of Dato' Roushan Arumugam, Ms Sara Murtadha Jaffar Sulaiman and Mr Thomas Michael Taylor. All the Independent Directors satisfied the criteria of independence pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

- Reviewed the Human Resources Initiatives to be included as part of 2017 Business Plan and recommended the same to the Board for approval;

- Reviewed the organisation structure, and particularly the staffing of key positions, with corresponding internal grading bands and recommended to the Board for approval;

- Reviewed the nomination of Dato' Dr Zaha Rina Zahari as a potential Independent Non-Executive Director. Based on the NC's recommendation, the Board approved the appointment of Dato' Dr Zaha Rina Zahari effective 15 September 2017; and

- Reviewed and recommended the re-election of Dato' Roushan Arumugam, Dr Kenneth Gerard Pereira and Dato' Dr Zaha Rina Zahari who will be due for retirement pursuant to Articles 123, 115 and 101 of the AA of the Company respectively for the shareholders' approval at the 7th AGM of the Company.

- Reviewed the NC Report for inclusion to the Annual Report 2016/2017 and recommended the same to the Board for approval.

This Report is dated 10 October 2017.

REMUNERATION COMMITTEE REPORT

This report has been reviewed by the Remuneration Committee (RC) and approved by the Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) for inclusion in this Annual Report.

The RC was established on 26 February 2011 and comprises exclusively of Non-Executive Directors, in compliance with the Malaysian Code on Corporate Governance 2012.

The members of the RC are as follows:

Name of RC Member	Appointment Date	Designation
Dato' Roushan Arumugam	28 March 2013	Chairman of RC/Independent Non-Executive Director *(Re-designated as Chairman on 15 July 2013)*
Zainul Rahim bin Mohd Zain	26 February 2011	Member/Non-Independent Non-Executive Director
Thomas Michael Taylor	15 August 2016	Member/Senior Independent Non-Executive Director

During the financial year ended 30 June 2017, there were changes to the composition of the RC. Datin Sunita Mei-Lin Rajakumar ceased to be a member of the RC as a result of her resignation as a Director on 1 August 2016. Subsequently, Mr Thomas Michael Taylor was appointed as a member of the RC on 15 August 2016.

The responsibilities of the RC are set out in the Terms of Reference which is published on the Company's website at www.hibiscuspetroleum.com.

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE RC IN RESPECT OF THE FINANCIAL YEAR ENDED 30 JUNE 2017 AND UP TO 10 OCTOBER 2017

A total of 5 meetings were held during the above mentioned period.

The activities undertaken by the RC include the following:

- Reviewed the Directors' fees and meeting allowances for the Non-Executive Directors for the financial year ended 30 June 2017. Following the review, the RC recommended to the Board to seek shareholders' approval, at the 6th Annual General Meeting (AGM) of the Company on 6 December 2016, for a revision of fees payable to the Company's Non-Executive Directors;
- Reviewed the compensation packages of various Senior Management personnel;
- Reviewed the remuneration packages of Senior Management personnel hired/promoted during the year;
- Reviewed the remuneration packages of identified personnel for SEA Hibiscus Sdn Bhd;
- Reviewed the revision of salary bands as part of the internal grading structure proposed by Management;
- Reviewed the principles used for salary adjustment for staff as part of the internal grading structure review process. Following the review, the RC recommended the new structure for Board approval for implementation by Management; and
- Reviewed the Directors' fees and meeting allowances for the Non-Executive Directors for the financial year ending 30 June 2018. Following the review, the RC recommended to the Board to seek shareholders' approval at the 7th AGM of the Company, for a revision of fees payable to the Company's Non-Executive Directors with meeting allowances to be maintained at the 2016/2017 rates.
- Reviewed the RC Report for inclusion to the Annual Report 2016/2017 and recommended the same to the Board for approval.

This Report is dated 10 October 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee (ARMC) is pleased to present the ARMC Report for the financial year ended 30 June 2017 in compliance with paragraph 15.15 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities).

COMPOSITION OF ARMC AND ATTENDANCE

The ARMC comprises of the members named below. Their attendance at the ARMC meetings held during the financial year ended 30 June 2017, is also reflected below:

Name	Designation	Directorship	Attendance at ARMC Meetings
Thomas Michael Taylor[1]	Chairman	Senior Independent Non-Executive Director	5/5
Zainul Rahim bin Mohd Zain	Member	Non-Independent Non-Executive Chairman	5/5
Sara Murtadha Jaffar Sulaiman	Member	Independent Non-Executive Director	5/5
Datin Sunita Mei-Lin Rajakumar[2]	Chairman	Independent Non-Executive Director	Not applicable

Notes:

- The minimum number of ARMC meetings to be held in a financial year is 4 meetings. Additional meetings may be called at any time, at the discretion of the Chairman of the ARMC.

1 Appointed as Chairman on 1 August 2016

2 Resigned as Chairman and member on 1 August 2016

In line with Paragraph 15.09(1)(b) of the MMLR, all ARMC members are Non-Executive Directors, with the majority being Independent Directors and at least one member of the ARMC fulfils the requirements as prescribed under Paragraph 15.09(1)(c) of the MMLR.

SUMMARY OF THE ARMC ACTIVITIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

In accordance with the approved Terms of Reference (TOR) of the ARMC, the ARMC carried out the following activities in discharging its functions and duties during the financial year ended 30 June 2017:

1. Reviewed and recommended the draft ARMC Report and draft Statement of Risk Management and Internal Control in the Company's Annual Report for the financial year ended 30 June 2016 to the Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum) for approval;

2. Reviewed the draft audited financial statements of the Group and the Company for the financial year ended 30 June 2016, together with the Directors' and Auditors' Reports thereon prior to submission to the Board for consideration and approval;

3. Reviewed the quarterly financial reports of the Group for the year ended 30 June 2017 prior to submission to the Board for consideration and approval;

4. Considered and approved the appointment of the candidate nominated as Internal Auditor for the internal audit function;

5. Considered the findings by the external auditors during review of the annual results and Management's responses thereto;

6. Reviewed and discussed with the external auditors the nature and scope of their audit and ensured that the audit covered the key risk areas affecting financial reporting;

7. Reviewed the external auditors' audit plan and the audit fee of the Group for the financial year ended 30 June 2017;

8. Discussed new developments in financial reporting and standards with external auditors in relation to future financial years/periods;

9. Reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services;

10. Reviewed the fees and type of non-audit services provided by the external auditors;

>> AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

11. Assessed the independence of the external auditors by obtaining a written confirmation and as set out in the Group's External Auditor Independence Policy, evaluated the quality and rigour of the audit performed, the quality of service provided, the audit firm's reputation and the independence of the external auditors;

12. Recommended the re-appointment of external auditors of the Company by the Board, and subject to shareholders' approval;

13. Reviewed the external auditors' internal control recommendations and Management's response;

14. Conducted meetings with the external auditors and the in-house Internal Auditor without Management being present;

15. Reviewed the internal audit plan and scope of work for the financial year ended 30 June 2017 for the Group;

16. Reviewed the internal audit report on the following areas, which also incorporated audit findings, recommendations and Management responses, for the Group:

    (i) Anasuria Cluster key business processes and compliance;
    (ii) Group cash flow requirements and funding strategies;
    (iii) Governance processes activities, milestones and status on a proposed acquisition;
    (iv) Information technology fixed assets verification and existence; and
    (v) Enterprise risk management process;

17. Ensured appropriate actions were taken to ensure the effectiveness of the internal control systems based on feedback received from the external and internal auditors;

18. Reviewed the Group and each business division's key risks and mitigation plans taken or to be taken by the Management to control and mitigate the risks based on the recommendations of the Executive Risk Management Committee (ERMC);

19. Reviewed the related party transactions;

20. Reviewed the proposed revisions to the TOR of the ARMC and recommended to the Board for approval; and

21. Reviewed the status of action plans committed by Management arising from the follow-up reviews of each internal and external audit reports previously presented and communicated to the Board the relevant issues.

The TOR of the ARMC is available on the Company's website at www.hibiscuspetroleum.com.

INTERNAL AUDIT FUNCTION

Our Group's internal audit function supports the ARMC and the Board in discharging its duties and responsibilities by providing independent and objective assessment on the adequacy and effectiveness of internal control and governance processes/framework of the Group. The in-house Internal Auditor is a qualified accountant, a member of The Malaysian Institute of Certified Public Accountants (MICPA) and an associate member of the Institute of Internal Auditors Malaysia (IIAM). In order to maintain independence from Management and operations, the in-house Internal Auditor reports directly to the ARMC, which reviews the annual internal audit plan and scope of work for the Group as well as the performance of the Internal Auditor in undertaking the internal audit function.

Through the internal audit function, the Company undertakes regular and structured reviews of the system of internal controls so as to provide reasonable assurance that such a system continues to operate satisfactorily and effectively in the Group.

During the financial year under review, the Internal Auditor conducted various engagements in accordance with the approved risk-based internal audit plan of the Group. The internal audit plans were developed based on the information provided by Management through enterprise risk assessments conducted by the ERMC, as well as areas of concern deemed important by the ARMC and/or Management.

Details of the internal audit activities carried out by the Internal Auditor for the financial year ended 30 June 2017 are as follows:

1. Prepared and presented risk-based audit plans, internal audit strategy and scope of work to the ARMC and the Board for deliberation and approval;

2. Performed high level review on the design and function of the Enterprise Risk Management process for the Group including the reporting structure as well as risk responses and related control activities;

3. Evaluated and appraised the soundness, adequacy and application of accounting, financial and other controls towards promoting effective controls in the Group and the Company;

4. Appraised the level of operational and business compliance with established policies and procedures; and

5. Identified and recommended opportunities for improvements to the existing system of internal controls and processes in the Group.

The sum of RM138,425 was incurred by the Group for the internal audit function for the financial year ended 30 June 2017.

This statement is made in accordance with the resolution of the Board dated 10 October 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) affirms its commitment towards maintaining a sound framework of risk management and internal control in Hibiscus Petroleum Group (Group) and is pleased to provide the following statement. This statement outlines the nature and scope of risk management and internal control as managed within the Group during the financial year ended 30 June 2017 and it further applies up to the date of this statement.

BOARD RESPONSIBILITY

The Board is responsible and accountable for the Group's risk management framework and system of internal control. This responsibility and accountability includes the establishment of an appropriate risk management framework and control environment, as well as reviewing its effectiveness, adequacy and integrity. The system of internal control covers governance, financial, organisational, operational and compliance controls. Due to the limitations inherent in any system of internal controls, this system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's desired objectives. Accordingly, it can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

Management has applied judgement in assessing the risks faced by the Group, identifying the Group's ability to reduce the incidence and impact of risks, and ensuring that the benefits outweigh the costs of operating the controls. The Board, through the Audit and Risk Management Committee (ARMC), oversaw that measures were taken on areas identified for improvement, as part of Management's continued efforts to strengthen the Group's internal control.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

Risk Management Framework

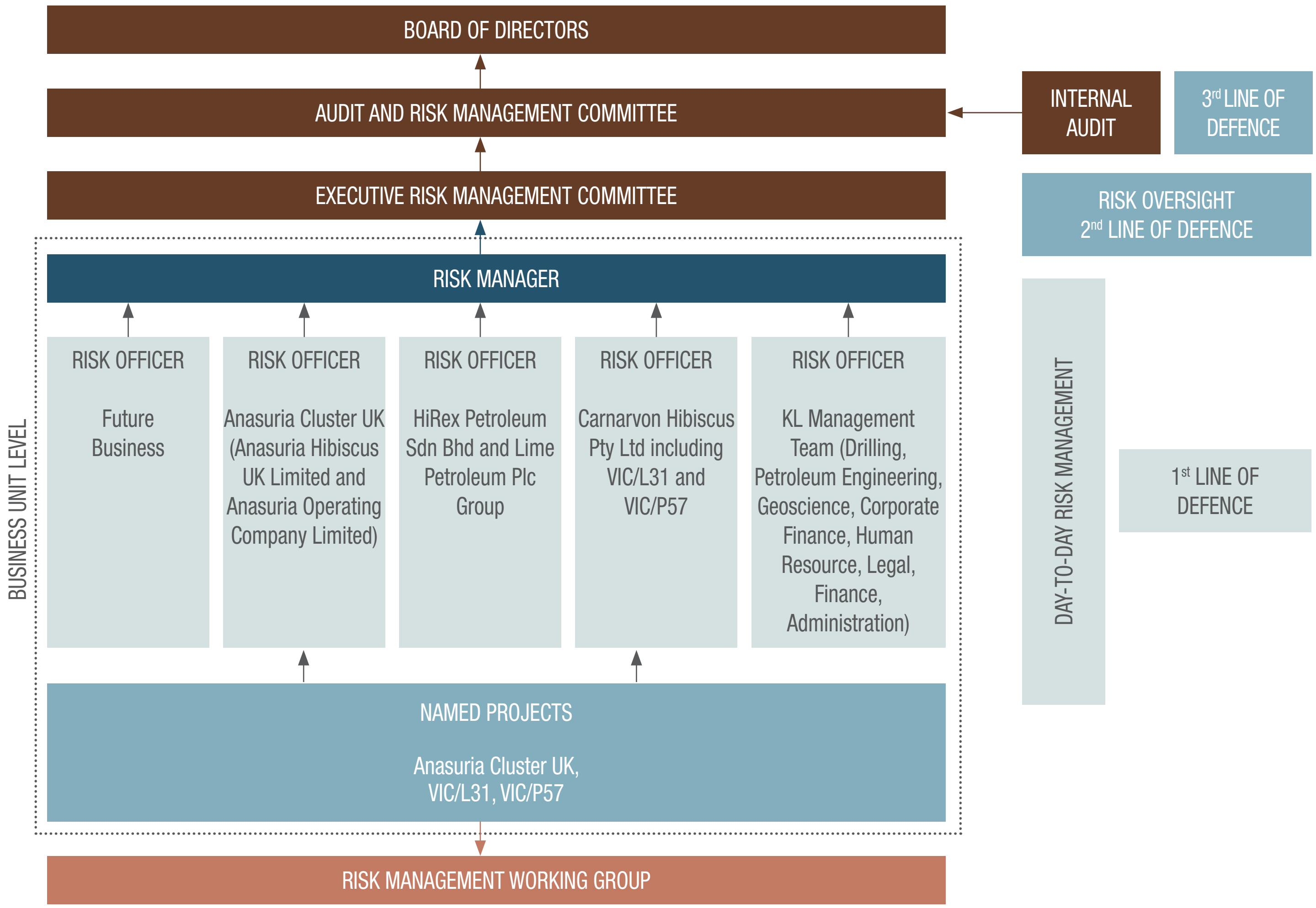
Risk management is firmly embedded in the Group's system of internal control as it is regarded by the Board to be integral to operations. Managing risk is a shared responsibility and therefore, is integrated into the Group's governance, business processes and operations. It is a reiterative process, consisting of steps which enable continuous improvement in decision-making.

To this end, the Group has established a Risk Management Framework which includes processes for identifying, evaluating and managing significant risks faced by the Group. Risk assessment and evaluation are integral to the Group's strategic planning and day-to-day operations. There is a detailed risk management process, culminating in a Board review, which identifies the key risks facing the Group and each business unit. This information is reviewed by Management as part of the strategic review and periodical business performance process.

Where breaches of controls are noted, the relevant parties are informed accordingly and steps are taken to rectify such breaches.

>> STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Structure



- **Management**

  Management acknowledges that they are responsible for implementing the processes for identifying, evaluating, monitoring and reporting risks and for taking appropriate and timely corrective or mitigating actions as needed. Management has further assured the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.

  The risk profile of the Group has been established based on the enterprise risk management concept with significant risks identified and regular reviews of key risks indicators and risk mitigation plans.

  Management has implemented the necessary processes to:

  (a) identify risks relevant to the Group's business and the achievement of its objectives and strategies;

  (b) design, implement and monitor the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and

  (c) identify changes to risks or emerging risks, take mitigating actions as appropriate, and promptly bring these to the attention of the Board.

Under the Risk Management Framework, the responsibilities are allocated in the following manner:

Project level

Detailed risk assessments and mitigation plans of each project are led by the relevant project manager involving health, safety, security and environment (HSSE) specialists, geologists, petroleum engineers, facilities/project engineers, primary contractors and joint venture representatives. Areas covered include subsurface, wells, facilities, operations, business processes, commercial and regulatory matters.

Company level

The respective Risk Officers identify key risks by business unit and project, and are responsible for reviewing the likelihood and impact of such risks, as well as the execution of risk mitigation plans by the risk owners.

The key risks are reported to the Executive Risk Management Committee (ERMC) on a regular basis for monitoring and review. The ERMC, led by the Risk Manager, comprises key management personnel from different technical, commercial, operational and financial disciplines. The ERMC is responsible for ensuring effective risk governance and implementation within the Group and meets at least once each quarter to review and update the risk events, procedures and mitigating measures that are undertaken and also proposes new mitigation measures to contain all risks which remain prevalent. The ERMC provides regular updates based on its review to the ARMC.

The risk profiles at the business unit level are also regularly discussed at the management level to ensure risks and controls are designed to meet the agreed business objectives.

- **Internal Audit**

  Internal audit complements the role of the ERMC by independently reviewing the adequacy and effectiveness of the controls implemented based on identified risk profiles and risk management strategies relevant to the audit engagement.

  The Group's internal auditors assist in the assessment of the quality of risk management and control, and report to the ARMC on the status of specific areas identified for improvement based on their audit plan.

- **Board**

  In evaluating the effectiveness of the risk oversight and internal control activities of the Group, the Board considers whether business risks have impacted or are likely to impact the Group's achievement of its objectives and strategies. The Board also assesses the effectiveness of the risk management and internal control system in managing those risks.

The ERMC meets the ARMC regularly to highlight and discuss the key risks as well as the status of mitigation plans.

The ARMC, on behalf of the Board:

(a) reviews the adequacy of the Group's risk management framework and assesses the resources and knowledge of Management and employees involved in the risk management process;

(b) reviews the effectiveness of the internal control systems deployed by Management to address those risks;

(c) reviews and recommends corrective measures to be undertaken to remedy any failings and/or weaknesses;

(d) reviews status updates from internal audit on recommended corrective actions;

(e) reviews and undertakes monitoring of principal risks which may affect the Group directly or indirectly, and if deemed necessary, recommends additional courses of action to mitigate such risks;

(f) monitors and communicates the risk assessment results to the Board; and

(g) reviews the actual and potential impact of any failure or weakness of the internal controls in place, particularly those related to financial performance or conditions affecting the Group.

The responsibilities of the Board for the governance of risk and related issues and the institution of controls include:

(a) approving the Group's risk philosophy/policy;

(b) approving the Group's risk portfolio and determining the Group's risk tolerance and risk appetite;

>> STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(c) assessing and monitoring key business risks to safeguard shareholders' investments and the Group's assets;

(d) providing effective oversight on assessment of principal risks and the appropriate systems to manage these risks; and

(e) reviewing the adequacy and integrity of the Group's internal control system to safeguard shareholders' investments and the Group's assets.

Throughout the financial year and up to the date of this statement, the Board had considered all key issues that have been highlighted, and how these had been addressed, including all additional information necessary to ensure it had taken into account all significant aspects of risk factors and internal control of the Group. Among the issues considered were:

(a) changes in the nature and the extent of significant risk factors since the previous assessment and how the Group has responded to changes in its business and the external environment;

(b) the effectiveness of the Group's risk management and internal control system;

(c) the work of its internal audit, risk management team and other assurance providers, including the external auditors;

(d) the extent and adequacy of the communication of the results from the monitoring to the Board;

(e) the incidence of any control failure or weakness that was identified at any time during the year and its impact on the Group's performance or financial, business or operational conditions;

(f) events that had not been anticipated by Management which impacted the achievement of the Group's objectives; and

(g) the adequacy and effectiveness of the risk management and internal control policies as a whole.

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT

The Group's internal control framework and assessment are segregated into two inter-related components, as follows:

A. Control Environment

Control environment is the organisational structure and culture created by Management and employees to sustain organisational support for effective internal control. It is the foundation for all the other components of internal control, providing discipline and structure. Management's commitment to establishing and maintaining effective internal control is cascaded downwards and permeates the Group's control environment, aiding in the successful implementation of internal control.

Key elements include:

Organisation Structure

The Group has a well-defined organisation structure that is aligned to its business requirements and ensures check and balance through segregation of duties. Clear reporting lines and authority limits govern the approval process, driven by Limits of Authority (LOA) set by the Board.

All key strategic, business and investment plans are approved and monitored by the Board. Comprehensive Board papers, which include both financial and non-financial matters such as cash flow forecasts, business strategies, business opportunities, corporate exercises and any other key matters to be considered for the Group, are escalated to the Board for deliberation and approval.

LOA

The Board's approving authority is in part, delegated to Management through a clear and formally defined LOA which deals with areas of corporate, financial, operational, human resource and work plans and budgets. The LOA is the primary instrument that governs and manages the Group's business decision process. Whilst the objective of the LOA is to empower Management, the key principle adhered to in its formulation is to ensure that a system of internal control of checks and balances are incorporated therein. The LOA is periodically reviewed and updated to ensure its relevance to the Group's business. LOAs are implemented at corporate level, at subsidiary level (Carnarvon Hibiscus Pty Ltd (Carnarvon Hibiscus)), as well as at relevant joint operations such as Anasuria Operating Company Limited (AOCL).

Board and Management Committees

The various Board committees, namely the ARMC, Nominating Committee and Remuneration Committee are all governed by clearly defined Terms of Reference.

The ARMC comprises a majority of Independent Directors with wide ranging in-depth experience from different backgrounds, knowledge and expertise. Its members continue to meet regularly and have full and unimpeded access to both the internal and external auditors during the financial year.

Human Resource Policies and Procedures

There are guidelines within the Group for the hiring and termination of staff, annual performance appraisals and other relevant procedures to ensure that employees are competent and adequately trained to carry out their duties and responsibilities.

Code of Conduct and Ethics (Code)

Employees and Directors are required to read, understand and adhere to the Code. More information on the Code is available on the Company's website.

HSSE Policy

The Group continues to inculcate awareness and build commitment on HSSE throughout the whole organisation. The goal is zero injuries, with the safe delivery of projects being a critical success factor.

Other Policies

Key policies and procedures covering Related Party Transactions, Information Technology, Accounting, Contracting and Procurement, Information Management, Risk Management, Corporate Disclosure, Succession Planning, Whistle Blower, Insider Trading, External Auditor Independence, Sustainability and Diversity are available via the Group's Sharepoint facility. These are revised periodically to meet changing business, operational and statutory reporting needs.

B. Monitoring

Monitoring the effectiveness of internal control is embedded in the normal course of the business. Periodic assessments are integral to the Management's continuous monitoring of internal control.

Management and Board Meetings

The Board meets regularly with a set schedule of matters, which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Managing Director and key management personnel lead the presentation of Board papers and provide explanations of pertinent issues. In arriving at any decision, on recommendation by Management, a thorough deliberation and discussion by the Board is a prerequisite.

The Group's overall strategic business plan which maps out its objectives, business direction and highlights project risks with particular focus on the Anasuria Cluster, the VIC/P57 and VIC/L31 concessions, Lime Petroleum Plc and its concession companies and HiRex Petroleum Sdn Bhd, are presented by Management to the Board for their deliberation and approval.

The Company, together with Ping Petroleum Limited has established the joint operating company, AOCL as the License Operator for the Anasuria Cluster. The Company monitors the progress of work plans of the Anasuria Cluster via AOCL, and provides the Board with regular updates.

In addition, the progress in the VIC/L31 and VIC/P57 work plans by the Company's wholly-owned subsidiary company, Carnarvon Hibiscus as Operator of the concessions, is presented and discussed with the Board by Management. Management, together with the Board, regularly reviews issues covering, but not limited to, strategy, risks, performance, resources and future business appraisals.

Significant changes in the business and the external environment, and strategic plans to address these changes are reported by Management to the Board on an on-going basis.

Quarterly financial results and other information are provided to the ARMC and the Board to enable the Board to monitor and evaluate the business and financial performance.

>> STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit

The internal audit function is undertaken by the Group's in-house Internal Auditor. The internal audit role is to validate the adequacy and effectiveness of internal controls, and to provide an independent and objective assurance to add value and improve the internal controls of the Group. The Internal Auditor assists both the Board and the ARMC by conducting on-going reviews of risks and internal controls to ensure that key financial, operational, system and compliance controls established by the Board and Management are operating effectively.

To ensure independence from Management, the Internal Auditor reports directly to the ARMC.

The audit plan is approved by the ARMC on a periodic basis. The ARMC also monitors major internal and external audit issues to ensure they are promptly addressed and resolved. Significant findings and recommendations for improvements are highlighted to Management and ARMC, with follow-up and reviews of action plans.

Joint Ventures and Associate

The Group's internal control system does not apply to its associate company, which falls within the control of its majority shareholders.

The Group's internal control system described in this statement applies for joint ventures where the Group is the Operator and has the ability to participate in the key decision-making process of the joint ventures. For non-operated joint ventures with minority stakes, the Group participates in an operation committee or board meetings and reviews the management accounts received. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such companies.

REVIEW OF THE STATEMENT BY THE BOARD OF DIRECTORS

This Statement on Risk Management and Internal Control has been prepared in compliance with Main Market Listing Requirement of Bursa Malaysia Securities Berhad and in accordance with the Statement on Risk Management and Internal Control – guidance for Directors of Listed Issuers 2012. In making the statement, the Board has received assurance from the Managing Director and Vice President of Finance & Group Controller that the Group's risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.

The Board considers the system of internal control described in this statement to be effective and the risks to be at an acceptable level within the context of the Group's business environment and risk appetite set by the Board. The Board and Management will continue to take measures to strengthen the risk management processes and internal control environment and monitor the health of the risks and internal control framework.

For the financial year under review, the Board is satisfied with the adequacy, integrity and effectiveness of the systems of risk management and internal control and save as disclosed in the financial report for the financial year ended 30 June 2017, there was no other material loss, contingency or uncertainty requiring separate disclosure.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 10 October 2017.

ADDITIONAL COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS INVOLVING THE INTEREST OF THE DIRECTORS AND MAJOR SHAREHOLDERS

Save as disclosed below, there were no other material contracts of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) and its subsidiaries (Group) involving the interests of the Directors and major shareholders, either still subsisting at the end of the financial year ended 30 June 2017 or entered into since the end of the previous financial year:

- The Service Agreement between Hibiscus Petroleum and Dr Kenneth Gerard Pereira dated 1 January 2011 to appoint him as Managing Director of Hibiscus Petroleum.

2. CONTRACTS RELATING TO LOANS

There were no contracts relating to loans of the Company involving the interest of the Directors and major shareholders.

3. CONVERTIBLE SECURITIES

Redeemable Convertible Preference Shares (RCPS)

There were no RCPS redeemed during the financial year under review.

4. VARIANCE IN RESULTS

There was no deviation in the profit before taxation between the audited and the unaudited results announced for the financial year under review.

5. NON-AUDIT FEES

During the financial year under review, non-audit fees payable or paid to external auditors of the Group and the Company amounted to RM79,620 and RM53,400 respectively, incurred for corporate tax related advise.

6. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

6.1 Private Placement of up to 82,305,362 New Ordinary Shares, Representing Approximately 6.05% of the Existing Issued and Paid-Up Ordinary Share Capital of the Company (2016 Private Placement)

The 2016 Private Placement was completed on 20 December 2016 with a total of 82,305,300 new ordinary shares issued, raising total proceeds of approximately RM20.0 million.

The actual proceeds raised from the 2016 Private Placement have been fully utilised for the following purposes:

Utilisation	Amount RM million
Working Capital	17.8
Future developments and/or Investments	1.5
Expenses for the 2016 Private Placement	0.7
Total	20.0

>> ADDITIONAL COMPLIANCE INFORMATION

6.2 Proposed Private Placement of up to 144,384,429 New Ordinary Shares in Hibiscus Petroleum Representing up to 10% of the Existing Issued Ordinary Share Capital of the Company (Proposed New Private Placement)

The Company had on 31 May 2017 announced that it proposes to undertake the Proposed New Private Placement. Bursa Malaysia Securities Berhad, vide its letter dated 7 July 2017, had resolved to approve the listing and quotation of up to 144,384,429 new ordinary shares pursuant to the Proposed New Private Placement.

As of 10 October 2017, the Company has allotted and issued 62,000,000 new ordinary shares, raising total proceeds of approximately RM23.87 million. The status of utilisation of proceeds from the Proposed New Private Placement are illustrated in the following table:

	Proposed Utilisation	Proposed Proceeds Utilisation RM million	Actual Proceeds Utilisation as at 10 October 2017 RM million	Intended Timeframe for Utilisation	Percentage Utilised (%)
(i)	Working capital for the business operation expenditures of the Group	7.00	2.94	Within twelve (12) months	42.00%
(ii)	Payment of trade and other payables	12.00	7.14	Within twelve (12) months	59.50%
(iii)	Potential expansion and capital expenditure	4.65	-	Within twelve (12) months	-
(iv)	Expenses relating to the Proposed New Private Placement	0.22	0.18	Within three (3) months	79.55%
	Total	**23.87**	**10.26**		

THE BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT

IN RESPECT OF THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) is required by the Companies Act 2016 (Act) to prepare audited financial statements for each financial year in accordance with the applicable approved accounting standards in Malaysia and that give a true and fair view of the financial position of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements of the Group and of the Company, the Directors have:

- selected and applied appropriate accounting policies consistently;
- made reasonable and prudent judgments and estimates;
- ensured all applicable approved accounting standards in Malaysia and the provisions of the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad have been complied with; and
- based on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Board has the responsibility for ensuring that the Group and the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company to enable them to ensure the financial statements comply with the Act.

The Board has overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and for the implementation and continued operation of adequate accounting and internal control systems for the prevention, detection of fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and comprehensible assessment of the Group's position and prospects in the Directors' Report as pages 84 to 90 and the Financial Statements from pages 101 to 201 of this Annual Report.

This statement is made in accordance with the resolution of the Board dated 10 October 2017.

FINANCIAL REPORT

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The Group and the Company are principally engaged in the business of exploration, development and production of oil and gas, investment holding and the provision of project management, technical and other services relating to the oil and gas exploration and production industry. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(loss) after taxation for the financial year	106,096,805	(3,538,423)

DIVIDENDS

No dividend was paid since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM13,126,390 to RM14,438,443 by way of issuance of 131,205,300 new ordinary shares, raising a total of RM28,775,537, which was undertaken in three tranches; 48,900,000 shares were issued on 13 July 2016 at RM0.180 per share, 41,000,000 shares were issued on 21 September 2016 at RM0.195 per share and 41,305,300 shares were issued on 20 December 2016 at RM0.290 per share.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

SHARE PLACEMENT OF UP TO 326,935,484 NEW ORDINARY SHARES IN THE COMPANY, REPRESENTING 25% OF THE ENLARGED ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF THE COMPANY

Bursa Malaysia Securities Berhad ("Bursa Securities") gave its approval for the listing and quotation of up to 326,935,484 new ordinary shares of RM0.01 each in the Company ("2015 Placement Shares"), representing 25% of the enlarged issued and paid-up ordinary share capital of the Company on 23 September 2015 ("2015 Placement"). The approval of the shareholders of the Company was obtained for the 2015 Placement at an Extraordinary General Meeting held on 13 October 2015.

On 15 March 2016, the Company received a letter from Bursa Securities approving an extension of time of 6 months from 23 March 2016 to 22 September 2016 for the Company to complete the implementation of the 2015 Placement.

During the financial year ended 30 June 2017, 48,900,000 of the 2015 Placement Shares were issued.

The 2015 Placement was completed on 13 July 2016 with a total of 326,884,000 new ordinary shares issued.

SHARE PLACEMENT OF UP TO 82,305,362 NEW ORDINARY SHARES IN THE COMPANY, REPRESENTING APPROXIMATELY 6.05% OF THE EXISTING ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF THE COMPANY

Bursa Securities, vide its letter dated 6 September 2016, approved the listing and quotation of up to 82,305,362 new ordinary shares of RM0.01 each in the Company ("2016 Placement Shares"), representing approximately 6.05% of the existing issued and paid-up ordinary share capital of the Company ("2016 Private Placement").

The 2016 Private Placement was completed on 20 December 2016, with a total of 82,305,300 new ordinary shares issued.

SHARE PLACEMENT OF UP TO 144,384,429 NEW ORDINARY SHARES IN THE COMPANY, REPRESENTING UP TO 10% OF THE EXISTING ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF THE COMPANY

The Company announced on 31 May 2017 that it proposed to undertake a placement of up to 144,384,429 new ordinary shares of RM0.01 each in the Company ("New Placement Shares"), representing up to 10% of the existing issued and paid-up ordinary share capital of the Company ("Proposed New Private Placement").

Bursa Securities, vide its letter dated 7 July 2017, had resolved to approve the listing and quotation of the New Placement Shares pursuant to the Proposed New Private Placement.

During the financial year ended 30 June 2017, no New Placement Shares were issued. The New Placement Shares issued after the current financial year are as disclosed in Note 42(a) to the financial statements.

>> DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts have been written off and adequate provision made for impairment.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the impairment of receivables inadequate to any substantial extent.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, including the value of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charges on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Zainul Rahim bin Mohd Zain	
Dr Kenneth Gerard Pereira	
Dato' Roushan A/L Arumugam	
Sara Murtadha Jaafar Sulaiman	
Thomas Michael Taylor	(appointed on 1 August 2016)
Dato' Dr Zaha Rina binti Zahari	(appointed on 15 September 2017)
Datin Sunita Mei-Lin Rajakumar	(resigned on 1 August 2016)

In accordance with Article 115 of the Company's Articles of Association, Dr Kenneth Gerard Pereira shall retire from the Board of Directors at the forthcoming Annual General Meeting ("AGM") of the Company and being eligible, offers himself for re-election.

In accordance with Article 123 of the Company's Articles of Association, Dato' Roushan A/L Arumugam shall retire by rotation from the Board of Directors at the forthcoming AGM of the Company and being eligible, offers himself for re-election.

In accordance with Article 101 of the Company's Articles of Association, Dato' Dr Zaha Rina binti Zahari shall retire from the Board of Directors at the forthcoming AGM of the Company and being eligible, offers herself for re-election.

>> DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

The names of the directors of the subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and make a part hereof.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016 ("Act"), none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	At 01.07.2016	Bought	Sold	At 30.06.2017/ date of resignation
Indirect interests:				
Dr Kenneth Gerard Pereira*	168,572,600	–	–	168,572,600
Datin Sunita Mei-Lin Rajakumar**	1,150,000	–	–	1,150,000
Dato' Roushan A/L Arumugam***	53,465,000	–	–	53,465,000

* *Deemed interested via his 58.75% equity interest in Hibiscus Upstream Sdn. Bhd. ("Hibiscus Upstream").*

** *Deemed interested via her spouse's (Datuk Dr Jeyaindran C Sinnadurai) shareholdings in the Company for the period from 1 July 2016 to the date of her resignation as a Director on 1 August 2016.*

*** *Deemed interested via his 100% equity interest in Littleton Holdings Pte Ltd (53,415,000) and deemed interested via his spouse's (Rachel Hannah Arumugam) shareholdings in the Company (50,000).*

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

Dato' Dr Zaha Rina binti Zahari was appointed as an Independent Non-Executive Director of the Company on 15 September 2017. Prior to the appointment, Dato' Dr Zaha Rina binti Zahari held 4,000,000 shares in the Company.

	Number of Redeemable Convertible Preference Shares ("RCPS")			
	At 01.07.2016	Bought	Redeemed	At 30.06.2017
Indirect interests:				
Dr Kenneth Gerard Pereira*	2,193,880	–	–	2,193,880

* *Deemed interested via his 58.75% equity interest in Hibiscus Upstream.*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration as disclosed in Note 36 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest and any benefit that may deemed to have been received by certain Directors.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries, a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

Details of the remuneration of the Company's Directors are set out in Note 36 to the financial statements.

There are two types of directors for the Company's subsidiaries, namely directors who are also employees of the Group and directors who are external parties. Employees of the Group do not receive any separate additional remuneration for serving as directors of the Company's subsidiaries. Total emoluments received by the directors of the Company's subsidiaries during the financial year in the form of salaries, defined contribution plan and other benefits in their capacity as employees of the Group and directors' fees amounted to RM2,457,306 and RM36,730 respectively.

The Company has effected Directors' and Officers' Liability Insurance (subject to applicable sub-limits and terms) for the directors and officers of the Group at a total insurance premium cost of RM149,650 in the current financial year.

SUBSIDIARIES

The details and principal activities of the subsidiaries are set out in Note 12 to the financial statements.

>> DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

The significant events subsequent to the financial year are disclosed in Note 42 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 9 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 10 October 2017. Signed on behalf of the Board of Directors:

DR KENNETH GERARD PEREIRA
DIRECTOR

ZAINUL RAHIM BIN MOHD ZAIN
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dr Kenneth Gerard Pereira and Zainul Rahim bin Mohd Zain, two of the Directors of Hibiscus Petroleum Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 101 to 200 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 30 June 2017 and financial performance of the Group and Company for the financial year ended 30 June 2017 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia.

The supplementary information set out on page 201 have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 10 October 2017.

DR KENNETH GERARD PEREIRA
DIRECTOR

ZAINUL RAHIM BIN MOHD ZAIN
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) (b) OF THE COMPANIES ACT 2016

I, Yip Chee Yeong, the officer primarily responsible for the financial management of Hibiscus Petroleum Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 101 to 200 and supplementary information set out on page 201 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

YIP CHEE YEONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 10 October 2017.

Before me

SAMUGAM VASSOO (W632)
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD

(Incorporated in Malaysia) (Company No. 798322 P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hibiscus Petroleum Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 101 to 200.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amount of intangible assets, equipment, cost of investments in subsidiaries and amounts due from subsidiaries *Refer to Note 4(j)(ii) - Significant accounting policies: Impairment of non-financial assets, Note 4(t)(i) - Significant accounting policies: Critical estimates and judgement for the estimation of oil and gas reserves, Note 4(t)(ii) - Significant accounting policies: Critical estimates and judgement for the impairment review of intangible assets, oil and gas assets and floating production storage and offloading vessel ("FPSO"), Note 4(t)(iii) - Significant accounting policies: Critical estimates and judgement for the impairment review of the Britannia Rig ("Rig"), Note 12 - Investments in subsidiaries, Note 17 - Intangible assets and Note 18 - Equipment*	
(a) Intangible assets and equipment As at 30 June 2017, the Group's carrying amount of rights and concessions and conventional studies included within intangible assets ("IA") and oil and gas assets, FPSO and Rig included within equipment (collectively "Upstream Assets") amounted to RM1,029.3 million and RM202.6 million, respectively. These Upstream Assets relate to the production fields of the Anasuria Cluster, the VIC/P57 exploration permit ("VIC/P57") and the VIC/L31 production license ("VIC/L31") representing three different cash generating unit ("CGU") based on geographical location. Management had performed the following: (i) Impairment assessment for Upstream Assets relating to the Anasuria Cluster and VIC/L31 using the value in use ("VIU") model; (ii) Assessed Upstream Assets relating to VIC/P57 for impairment indicators based on MFRS 6 "Exploration for and Evaluation of Mineral Resources" for exploration and evaluation assets; and (iii) Engaged an external independent valuer to determine the fair value of the Rig included within equipment.	(a) We performed the following audit procedures for each of the CGU: (i) Anasuria Cluster and VIC/L31 • Agreed the VIU cash flows to management forecasts approved by the Directors; • Compared the life-of-field assumptions with the production profile within the licence period for the CGU; • Discussed with management on the likelihood of obtaining approval for the renewal of the Cook field licence in the Anasuria Cluster and sighted to correspondences between the operator of the field and the regulator; • Checked that the renewal application for the Cook field licence which is expiring within the next 12 months had been submitted; • Compared the forecast oil prices incorporated into the VIU cash flows to available market data and externally available benchmarks; • Agreed the production volumes incorporated into the VIU cash flows to the reserves estimates prepared by reservoir engineers; • Assessed the competency and objectivity of the reservoir engineers who produced the reserves estimates by considering their professional qualifications, experience and components of remuneration;

>> INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
(Incorporated in Malaysia) (Company No. 798322 P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amount of intangible assets, equipment, cost of investments in subsidiaries and amounts due from subsidiaries (continued) (a) Intangible assets and equipment (continued) We focused on this area due to the current oil price environment and significant assumptions and judgements used in the Group's assessment of impairment indicators and recoverable amounts based on VIU or fair value. The most critical assumption used in forecasting future cash flows is management's view on the long-term oil price outlook and the ability to renew licences that are expiring within the next 12 months. Other significant assumptions include future expected production volumes and discount rates.	• Assessed the reasonableness of proved and probable undeveloped reserves in determining production volumes. Where reserves are to be developed within 5 years, we checked that the Group was still working towards development by corroborating with future development plans, including capital expenditure plans as appropriate; • Agreed operating and future capital expenditure included in the VIU cash flows to supporting documents; • Assessed the historical accuracy of the plans and budgets by comparing them to actual results; • Checked the reasonableness of the discount rate with the assistance of our valuation experts by benchmarking to industry reports and recalculating the discount rates independently; and • Performed sensitivity analysis by changing the key assumptions used in the base case VIU cash flows on oil prices and production volumes. (ii) VIC/P57 • Checked that the renewal application for the exploration permit and plans to continue exploration activities had been submitted to the regulator; • Checked that the initial estimates using the Risk Net Asset Value ("RNAV") model indicate that the recoverable amount is higher than the carrying amount; • Agreed prospective oil resources incorporated in the RNAV model to estimates made by the in-house geological and geophysical team;

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amount of intangible assets, equipment, cost of investments in subsidiaries and amounts due from subsidiaries (continued) (a) Intangible assets and equipment (continued)	• Assessed the competency, capabilities and objectivity of the geological and geophysical team who produced the prospective oil resources estimates by considering their professional qualifications, experience and components of remuneration; • Checked the estimated exploration well cost to a quotation provided by an external independent company; and • Compared the forecast oil prices incorporated into the RNAV model to available market data and externally available benchmarks. (iii) Rig • Discussed with both the valuer and management to understand the method and assumptions used in arriving at the fair value of the Rig; and • Considered the valuers' competence, capabilities and objectivity based on their experience and reputation. Based on the procedures performed above, we did not find any material exceptions to the assumptions made by the Directors.
(b) Cost of investments in subsidiaries and amounts due from subsidiaries (Company financial statements) As at 30 June 2017, the carrying value of the investments in subsidiaries and amounts due from subsidiaries (collectively "investments") is RM393.5 million. We focused on this area due to the significant judgements and assumptions made by management in determining the recoverable amount of the investments given the current oil price environment.	(b) In addition to the procedures performed on the cash flows from the underlying Upstream Assets of the subsidiaries as described above, we performed the following audit procedures: • Agreed the cash flows used to determine the recoverable amount of the investments to cash flows used to determine the recoverable amount of Upstream Assets which we have assessed above;

>> INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
(Incorporated in Malaysia) (Company No. 798322 P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amount of intangible assets, equipment, cost of investments in subsidiaries and amounts due from subsidiaries (continued) (b) Cost of investments in subsidiaries and amounts due from subsidiaries (Company financial statements) (continued) The recoverable amounts of the investments were determined based on the discounted cash flows used to assess the recoverable amount of Upstream Assets after taking into account financing and tax cash flows of the respective subsidiaries, which are available for distribution as dividends.	• Checked that the cash flows used to determine the recoverable amount of Upstream Assets had been appropriately adjusted for financing and tax cash flows of the respective subsidiaries; and • Checked the reasonableness of the discount rate with the assistance of our valuation experts. Based on the procedures performed above, we did not find any material exceptions to the assumptions made by the Directors.
Estimation of provision for decommissioning costs *Refer to Note 4(m)(i) - Significant accounting policies: Provisions for decommissioning costs and Note 31 - Provision for decommissioning costs* The calculation of decommissioning and restoration provisions requires significant management judgement because of the complexity in estimating future costs. The decommissioning of offshore infrastructure is a relatively immature activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions for the Group. Management reviews decommissioning and restoration provisions on an annual basis. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates and discount rate.	We performed the following audit procedures: • Obtained updates from management on any mandatory obligations with respect to the decommissioning of each asset based on the contractual arrangements or relevant local regulation and confirmed that the dismantling approach has not changed from prior year; • Checked the cost estimates used by management to the cost estimates provided by the external experts; • Considered the competence and objectivity of the external experts who produced the cost estimates; and • Checked the reasonableness of the discount rate with the assistance of our valuation experts. Our procedures did not reveal any material exceptions in management's estimate of future decommissioning costs.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group and Company *Refer to Note 3 - Basis of preparation and Note 41(a)(iii) - Financial instruments: Financial risk management policies for liquidity risk* The Group and the Company's current liabilities exceeded their current assets by RM41.5 million and RM26.4 million, respectively as at 30 June 2017. Both the Group and the Company require cash inflows from the operations of the Anasuria Cluster to fund their operations and commitments. Furthermore, VIC/P57 is still in exploration and development phase and production has not commenced for VIC/L31. Therefore we have focused on whether there are sufficient cash inflows for the Group and the Company to meet their funding requirements in view of the above circumstances.	In assessing the availability of cash flows to meet its funding requirements, we performed the following: **Group** • Discussed with management on the assumptions used by management in the cash flow requirements of the Group over the next 12 months; • Checked that contracted expenditure including acquisitions of assets, commitments relating to the Anasuria Cluster, VIC/L31 and VIC/P57 have been included in the forecasts; and • Performed sensitivity analysis on oil prices for production from the Anasuria Cluster and considered the resultant impact on available funds. **Company** • Assessed the ability of the wholly-owned subsidiary of the Company to declare dividends to the Company or provide an advance to the Company as and when required to meet the Company's short-term obligations, by checking the subsidiary's cash flow forecasts. Based on the procedures performed, we found that management had a reasonable basis to form a view on the liquidity position of the Group and the Company.

>> INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
(Incorporated in Malaysia) (Company No. 798322 P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditor's report, and other sections in the 2017 Annual Report, which are expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

>> INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
(Incorporated in Malaysia) (Company No. 798322 P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 201 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

PAULINE HO
(No. 2684/11/17 (J))
Chartered Accountant

Kuala Lumpur
10 October 2017

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	5	**261,272,574**	81,694,910	**6,473,060**	39,347,666
Cost of sales	6	**(93,088,838)**	(40,803,448)	**–**	–
Gross profit		**168,183,736**	40,891,462	**6,473,060**	39,347,666
Other income	7	**37,883,384**	9,286,124	**28,712,895**	7,621,869
Administrative expenses		**(49,059,416)**	(363,994,158)	**(30,789,469)**	(324,766,259)
Impairment of investments in joint ventures		**–**	(229,002,330)	**–**	–
Reversal of impairment of investment in an associate		**1,946,481**	682,778	**–**	–
Impairment of intangible assets		**–**	(17,548,684)	**–**	–
Impairment of investment in subsidiaries		**–**	–	**–**	(230,648,695)
Other administrative expenses		**(51,005,897)**	(118,125,922)	**(30,789,469)**	(94,117,564)
Other expenses		**(72,453,617)**	(30,901,000)	**(6,796,162)**	(2,840,908)
Finance costs	8	**(22,035,681)**	(8,196,194)	**(1,138,747)**	(261,823)
Share of results of an associate		**(511,750)**	(4,099,083)	**–**	–
Share of results of joint ventures		**–**	(63,440,323)	**–**	–
Negative goodwill from business combination	15	**–**	364,132,443	**–**	–
Profit/(loss) before taxation	9	**62,006,656**	(56,320,729)	**(3,538,423)**	(280,899,455)
Taxation	10	**44,090,149**	(3,639,018)	**–**	–
Profit/(loss) after taxation		**106,096,805**	(59,959,747)	**(3,538,423)**	(280,899,455)
Profit/(loss) after taxation attributable to:					
- Owners of the Company		**106,096,805**	(59,959,747)	**(3,538,423)**	(280,899,455)
Earnings/(loss) per share (sen)					
Basic	11	**7.51**	(5.66)		
Diluted	11	**7.51**	(5.66)		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(loss) after taxation	**106,096,805**	(59,959,747)	**(3,538,423)**	(280,899,455)
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation	**24,402,745**	29,631,328	**–**	–
Total comprehensive income/(expenses) for the financial year, net of tax	**130,499,550**	(30,328,419)	**(3,538,423)**	(280,899,455)
Total comprehensive income/(expenses) attributable to:				
- Owners of the Company	**130,499,550**	(30,328,419)	**(3,538,423)**	(280,899,455)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	12	**–**	–	**393,535,062**	319,984,283
Investment in an associate	13	**4,089,965**	1,940,135	**–**	–
Investments in joint ventures	14	**–**	–	**–**	–
Intangible assets	17	**1,029,292,528**	997,146,295	**–**	–
Equipment	18	**202,615,781**	211,451,745	**335,050**	711,225
		1,235,998,274	1,210,538,175	**393,870,112**	320,695,508
CURRENT ASSETS					
Trade receivables	19	**7,433,958**	1,984,841	**–**	–
Other receivables, deposits and prepayments	20	**17,464,885**	21,502,127	**1,268,418**	659,302
Inventories	21	**3,997,060**	5,542,725	**–**	–
Amounts owing by subsidiaries	22	**–**	–	**16,547,457**	27,503,528
Amount owing by a joint venture	23	**190,713**	120,770	**–**	–
Amount owing by an associate	34	**–**	732,753	**–**	–
Amount owing by a related party	24	**–**	–	**56,972**	–
Cash and bank balances	25	**54,500,852**	28,745,860	**1,967,926**	20,166,165
		83,587,468	58,629,076	**19,840,773**	48,328,995
TOTAL ASSETS		**1,319,585,742**	1,269,167,251	**413,710,885**	369,024,503

>> STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017 (CONTINUED)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	26	**675,314,577**	13,126,390	**675,314,577**	13,126,390
Other reserves	27	**92,854,652**	703,036,681	**–**	634,584,774
Accumulated losses		**(25,807,502)**	(131,904,307)	**(307,862,632)**	(304,324,209)
		742,361,727	584,258,764	**367,451,945**	343,386,955
NON-CURRENT LIABILITIES					
Deferred consideration	28	**–**	26,548,885	**–**	–
Contingent consideration	29	**1,756,496**	1,483,782	**–**	–
Deferred tax liabilities	30	**325,562,376**	390,866,134	**–**	–
Provision for decommissioning costs	31	**124,835,047**	115,352,034	**–**	–
		452,153,919	534,250,835	**–**	–
CURRENT LIABILITIES					
Trade payables	32	**241,673**	60,260	**–**	–
Other payables and accruals	33	**54,764,917**	88,775,294	**21,504,580**	24,248,708
Deferred consideration	28	**31,428,472**	55,808,587	**–**	–
Amounts owing to subsidiaries	22	**–**	–	**24,203,898**	859,463
Amount owing to a joint venture	23	**336,716**	315,254	**–**	–
Amount owing to an associate	34	**24,551**	5,449,035	**–**	–
Provision for taxation		**38,054,379**	29,834	**–**	–
Amount owing to a related party	24	**–**	–	**331,074**	309,989
Redeemable Convertible Preference Shares	35	**219,388**	219,388	**219,388**	219,388
		125,070,096	150,657,652	**46,258,940**	25,637,548
TOTAL LIABILITIES		**577,224,015**	684,908,487	**46,258,940**	25,637,548
TOTAL EQUITY AND LIABILITIES		**1,319,585,742**	1,269,167,251	**413,710,885**	369,024,503

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Share capital RM	Share premium RM	Other reserves RM	Foreign exchange reserve RM	Accumulated losses RM	Total RM
		I---------------------- Non-distributable			----------------------I		
Group							
At 01.07.2015		9,277,787	535,730,990	240,982	38,431,772	(71,944,560)	511,736,971
Issuance of shares	26, 27	3,848,603	98,853,784	–	–	–	102,702,387
Share-based payment		–	–	147,825	–	–	147,825
Loss after taxation		–	–	–	–	(59,959,747)	(59,959,747)
Other comprehensive income, net of tax:							
- Foreign currency translation		–	–	–	29,631,328	–	29,631,328
Total comprehensive income/(expenses) for the financial year		–	–	–	29,631,328	(59,959,747)	(30,328,419)
At 30.06.2016		13,126,390	634,584,774	388,807	68,063,100	(131,904,307)	584,258,764

The annexed notes form an integral part of these financial statements.

>> STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

	Note	I---------- Non-distributable			----------I		
	Note	Share capital RM	Share premium* RM	Other reserves RM	Foreign exchange reserve RM	Accumulated losses RM	Total RM
Group							
At 01.07.2016		**13,126,390**	**634,584,774**	**388,807**	**68,063,100**	**(131,904,307)**	**584,258,764**
Issuance of shares	26, 27	**1,312,053**	**26,291,360**	–	–	–	**27,603,413**
Profit after taxation		–	–	–	–	**106,096,805**	**106,096,805**
Other comprehensive income, net of tax:							
- Foreign currency translation		–	–	–	**24,402,745**	–	**24,402,745**
Total comprehensive income for the financial year		–	–	–	**24,402,745**	**106,096,805**	**130,499,550**
Transition to no-par value regime on 31.01.2017	26, 27	**660,876,134**	**(660,876,134)**	–	–	–	–
At 30.06.2017		**675,314,577**	–	**388,807**	**92,465,845**	**(25,807,502)**	**742,361,727**

* *The Act, came into effect from 31 January 2017 and abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the Company's share premium account of RM660,876,134 shall become part of the Company's share capital pursuant to Section 618(2) of the Act. Under the transitional provision in Section 618(3) of the Act, a company may within twenty-four months upon the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in that section.*

The annexed notes form an integral part of these financial statements.

	Note	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
		I------- Non-distributable ------I			
Company					
At 01.07.2015		9,277,787	535,730,990	(23,424,754)	521,584,023
Issuance of shares	26, 27	3,848,603	98,853,784	–	102,702,387
Loss after taxation/Total comprehensive expenses for the financial year		–	–	(280,899,455)	(280,899,455)
At 30.06.2016		13,126,390	634,584,774	(304,324,209)	343,386,955

	Note	Share capital RM	Share premium* RM	Accumulated losses RM	Total RM
		I------- Non-distributable ------I			
Company					
At 01.07.2016		**13,126,390**	**634,584,774**	**(304,324,209)**	**343,386,955**
Issuance of shares	26, 27	**1,312,053**	**26,291,360**	**–**	**27,603,413**
Loss after taxation/Total comprehensive expenses for the financial year		**–**	**–**	**(3,538,423)**	**(3,538,423)**
Transition to no-par value regime on 31.01.2017	26, 27	**660,876,134**	**(660,876,134)**	**–**	**–**
At 30.06.2017		**675,314,577**	**–**	**(307,862,632)**	**367,451,945**

* *The Act, came into effect from 31 January 2017 and abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the Company's share premium account of RM660,876,134 shall become part of the Company's share capital pursuant to Section 618(2) of the Act. Under the transitional provision in Section 618(3) of the Act, a company may within twenty-four months upon the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in that section.*

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation		**62,006,656**	(56,320,729)	**(3,538,423)**	(280,899,455)
Adjustments for:					
Depreciation and amortisation of equipment and intangible assets		**72,453,617**	30,901,000	**463,044**	1,305,391
Interest income		**(16,322)**	(116,454)	**(16,320)**	(15,323)
Unrealised (gain)/loss on foreign exchange		**(17,532,416)**	(876,765)	**6,333,117**	1,535,517
Finance costs		**22,035,681**	8,196,194	**1,138,747**	261,823
Impairment of investment in subsidiaries		**–**	–	**–**	230,648,695
Reversal of impairment of investment in an associate		**(1,946,481)**	(682,778)	**–**	–
Impairment of investment in joint ventures		**–**	229,002,330	**–**	–
Impairment of intangible assets		**–**	17,548,684	**–**	–
Impairment of other receivables and amounts owing by subsidiaries, joint ventures, an associate and a related party		**8,730,464**	2,232,049	**8,628,082**	30,877,624
Share of results of an associate		**511,750**	4,099,083	**–**	–
Share of results of joint ventures		**–**	63,440,323	**–**	–
Negative goodwill from business combination	15	**–**	(364,132,443)	**–**	–
Write-off of business development expenditure		**–**	30,889,500	**–**	–
Operating profit/(loss) before working capital changes		**146,242,949**	(35,820,006)	**13,008,247**	(16,285,728)
Trade receivables		**(5,061,668)**	(1,435,766)	**–**	–
Other receivables, deposits and prepayments		**7,695,174**	18,218,284	**5,833,133**	1,835,264
Trade payables		**177,460**	88,595	**–**	–
Other payables and accruals		**(48,909,614)**	61,900,631	**(18,728,857)**	25,176,621
Inventories		**1,946,387**	16,687,662	**–**	–
Amounts owing by subsidiaries		**–**	–	**(4,064,361)**	(2,296,815)
Amounts owing by joint ventures		**(477,611)**	10,167,138	**–**	–
Amount owing to a joint venture		**–**	(747,494)	**–**	–
Amount owing by a related party		**–**	–	**(56,972)**	3,199
Amount owing to a related party		**–**	–	**(416,556)**	50,760
Amount owing by an associate		**797,438**	250,488	**–**	–
Amount owing to an associate		**(5,905,916)**	(6,813,107)	**–**	–
CASH GENERATED FROM/(USED IN) OPERATIONS		**96,504,599**	62,496,425	**(4,425,366)**	8,483,301
Income tax paid		**(11,335,134)**	(1,274)	**–**	–
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**85,169,465**	62,495,151	**(4,425,366)**	8,483,301

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment		**(707,370)**	(26,527)	**(86,869)**	(26,527)
Interest received		**16,322**	116,454	**16,320**	15,323
Acquisition of intangible assets		**(868,544)**	(104,358,447)	**–**	–
Deposit for an investment		**(10,435,750)**	–	**(10,435,750)**	–
Net cash outflow arising from business combination	15	**(71,407,828)**	(27,568,922)	**–**	–
Advances to subsidiaries		**–**	–	**(68,752,852)**	(87,860,844)
NET CASH USED IN INVESTING ACTIVITIES		**(83,403,170)**	(131,837,442)	**(79,259,151)**	(87,872,048)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from issuance of ordinary shares		**27,791,719**	92,572,183	**27,791,719**	92,572,183
Cash advances from directors		**–**	3,150,000	**–**	3,150,000
Repayment of cash advances from directors		**(2,650,000)**	(500,000)	**(2,650,000)**	(500,000)
Advances from subsidiaries		**–**	–	**23,383,793**	447,764
Advances from a third party		**16,893,050**	–	**16,893,050**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**42,034,769**	95,222,183	**65,418,562**	95,669,947
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**43,801,064**	25,879,892	**(18,265,955)**	16,281,200
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		**(18,046,072)**	(3,064,341)	**67,716**	(110,246)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**28,745,860**	5,930,309	**20,166,165**	3,995,211
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	25	**54,500,852**	28,745,860	**1,967,926**	20,166,165

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1 GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Securities. The registered office and principal place of business are as follows:

Registered office	:	Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	2nd Floor, Syed Kechik Foundation Building, Jalan Kapas, Bangsar, 59100 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 10 October 2017.

2 PRINCIPAL ACTIVITIES

The Group and the Company are principally engaged in the business of exploration, development and production of oil and gas, investment holding and the provision of project management, technical and other services relating to the oil and gas exploration and production industry. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Act.

As at 30 June 2017, the Group and the Company are in a net current liabilities position of RM41,482,628 (2016: net current liabilities position of RM92,028,576) and RM26,418,167 (2016: net current assets position of RM22,691,447) respectively.

The Directors are of the view that the Group and the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements, and there is no material uncertainty on its ability to continue as a going concern. Therefore, the Directors have prepared the financial statements of the Group and of the Company on a going concern basis.

3 BASIS OF PREPARATION (CONTINUED)

The Group's cash requirements for the next twelve months include operational requirements for the Anasuria Cluster, the VIC/P57 exploration permit ("VIC/P57"), the Britannia Rig ("Rig"), payment to creditors and corporate overheads.

In preparing the cash flow forecast for the next twelve months, the Directors expect to fund their obligations via cash inflow from the operations of the Anasuria Cluster. The cash inflow assumes six offtakes of approximately 250,000 barrels per offtake net to the Group from the Anasuria Cluster production. The production profile is in line with the production profile estimated as at the reporting date. For the purposes of the cash flow forecast, the oil prices are estimated based on Brent futures prices in 2017 and 2018 which range from USD51.54 per barrel ("bbl") to USD56.36 per bbl. The Brent futures is a proxy for the prevailing spot prices on the respective offtake dates.

The Group has the ability to obtain additional funding if required.

The financial statements have been prepared under the historical cost convention, except as disclosed in the significant accounting policies in Note 4 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

(a) Standards and amendments to published standards that are effective to the Group and Company

The Group and Company has applied the following amendments for the first time for the financial year beginning on 1 July 2016:

- Amendments to MFRS 11 'Joint arrangements' - Accounting for acquisition of interests in joint operations
- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
- Amendments to MFRS 127 'Equity method in separate financial statements'
- Amendments to MFRS 10, 12 & 128 'Investment entities - Applying the consolidation exception'
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above amendments did not have any impact on the current financial year or any prior financial period.

3 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2016. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following:

- Amendments to MFRS 107 'Statement of Cash Flows - Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

- MFRS 9 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2018) replaces the parts of MFRS 139 'Financial Instruments: Recognition and Measurement' that relate to the classification and measurement of financial instruments.

3 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective (continued)

MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations.

  The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 and the lease liability is accreted over time with interest expense recognised in the income statement.

3 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective (continued)

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

The Group and the Company are assessing the impact of the above standards and amendments to the existing standards to the financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2017.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intragroup transactions, balances, unrealised gains and unrealised losses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Disposal of subsidiaries

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combination

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred also includes the fair value of a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs, other than the costs to issue debt or equity securities, are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 4(h)(i) to the financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Oil and gas expenditure - exploration and evaluation ("E&E") assets

Pre-acquisition costs on oil and gas assets are recognised in the profit or loss when incurred. Following the acquisition of a concession right to explore a licenced area, the costs incurred such as geological and geophysical surveys, drilling, commercial appraisal costs and other directly attributable costs of exploration and appraisal including technical and administrative costs, are capitalised as intangible E&E assets, presented as intangible assets.

Oil and gas expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward in relation to each area of interest to the extent the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and

- at least one of the following conditions are also met:

    - the E&E expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

    - E&E activities in the area of interest have not at the reporting date reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full to profit or loss in the financial period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the proved developed reserves.

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. The Group will allocate E&E assets to cash generating unit ("CGU")s or groups of CGUs for the purpose of assessing such assets for impairment. Each CGU or group of units to which an E&E asset is allocated to will not be larger than an operating segment as disclosed in Note 38 to the financial statements.

(c) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the functional and presentation currency of the Company.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Currency translation (continued)

(ii) Transactions and balances

Transactions in a currency other than the functional currency are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the reporting date are recognised in profit or loss.

Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rates at the reporting date;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions);
- All resulting currency translation differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve;
- On consolidation, exchange differences arising from translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investment, are recognised in other comprehensive income; and
- Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. Exchange differences are recognised in other comprehensive income.

On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as a liability or an asset are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial assets

The Group classifies its financial assets in the following categories: at FVTPL, held-to-maturity, loans and receivables, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. The Group determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date. The Group had only financial assets classified as loans and receivables at the reporting date.

Loans and receivables financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(ii) Financial liabilities

All financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as FVTPL.

FVTPL category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. The Group had not entered into any hedging activities as at the reporting date.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

(iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iv) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair values. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using effective interest method until extinguished on conversion or maturity of the compound financial instrument. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except when the compound financial instrument is redeemed or repurchased before maturity.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(v) RCPS

MFRS 132 'Financial Instruments: Presentation' requires the Company as an issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition.

RCPS, which amongst other conditions, are redeemable at the option of the holder of the RCPS are classified as current liability and non-current liability respectively under such circumstances. The RCPS are not entitled to any dividend.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(e) Investments in subsidiaries

Investments in subsidiaries are carried at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of each reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

(f) Investment in an associate

Associate is an entity, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in an associate is accounted for using the equity accounting method. Under the equity method, the investment is initially recognised at cost less any impairment losses, unless it is classified as available for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income or expense of the associate, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group's investment in associate includes goodwill identified on acquisition.

In respect of equity accounted associate, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity accounted associate.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment in an associate (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the associate acquired, the difference is recognised in profit or loss.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered. When necessary, adjustments are made to the financial results of the associate to ensure consistency of accounting policies with those of the Group.

On the disposal of the investment in an associate, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(g) Investments in joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

(i) Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

(ii) Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments in joint arrangements (continued)

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method - refer above).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(h) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's CGUs that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill form part of a CGU and part of the operation within the CGU is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstances is measured on the relative fair values of the operations disposed off and the portion of the CGU retained.

(ii) Other intangible assets

Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (continued)

(ii) Other intangible assets (continued)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Amortisation of producing oil and gas properties is computed based on the unit of production method using proven and probable reserves for capitalised acquisition costs.

Amortisation of other intangible assets are based on the cost of an asset less its residual value and is amortised from the date they are available for use. The intangible assets will be amortised using the unit of production method.

Changes in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in the accounting estimate. Cost associated with production and general corporate activities are expensed in the period incurred. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(i) Equipment

Equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The costs of an item of equipment initially recognised include purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Furniture and fittings	10%
Office equipment	20 - 33.33%
Office renovation	10%
Rig	20%
Floating production storage and offloading vessel (“FPSO”)	5%

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Equipment (continued)

The depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment. The effects of any revision are recognised in profit or loss when the changes arise.

Expenditure on the construction, installation and completion of infrastructure facilities for oil and gas assets is capitalised within equipment.

Subsequent expenditure relating to equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Expenses incurred for the construction of tangible assets attributable to ongoing projects incurred are capitalised as 'work in progress'. Capitalisation is made within tangible assets according to the nature of the expenditure. No depreciation is charged during this phase until the asset is ready for use. The depreciation rate would be calculated based on the useful life of the asset to be assessed once it is ready for use.

Depreciation of oil and gas assets comprising subsea facilities and equipment is computed based on the unit-of-production method using proven and probable developed reserves.

(j) Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at FVTPL), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Impairment of financial assets (continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when there is an indication that these assets may be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of an asset is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flows. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

(k) Inventories

Inventories of diesel, spares and chemical are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of petroleum products includes direct costs and transportation charges incurred in bringing the inventories to their present condition and location, and is determined on a weighted average basis.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits with licensed banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and excludes restricted cash.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions

(i) Decommissioning costs

Provision for future decommissioning costs is made in full when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Periodic estimates are made for such future facility abandonment costs. The estimated cost of decommissioning and restoration is discounted to its net present value. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit-of-production basis over proven and probable developed reserves. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the oil and gas asset.

The unwinding of the discount applied to future decommissioning provisions is included under finance costs in profit or loss as hydrocarbons are produced. The estimated interest rate used in discounting the cash flow is reviewed at least annually.

Any change in the expected future cost, interest rate and inflation rate is reflected as an adjustment in the provision for decommissioning costs of the corresponding oil and gas asset.

(ii) Other

Provisions are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(n) Current and deferred taxation

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred tax liability is recognised on temporary differences on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Current and deferred taxation (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax is measured:

(i) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from business combination is adjusted against goodwill on acquisition, if any.

(o) Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised in profit or loss in the financial period in which the associated services are rendered by employees of the Group. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Employee Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue

(i) Sale of oil and gas products

Oil and gas revenues comprise the Group's share of sales of hydrocarbons when the significant risks and rewards of ownership have been passed to the buyer.

(ii) Project management, technical and other services

Revenue is recognised upon the rendering of the project management, technical and other services relating to the oil and gas exploration and production industry, and when the outcome of the transaction can be reliably measured.

(iii) Interest income

Interest income is recognised using the effective interest method. Interest income consists of income from deposits with licensed banks and financial institutions.

(q) Under/overlift

The initial measurement of the overlift liability and underlift asset is at market price of oil at the date of lifting. Subsequent measurement depends on the terms of agreement. If the agreement allows the net settlement of overlift and underlift balances in cash, the balances will fall within the scope of MFRS 139. Overlift and underlift balances that fall within the scope of MFRS 139 are to be remeasured to the current market price of oil at the reporting date. Overlift and underlift balances that do not fall within the scope of MFRS 139 are measured at the lower of carrying amount and current market value. The change arising from the remeasurement is included in other income or other expenses.

(r) Other income

Amounts related to overhead income which is derived from charges to a joint operation to compensate for the operator's administrative contribution of performing services that is not to be considered as direct charge for the benefit of the joint operation. The operator is allowed to recover its indirect charges for the administrative contributions for supporting the joint operation by charging the non-operator the allowed overhead which is calculated based on the agreed percentages under the joint operating agreement.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Makers ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Board of Directors, Managing Director and senior management team are the Group's CODM.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Critical estimates and judgement

(i) Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group's investment decision making process. They are also an important element in testing for impairment. Changes in proved and probable developed oil and gas will affect unit-of-production depreciation charges to profit or loss. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made.

Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the discounted cash flows, depreciation, depletion and amortisation charges, and decommissioning provisions) that are based on proved reserves are also subject to change.

Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions.

Changes to the Group's estimates of proved and probable reserves, particularly proved and probable developed reserves, also affect the amount of depreciation and amortisation recorded for oil and gas assets and rights and concessions related to revisions. A reduction in proved and probable developed reserves will increase depreciation and amortisation charges (assuming constant production) and reduce income.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Critical estimates and judgement (continued)

(i) Estimation of oil and gas reserves (continued)

Although the possibility exists for changes in reserves to have a critical effect on depreciation and amortisation charges and, therefore, income, it is expected that in the normal course of business, the Group will continue to prioritise exploration and timely project delivery which ultimately results in maximisation of reserve recovery and will thus constrain the likelihood for changes to occur.

(ii) Impairment review of intangible assets, oil and gas assets and FPSO

Carrying amounts of the Group's intangible assets, oil and gas assets and FPSO are reviewed for possible impairment annually. For the purpose of assessing impairment, assets are grouped at the lowest level CGUs for which there is a separately identifiable cash flow available. These CGUs are based on operating areas, represented by the Anasuria Cluster, VIC/P57 and the VIC/L31 production license ("VIC/L31").

Estimates of future cash flow are based on management estimates of future crude oil prices, market supply and demand, product margins and expected future production volumes. Other factors that can lead to changes in estimates include restructuring plans and variations in regulatory environments. Expected future production volumes, which include proved and probable reserves, are used for impairment testing because the Group believes this to be the most appropriate indicator of expected future cash flow.

A discount rate based on the Group's weighted average cost of capital is used in impairment testing. The discount rate applied is reviewed on an annual basis.

As VIC/P57 is still in exploration stage, an impairment indicator review was performed by the Directors. Details are set out in Note 17 to the financial statements.

(iii) Impairment review of the Rig

The impairment assessment of the Rig was performed using the fair value less cost to sell ("FVLCTS") approach. An independent valuer was engaged for this purpose. The Directors confirmed that there is no impairment provision required.

(iv) Estimation of provision for decommissioning costs

Provisions are made for the future decommissioning and restoration of oil and gas assets at the end of their economic lives. Changes in the estimates of costs to be incurred, reserves or in the rate of production may impact income over the remaining economic life of the oil and gas assets.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Critical estimates and judgement (continued)

(iv) Estimation of provision for decommissioning costs (continued)

Most of these decommissioning and restoration events are many years in the future and the precise requirements that will have to be met when such removal events occur are uncertain. Actual timing and net cash outflows can defer from estimates due to uncertainties concerning the timing of the decommissioning activity, legislative changes, technological advancement, regulatory, environmental and political changes, and the appropriate discount rate used in estimating the liability. The carrying amount of the provision, together with the discount rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to account for such changes. Additional information is disclosed in Note 31 to the financial statements.

5 REVENUE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Crude oil sales	**246,687,544**	76,723,264	**–**	–
Gas sales	**10,129,890**	1,930,283	**–**	–
Project management, technical and other services fees	**4,438,818**	2,924,909	**6,456,740**	39,332,343
Interest income	**16,322**	116,454	**16,320**	15,323
	261,272,574	81,694,910	**6,473,060**	39,347,666

Included in interest income is profit income received from deposits with a licensed Islamic bank amounting to RM16,242 (2016: RM5,626).

6 COST OF SALES

	Group	
	2017	**2016**
	RM	**RM**
Cost of operations	**8,967,169**	730,891
Tariff and transportation expenses	**7,213,603**	1,288,071
Crude oil inventory movement	**76,908,066**	38,784,486
	93,088,838	40,803,448

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

7 OTHER INCOME

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Joint Operating Agreement indirect overheads recovery from joint operation	**–**	465,156	**–**	–
Unrealised gain on foreign exchange	**17,532,416**	876,765	**–**	–
Realised gain on foreign exchange	**17,826,543**	7,797,512	**28,712,895**	7,598,669
Sundry income	**2,524,425**	146,691	**–**	23,200
	37,883,384	9,286,124	**28,712,895**	7,621,869

The unrealised and realised gain on foreign exchange are not derived from the trading of futures contracts nor futures foreign exchange trading.

8 FINANCE COSTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Unwinding of discount on deferred consideration (Note 28)	**7,632,189**	2,778,068	**–**	–
Unwinding of discount on contingent consideration (Note 29)	**166,831**	50,050	**–**	–
Unwinding of discount on provision for decommissioning costs (Note 31)	**11,588,814**	3,891,035	**–**	–
Interest expense	**2,647,847**	1,477,041	**1,138,747**	261,823
	22,035,681	8,196,194	**1,138,747**	261,823

9 PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Profit/(loss) before taxation is arrived at after charging:				
Auditors' remuneration:				
- fees for statutory audit				
- PricewaterhouseCoopers, Malaysia	**448,000**	348,860	**261,905**	212,800
- member firm of PricewaterhouseCoopers, Malaysia	**210,246**	152,023	**–**	–
- fees for audit related services				
- PricewaterhouseCoopers, Malaysia*	**59,770**	248,430	**59,770**	248,430
- fees for other services				
- member firms of PricewaterhouseCoopers, Malaysia*	**79,620**	729,087	**53,400**	705,555
Prospecting costs and consultancy fees	**10,983,743**	47,673,797	**5,607,945**	14,825,632
Depreciation and amortisation of equipment and intangible assets	**72,453,617**	30,901,000	**463,044**	1,305,391
Impairment of other receivables and amounts owing by subsidiaries, joint ventures, an associate and a related party	**8,730,464**	2,232,049	**8,628,082**	30,877,624
Rental expenses	**873,298**	762,369	**487,200**	491,371
Unrealised loss on foreign exchange	**–**	–	**6,333,117**	1,535,517
Staff costs:				
- Directors' fees	**404,903**	270,226	**404,903**	270,226
- salaries	**10,185,532**	14,712,987	**8,992,018**	9,129,388
- defined contribution plan	**1,492,095**	1,433,199	**993,266**	985,395
- other benefits	**469,562**	535,301	**322,003**	416,401

Director's remuneration included within staff costs is as disclosed in Note 36 to the financial statements.

The unrealised loss on foreign exchange are not derived from the trading of futures contracts nor futures foreign exchange trading.

* *Included in the fees payable/paid to PricewaterhouseCoopers, Malaysia as disclosed above is an amount capitalised during the financial year for the Group of RM55,000 (2016: RM40,000) and for the Company of RM55,000 (2016: RM40,000).*

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

10 TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax:				
- Malaysian income tax	**9,472**	32,515	**–**	–
- Foreign income tax	**46,233,091**	–	**–**	–
- Under accrual in prior year/period	**3,140,945**	54	**–**	–
	49,383,508	32,569	**–**	–
Deferred tax expense (Note 30):				
- Reversal of temporary differences	**(7,804,019)**	3,606,449	**–**	–
- Reduction in foreign income tax rate	**(83,506,422)**	–	**–**	–
- Over accrual in prior year	**(2,163,216)**	–	**–**	–
	(44,090,149)	3,639,018	**–**	–

A reconciliation of income tax (credit)/expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax (credit)/expense at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(loss) before taxation	**62,006,656**	(56,320,729)	**(3,538,423)**	(280,899,455)
Tax at the statutory tax rate of 24%	**14,881,597**	(13,516,975)	**(849,222)**	(67,415,869)
Non-deductible expenses	**7,869,588**	13,230,718	**3,474,677**	58,841,976
Non-taxable income	**(9,353,751)**	(184,499,391)	**(6,891,095)**	(1,823,680)
Effects of tax rates in different jurisdictions	**15,380,961**	162,415,067	**–**	–
Effect on reduction in foreign income tax rate	**(83,506,422)**	–	**–**	–
Share of post tax results from investments accounted for using the equity method	**122,820**	1,416,113	**–**	–
Temporary differences not recognised	**9,537,329**	24,593,432	**4,265,640**	10,397,573
Under accrual in prior year/period	**977,729**	54	**–**	–
Income tax (credit)/expense for the financial year	**(44,090,149)**	3,639,018	**–**	–

10 TAXATION (CONTINUED)

Included in income tax expense of the Group and of the Company are tax savings amounting to RM15,864,119 (2016: RM3,677) and RM3,917 (2016: RM3,677) respectively from the utilisation of current and previous financial year tax losses.

Deferred tax liabilities recognised upon completion of a business combination are in relation to temporary differences in the tax base of intangible assets (i.e. rights and concession) acquired and their accounting base. This balance is non-cash and will reverse in line with the depletion of the said intangible assets. The reversal of the deferred tax liabilities will result in a tax credit being recorded in profit or loss. Deferred tax liabilities relating to fair value of the identifiable assets and liabilities of the Anasuria Cluster recognised as at 30 June 2017 are measured at the tax rate expected to apply to the period when such liabilities are settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The Group has duly adopted the applicable rate of the supplementary charge in the United Kingdom ("UK") as at 30 June 2016 to compute deferred tax liabilities.

The UK's Finance Bill 2016 ("Finance Bill 2016") published on 24 March 2016 stated a downward revision of the rate of the supplementary charge. Following agreement by both the UK's House of Commons and House of Lords on the text of Finance Bill 2016, it received Royal Assent on 15 September 2016. The Finance Bill 2016 is therefore now an Act of Parliament. The impact caused by the reduction in the rate of the supplementary charge on the deferred tax liabilities relating to fair value of the identifiable assets and liabilities of the Anasuria Cluster recognised as at 30 June 2016 amounting to RM83,506,422 has been recognised as a tax credit in the current financial year.

11 EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share for the financial year ended 30 June 2017 is arrived at by dividing the Group's profit attributable to the owners of the Company of RM106,096,805 (2016: loss of RM59,959,747) by the weighted average number of ordinary shares in issue during the financial year of 1,413,201,779 shares (2016: 1,058,775,142 shares).

Diluted earnings/(loss) per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The diluted earnings per share for the Group in the current financial year is the basic earnings per share as there are no dilutive potential ordinary shares.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares in Malaysia, at cost	**588,053,819**	394,051,431
Less: Impairment losses	**(231,544,446)**	(231,544,446)
	356,509,373	162,506,985
Amounts due from subsidiaries	**37,417,702**	157,869,311
Less: Impairment losses	**(392,013)**	(392,013)
	393,535,062	319,984,283

The additions during the financial year include RM194,002,384 for subscription of shares in Oceania Hibiscus Sdn. Bhd. ("Oceania Hibiscus") by way of capitalisation of amount owing by Oceania Hibiscus to the Company, RM2 for subscription of shares in Atlantic Hibiscus Sdn. Bhd. ("Atlantic Hibiscus") and RM2 for subscription of shares in Pacific Hibiscus Sdn. Bhd. ("Pacific Hibiscus").

The details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Group's effective equity interest (%) 2017	2016
Gulf Hibiscus Limited ("Gulf Hibiscus")[(1)]	Provision of project management, technical and other services	Malaysia	**100**	100
Hibiscus Oilfield Services Limited ("Hibiscus Oilfield")[(1)]	Provision of project management, technical and other services	Malaysia	**100**	100
Orient Hibiscus Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Oceania Hibiscus	Investment holding	Malaysia	**100**	100
Genesis Hibiscus Sdn. Bhd. ("Genesis Hibiscus")	Investment holding	Malaysia	**100**	100
Hibiscus Technical Services Sdn. Bhd. ("Hibiscus Technical")	Provision of project management, technical and other services	Malaysia	**100**	100
Timor Hibiscus Limited ("Timor Hibiscus")[(1)]	Investment holding	Malaysia	**100**	100
Atlantic Hibiscus	Investment holding	Malaysia	**100**	100

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of company	Principal activities	Country of incorporation	Group's effective equity interest (%) 2017	2016
Pacific Hibiscus[2]	Investment holding	Malaysia	**100**	–
Subsidiaries of Oceania Hibiscus				
Carnarvon Hibiscus Pty Ltd ("Carnarvon Hibiscus")[3]	Exploration and development of oil and gas	Australia	**100**	100
Althea Corporation Limited ("Althea Corporation")[1]	Investment holding	Malaysia	**100**	100
Subsidiary of Genesis Hibiscus				
Cayman Hibiscus Inc SPC[4]	Dormant	Cayman Islands	**100**	100
Subsidiary of Atlantic Hibiscus				
Anasuria Hibiscus UK Limited ("Anasuria Hibiscus")[3]	Exploration and production of oil and gas	United Kingdom	**100**	100
Subsidiary of Pacific Hibiscus				
SEA Hibiscus Sdn. Bhd. ("SEA Hibiscus")[2]	Dormant	Malaysia	**100**	–
Subsidiary of Carnarvon Hibiscus				
Gippsland Hibiscus Pty Ltd ("Gippsland Hibiscus")[3]	Exploration and development of oil and gas	Australia	**100**	100

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

(1) *The Group has elected for all its subsidiaries incorporated in Labuan, being Gulf Hibiscus, Hibiscus Oilfield, Timor Hibiscus and Althea Corporation, to be subject to taxation under Section 7 of the Labuan Business Activity Tax Act, 1990 for the financial year ended 30 June 2017. As such, the financial statements for these subsidiaries were not required to be audited.*

(2) *Acquired on 10 October 2016.*

(3) *Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia.*

(4) *The financial statements were not required to be audited based on the regulation of its country of incorporation. The company has not commenced operations during the financial year ended 30 June 2017.*

The Company has recognised an impairment in its interest in subsidiaries mainly as a result of the review of the recoverability of its underlying interest in Lime Petroleum Plc ("Lime") and its concession companies ("Lime Group") in the previous financial year as set out in Note 14 to the financial statements.

13 INVESTMENT IN AN ASSOCIATE

	Group	
	2017	**2016**
	RM	**RM**
At 01.07.2016/01.07.2015	**1,940,135**	5,022,149
Share of post-acquisition results and reserves	**203,349**	(3,764,792)
Reversal of impairment of investment	**1,946,481**	682,778
At 30.06.2017/30.06.2016	**4,089,965**	1,940,135
Fair value of quoted shares (Level 1)	**4,089,965**	1,940,135

13 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Set out below is the summarised financial information for 3D Oil Limited ("3D Oil") which is accounted for using equity method:

	Group	
	2017	**2016**
	RM	**RM**
Revenue	**47,659**	262,673
Loss after taxation	**(3,924,464)**	(31,434,686)
Other comprehensive income	**–**	–
Total comprehensive income	**(3,924,464)**	(31,434,686)
Non-current assets	**60,070,818**	54,046,544
Current assets	**8,027,479**	29,889,852
Non-current liabilities	**(9,663,210)**	(12,424,164)
Current liabilities	**(3,100,378)**	(17,736,948)
Net assets	**55,334,709**	53,775,284
Group's share of net assets (13.04%)	**7,215,646**	7,012,297
Impairment of investment	**(3,432,760)**	(5,379,241)
Transaction costs capitalised	**307,079**	307,079
Carrying amount	**4,089,965**	1,940,135

The information above reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

13 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Nature of investment in associate is as follows:

Name of company	Principal activities	Place of business/ Country of incorporation	Measurement method	Group's effective equity interest (%) 2017	2016
3D Oil*	Exploration and development of upstream oil and gas assets	Australia	Equity	**13.04**	13.04

* *3D Oil is a joint venture partner to VIC/P57.*

There are no contingent liabilities relating to the Group's interest in the associate.

An impairment assessment was performed for the Group's investment in 3D Oil by comparing the higher of FVLCTS and value in use. The recoverable amount is based on FVLCTS. As 3D Oil shares are publicly traded on the Australian Stock Exchange, the market price of the shares was used for determining the FVLCTS. As at 30 June 2017, the share price was AUD0.040 per share (30.06.2016: AUD0.021 per share). The fair value is within Level 1 of the fair value hierarchy. The cost to sell is estimated to be immaterial. The resultant fair value as at 30 June 2017 is higher than the carrying amount as at 30 June 2016, and as a result, RM1,946,481 of provision for impairment has been reversed during the current financial year.

14 INVESTMENTS IN JOINT VENTURES

	Group 2017 RM	2016 RM
Unquoted shares outside Malaysia, at cost:		
At 01.07.2016/01.07.2015	–	259,309,495
Share of post-acquisition results and reserves	–	(55,652,403)
Exchange differences	–	25,345,238
Impairment of investment	–	(229,002,330)
At 30.06.2017/30.06.2016	–	–

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Lime

Lime is undergoing a winding-up process and the Directors have fully impaired the Group's investment in Lime Group. For the avoidance of doubt, the rights and legal position of the Group are fully reserved in respect of the Lime Group (including, without limitation, the Group's legal action in Singapore against various parties in relation to the Lime Group).

HiRex Petroleum Sdn. Bhd. ("HIREX")

Set out below is the summarised financial information for HIREX which is accounted for using equity method:

	Group 2016 RM
Summarised financial position for joint venture - HIREX	
Current assets	
- Cash and cash equivalents	14,639,272
- Other current assets (excluding cash)	539,010
Total current assets	15,178,282
Trade and other payables	(5,208,561)
Total current liabilities	(5,208,561)
Non-current assets	485,835
Non-current liabilities	–
Net assets	10,455,556
Group's share of net assets (41%)	4,286,778
Gain on retained non-controlling interest	361,598
Impairment of investment	(4,648,376)
Carrying amount	–

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

HiRex Petroleum Sdn. Bhd. ("HIREX") (continued)

Set out below is the summarised financial information for HIREX which is accounted for using equity method: (continued)

	Group 2016 RM
Summarised statement of comprehensive income - HIREX	
Interest income	58,972
Depreciation	(109,007)
Loss before taxation	(4,392,640)
Income tax expense	(990)
Loss after taxation	(4,393,630)
Total comprehensive expenses	(4,393,630)

The information above reflects the amounts presented in the financial statements of the joint venture (and not Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture.

The Group has not shared post-acquisition results and reserves for the current financial year as the Directors have fully impaired the Group's investment in HIREX amounting to RM4,648,376 in the previous financial year as HIREX is not evaluating any prospect in the foreseeable future.

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The joint ventures below have share capital consisting solely of ordinary shares, which is held directly by the Group:

Name of company	Principal activities	Place of business/ Country of incorporation	Measurement method	Group's effective equity interest (%) 2017	2016
Lime	Oil and gas exploration and production business	Isle of Man	Equity	**35.0**	35.0
HIREX	Exploration of oil and gas	Malaysia	Equity	**41.0**	41.0

There are no contingent liabilities relating to the Group's interest in the joint ventures.

15 BUSINESS COMBINATION

In the previous financial year, the Group completed the acquisition of a 50% interest in the Anasuria Cluster on 10 March 2016.

The Anasuria Cluster represents an attractive, geographically focused package of operated interests in producing fields and associated infrastructure. The assets have a proven and producing resource base which provides a platform for further development. A number of incremental development and exploration opportunities exist within the licence areas which are expected to generate significant incremental value in the medium term.

The base consideration for the acquisition of a 50% interest in the Anasuria Cluster comprises the following:

- Initial consideration of USD30.0 million; and
- Deferred consideration of USD22.5 million.

The initial consideration was paid upon completion of the acquisition.

The deferred consideration is payable as follows:

- USD15.0 million within 12 months from completion; and
- USD7.5 million within 18 months from completion.

As at 30 June 2017, USD15.0 million (RM64.6 million) had been settled, per the agreed schedule.

15 BUSINESS COMBINATION (CONTINUED)

The fair value of the identifiable assets and liabilities of the Anasuria Cluster as at the date of acquisition was:

	Fair value recognised on acquisition RM
Group	
Assets	
- Intangible assets	795,911,293
- Equipment	176,453,668
- Inventories	22,287,899
	994,652,860
Liabilities	
- Deferred tax liabilities	(397,955,647)
- Provision for decommissioning costs	(114,633,482)
- Other payables and accruals	(3,457,810)
	(516,046,939)
Total identifiable net assets at fair value	478,605,921
Negative goodwill from business combination	(364,132,443)
	114,473,478
Purchase consideration:	
- Cash paid and payable	31,154,488
- Contingent consideration	1,474,539
- Deferred consideration	81,844,451
	114,473,478

The negative goodwill had been recognised in profit or loss in the financial year ended 30 June 2016. The transaction resulted in a gain as the Group has the skill sets and capabilities to enhance the value of the assets post acquisition. As a result, the fair value of the assets is greater than the purchase consideration.

16 JOINT OPERATIONS

Anasuria Operating Company Limited ("AOCL")

During the previous financial year, the Company, via its indirectly wholly-owned subsidiary, Anasuria Hibiscus with Ping Petroleum UK Limited, completed the transaction to each acquire 50% of the entire interests of Shell UK, Shell EP and Esso UK in the Anasuria Cluster of oil and gas fields.

The Anasuria Cluster is located approximately 175 kilometres east of Aberdeen in the UK Central North Sea and consists of:

- 100% interest in the Guillemot A field and the related field facilities;
- 100% interest in the Teal field and the related field facilities;
- 100% interest in the Teal South field and the related field facilities;
- 38.65% interest in the Cook field and the related field facilities; and
- 100% ownership in the common infrastructure known as the Anasuria FPSO and the related equipment.

There is no expiry date for the license covering the Guillemot A, Teal and Teal South fields. The license for the Cook field expires on 15 March 2018. Application for extension of the license for the Cook field has been submitted to the United Kingdom authorities, of which the outcome is pending at the date of this report. The license is expected to be extended.

The Company, together with Ping Petroleum Limited has established the joint operating company, AOCL in Aberdeen and this company has been approved as the License Operator for the assets by the Secretary of State for Energy and Climate Change of the United Kingdom Government. On 10 March 2016, AOCL successfully assumed the role of operator for the assets from Shell UK.

VIC/P57 and VIC/L31

Carnarvon Hibiscus had entered into a joint arrangement, VIC/P57 via the Joint Operation Agreement and Farm-In Agreement dated 14 August 2012 to explore and develop oil and gas properties within the permitted area. As at 30 June 2017, Carnarvon Hibiscus and Gippsland Hibiscus had a 55.1% and 20.0% participating interest in this arrangement respectively. Under the terms of the agreement, Carnarvon Hibiscus has a direct share in all of the assets employed by the arrangement and is liable for its share of the liabilities incurred. There is no legal or contractual separation between the arrangement and the parties to the arrangement. Carnarvon Hibiscus has therefore classified this arrangement as a joint operation. It has included its interests in the assets, liabilities, revenue and expenses in the appropriate line items in the statement of financial position and profit or loss respectively, in accordance with the accounting policy.

The existing approved five-year term for exploration in VIC/P57 expires on 9 January 2018. In September 2017, Carnarvon Hibiscus, Gippsland Hibiscus and 3D Oil (a joint venture partner to VIC/P57) have jointly submitted a renewal application to the Australian authorities. Given that Carnarvon Hibiscus, Gippsland Hibiscus and 3D Oil have fulfilled all work program commitments in the existing five-year term, it is expected that the exploration license will be renewed for a further five years. The outcome of the application is pending at the date of this report.

16 JOINT OPERATIONS (CONTINUED)

VIC/P57 and VIC/L31 (continued)

A production licence, VIC/L31, containing the West Seahorse field, has been granted by the Australian authorities on 5 December 2013. As at 30 June 2017, Carnarvon Hibiscus has a 100.0% interest in VIC/L31. The production license expires on 5 December 2018 if there is no ongoing production from the license area. In the current crude oil price environment, the West Seahorse field is not expected to generate the level of return expected by the Directors if the field is developed immediately. Carnarvon Hibiscus will submit an application for a retention lease to replace the production lease over VIC/L31 by March 2018, should the expectation remains the same at that stage. This is required in order for Carnarvon Hibiscus to continue retaining the rights to develop the West Seahorse field in the absence of an economic development project. A retention lease over the license area will need to be granted by the Australian authorities by 5 December 2018 and if granted, will allow retention of the license area for a further five years.

The principal place of business of the joint operation is in Australia.

17 INTANGIBLE ASSETS

	Rights and concession RM	Conventional studies RM	Materials & supplies - consumables RM	Total RM
Group				
At 01.07.2015	99,188,116	42,907,174	2,678,807	144,774,097
Additions	572,753	102,832,845	952,849	104,358,447
Acquisition through business combination (Note 15)	795,911,293	–	–	795,911,293
Impairment	(2,167,849)	(15,380,835)	–	(17,548,684)
Amortisation	(13,275,471)	–	–	(13,275,471)
Transfers	–	3,735,149	(3,735,149)	–
Exchange differences	(17,728,982)	552,102	103,493	(17,073,387)
At 30.06.2016	862,499,860	134,646,435	–	997,146,295
At 01.07.2016	**862,499,860**	**134,646,435**	**–**	**997,146,295**
Additions	**–**	**868,544**	**–**	**868,544**
Amortisation	**(46,529,204)**	**–**	**–**	**(46,529,204)**
Reversal	**–**	**(1,922,387)**	**–**	**(1,922,387)**
Exchange differences	**65,374,587**	**14,354,693**	**–**	**79,729,280**
At 30.06.2017	**881,345,243**	**147,947,285**	**–**	**1,029,292,528**

17 INTANGIBLE ASSETS (CONTINUED)

Included in rights and concession is the carrying amount of producing field licenses in Anasuria Cluster amounting to RM770,007,941 (2016: RM761,900,810) and capitalised acquisition and related transaction costs of VIC/P57 and VIC/L31 amounting to RM111,337,302 (2016: RM100,599,050). Capitalised expenditures are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Conventional studies relate to conceptual study costs incurred for the Sea Lion exploration in VIC/P57 and West Seahorse field development in VIC/L31.

VIC/P57 and VIC/L31

The intangible assets for VIC/P57 and VIC/L31 are not amortised as the field has not commenced production during the financial year.

The recoverable amount of the intangible assets relating to VIC/L31 is determined based on the higher of value in use valuation performed by management and fair value less cost to sell. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. The value in use calculation is based on a discounted cash flow ("DCF") model. This is derived based on the expected cash in/outflow pattern during the production licence period.

The key assumptions used to determine the recoverable amount for VIC/L31 are as follows:

(i) Discount rate of 10% (2016: 10%);

(ii) 3 years projections from 2022 to 2024 (2016: 3 years projections from 2019 to 2021) which is the expected economic limit cut off for the field;

(iii) Total project capital expenditures of approximately USD62 million (2016: USD69 million) (before the potential sale and leaseback of mobile offshore production unit rig);

(iv) Oil production profile based on the assessment by independent oil and gas reserve experts;

(v) Brent oil price of USD73.44, USD76.70 and USD79.56 per bbl for 2022, 2023 and 2024 respectively (2016: USD69.27, USD78.81 and USD78.81 per bbl for 2019, 2020 and 2021 respectively) and 2% (2016: 2%) premium to Brent oil prices; and

(vi) First oil being achieved in July 2022 (2016: July 2019).

Based on the assessments performed, the Directors concluded that the recoverable amount calculated based on the DCF model, is higher than the carrying amount for VIC/L31. Based on a sensitivity analysis performed, a USD6.24 per bbl reduction in oil price will result in the recoverable amount being equal to the carrying amount.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

17 INTANGIBLE ASSETS (CONTINUED)

VIC/P57 and VIC/L31 (continued)

An assessment for impairment indicators has been performed for VIC/P57. The assessment was based on the following:

(i) The Group submitted a renewal application in September 2017 which includes plans to continue exploration activities; and

(ii) The internal estimates using a Risk Net Asset Value ("RNAV") model performed by a sufficiently competent and experienced in-house geology team indicates that the recoverable amount is higher than the carrying amount.

Based on the above assessment, there is no indicator of impairment for VIC/P57.

Anasuria Cluster

The recoverable amount of the intangible assets, oil and gas assets and FPSO relating to the Anasuria Cluster is determined using the value in use model based on cash flows expected to be generated by the assets over their lives.

Key assumptions in the model relate to prices and costs that are based on long term assumptions. The calculation of the valuation requires the use of estimates of key assumptions. The Group uses the oil price forecast based on the oil price forward curve from independent parties initially, then management's views, future cost inflation factor of 2% (2016: 2%) per annum and discount rate of 10% (2016: 10%) to calculate the cash flows. These assumptions and judgements are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates and the discount rate applied is reviewed on an annual basis.

Based on the assessments performed, the Directors concluded that the recoverable amount calculated based on the valuation model is higher than the carrying amount. The valuation is sensitive to crude oil price, oil production level and costs.

18 EQUIPMENT

	Furniture and fittings RM	Office equipment RM	Office renovation RM	Oil and gas assets RM	FPSO RM	Rig RM	Work in progress RM	Total RM
Group								
Cost								
At 01.07.2015	171,061	4,518,272	321,290	–	–	59,962,908	–	64,973,531
Additions	8,710	17,817	–	–	–	–	–	26,527
Acquisition through business combination (Note 15)	–	–	–	147,623,468	28,830,200	–	–	176,453,668
Exchange differences	–	945	–	(3,924,821)	(766,500)	1,874,199	–	(2,816,177)
At 30.06.2016/ 01.07.2016	**179,771**	**4,537,034**	**321,290**	**143,698,647**	**28,063,700**	**61,837,107**	**–**	**238,637,549**
Additions	**51,020**	**35,849**	**–**	**–**	**–**	**–**	**620,501**	**707,370**
Exchange differences	**–**	**3,421**	**–**	**10,286,975**	**2,009,000**	**6,600,683**	**(1,254)**	**18,898,825**
At 30.06.2017	**230,791**	**4,576,304**	**321,290**	**153,985,622**	**30,072,700**	**68,437,790**	**619,247**	**258,243,744**

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

18 EQUIPMENT (CONTINUED)

	Furniture and fittings RM	Office equipment RM	Office renovation RM	Oil and gas assets RM	FPSO RM	Rig RM	Work in progress RM	Total RM
Group (continued)								
Accumulated depreciation								
At 01.07.2015	61,863	2,824,058	112,532	–	–	6,523,703	–	9,522,156
Depreciation for the financial year	17,862	1,263,286	32,129	3,516,748	286,410	12,509,094	–	17,625,529
Exchange differences	–	316	–	(112,757)	(9,183)	159,743	–	38,119
At 30.06.2016/ 01.07.2016	**79,725**	**4,087,660**	**144,661**	**3,403,991**	**277,227**	**19,192,540**	**–**	**27,185,804**
Depreciation for the financial year	**20,103**	**419,400**	**32,129**	**11,131,055**	**893,024**	**13,428,702**	**–**	**25,924,413**
Exchange differences	**–**	**3,100**	**–**	**221,186**	**18,041**	**2,275,419**	**–**	**2,517,746**
At 30.06.2017	**99,828**	**4,510,160**	**176,790**	**14,756,232**	**1,188,292**	**34,896,661**	**–**	**55,627,963**
Net book value								
At 30.06.2016	100,046	449,374	176,629	140,294,656	27,786,473	42,644,567	–	211,451,745
At 30.06.2017	**130,963**	**66,144**	**144,500**	**139,229,390**	**28,884,408**	**33,541,129**	**619,247**	**202,615,781**

18 EQUIPMENT (CONTINUED)

	Furniture and fittings RM	Office equipment RM	Office renovation RM	Total RM
Company				
Cost				
At 01.07.2015	171,061	4,487,170	321,290	4,979,521
Additions	8,710	17,817	–	26,527
At 30.06.2016/01.07.2016	**179,771**	**4,504,987**	**321,290**	**5,006,048**
Additions	**51,020**	**35,849**	**–**	**86,869**
At 30.06.2017	**230,791**	**4,540,836**	**321,290**	**5,092,917**
Accumulated depreciation				
At 01.07.2015	61,863	2,815,037	112,532	2,989,432
Depreciation for the financial year	17,863	1,255,399	32,129	1,305,391
At 30.06.2016/01.07.2016	**79,726**	**4,070,436**	**144,661**	**4,294,823**
Depreciation for the financial year	**20,102**	**410,813**	**32,129**	**463,044**
At 30.06.2017	**99,828**	**4,481,249**	**176,790**	**4,757,867**
Net book value				
At 30.06.2016	100,045	434,551	176,629	711,225
At 30.06.2017	**130,963**	**59,587**	**144,500**	**335,050**

19 TRADE RECEIVABLES

	Group	
	2017 RM	2016 RM
Sales of gas	**1,116,436**	268,954
Provision of project management, technical and other services	**6,317,522**	1,715,887
	7,433,958	1,984,841

The amounts are unsecured and are to be settled in cash.

20 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables and deposits	**20,419,549**	12,434,532	**4,793,511**	816,863
Prepayments and deferred expenses	**5,880,467**	9,597,593	**977,127**	372,437
	26,300,016	22,032,125	**5,770,638**	1,189,300
Less: Impairment of receivables	**(8,835,131)**	(529,998)	**(4,502,220)**	(529,998)
	17,464,885	21,502,127	**1,268,418**	659,302

Other receivables and deposits as at the end of the financial year include deposit paid for the proposed acquisition of 50% participating interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract amounting to RM10,740,250.

Prepayments and deferred expenses as at the end of the financial year include RM2,864,982 (2016: RM8,506,873) of the Group's share of prepaid costs paid to Petrofac Facilities Management Limited, the contract operator appointed by AOCL to manage the day-to-day operations and maintenance of the Anasuria Cluster.

The Group had during the previous financial year written off business development expenditure amounting to RM30,889,500, originally included under other receivables and deposits.

21 INVENTORIES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Crude oil	**3,717,765**	4,248,463	**–**	–
Diesel	**–**	931,654	**–**	–
Spares	**279,295**	269,320	**–**	–
Chemical	**–**	93,288	**–**	–
	3,997,060	5,542,725	**–**	–

Inventories recognised as expenses during the financial year amounted to RM76,908,066 (2016: RM38,784,486). These were included in cost of sales as disclosed in Note 6 to the financial statements.

22 AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Amounts owing by subsidiaries:		
Current		
Trade	**8,578,334**	1,067,174
Less: Impairment of receivables (trade)	**(3,112,617)**	–
Non-trade	**42,537,422**	56,765,348
Less: Impairment of receivables (non-trade)	**(31,455,682)**	(30,328,994)
	16,547,457	27,503,528
Amounts owing to subsidiaries:		
Current		
Trade	**(49,937)**	(49,937)
Non-trade	**(24,153,961)**	(809,526)
	(24,203,898)	(859,463)

The current trade balance represents receivables on demand and is to be settled in cash.

The current non-trade balance represents unsecured, interest-free advances and payments made on behalf. The amounts owing are receivable or repayable on demand and are to be received or settled in cash.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

23 AMOUNT OWING BY/(TO) A JOINT VENTURE

The amount owing by/(to) a joint venture are in relation to the provision of project management, technical and other services relating to the oil and gas exploration and production industry, share of VIC/P57 expenses and share of administrative expenses. The amounts are unsecured and are to be settled in cash.

During the financial year, impairment of receivables for the Group amounted to RM416,556 (2016: RM1,683,419).

24 AMOUNT OWING BY/(TO) A RELATED PARTY

The amounts owing by/(to) a related party are in relation to the provision of project management, technical and other services relating to the oil and gas exploration and production industry and share of administrative expenses. The amounts are unsecured and are to be settled in cash.

During the financial year, impairment of receivables for the Company amounted to RM416,556 (2016: RM18,632).

25 CASH AND BANK BALANCES

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and cash equivalents	**54,500,852**	28,745,860	**1,967,926**	20,166,165
Less: Project cash	**(121,158)**	(720,427)	**–**	–
	54,379,694	28,025,433	**1,967,926**	20,166,165

Project cash represents amounts held by a subsidiary which can only be utilised for the financing of expenditures relating to VIC/P57 (refer to Note 34 to the financial statements).

26 SHARE CAPITAL

The movements in the issued and paid-up share capital of the Group and of the Company are as follows:

	Number of shares	Share capital RM
Ordinary shares		
At 01.07.2015	927,778,754	9,277,787
Previous Placement Shares issued during the financial year	53,027,700	530,277
2015 Placement Shares issued during the financial year	277,984,000	2,779,840
Settlement Shares issued during the financial year	53,848,537	538,486
At 30.06.2016	1,312,638,991	13,126,390
At 01.07.2016	**1,312,638,991**	**13,126,390**
2015 Placement Shares issued during the financial year	**48,900,000**	**489,000**
2016 Placement Shares issued during the financial year	**82,305,300**	**823,053**
Transition to no-par value regime on 31.01.2017	**–**	**660,876,134**
At 30.06.2017	**1,443,844,291**	**675,314,577**

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM13,126,390 to RM14,438,443 by way of issuance of 131,205,300 new ordinary shares, raising a total of RM28,775,537, which was undertaken in three tranches; 48,900,000 shares were issued on 13 July 2016 at RM0.180 per share, 41,000,000 shares were issued on 21 September 2016 at RM0.195 per share and 41,305,300 shares were issued on 20 December 2016 at RM0.290 per share.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

The Act came into effect from 31 January 2017 and abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the Company's share premium account of RM660,876,134 shall become part of the Company's share capital pursuant to Section 618(2) of the Act. Under the transitional provision in Section 618(3) of the Act, a company may within twenty-four months upon the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in that section.

26 SHARE CAPITAL (CONTINUED)

Previous Placement

On 17 November 2014, Bursa Securities approved the Company's proposed placement of up to 89,164,225 new ordinary shares of RM0.01 each in the Company ("Previous Placement Shares"), pursuant to the approval obtained from the shareholders of the Company at its AGM, for the Board of Directors to allot and issue new ordinary shares not exceeding 10% of the Company's issued and paid-up ordinary share capital for the time being, pursuant to Section 132D of the Act ("Previous Placement").

On 29 April 2015, Bursa Securities had approved the application for an extension of time of 6 months until 16 November 2015 to complete the implementation of the Previous Placement.

During the previous financial year ended 30 June 2016, 53,027,700 Previous Placement Shares were issued.

Ping Petroleum Settlement

Bursa Securities, vide its letter dated 20 April 2016, resolved to approve the listing and quotation of up to 53,848,537 new ordinary shares of RM0.01 each in the Company ("Settlement Shares"), representing up to 4.88% of the issued and paid-up ordinary share capital of the Company for the settlement of an amount owed to Ping Petroleum which amounted to USD2.7 million ("Ping Petroleum Settlement"). The Settlement Shares were to be allotted and issued at an issue price of RM0.205 per Settlement Share, being the 5-day volume weighted average price of the Settlement Shares immediately prior to 14 March 2016.

The Ping Petroleum Settlement has been completed with the listing of and quotation for 50,257,345 and 3,591,192 Settlement Shares on the Main Market of Bursa Securities on 25 May 2016 and 23 June 2016 respectively, both at RM0.205 per share.

27 OTHER RESERVES

(a) Share premium

The movements in the share premium of the Group and of the Company are as follows:

	Group/Company	
	2017 RM	**2016 RM**
At 01.07.2016/01.07.2015	**634,584,774**	535,730,990
2015 Placement Shares issued during the financial year	**26,291,360**	37,073,846
2016 Placement Shares issued during the financial year	**–**	51,279,473
Settlement Shares issued during the financial year	**–**	10,500,465
Transition to no-par value regime on 31.01.2017	**(660,876,134)**	–
At 30.06.2017/30.06.2016	**–**	634,584,774

27 OTHER RESERVES (CONTINUED)

(a) Share premium (continued)

The Act came into effect from 31 January 2017 and abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the Company's share premium account of RM660,876,134 shall become part of the Company's share capital pursuant to Section 618(2) of the Act. Under the transitional provision in Section 618(3) of the Act, a company may within twenty-four months upon the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in that section.

(b) Foreign exchange reserve

The foreign exchange reserve arose from the translation of the financial statements of entities and operations with different functional currencies and is not distributable by way of dividends.

(c) Other reserves

Other reserves consist of the Group's share of a joint venture's share-based payment reserve. Other reserves are not distributable by way of dividends.

28 DEFERRED CONSIDERATION

The base consideration for the acquisition of a 50% interest in the Anasuria Cluster comprises the following:

- Initial consideration of USD30.0 million; and
- Deferred consideration of USD22.5 million.

The initial consideration was paid upon completion of the acquisition.

The deferred consideration is payable as follows:

- USD15.0 million within 12 months from completion; and
- USD7.5 million within 18 months from completion.

As at 30 June 2017, USD15.0 million (RM64.6 million) had been settled, per the agreed schedule.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

28 DEFERRED CONSIDERATION (CONTINUED)

	Group	
	2017	**2016**
	RM	**RM**
Current		
At 01.07.2016/01.07.2015	**55,808,587**	–
Acquisition through business combination (Note 15)	**–**	55,460,944
Unwinding of discount (Note 8)	**4,647,127**	1,882,526
Exchange differences	**4,116,286**	(1,534,883)
Payment made	**(64,572,000)**	–
Transfer from non-current liabilities	**31,428,472**	–
At 30.06.2017/30.06.2016	**31,428,472**	55,808,587
Non-current		
At 01.07.2016/01.07.2015	**26,548,885**	–
Acquisition through business combination (Note 15)	**–**	26,383,507
Unwinding of discount (Note 8)	**2,985,062**	895,542
Exchange differences	**1,894,525**	(730,164)
Transfer to current liabilities	**(31,428,472)**	–
At 30.06.2017/30.06.2016	**–**	26,548,885

29 CONTINGENT CONSIDERATION

	Group	
	2017	2016
	RM	RM
Non-current		
At 01.07.2016/01.07.2015	**1,483,782**	–
Acquisition through business combination (Note 15)	**–**	1,474,539
Unwinding of discount (Note 8)	**166,831**	50,050
Exchange differences	**105,883**	(40,807)
At 30.06.2017/30.06.2016	**1,756,496**	1,483,782

As part of the acquisition of a 50% interest in the Anasuria Cluster, a contingent consideration is payable to Shell UK, Shell EP and Esso UK from 2018 to 2021, if and only when in a calendar year, the annual average oil price (USD Y) exceeds USD75 per bbl, in which case, Shell UK, Shell EP and Esso UK will be paid USD0.15 x (Y-USD75) per bbl of the production from the Anasuria Cluster. The contingent consideration is limited by the production volume and the average oil price for the relevant calendar year.

30 DEFERRED TAX LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Deferred tax liabilities:				
- to be recovered after more than 12 months	**361,952,982**	390,467,727	**–**	–
- to be recovered within 12 months	**25,921,299**	37,616,266	**12,507**	96,904
	387,874,281	428,083,993	**12,507**	96,904
Deferred tax assets:				
- to be recovered after more than 12 months	**(61,884,663)**	(16,222,328)	**–**	–
- to be recovered within 12 months	**(427,242)**	(20,995,531)	**(12,507)**	(96,904)
	(62,311,905)	(37,217,859)	**(12,507)**	(96,904)
Deferred tax liabilities (net)	**325,562,376**	390,866,134	**–**	–

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

30 DEFERRED TAX LIABILITIES (CONTINUED)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
At 01.07.2016/01.07.2015	**390,866,134**	–	**–**	–
Acquisition through business combination (Note 15)	**–**	397,955,647	**–**	–
Recognised in profit or loss (Note 10)	**(93,473,657)**	3,606,449	**–**	–
Exchange differences	**28,169,899**	(10,695,962)	**–**	–
At 30.06.2017/30.06.2016	**325,562,376**	390,866,134	**–**	–

The movements in deferred tax assets and liabilities during the previous financial year are as follows:

	Equipment RM	Intangible assets RM	Others RM	Total RM
Group				
Deferred tax liabilities				
At 01.07.2015	1,382,441	9,152,598	6,298	10,541,337
Acquisition through business combination (Note 15)	–	397,955,647	–	397,955,647
Recognised in profit or loss	29,263,836	1,428,267	(6,298)	30,685,805
Exchange differences	(941,827)	(10,156,969)	–	(11,098,796)
At 30.06.2016	29,704,450	398,379,543	–	428,083,993
Offsetting	(29,704,450)	(7,513,409)	–	(37,217,859)
Deferred tax liabilities (after offsetting) at 30.06.2016	–	390,866,134	–	390,866,134

30 DEFERRED TAX LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities during the previous financial year are as follows: (continued)

	Equipment RM	Decommissioning costs RM	Tax losses RM	Provision and other payables RM	Total RM
Group					
Deferred tax assets					
At 01.07.2015	–	–	(5,681,252)	(4,860,085)	(10,541,337)
Recognised in profit or loss	(5,517,621)	(3,350,423)	(16,363,141)	(1,848,171)	(27,079,356)
Exchange differences	44,906	107,423	382,907	(132,402)	402,834
At 30.06.2016	(5,472,715)	(3,243,000)	(21,661,486)	(6,840,658)	(37,217,859)
Offsetting	5,472,715	3,243,000	21,661,486	6,840,658	37,217,859
Deferred tax assets (after offsetting) at 30.06.2016	–	–	–	–	–

The movements in deferred tax assets and liabilities during the current financial year are as follows:

	Equipment RM	Intangible assets RM	Others RM	Total RM
Group				
Deferred tax liabilities				
At 01.07.2016	**29,704,450**	**398,379,543**	**–**	**428,083,993**
Recognised in profit or loss	**(15,819,230)**	**(58,008,389)**	**1,543,386**	**(72,284,233)**
Exchange differences	**2,151,320**	**29,897,012**	**26,189**	**32,074,521**
At 30.06.2017	**16,036,540**	**370,268,166**	**1,569,575**	**387,874,281**
Offsetting	**(16,036,540)**	**(46,275,365)**	**–**	**(62,311,905)**
Deferred tax liabilities (after offsetting) at 30.06.2017	**–**	**323,992,801**	**1,569,575**	**325,562,376**

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

30 DEFERRED TAX LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities during the current financial year are as follows: (continued)

	Equipment RM	Decommissioning costs RM	Tax losses RM	Provision and other payables RM	Total RM
Group					
Deferred tax assets					
At 01.07.2016	**(5,472,715)**	**(3,243,000)**	**(21,661,486)**	**(6,840,658)**	**(37,217,859)**
Recognised in profit or loss	**5,955,828**	**(3,258,426)**	**(23,842,526)**	**(44,300)**	**(21,189,424)**
Exchange differences	**(483,113)**	**(225,572)**	**(2,473,904)**	**(722,033)**	**(3,904,622)**
At 30.06.2017	**–**	**(6,726,998)**	**(47,977,916)**	**(7,606,991)**	**(62,311,905)**
Offsetting	**–**	**6,726,998**	**47,977,916**	**7,606,991**	**62,311,905**
Deferred tax assets (after offsetting) at 30.06.2017	**–**	**–**	**–**	**–**	**–**

The movements in deferred tax assets and liabilities during the previous financial year are as follows:

	Equipment RM	Total RM
Company		
Deferred tax liabilities		
At 01.07.2015	375,067	375,067
Recognised in profit or loss	(278,163)	(278,163)
At 30.06.2016	96,904	96,904
Offsetting	(96,904)	(96,904)
Deferred tax liabilities (after offsetting) at 30.06.2016	–	–

30 DEFERRED TAX LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities during the previous financial year are as follows: (continued)

	Tax losses RM	Total RM
Company		
Deferred tax assets		
At 01.07.2015	(375,067)	(375,067)
Recognised in profit or loss	278,163	278,163
At 30.06.2016	(96,904)	(96,904)
Offsetting	96,904	96,904
Deferred tax assets (after offsetting) at 30.06.2016	–	–

The movements in deferred tax assets and liabilities during the current financial year are as follows:

	Equipment RM	Total RM
Company		
Deferred tax liabilities		
At 01.07.2016	**96,904**	**96,904**
Recognised in profit or loss	**(84,397)**	**(84,397)**
At 30.06.2017	**12,507**	**12,507**
Offsetting	**(12,507)**	**(12,507)**
Deferred tax liabilities (after offsetting) at 30.06.2017	**–**	**–**

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

30 DEFERRED TAX LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities during the current financial year are as follows: (continued)

	Tax losses RM	Total RM
Company		
Deferred tax assets		
At 01.07.2016	**(96,904)**	**(96,904)**
Recognised in profit or loss	**84,397**	**84,397**
At 30.06.2017	**(12,507)**	**(12,507)**
Offsetting	**12,507**	**12,507**
Deferred tax assets (after offsetting) at 30.06.2017	**–**	**–**

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Tax losses	**164,306,242**	134,063,536	**43,249,715**	34,617,853
Unabsorbed capital allowance	**4,279,053**	4,187,922	**4,279,053**	4,187,922
Provisions and other payables	**41,472,683**	32,067,650	**40,420,390**	31,369,885
	210,057,978	170,319,108	**87,949,158**	70,175,660

31 PROVISION FOR DECOMMISSIONING COSTS

	Group 2017 RM	Group 2016 RM
Non-current		
At 01.07.2016/01.07.2015	**115,352,034**	–
Acquisition through business combination (Note 15)	**–**	114,633,482
Unwinding of discount (Note 8)	**11,588,814**	3,891,035
Exchange differences	**(2,105,801)**	(3,172,483)
At 30.06.2017/30.06.2016	**124,835,047**	115,352,034

The Group makes full provision for the future costs of decommissioning of its oil production facilities and pipelines on a discounted basis. With respect to the Anasuria Cluster, the decommissioning provision is based on the Group's share of the contractual obligation of 50%.

The provision represents the present value of decommissioning costs which are expected to be incurred up to 2036 assuming no further development of the cluster. The liability is discounted at a rate of 10% (2016: 10%) and includes an inflationary factor of 2% (2016: 2%).

32 TRADE PAYABLES

Trade payables are cost of operations in relation to crude oil and gas. The amounts are unsecured and are to be settled in cash.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

33 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	**43,345,378**	55,089,684	**18,053,969**	18,917,664
Accruals	**11,419,539**	33,685,610	**3,450,611**	5,331,044
	54,764,917	88,775,294	**21,504,580**	24,248,708

An amount of RM17,185,200 (2016: Nil) for the Group and the Company bears an interest of 10% per annum. This interest has been revised to 5% per annum for the entire period of the amount subsequent to the end of the financial year.

Other payables include overlifting of crude oil amounting to RM3,930,932.

Accruals in the current financial year include RM3,302,135 (2016: RM21,371,245) of project costs relating to the operations of Anasuria Cluster.

34 AMOUNT OWING BY/(TO) AN ASSOCIATE

	Group	
	2017 RM	2016 RM
Amount owing by an associate:		
Current		
Trade	–	732,753
Amount owing to an associate:		
Current		
Trade	**(24,551)**	(5,449,035)

Amount owing by/(to) an associate represents 3D Oil's 24.9% (2016: 24.9%) share in the VIC/P57 joint bank account less 3D Oil's share of VIC/P57 expenses.

Balance as of 30 June 2017 represents the amount due to 3D Oil for its unutilised contributions on VIC/P57 expenses. The amount is unsecured and is to be settled in cash.

35 RCPS

The movements in the RCPS of the Group and of the Company are as follows:

	Number of RCPS	Nominal value RM
Issued and paid-up		
At 01.07.2015/30.06.2016	2,193,880	21,939
At 01.07.2016	**2,193,880**	**21,939**
Transition to no-par value on 31.01.2017	**–**	**197,449**
At 30.06.2017	**2,193,880**	**219,388**
Share premium		
At 01.07.2015/30.06.2016		197,449
At 01.07.2016		**197,449**
Transition to no-par value on 31.01.2017		**(197,449)**
At 30.06.2017		**–**
Total liability component		**219,388**

The Act came into effect from 31 January 2017 and abolished the concept of authorised shares and par value of shares. Consequently, the amount standing to the credit of the share premium account relating to RCPS shall become part of the Company's share capital pursuant to Section 618(2) of the Act.

35 RCPS (CONTINUED)

The RCPS are classified as current liabilities as the RCPS are redeemable at the option of the RCPS holders. The remaining RCPS are not convertible into ordinary shares of the Company.

The principal terms of the RCPS are as follows:

(a) Dividend rights

The RCPS are not entitled to any dividend.

(b) Convertibility

The RCPS were convertible on the basis of 1 RCPS: 10 ordinary shares with 10 Warrants-B ("Shares"). After receipt of the approval from the Securities Commission Malaysia ("SC") for the Initial Public Offering ("IPO"), 5,557,000 RCPS were converted into Shares of the Company. Pursuant to the IPO, 2,804,120 RCPS were converted into such number of Shares so that the holder held a total number of Shares equivalent to 20% of the enlarged issued and paid-up ordinary share capital of the Company as at the date of listing. Other than as stated above, the holder is not entitled to convert any additional RCPS into ordinary shares of the Company.

(c) Redeemability

Subject to compliance with the relevant requirements, all RCPS (unless earlier converted into Shares) shall be fully redeemable at the option of the holder, at the Redemption Price:

(i) on the date falling 12 months after the date of issue of the RCPS if the approval from the SC is not received by the Company by then; or

(ii) on the date falling 14 business days after the Company's receipt of any letter from the SC rejecting or stating its non-approval of the Company's application for the IPO; or

(iii) on any date after the listing;

whichever occurs first.

The Company shall use its reasonable endeavours to ensure that it has sufficient funds (whether through profits or a new issue of shares or otherwise), which can be lawfully applied towards redemption of the RCPS at the relevant time.

No RCPS redeemed by the Company shall be capable of reissue.

(d) Redemption price

RM0.10 per RCPS

(e) Status

The RCPS is not listed or quoted on any stock exchange.

36 DIRECTORS' REMUNERATION

(a) The aggregate amounts of emoluments received and/or receivable by Directors of the Group and of the Company during the financial year are as follows:

	Group/Company	
	2017	**2016**
	RM	**RM**
Executive Director:		
- salaries	**1,694,112**	1,694,112
- defined contribution plan	**321,900**	321,900
- other benefits	**710,767**	587,998
	2,726,779	2,604,010
Non-executive Directors:		
- fees and allowances	**404,903**	270,226
	3,131,682	2,874,236

(b) Details of Directors' emoluments of the Group and of the Company received/receivable for the financial year in bands of RM50,000 are as follows:

	Group/Company	
	2017	**2016**
	RM	**RM**
Executive Director:		
RM2,600,001 - RM3,000,000	**1**	1
Non-executive Directors:		
RM50,001 - RM100,000	**4**	–
Below RM50,000	**1**	5
	6	6

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

37 SIGNIFICANT RELATED PARTIES DISCLOSURES

(a) Identities of related parties

The related parties of the Group and of the Company are:

(i) its subsidiaries, an associate and the joint ventures as disclosed in Notes 12, 13 and 14 to the financial statements; and

(ii) the Directors and senior management team who are the key management personnel.

(b) In addition to the information detailed elsewhere in the financial statements, set below are other significant transactions and outstanding balances with the related parties during the financial year:

	Transactions value		Balances outstanding	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Group				
Project management, technical and other services fees receivable from:				
HIREX[1]	**3,852**	201,920	**133,742**	120,770
Lime[1]:				
Gross	**–**	100,595	**1,683,419**	1,683,419
Less: Impairment of receivables	**–**	–	**(1,683,419)**	(1,683,419)
	–	100,595	**–**	–
Cash advances from directors	**–**	3,150,000	**–**	2,650,000
Joint Operating Agreement indirect overheads recovery from:				
3D Oil[2]:				
Gross	**–**	465,156	**–**	732,753
Less: Impairment of receivables	**–**	–	**–**	–
	–	465,156	**–**	732,753

37 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

(b) In addition to the information detailed elsewhere in the financial statements, set below are other significant transactions and outstanding balances with the related parties during the financial year: (continued)

	Transactions value		Balances outstanding	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Group (continued)				
Technical and non-technical charges reimbursed from an associate:				
3D Oil[2]	**30,171**	477,057	**–**	–
Technical and non-technical, and overhead charges reimbursed to an associate:				
3D Oil[2]	**(166,855)**	(339,457)	**24,551**	5,449,035
Company				
Project management, technical and other services fees receivable from:				
Hibiscus Oilfield[3]	**–**	67	**–**	–
Gulf Hibiscus[3]	**–**	(37,047)	**–**	–
Oceania Hibiscus[3]	**492,223**	6,160,668	**–**	–
Hibiscus Technical[3]				
Gross	**4,929,505**	2,906,010	**8,578,333**	3,378,128
Less: Impairment of receivables	**–**	–	**(3,112,616)**	–
	4,929,505	2,906,010	**5,465,717**	3,378,128
Anasuria Hibiscus[3]	**1,034,751**	29,537,139	**–**	–
Cash advances from directors	**–**	3,150,000	**–**	2,650,000

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

37 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

(b) In addition to the information detailed elsewhere in the financial statements, set below are other significant transactions and outstanding balances with the related parties during the financial year: (continued)

	Transactions value		Balances outstanding	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Company (continued)				
Payment on behalf of:				
Hibiscus Oilfield[(3)]:				
Gross	**16,442**	208,083	**–**	152,077
Less: Impairment of receivables	**–**	–	**–**	(152,077)
	16,442	208,083	**–**	–
Gulf Hibiscus[(3)]:				
Gross	**1,121,315**	151,056	**3,500,105**	2,350,908
Less: Impairment of receivables	**–**	–	**(3,500,105)**	(2,350,908)
	1,121,315	151,056	**–**	–
Oceania Hibiscus[(3)]	**36,181,411**	80,428,289	**–**	80,318,552
Hibiscus Technical[(3)]	**9,152,840**	8,411,911	**–**	9,890,794
Anasuria Hibiscus[(3)]	**9,712,272**	16,348,456	**–**	16,545,457
SEA Hibiscus[(3)]	**10,673,247**	–	**10,977,747**	–
Timor Hibiscus[(3)]:				
Gross	**11,819**	–	**27,763,127**	27,751,083
Less: Impairment of receivables	**–**	–	**(27,763,127)**	(27,751,083)
	11,819	–	**–**	–

37 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

(b) In addition to the information detailed elsewhere in the financial statements, set below are other significant transactions and outstanding balances with the related parties during the financial year: (continued)

The Group and the Company entered into the abovementioned related party transactions with parties whose relationships are set out below:

(1) *Joint ventures of the Group.*

(2) *An associate of the Group.*

(3) *Subsidiaries of the Company.*

(c) Key management personnel compensation

	Group/Company	
	2017	**2016**
	RM	**RM**
Included under Director's remuneration		
- fees	**404,903**	270,226
- salaries	**1,694,112**	1,694,112
- defined contribution plan	**321,900**	321,900
- other benefits	**710,767**	587,998
Included under staff costs		
- salaries	**6,798,718**	8,009,226
- defined contribution plan	**712,087**	660,672
- other benefits	**818,269**	626,810

38 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 and group activities	Investment 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. The investment holding and group activities are located in Malaysia.
(ii)	Anasuria	Group's investments and operations in a geographically focused package of operated producing fields and associated infrastructure located approximately 175 km east of Aberdeen in the United Kingdom Central North Sea. The functional currency of the segment is USD. The average and closing rates adopted for conversion to RM in the financial year ended 30 June 2017 are 4.305 and 4.296 respectively.
(iii)	3D Oil, VIC/L31 & VIC/P57	Group's operations in the production licence VIC/L31 for the West Seahorse field and other exploration prospects in Australia within exploration permit VIC/P57, and investment in 3D Oil. The functional currency of the segment is AUD. The average and closing rates adopted for conversion to RM in the financial year ended 30 June 2017 are 3.247 and 3.302 respectively.

The Directors have fully impaired the Group's respective investments in Lime Group and HIREX. Therefore, both the Lime Group and HIREX are no longer relevant for inclusion in this section. For the avoidance of doubt, the rights and legal position of the Group are fully reserved in respect of each of the Lime Group (including, without limitation, the Group's legal action in Singapore against various parties in relation to the Lime Group) and HIREX.

38 OPERATING SEGMENTS (CONTINUED)

	Investment holding and group activities RM	Anasuria RM	3D Oil, VIC/L31 & VIC/P57 RM	Lime RM	HIREX RM	Elimination RM	Group RM
30.06.2017							
Non-current assets	33,876,179	938,740,986	263,381,109	–	–	–	1,235,998,274
Included in the segments assets is:							
Investment in an associate	–	–	4,089,965	–	–	–	4,089,965
Additions to non-current assets	86,869	620,501	868,544	–	–	–	1,575,914
Project management, technical and other services	4,438,818	–	–	–	–	–	4,438,818
Interest income	16,322	–	–	–	–	–	16,322
Sales of crude oil and gas	–	256,817,434	–	–	–	–	256,817,434
Revenue	4,455,140	256,817,434	–	–	–	–	261,272,574
Depreciation and amortisation	(10,497,680)	(58,553,282)	(3,402,655)	–	–	–	(72,453,617)
(Loss)/profit from operations	(2,763,539)	106,307,313	(12,205,704)	–	–	–	91,338,070
Reversal of impairment of investment in an associate	–	–	1,946,481	–	–	–	1,946,481
Impairment of other receivables and amount owing by a joint venture	(4,388,778)	(4,341,686)	–	–	–	–	(8,730,464)
Share of results	–	–	(511,750)	–	–	–	(511,750)
Finance costs	(30,000)	(19,387,834)	(9,446,405)	–	–	6,828,558	(22,035,681)
Interest income	6,828,558	–	–	–	–	(6,828,558)	–
Taxation	22,692	47,240,566	(3,173,109)	–	–	–	44,090,149
(Loss)/profit after taxation	(331,067)	129,818,359	(23,390,487)	–	–	–	106,096,805

During the financial year, revenue from external customers come from the sale of crude oil and gas and provision of project management, technical and other services of RM256,817,434 (30.06.2016: RM78,653,547) and nil (30.06.2016: RM756,919) respectively.

As at 30 June 2017, the Rig included in non-current assets under investment holding and group activities is cold stacked in a shipyard in Turkey.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

38 OPERATING SEGMENTS (CONTINUED)

	Investment holding and group activities RM	Anasuria RM	3D Oil, VIC/L31 & VIC/P57 RM	Lime RM	HIREX RM	Elimination RM	Group RM
30.06.2016							
Non-current assets	711,225	929,981,938	279,845,012	–	–	–	1,210,538,175
Included in the segments assets is:							
Investment in an associate	–	–	1,940,135	–	–	–	1,940,135
Additions to non-current assets	26,527	972,364,961	104,358,447	–	–	–	1,076,749,935
Project management, technical and other services	2,924,909	–	–	–	–	–	2,924,909
Interest income	15,330	–	101,124	–	–	–	116,454
Sales of crude oil and gas	–	78,653,547	–	–	–	–	78,653,547
Revenue	2,940,239	78,653,547	101,124	–	–	–	81,694,910
Depreciation and amortisation	(1,305,391)	(17,078,628)	(12,516,981)	–	–	–	(30,901,000)
Loss from operations	(23,053,380)	(17,434,064)	(25,240,343)	–	–	–	(65,727,787)
Reversal of impairment of investment in an associate	–	–	682,778	–	–	–	682,778
Impairment of investment in joint ventures	–	–	–	(224,353,954)	(4,648,376)	–	(229,002,330)
Impairment of intangible assets	–	–	(17,548,684)	–	–	–	(17,548,684)
Negative goodwill from business combination	–	364,132,443	–	–	–	–	364,132,443
Impairment of other receivables and amounts owing by joint ventures and an associate	(2,232,049)	–	–	–	–	–	(2,232,049)
Write-off of business development expenditure	(30,889,500)	–	–	–	–	–	(30,889,500)
Share of results	–	–	(4,099,083)	(61,638,934)	(1,801,389)	–	(67,539,406)
Finance costs	(261,823)	(6,719,153)	(7,104,320)	–	–	5,889,102	(8,196,194)
Interest income	5,889,102	–	–	–	–	(5,889,102)	–
Taxation	(32,569)	(3,606,449)	–	–	–	–	(3,639,018)
(Loss)/profit after taxation	(50,580,219)	336,372,777	(53,309,652)	(285,992,888)	(6,449,765)	–	(59,959,747)

39 CAPITAL COMMITMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Approved and contracted for:				
Group's material commitments	**572,068**	43,316,018	**–**	–
Share of a joint operation's material commitments	**56,784,981**	43,257,633	**–**	–
	57,357,049	86,573,651	**–**	–
Approved but not contracted for:				
Share of a joint operation's material commitments	**10,676,983**	–	**–**	–
	10,676,983	–	**–**	–

40 OPERATING LEASE COMMITMENTS

The future minimum lease payments under the non-cancellable operating leases are as follows:

	Group	
	2017 RM	2016 RM
Within one year		
- the Group	**520,873**	237,930
- share of a joint venture's operating lease commitments (HIREX)	**6,600**	186,600
	527,473	424,530
Later than one year but not later than five years		
- the Group	**77,371**	28,100
- share of a joint venture's operating lease commitments (HIREX)	**2,750**	15,950
	80,121	44,050
	607,594	468,580

40 OPERATING LEASE COMMITMENTS (CONTINUED)

	Company	
	2017	**2016**
	RM	**RM**
Within one year	**383,073**	237,930
Later than one year but not later than five years	**49,811**	28,100
	432,884	266,030

41 FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk and interest rate risk), credit risks and liquidity risks. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:

(i) Market risk

Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than RM. The currencies giving rise to this risk are primarily United States Dollar, Australian Dollar and Great Britain Pound. Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows:

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Group						
30.06.2017						
Financial assets						
Trade receivables	–	–	–	7,433,958	–	7,433,958
Amount owing by a joint venture	133,742	56,971	–	–	–	190,713
Other receivables and deposits	10,741,324	188,730	–	118,985	–	11,049,039
Cash and bank balances	39,575,206	898,786	1,285,490	12,679,676	61,694	54,500,852
Intra-group balances	18,035,682	2,512,829	185,197,391	3,253,856	–	208,999,758
	68,485,954	3,657,316	186,482,881	23,486,475	61,694	282,174,320

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Group						
30.06.2017						
Financial liabilities						
Trade payables	–	–	–	241,673	–	241,673
RCPS	–	219,388	–	–	–	219,388
Other payables and accruals	28,063,548	3,596,170	7,270,556	11,807,682	71,140	50,809,096
Amount owing to a joint venture	321,262	15,454	–	–	–	336,716
Amount owing to an associate	–	–	24,551	–	–	24,551
Deferred consideration	31,428,472	–	–	–	–	31,428,472
Contingent consideration	1,756,496	–	–	–	–	1,756,496
Intra-group balances	85,829,955	16,207,811	193,516,603	4,905,378	328,057	300,787,804
	147,399,733	20,038,823	200,811,710	16,954,733	399,197	385,604,196

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Group						
30.06.2017						
Net financial (liabilities)/ assets	**(78,913,779)**	**(16,381,507)**	**(14,328,829)**	**6,531,742**	**(337,503)**	**(103,429,876)**
Less: Net financial liabilities/ (assets) denominated in respective entities' functional currencies	**3,563,134**	**15,262,324**	**109,173,862**	**(4,814,738)**	**–**	**123,184,582**
	(75,350,645)	**(1,119,183)**	**94,845,033**	**1,717,004**	**(337,503)**	**19,754,706**

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Group						
30.06.2016						
Financial assets						
Trade receivables	268,954	–	–	1,715,887	–	1,984,841
Amount owing by a joint venture	120,770	–	–	–	–	120,770
Amount owing by an associate	–	–	732,753	–	–	732,753
Other receivables and deposits	1,002	187,600	149,190	9,687,841	11,201	10,036,834
Cash and bank balances	3,498,831	17,835,390	59,080	7,349,751	2,808	28,745,860
Intra-group balances	132,503,836	10,338,961	102,771,467	2,468,128	20,438	248,102,830
	136,393,393	28,361,951	103,712,490	21,221,607	34,447	289,723,888

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Group						
30.06.2016						
Financial liabilities						
Trade payables	–	–	–	60,260	–	60,260
RCPS	–	219,388	–	–	–	219,388
Other payables and accruals	39,472,186	12,324,667	12,225,439	24,734,382	18,620	88,775,294
Amount owing to a joint venture	299,800	15,454	–	–	–	315,254
Amount owing to an associate	–	–	5,449,035	–	–	5,449,035
Deferred consideration	82,357,472	–	–	–	–	82,357,472
Contingent consideration	1,483,782	–	–	–	–	1,483,782
Intra-group balances	184,131,607	13,298,156	138,062,477	2,586,640	–	338,078,880
	307,744,847	25,857,665	155,736,951	27,381,282	18,620	516,739,365

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Group						
30.06.2016						
Net financial (liabilities)/ assets	(171,351,454)	2,504,286	(52,024,461)	(6,159,675)	15,827	(227,015,477)
Less: Net financial liabilities/(assets) denominated in respective entities' functional currencies	122,470,988	(10,102,407)	136,044,567	10,159,075	–	258,572,223
	(48,880,466)	(7,598,121)	84,020,106	3,999,400	15,827	31,556,746

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Company						
30.06.2017						
Financial assets						
Other receivables and deposits	–	185,730	–	180	–	185,910
Amounts owing by subsidiaries	10,788,608	2,043,437	461,556	3,253,856	–	16,547,457
Cash and bank balances	970,402	881,960	43,975	9,896	61,693	1,967,926
Amount owing from a related party	–	56,972	–	–	–	56,972
	11,759,010	3,168,099	505,531	3,263,932	61,693	18,758,265

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Company						
30.06.2017						
Financial liabilities						
RCPS	–	219,388	–	–	–	219,388
Other payables and accruals	18,664,853	2,490,010	290,838	16,760	42,119	21,504,580
Amounts owing to subsidiaries	23,611,492	49,872	110,460	432,074	–	24,203,898
Amount owing to a related party	315,620	15,454	–	–	–	331,074
	42,591,965	2,774,724	401,298	448,834	42,119	46,258,940
Net financial (liabilities)/ assets	(30,832,955)	393,375	104,233	2,815,098	19,574	(27,500,675)
Less: Net financial assets denominated in respective entities' functional currencies	–	(393,375)	–	–	–	(393,375)
	(30,832,955)	–	104,233	2,815,098	19,574	(27,894,050)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Company						
30.06.2016						
Financial assets						
Other receivables and deposits	–	187,600	–	7,841	11,201	206,642
Amounts owing by subsidiaries	17,285,059	7,701,027	123,923	2,393,519	–	27,503,528
Cash and bank balances	2,265,128	17,820,255	4,594	73,380	2,808	20,166,165
	19,550,187	25,708,882	128,517	2,474,740	14,009	47,876,335

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	United States Dollar RM	Ringgit Malaysia RM	Australian Dollar RM	Great Britain Pound RM	Others RM	Total RM
Company						
30.06.2016						
Financial liabilities						
RCPS	–	219,388	–	–	–	219,388
Other payables and accruals	12,715,110	11,260,864	89,917	164,196	18,621	24,248,708
Amounts owing to subsidiaries	624,285	135,372	99,806	–	–	859,463
Amount owing to a related party	294,535	15,454	–	–	–	309,989
	13,633,930	11,631,078	189,723	164,196	18,621	25,637,548
Net financial assets/ (liabilities)	5,916,257	14,077,804	(61,206)	2,310,544	(4,612)	22,238,787
Less: Net financial assets denominated in respective entities' functional currencies	–	(14,077,804)	–	–	–	(14,077,804)
	5,916,257	–	(61,206)	2,310,544	(4,612)	8,160,983

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the financial year, with all other variables held constant:

	Group		Company	
	2017 Increase/ (Decrease) RM	**2016 Increase/ (Decrease) RM**	**2017 Increase/ (Decrease) RM**	**2016 Increase/ (Decrease) RM**
Effects on profit/(loss) after taxation/equity:				
USD				
- strengthened by 5%	**(3,767,532)**	(2,444,023)	**(1,541,648)**	295,813
- weakened by 5%	**3,767,532**	2,444,023	**1,541,648**	(295,813)
AUD				
- strengthened by 5%	**4,742,252**	4,201,005	**5,212**	(3,060)
- weakened by 5%	**(4,742,252)**	(4,201,005)	**(5,212)**	3,060
GBP				
- strengthened by 5%	**85,850**	199,970	**140,755**	115,527
- weakened by 5%	**(85,850)**	(199,970)	**(140,755)**	(115,527)
RM				
- strengthened by 5%	**(55,959)**	(379,906)	**–**	–
- weakened by 5%	**55,959**	379,906	**–**	–

Interest rate risk

The Group and the Company have minimal exposure to interest rate risks.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(ii) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by monitoring the timely receipt of receivables on an on-going basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises from amounts due from subsidiaries, which is related to other receivables as set out in Note 22 to the financial statements.

Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the other receivables and trade receivables due from 4 (2016: 3) customers which constituted 95% (2016: 76%) of its total receivables as at the end of the financial year.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the financial year.

Ageing analysis

The ageing analysis of the Group's trade balances owing by an associate, joint ventures and third party at the end of the financial year is as follows:

	Gross amount RM	Carrying value RM
Group		
30.06.2017		
Neither past due nor impaired	**1,623,693**	**1,623,693**
Past due 0-30 days but not impaired	**346,160**	**346,160**
Past due 31-120 days but not impaired	**740,897**	**740,897**
Past due more than 120 days but not impaired	**4,856,949**	**4,856,949**
Past due more than 120 days and impaired	**1,903,515**	**–**
	9,471,214	**7,567,699**

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(ii) Credit risk (continued)

Ageing analysis (continued)

The ageing analysis of the Group's trade balances owing by an associate, joint ventures and third party at the end of the financial year is as follows: (continued)

	Gross amount RM	Carrying value RM
Group		
30.06.2016		
Neither past due nor impaired	593,432	593,432
Past due 0-30 days but not impaired	385,863	385,863
Past due 31-120 days but not impaired	602,893	602,893
Past due more than 120 days but not impaired	1,256,176	1,256,176
Past due more than 120 days and impaired	1,903,515	–
	4,741,879	2,838,364

The credit quality of the Group's receivables that are neither past due nor impaired can be assessed by reference to historical information about counter party default rates:

	Group	
	2017 RM	**2016 RM**
Existing related parties with no default in the past	**1,623,693**	593,432
Existing related parties with some default in the past	**–**	–
	1,623,693	593,432

As of 30 June 2016, the Group's receivable of RM1,702,051 and the Company's receivable of RM18,632 which were past due for more than 120 days were impaired.

Other than the above, the Company did not have any exposure to credit risk, or the risk of counterparties defaulting, arising from receivables.

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(iii) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances.

The following table sets out the maturity profile of the financial liabilities as at the end of the financial year based on contractual undiscounted cash flows:

	Carrying amount RM	Contractual undiscounted RM	Within 1 year RM	Within 1-2 years RM
Group				
30.06.2017				
Trade payables	**241,673**	**241,673**	**241,673**	**–**
RCPS	**219,388**	**219,388**	**219,388**	**–**
Other payables and accruals	**50,809,096**	**50,809,096**	**50,809,096**	**–**
Amount owing to a joint venture	**336,716**	**336,716**	**336,716**	**–**
Amount owing to an associate	**24,551**	**24,551**	**24,551**	**–**
Deferred consideration	**31,428,472**	**32,220,750**	**32,220,750**	**–**
Contingent consideration	**1,756,496**	**2,749,602**	**–**	**2,749,602**
	84,816,392	**86,601,776**	**83,852,174**	**2,749,602**
30.06.2016				
Trade payables	60,260	60,260	60,260	–
RCPS	219,388	219,388	219,388	–
Other payables and accruals	88,775,294	88,775,294	88,775,294	–
Amount owing to a joint venture	315,254	315,254	315,254	–
Amount owing to an associate	5,449,035	5,449,035	5,449,035	–
Deferred consideration	82,357,472	90,204,750	60,136,500	30,068,250
Contingent consideration	1,483,782	2,565,915	–	2,565,915
	178,660,485	187,589,896	154,955,731	32,634,165

Payables and commitments as set out in Note 28 to the financial statements are intended to be funded via net cash inflow from the operations of the Anasuria Cluster.

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(iii) Liquidity risk (continued)

	Carrying amount RM	Contractual undiscounted RM	Within 1 year RM	Within 1-2 years RM
Company				
30.06.2017				
RCPS	**219,388**	**219,388**	**219,388**	**–**
Other payables and accruals	**21,504,580**	**21,504,580**	**21,504,580**	**–**
Amounts owing to subsidiaries	**24,203,898**	**24,203,898**	**24,203,898**	**–**
Amount owing to a related party	**331,074**	**331,074**	**331,074**	**–**
	46,258,940	**46,258,940**	**46,258,940**	**–**
30.06.2016				
RCPS	219,388	219,388	219,388	–
Other payables and accruals	24,248,708	24,248,708	24,248,708	–
Amounts owing to subsidiaries	859,463	859,463	859,463	–
Amount owing to a related party	309,989	309,989	309,989	–
	25,637,548	25,637,548	25,637,548	–

(b) Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The debt-to-equity ratio of the Group as at the end of the financial year is not presented as its cash and cash equivalents exceeded the total debts.

Under the requirement of Bursa Securities Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than 25% of the Company's issued and paid-up ordinary share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification of financial instruments

	2017 RM	2016 RM
Group		
Financial assets		
Loans and receivables		
Trade receivables	**7,433,958**	1,984,841
Other receivables and deposits	**11,049,039**	10,036,834
Amount owing by an associate	**–**	732,753
Amount owing by a joint venture	**190,713**	120,770
Cash and bank balances	**54,500,852**	28,745,860
	73,174,562	41,621,058
Other financial liabilities		
Trade payables	**241,673**	60,260
RCPS	**219,388**	219,388
Other payables and accruals	**50,809,096**	88,775,294
Amount owing to a joint venture	**336,716**	315,254
Amount owing to an associate	**24,551**	5,449,035
	51,631,424	94,819,231
Financial liabilities at FVTPL		
Deferred consideration	**31,428,472**	82,357,472
Contingent consideration	**1,756,496**	1,483,782
	33,184,968	83,841,254

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification of financial instruments (continued)

	2017 RM	2016 RM
Company		
Financial assets		
Loans and receivables		
Other receivables and deposits	**185,910**	206,642
Amounts owing by subsidiaries	**16,547,457**	27,503,528
Amount owing by a related party	**56,972**	–
Cash and bank balances	**1,967,926**	20,166,165
	18,758,265	47,876,335
Other financial liabilities		
RCPS	**219,388**	219,388
Other payables and accruals	**21,504,580**	24,248,708
Amounts owing to subsidiaries	**24,203,898**	859,463
Amount owing to a related party	**331,074**	309,989
	46,258,940	25,637,548

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

	Gross amounts RM	Gross amounts set off in the statement of financial position RM	Net amounts presented in the statement of financial position RM
Company			
30.06.2017			
Financial assets			
Amounts owing by subsidiaries	**18,150,785**	**(1,603,328)**	**16,547,457**
Financial liabilities			
Amounts owing to subsidiaries	**25,807,226**	**(1,603,328)**	**24,203,898**
30.06.2016			
Financial assets			
Amounts owing by subsidiaries	27,503,528	–	27,503,528
Financial liabilities			
Amounts owing to subsidiaries	859,463	–	859,463

(e) Fair values of financial instruments

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2017.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

41 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values of financial instruments (continued)

Financial instruments other than those carried at fair value

The carrying amounts of the financial assets and liabilities of the Group and of the Company at the reporting date approximate their fair values.

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Liability				
Financial liability at fair value through profit or loss:				
Deferred consideration				
At 01.07.2015	–	–	–	–
Acquisition through business combination	–	–	81,844,451	81,844,451
Unwinding of discount	–	–	2,778,068	2,778,068
Exchange differences	–	–	(2,265,047)	(2,265,047)
At 30.06.2016/01.07.2016	**–**	**–**	**82,357,472**	**82,357,472**
Unwinding of discount	**–**	**–**	**7,632,189**	**7,632,189**
Payment made	**–**	**–**	**(64,572,000)**	**(64,572,000)**
Exchange differences	**–**	**–**	**6,010,811**	**6,010,811**
At 30.06.2017	**–**	**–**	**31,428,472**	**31,428,472**

>> NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Liability				
Financial liability at fair value through profit or loss:				
Contingent consideration				
At 01.07.2015	–	–	–	–
Acquisition through business combination	–	–	1,474,539	1,474,539
Unwinding of discount	–	–	50,050	50,050
Exchange differences	–	–	(40,807)	(40,807)
At 30.06.2016/01.07.2016	**–**	**–**	**1,483,782**	**1,483,782**
Unwinding of discount	**–**	**–**	**166,831**	**166,831**
Exchange differences	**–**	**–**	**105,883**	**105,883**
At 30.06.2017	**–**	**–**	**1,756,496**	**1,756,496**

42 SIGNIFICANT EVENTS

(a) Proposed New Private Placement

Subsequent to the financial year ended 30 June 2017, the Company issued 62,000,000 New Placement Shares, raising a total of RM23,870,000.

(b) Proposed acquisition of a 50% participating interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract

On 12 October 2016, the Company announced that its indirect wholly-owned subsidiary, SEA Hibiscus, had entered into a conditional sale and purchase agreement ("CSPA") with Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd (collectively the "Sellers") to acquire the Sellers' 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract entered into between Petroliam Nasional Berhad ("PETRONAS"), the Sellers and PETRONAS Carigali Sdn Bhd ("PCSB")("PSC"); and the joint operating agreement between the Sellers and PCSB in relation to the PSC ("SJOA") (collectively the "Interest") for a total consideration of USD25 million ("Proposed Acquisition").

The responsibilities of SEA Hibiscus as the operator of the PSC and under the SJOA are the management of the operations of:

(i) production of petroleum from 4 existing oil fields, namely St Joseph, South Furious, SF30 and Barton; and

(ii) existing pipeline infrastructure, the Labuan Crude Oil Terminal, and all other equipment and assets relating to the PSC.

The Proposed Acquisition is subject to and conditional upon approvals being obtained from the following:

(i) Sellers' receipt of PCSB's waiver of pre-emption rights and unconditional consent under the SJOA to the assignment of the entire Interest to SEA Hibiscus or upon fulfilment of conditions reasonably acceptable to SEA Hibiscus and/or the Sellers, as the affected party;

(ii) Sellers' receipt of PETRONAS's unconditional approval under the PSC to the assignment of the entire Interest to SEA Hibiscus or upon fulfilment of conditions reasonably acceptable to SEA Hibiscus and/or the Sellers, as the affected party;

(iii) the receipt of all consents of other relevant parties, if any; and

(iv) the due execution by the parties of the completion documents.

42 SIGNIFICANT EVENTS (CONTINUED)

(b) Proposed acquisition of a 50% participating interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (continued)

On 29 May 2017, the Company announced that:

(i) PCSB had waived their pre-emption rights under the SJOA; and

(ii) additionally, PETRONAS had provided its approval to the Sellers for the assignment of the Interest pursuant to the PSC in favour of SEA Hibiscus. The PETRONAS approval is subject to certain conditions which were reviewed by the Sellers in conjunction with SEA Hibiscus. If further clarifications are required from PETRONAS in respect of these conditions, these will be sought in due course and the Company would make further announcements, if appropriate.

Subject to the clarifications and subsequent closure of the conditions, the Group is aiming to complete the Proposed Acquisition by the second half of 2017.

The Proposed Acquisition is not subject to the Company's shareholders' approval.

(c) Prepaid lease rental from a third party charterer

The Group had entered into a lease and leaseback arrangement with a third party charterer in connection with the Rig during the current financial year. Amongst others, the arrangement enabled the Group to request for a prepaid lease rental of USD10.0 million on or after 1 February 2017 subject to meeting the conditions set by the third party charterer. Such conditions had been met.

The arrangement would have involved the Group pledging as a security of the Rig. It should be noted that at the time that the Group entered into this arrangement, the Group had not signed the CSPA relating to the proposed acquisition of a 50% participating interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract. Given that the Group has now signed the CSPA, the Group may have alternative uses for the Rig and thus, had not elected to lease out (and lease back) the Rig for any period of time. The arrangement has been terminated subsequent to the current financial year by the Group and the third party charterer.

SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED (LOSSES)/PROFITS

The breakdown of the retained earnings and accumulated losses of the Group and of the Company as at the end of the financial year/period into realised and unrealised (losses)/profits is presented in accordance with the directive issued by Bursa Securities and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total accumulated losses:				
Realised	**12,366,103**	(2,384,607)	**(301,529,515)**	(302,788,692)
Unrealised	**(308,029,960)**	(389,989,369)	**(6,333,117)**	(1,535,517)
	(295,663,857)	(392,373,976)	**(307,862,632)**	(304,324,209)
Less: Consolidation adjustments	**269,856,355**	260,469,669	**–**	–
	(25,807,502)	(131,904,307)	**(307,862,632)**	(304,324,209)

ANALYSIS OF ORDINARY SHAREHOLDINGS
AS AT 29 SEPTEMBER 2017

Total number of issued shares : 1,505,844,291 ordinary shares

Voting Rights : One vote for every ordinary share held

DISTRIBUTION OF ORDINARY SHAREHOLDERS

Category	Number of Shareholders	Number of Ordinary Shares	% of Total Shareholdings
Less than 100	36	756	-
100 – 1,000	926	584,471	0.04
1,001 – 10,000	4,168	25,170,501	1.67
10,001 – 100,000	3,614	135,721,620	9.01
10,001 to less than 5% of issued shares	924	1,065,546,943	70.76
5% and above of issued shares	2	278,820,000	18.52
Total	**9,670**	**1,505,844,291**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 29 SEPTEMBER 2017

		Direct		Indirect	
No.	Name	Number of Ordinary Shares	%	Number of Ordinary Shares	%
1	Hibiscus Upstream Sdn Bhd	168,572,600	11.19	-	-
2	Dr Kenneth Gerard Pereira	-	-	168,572,600[1]	11.19
3	Polo Investments Limited	138,900,000	9.22	-	-
4	Datuk Michael Tang Vee Mun	-	-	138,900,000[2]	9.22
5	Mettiz Capital Limited	-	-	138,900,000[2]	9.22
6	Polo Resources Limited	-	-	138,900,000[2]	9.22
7	Mohd Zulkefli bin Mohd Abdah	1,000,000	0.07	93,334,000[3]	6.20

Notes:

[1] Deemed interest by virtue of his interest in Hibiscus Upstream Sdn Bhd pursuant to Section 8 of the Companies Act 2016 (the Act).

[2] Deemed interest by virtue of their interest in Polo Investments Limited pursuant to Section 8 of the Act.

[3] Deemed interest by virtue of his interest in Picadilly Middle East Ltd and Tericon Solutions Ltd pursuant to Section 8 of the Act.

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 29 SEPTEMBER 2017

		Direct		Indirect	
No.	Name	Number of Ordinary Shares	%	Number of Ordinary Shares	%
1	Zainul Rahim bin Mohd Zain	-	-	-	-
2	Dr Kenneth Gerard Pereira	-	-	168,572,600[1]	11.19
3	Dato' Roushan Arumugam	-	-	53,465,000[2]	3.55
4	Sara Murtadha Jaffar Sulaiman	-	-	-	-
5	Thomas Michael Taylor	-	-	-	-
6	Dato' Dr Zaha Rina Zahari	4,000,000	0.27	-	-

Notes:

[1] Deemed interest by virtue of his interest in Hibiscus Upstream Sdn Bhd pursuant to Section 8 of the Act.

[2] Deemed interest by virtue of his interest in Littleton Holdings Pte Ltd pursuant to Section 8 of the Act and his spouse, Rachel Hannah Arumugam's shareholdings in Hibiscus Petroleum Berhad.

LIST OF TOP 30 ORDINARY SHAREHOLDERS AS AT 29 SEPTEMBER 2017

No.	Name	Number of Shares	% of Total Shareholdings
1	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hibiscus Upstream Sdn Bhd (MGN-HUS0001M)	139,920,000	9.29
2	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Polo Investments Limited (PB)	138,900,000	9.22
3	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS-PB)	56,115,000	3.73
4	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for Picadilly Middle East Ltd (46210662281D)	53,334,000	3.54
5	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for Tericon Solutions Ltd (46210662281A)	40,000,000	2.66
6	CitiGroup Nominees (Asing) Sdn Bhd Exempt AN for CitiBank New York (Norges Bank 14)	34,629,800	2.30
7	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Pheim)	34,172,000	2.27
8	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for Gud Run International Incorporated (46210662281B)	32,103,000	2.13
9	CitiGroup Nominees (Asing) Sdn Bhd CEP for Pheim SICAV-SIF	31,169,000	2.07
10	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ai Ling	30,000,000	1.99

>> ANALYSIS OF ORDINARY SHAREHOLDINGS
AS AT 29 SEPTEMBER 2017 (CONTINUED)

LIST OF TOP 30 ORDINARY SHAREHOLDERS AS AT 29 SEPTEMBER 2017

No.	Name	Number of Shares	% of Total Shareholdings
11	Hanizah binti Mohd Nasir	22,016,396	1.46
12	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Aspen Alliance Sdn Bhd	21,666,667	1.44
13	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Hibiscus Upstream Sdn Bhd (MY1928)	19,200,000	1.28
14	CitiGroup Nominees (Asing) Sdn Bhd JP Morgan SEC LLC for Acadian Global Leveraged Market Neutral Master Fund	17,981,900	1.19
15	Lim Chin Sean	16,948,200	1.13
16	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund	16,500,000	1.10
17	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH)	15,840,659	1.05
18	Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Mercury Pacific Marine Pte Ltd (021)	14,443,700	0.96
19	CitiGroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	10,401,200	0.69
20	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	10,322,000	0.69
21	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt AN for Nomura PB Nominees Ltd	10,201,000	0.68
22	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	10,166,000	0.68
23	Kelrix Sdn Bhd	9,889,889	0.66
24	Sri Inderajaya Holdings Sdn Bhd	9,452,702	0.63
25	Hibiscus Upstream Sdn Bhd	9,452,600	0.63
26	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Pheim Asean Equity Fund (TCSB)	8,850,000	0.59
27	Shamsuddin bin Abdul Kadir	7,785,500	0.52
28	CitiGroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	7,456,700	0.50
29	Mohammed Arshad	7,016,500	0.47
30	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Terence Wong @ Huang Thar-Rearn	7,000,000	0.46

ANALYSIS OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES (RCPS) HOLDINGS
AS AT 29 SEPTEMBER 2017

DISTRIBUTION OF RCPS HOLDERS

Category	Number of RCPS Holders	Number of RCPS	% of Total RCPS Holdings
Less than 100	-	-	-
100 – 1,000	-	-	-
1,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 to less than 5% of issued RCPS	-	-	-
5% and above of issued RCPS	1	2,193,880	100
Total	**1**	**2,193,880**	**100**

DIRECTORS' RCPS HOLDINGS AS PER REGISTER OF DIRECTORS' RCPS HOLDERS AS AT 29 SEPTEMBER 2017

		Direct		Indirect	
No.	Name	Number of RCPS	%	Number of RCPS	%
1	Zainul Rahim bin Mohd Zain	-	-	-	-
2	Dr Kenneth Gerard Pereira	-	-	2,193,880[1]	100
3	Dato' Roushan Arumugam	-	-	-	-
4	Sara Murtadha Jaffar Sulaiman	-	-	-	-
5	Thomas Michael Taylor	-	-	-	-
6	Dato' Dr Zaha Rina Zahari	-	-	-	-

Note:

[1] Deemed interest by virtue of his interest in Hibiscus Upstream Sdn Bhd pursuant to Section 8 of the Act.

LIST OF RCPS HOLDER AS AT 29 SEPTEMBER 2017

No.	Name	Number of RCPS	% of Total RCPS Holdings
1	Hibiscus Upstream Sdn Bhd	2,193,880	100

NOTICE OF THE 7TH ANNUAL GENERAL MEETING (AGM)

NOTICE IS HEREBY GIVEN that the 7th AGM of HIBISCUS PETROLEUM BERHAD (Hibiscus Petroleum or the Company) will be held at Nexus 3, Level 3A, Connexion Conference & Event Centre, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Tuesday, 5 December 2017 at 9.30 am for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2017 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To approve the payment of Directors' Fees of RM90,000 per annum to each Non-Executive Director (NED) for year ending 30 June 2018 and up to the date of the next AGM, to be paid quarterly in arrears. **[Resolution 1]**

3. To approve the payment of Directors' meeting allowances for the period from 1 February 2017 to 30 June 2017 at the following rate (as applicable): **[Resolution 2]**

   - RM4,000 for each meeting of the Board and of the Board Committees that an NED attends as Chairman of the meeting; or

   - RM3,000 for each meeting of the Board and of the Board Committees that an NED attends as a member of the Committee.

   Collectively **Meeting Allowances**.

4. To approve the payment of the Directors' Meeting Allowances (same rate as per Item 3 above) for the financial year ending 30 June 2018 and up to the date of the next AGM of the Company, to be paid quarterly in arrears. **[Resolution 3]**

5. To re-elect Dato' Roushan Arumugam who is retiring pursuant to Article 123 of the Articles of Association of the Company. **[Resolution 4]**

6. To re-elect Dr Kenneth Gerard Pereira who is retiring pursuant to Article 115 of the Articles of Association of the Company. **[Resolution 5]**

7. To re-elect Dato' Dr Zaha Rina Zahari who is retiring pursuant to Article 101 of the Articles of Association of the Company. **[Resolution 6]**

8. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 7]**

As Special Business

To consider and, if thought fit, to pass the following resolution:

9. **AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **[Resolution 8] (Please refer to Explanatory Note 2)**

   "THAT subject always to the Companies Act 2016 ("the Act"), the Articles of Association of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act, to allot and issue new ordinary shares in the Company at any time and from time to time and upon such terms and conditions to such persons and for such purposes as the Directors may in their discretion deem fit PROVIDED THAT the aggregate number of new ordinary shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued share of the Company for the time being and that such authority shall, unless revoked or varied by an ordinary resolution by the shareholders of the Company in a subsequent general meeting, commence upon the passing of this resolution and expire at the next annual general meeting of the Company AND THAT the Directors are further authorised to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company to give effect to the issuance of new ordinary shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."

10. To transact any other matters that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Act and the Articles of Association of the Company.

By Order of the Board
HIBISCUS PETROLEUM BERHAD

TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
Secretaries

Selangor Darul Ehsan
31 October 2017

>> NOTICE OF THE 7TH ANNUAL GENERAL MEETING (AGM) (CONTINUED)

Notes:

1. For purposes of determining who shall be entitled to attend this meeting in accordance with Articles 65(b) and 65(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 27 November 2017 and only Depositors whose name appear on such Record of Depositors shall be entitled to attend, speak and vote at the said meeting.

2. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the meeting. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at the meeting shall have the same right as a member to speak at the meeting.

3. A proxy or attorney or a duly authorised representative may, but need not be a member.

4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint more than one (1) proxy but not more than two (2) in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. To be valid, the Form of Proxy duly completed must be deposited at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy has been duly completed by the member(s).

7. If the Form of Proxy is signed under the hands of an appointor or his attorney duly authorised (or if the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hands of an officer or attorney duly authorised), it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy.

8. Members/proxies are required to produce the following identification documents at the registration for verification:

   (a) original identity card (National Registration Identity Card (NRIC) (Malaysian); or
   (b) copy of police report (for loss of NRIC)/temporary NRIC (Malaysian); or
   (c) original passport (Foreigner).

EXPLANATORY NOTES

1. Item 1 of the Agenda

   Item 1 of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

2. Item 9 of the Agenda

   The Company had, during its 5th AGM held on 11 December 2015 obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 (2015 Mandate). The 2015 Mandate was completed on 20 December 2016 with a total of 82,305,300 new ordinary shares issued, raising total proceeds of approximately RM20.0 million.

   The Company had, during its 6th AGM held on 6 December 2016, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 (2016 Mandate). As at 19 October 2017, 62,000,000 new ordinary shares in the Company were issued pursuant to the 2016 Mandate and were listed on the Main Market of Bursa Malaysia Securities Berhad, raising total proceeds of approximately RM23.87 million.

   The Ordinary Resolution 8 proposed under Item 9 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued ordinary share capital of the Company for purpose of potential expansion and capital expenditure, new business development, payment to trade and other payables, working capital and/or to continue with the private placement exercise as announced by the Company on 31 May 2017. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 7th AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 7th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 7th AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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FORM OF PROXY

HIBISCUS Petroleum

Hibiscus Petroleum Berhad
(798322-P)

CDS Account No.

I/We ____

I.C. No./Passport No./Company No. ______________________________

of ____

being a member of **HIBISCUS PETROLEUM BERHAD (HIBISCUS PETROLEUM or COMPANY),** hereby appoint ____________________

______________________________ I.C. No./Passport No. ____________________

of ____

or failing him/her, ______________________________ I.C. No./Passport No. ____________________

of ____

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the 7th Annual General Meeting (7th AGM) of the Company to be held at Nexus 3, Level 3A, Connexion Conference & Event Centre, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Tuesday, 5 December 2017 at 9.30 am or at any adjournment thereof, on the following resolutions referred to in the Notice of the 7th AGM by indicating an “X” in the space provided below:-

Item	Agenda			
1.	To receive the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2017 together with the Reports of the Directors and Auditors thereon.			
	Ordinary Business	**RESOLUTION**	**FOR**	**AGAINST**
2.	To approve the payment of Directors’ Fees of RM90,000 per annum to each Non-Executive Director (NED) for year ending 30 June 2018 and up to the date of the next AGM, to be paid quarterly in arrears.	1		
3.	To approve the payment of Directors’ meeting allowances for the period from 1 February 2017 to 30 June 2017 at the following rate (as applicable): • RM4,000 for each meeting of the Board and of the Board Committees that an NED attends as Chairman of the meeting; or • RM3,000 for each meeting of the Board and of the Board Committees that an NED attends as a member of the Committee. Collectively **Meeting Allowances**.	2		
4.	To approve the payment of the Directors’ Meeting Allowances (same rate as per Item 3 above) for the financial year ending 30 June 2018 and up to the date of the next AGM of the Company, to be paid quarterly in arrears.	3		
5.	To re-elect Dato’ Roushan Arumugam who is retiring pursuant to Article 123 of the Articles of Association of the Company.	4		
6.	To re-elect Dr Kenneth Gerard Pereira who is retiring pursuant to Article 115 of the Articles of Association of the Company.	5		
7.	To re-elect Dato’ Dr Zaha Rina Zahari who is retiring pursuant to Article 101 of the Articles of Association of the Company.	6		
8.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	7		
	Special Business	**RESOLUTION**	**FOR**	**AGAINST**
9.	Authority for the Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	8		

Dated this __________ day of ______________ 2017

Signature/Common Seal	
Number of shares held	

For appointment of two proxies, percentage of shareholdings to be represented by the proxies			
	Number of shares	Percentage	
Proxy 1			%
Proxy 2			%
		100	%

Notes:

1. For purposes of determining who shall be entitled to attend this meeting in accordance with Articles 65(b) and 65(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 27 November 2017 and only Depositors whose name appear on such Record of Depositors shall be entitled to attend, speak and vote at the said meeting.

2. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the meeting. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at the meeting shall have the same right as a member to speak at the meeting.

3. A proxy or attorney or a duly authorised representative may, but need not be a member.

4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint more than one (1) proxy but not more than two (2) in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. To be valid, the Form of Proxy duly completed must be deposited at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy has been duly completed by the member(s).

7. If the Form of Proxy is signed under the hands of an appointor or his attorney duly authorised (or if the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hands of an officer or attorney duly authorised), it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy.

8. Members/proxies are required to produce the following identification documents at the registration for verification:

   (a) original identity card (National Registration Identity Card (NRIC) (Malaysian); or
   (b) copy of police report (for loss of NRIC)/temporary NRIC (Malaysian); or
   (c) original passport (Foreigner).

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of 7th AGM dated 31 October 2017.

AFFIX
POSTAGE
STAMP

Share Registrar

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59200 Kuala Lumpur
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